

# 2019 ANNUAL BUSINESS CONFIDENCE INDEX REPORT

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## Summary of Key Findings

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Anchorage Economic Development Corporation (AEDC) contracted with McDowell Group, an Alaska research firm, to conduct the 11th annual AEDC Business Confidence Index (BCI) Survey. The purpose of this survey is to assess business conditions in the Anchorage area and measure Anchorage business confidence entering 2019. The survey was fielded from November 19 to December 25, 2018. Online responses from 203 businesses and organizations in Anchorage, Chugiak, Eagle River, and Girdwood were analyzed and modeled to produce business confidence indices. Key findings are highlighted below.

### **BUSINESS CONFIDENCE INDICES**

With a maximum score of 100, an index above 50 indicates a generally optimistic outlook while below 50 indicates a generally pessimistic view.

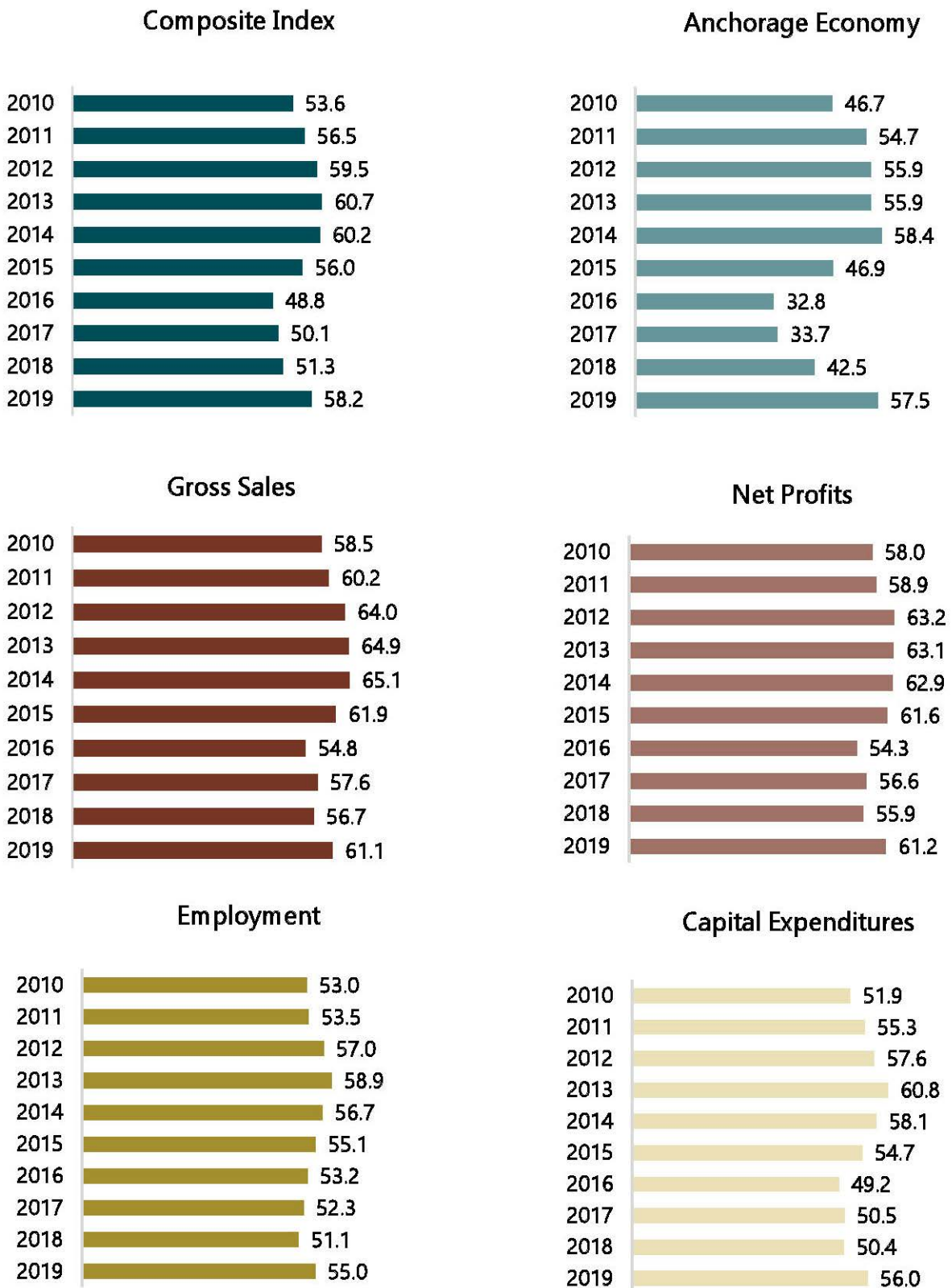
Indices for 2019 show cautious optimism, with indices ranging between 55 and 61, and representing significant increases from 2018. The largest increase was for the Anchorage economy, with the index jumping 15 points; the smallest increase was for employment, where the increase was 4 points.

Comparing all indices to last year's results, expectations for 2019 are:

- Higher for the overall “composite” Business Confidence Index, **↑** 6.9 points to 58.2.
- Higher for the Anchorage Economy Index, **↑** 15.0 points to 57.5.
- Higher for Gross Sales Index, **↑** 4.4 points to 61.1.
- Higher for Net Profits Index, **↑** 5.3 points to 61.2.
- Higher for Employment Index, **↑** 3.9 points to 55.0.
- Higher for Capital Expenditures Index, **↑** 5.6 points to 56.0.

The charts on the following page compare the indices for each annual AEDC BCI survey conducted in the last 10 years.

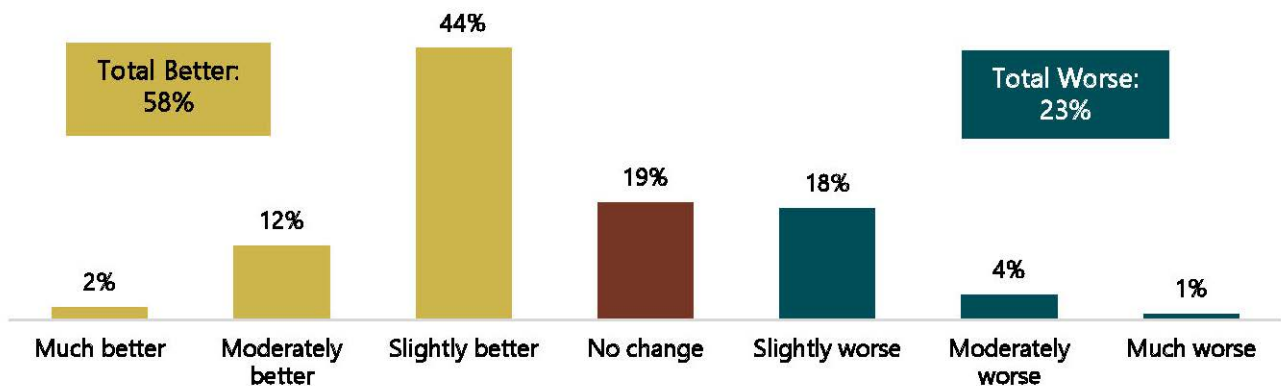
**Figure I. Anchorage Business Confidence Indices, 2010 - 2019**  
**(0 – Very Pessimistic, 50 – Neither Pessimistic Nor Optimistic, 100 – Very Optimistic)**



### ANCHORAGE ECONOMY

When asked how the Anchorage economy will fare in 2019 compared to 2018, over half of businesses (58 percent) were optimistic, saying they expect it to fare better – more than twice as many as those saying it would fare worse (23 percent). These results are largely inverted from 2018, when 29 percent expected the economy to fare better, and 58 percent expected it to worsen.

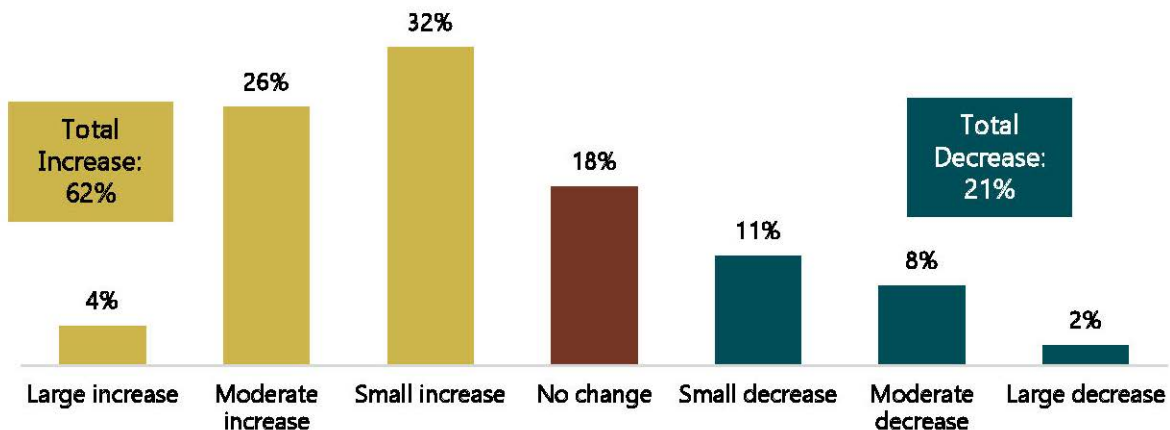
**Figure 2. How do you think the Municipality of Anchorage economy will fare in 2019, compared to 2018?**



### GROSS SALES AND NET PROFITS

Six out of ten businesses (62 percent) expect their gross sales or annual operating budget to increase in 2019, while 21 percent expect a decrease. These results are slightly more optimistic than 2018, when 53 percent of businesses expected an increase, and 27 percent expected a decrease. Net profit expectations (not shown) were similar to gross sales/operating budget expectations, with 64 percent anticipating an increase in net profits in 2019, and 20 percent expecting a decrease.

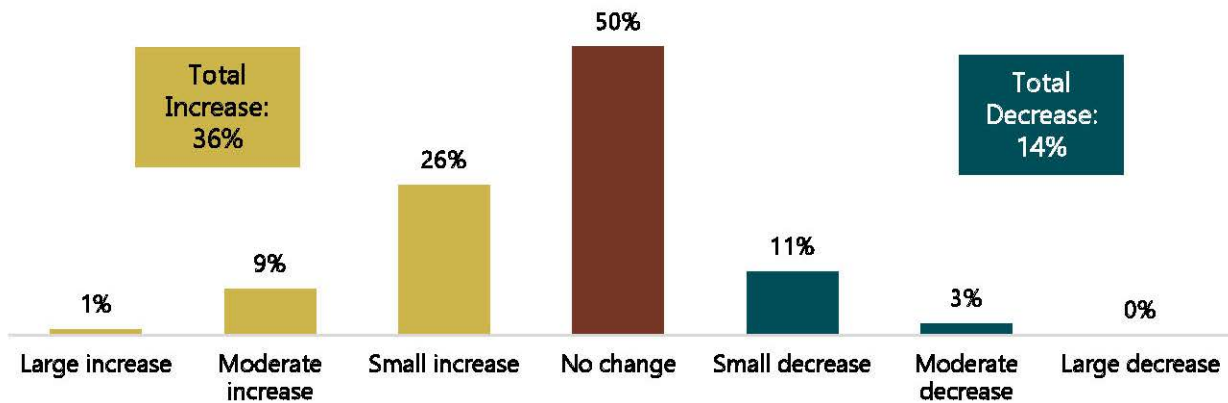
**Figure 3. Expectations for Gross Sales/Annual Operating Budget in 2019**



## EMPLOYMENT AND CAPITAL EXPENDITURES

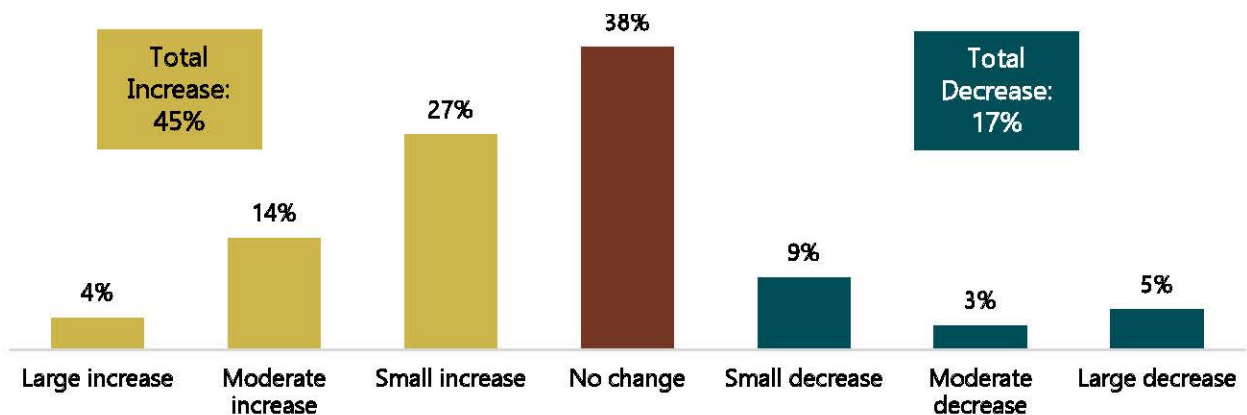
Half of responding businesses (50 percent) expect no change in their 2019 employment. The remainder are much more likely to expect an increase (35 percent) than to expect a decrease (13 percent). Businesses became more likely to expect an increase in the 2019 survey (35 percent) compared to 2018 (26 percent); those expecting a decrease fell from 20 percent in 2018 to 13 percent in 2019.

**Figure 4. Expectations for Employment in 2019**



Nearly half of businesses (45 percent) expect an increase in capital expenditures in 2019, much more than the percentage expecting a decrease (17 percent). The remainder (38 percent) expect no change. Those expecting an increase grew from 36 percent in 2018 to 45 percent in 2019, while those expecting a decrease fell from 25 percent to 17 percent.

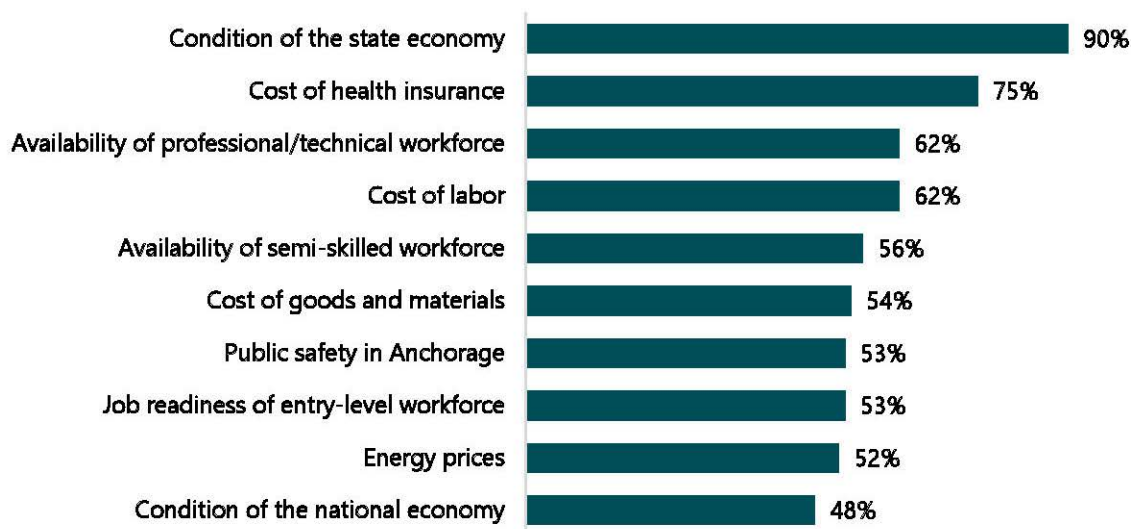
**Figure 5. Expectations for Capital Expenditures in 2019**



## BARRIERS TO BUSINESS GROWTH

When asked to rate the significance of various barriers to their business' growth, the most significant barrier is the condition of the state economy, with 90 percent saying this is a significant or moderate barrier. This is followed by cost of health insurance (75 percent), the availability of professional/technical workforce (62 percent), and the cost of labor (62 percent).

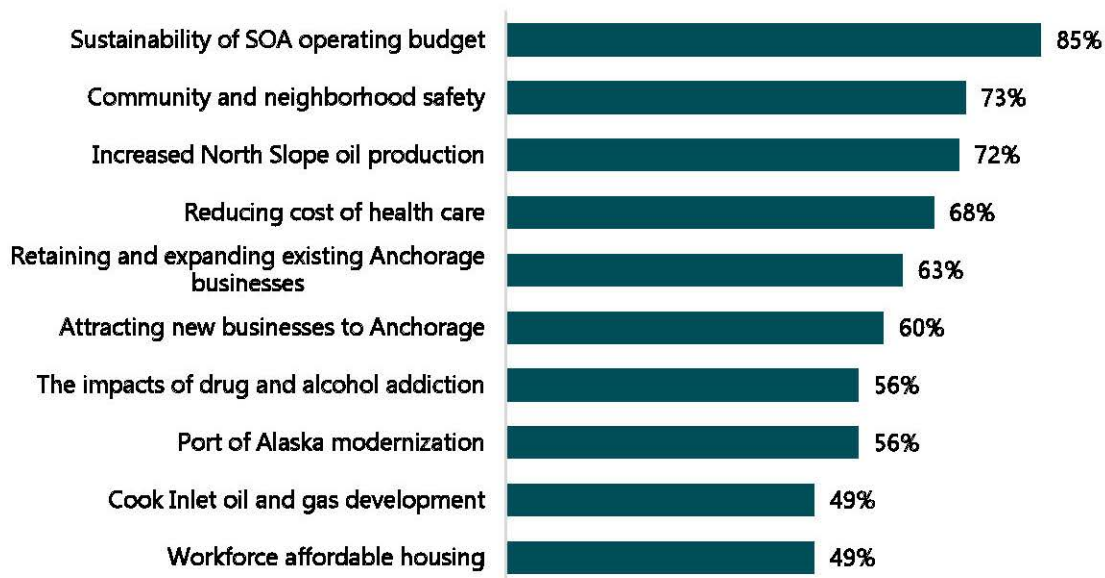
**Figure 6. Top 10 Barriers to Business Growth (Significant and Moderate Barriers Combined)**



## IMPORTANT ISSUES AFFECTING ANCHORAGE'S ECONOMY

When asked to rate the importance of various issues to the Anchorage economy, the sustainability of the State of Alaska operating budget received the most "very important" ratings at 85 percent, followed by community and neighborhood safety (73 percent), and increased North Slope oil production (72 percent).

**Figure 7. Top 10 Issues for Anchorage Economy (% rating "very important")**



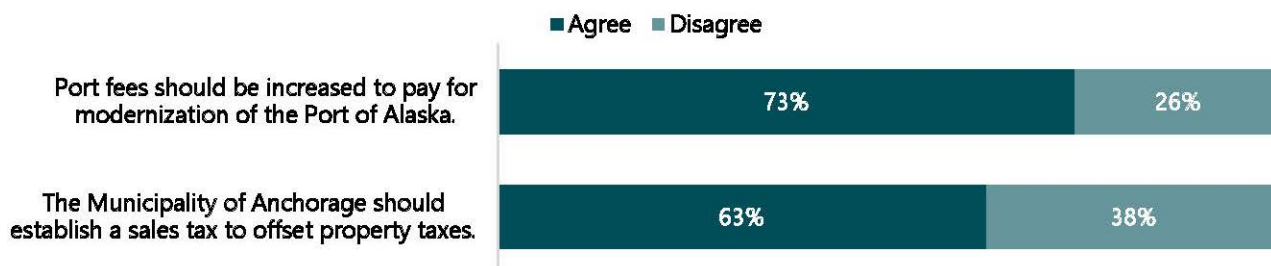


## BUSINESS SUPPORT FOR INCREASED PORT FEES AND ANCHORAGE SALES TAX

Nearly three-quarters of businesses (73 percent) agreed that port fees should be increased to pay for modernization of the Port of Alaska, while 26 percent disagreed.

Nearly two-thirds (63 percent) agreed that the Municipality of Anchorage should establish a sales tax to offset property taxes, while 38 percent disagreed. These figures represent a change from the 2017 survey, when a similar question found that 49 percent of businesses were supportive of the concept.

**Figure 8. Port Fees and Anchorage Sales Tax: Agree/Disagree**

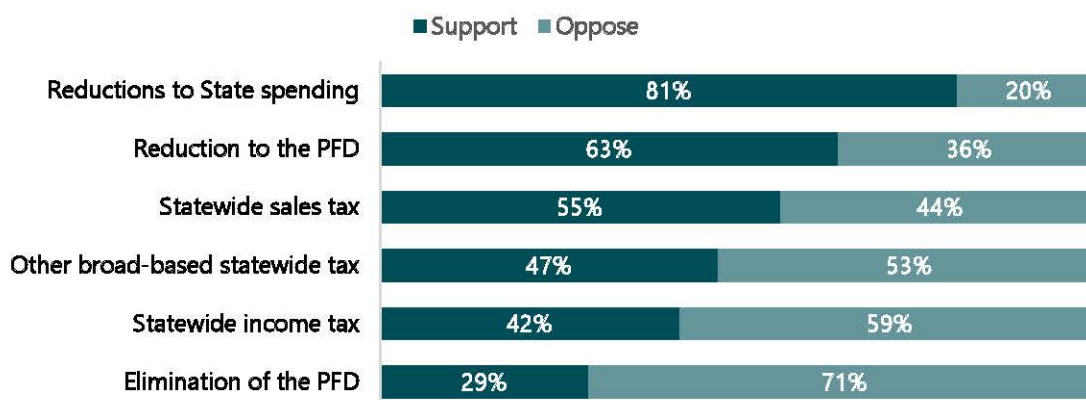


Note: Due to rounding, some columns may not add up to 100 percent.

## STATE'S LONG-TERM FISCAL STABILITY

When asked for support/opposition to six potential methods of addressing the State of Alaska's budget deficit, the most popular was "further reductions to State spending" at 81 percent supportive, followed by reduction to the PFD at 63 percent, and statewide sales tax at 55 percent. Less than half were supportive of the other three methods: other broad-based statewide tax (47 percent), statewide income tax (42 percent), and eliminating the PFD (29 percent). Results were very consistent between 2017 and 2018.

**Figure 9. Methods to Address Budget Deficit: Support/Oppose**



Note: Due to rounding, some columns may not add up to 100 percent.

## Introduction and Methodology

Anchorage Economic Development Corporation (AEDC) contracted with McDowell Group for the 11th year to conduct the annual Business Confidence Index (BCI) survey of businesses and organizations in the Municipality of Anchorage. The purpose of the survey is to identify various factors that affect Anchorage businesses and the overall economy to assess business confidence.

The online survey was conducted between November 19 and December 25, 2018. Respondents were asked a series of questions regarding their organization's business performance in 2018 compared to 2017, expectations for 2019, perceived barriers to growth, importance of various projects and issues to the Anchorage economy, and their opinion of the overall economies in Anchorage and Alaska. Most of the questions were unchanged from prior surveys, allowing most results to be benchmarked.

This year, a total of 203 businesses and organizations completed the survey, representing a decline in response rate from the 2017 survey, when 338 businesses participated. The decline is likely attributable to a combination of factors, including reduced survey promotion and the disruptive November 30th earthquake.

A business confidence index model is designed to gauge expectations about the overall Anchorage economy, gross sales, net profits, employment, and capital expenditures. The index, with a possible maximum of 100, indicates a positive outlook above 50 and a negative outlook below 50.

## 2018 Business Performance

- In terms of net profits, 53 percent of businesses reported an increase between 2017 and 2018, significantly more than the percentage reporting a decrease (32 percent). The remainder (14 percent) reported no change.
- The percentage reporting an increase (53 percent) grew from 2017 (42 percent), and represented a turning point after four years of declines in this response (from 65 percent in 2013 to 42 percent in 2017).

**Table 1. In terms of net profits, how has your business performed in 2018 compared to 2017? (2009-2018 results) (Percent)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Increase (net)</b>	<b>53</b>	<b>42</b>	<b>46</b>	<b>53</b>	<b>61</b>	<b>65</b>	<b>56</b>	<b>57</b>	<b>56</b>	<b>42</b>
Large increase	3	4	4	5	8	6	10	8	6	6
Moderate increase	18	17	22	21	29	24	25	23	20	15
Small increase	32	21	20	27	24	35	21	26	30	21
<b>Decrease (net)</b>	<b>32</b>	<b>44</b>	<b>41</b>	<b>34</b>	<b>27</b>	<b>23</b>	<b>28</b>	<b>25</b>	<b>34</b>	<b>45</b>
Small decrease	12	20	16	16	14	12	15	12	16	17
Moderate decrease	15	14	14	13	9	9	9	7	10	18
Large decrease	5	10	11	5	4	2	4	6	8	10
<b>No change</b>	<b>14</b>	<b>14</b>	<b>13</b>	<b>13</b>	<b>12</b>	<b>12</b>	<b>15</b>	<b>19</b>	<b>9</b>	<b>13</b>

Note: Results re-calculated to remove "not applicable" responses. Due to rounding, some columns may not add up to 100 percent. Annual survey results are used to produce indices for the following year.

## GROSS SALES / ANNUAL OPERATING BUDGETS

- Six out of ten businesses (62 percent) expect an increase in their gross sales or annual operating budgets in 2019, triple the number expecting a decrease (21 percent). Eighteen percent expect no change.
- The percentage expecting an increase in their sales/budget grew from 53 percent in 2017 to 62 percent in 2018, while those expecting a decrease fell from 27 percent to 21 percent. The 2018 “expect increase” percentage is the highest since 2014, when 65 percent of businesses expected an increase.
- The percentage expecting “no change” has stayed between 14 and 21 percent over the last decade.

**Table 2. In terms of gross sales/annual operating budget, how do you expect your organization to perform in 2019 compared to 2018? (2009-2018 results) (Percent)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Increase (net)</b>	<b>62</b>	<b>53</b>	<b>54</b>	<b>49</b>	<b>65</b>	<b>73</b>	<b>73</b>	<b>68</b>	<b>63</b>	<b>60</b>
Large increase	4	4	5	4	5	4	3	4	3	6
Moderate increase	26	22	27	19	26	27	33	26	22	22
Small increase	32	27	22	26	34	42	37	38	38	32
<b>Decrease (net)</b>	<b>21</b>	<b>27</b>	<b>28</b>	<b>31</b>	<b>18</b>	<b>13</b>	<b>13</b>	<b>12</b>	<b>17</b>	<b>27</b>
Small decrease	11	16	14	17	10	9	6	8	10	13
Moderate decrease	8	8	10	11	5	3	4	2	3	10
Large decrease	2	3	4	3	3	1	3	2	4	4
<b>No change</b>	<b>18</b>	<b>20</b>	<b>17</b>	<b>18</b>	<b>17</b>	<b>14</b>	<b>15</b>	<b>19</b>	<b>21</b>	<b>15</b>

Note: Results re-calculated to remove “not applicable” responses. Due to rounding, some columns may not add up to 100 percent. Annual survey results are used to produce indices for the following year.

## NET PROFITS

- Nearly two-thirds of businesses (64 percent) expect their net profits to increase in 2019, while 20 percent expect their net profits to decrease, and 15 percent expect no change.
- Businesses expecting an increase in net profits grew from 51 percent in 2017 to 64 percent in 2018, while those expecting a decrease fell from 27 percent to 20 percent. The 2018 “expect increase” rate of 64 percent was the highest since 2013, when 68 percent of businesses expected an increase.

**Table 3. In terms of net profits, how do you expect your organization to perform in 2019 compared to 2018? (2009-2018 results) (Percent)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Increase (net)</b>	<b>64</b>	<b>51</b>	<b>53</b>	<b>49</b>	<b>63</b>	<b>68</b>	<b>68</b>	<b>66</b>	<b>60</b>	<b>58</b>
Large increase	4	3	5	2	4	3	2	4	2	4
Moderate increase	23	20	25	19	27	24	23	23	20	24
Small increase	37	28	23	28	32	41	43	39	38	30
<b>Decrease (net)</b>	<b>20</b>	<b>27</b>	<b>29</b>	<b>28</b>	<b>20</b>	<b>16</b>	<b>12</b>	<b>14</b>	<b>18</b>	<b>25</b>
Small decrease	13	15	15	15	12	11	7	10	10	12
Moderate decrease	5	9	9	9	6	4	5	2	4	9
Large decrease	2	3	5	4	2	1	-	2	4	4
<b>No change</b>	<b>15</b>	<b>22</b>	<b>18</b>	<b>23</b>	<b>18</b>	<b>15</b>	<b>20</b>	<b>19</b>	<b>22</b>	<b>18</b>

Note: Results re-calculated to remove “not applicable” responses. Due to rounding, some columns may not add up to 100 percent. Annual survey results are used to produce indices for the following year.

## EMPLOYMENT

- One-third of businesses (36 percent) expect their employment to increase in 2019, 14 percent expect a decrease. One-half (50 percent) expect no change in employment.
- The percentage expecting an increase grew from 26 percent in 2017 to 36 percent in 2018, and was the highest since 2015 (36 percent). Those expecting a decrease fell from 20 percent to 14 percent.

**Table 4. In terms of employment, how do you expect your organization to perform in 2019 compared to 2018? (2009-2018 results) (Percent)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Increase (net)</b>	<b>36</b>	<b>26</b>	<b>30</b>	<b>36</b>	<b>41</b>	<b>45</b>	<b>52</b>	<b>45</b>	<b>34</b>	<b>33</b>
Large increase	1	1	1	2	2	1	2	2	-	2
Moderate increase	9	6	11	10	11	11	11	11	9	7
Small increase	26	19	18	24	28	33	39	32	25	24
<b>Decrease (net)</b>	<b>14</b>	<b>20</b>	<b>21</b>	<b>21</b>	<b>17</b>	<b>13</b>	<b>8</b>	<b>13</b>	<b>16</b>	<b>17</b>
Small decrease	11	14	14	12	11	8	6	10	12	11
Moderate decrease	3	4	5	7	3	4	2	2	2	4
Large decrease	-	2	2	2	3	1	<1	1	2	2
<b>No change</b>	<b>50</b>	<b>53</b>	<b>48</b>	<b>43</b>	<b>44</b>	<b>41</b>	<b>39</b>	<b>43</b>	<b>49</b>	<b>49</b>

Note: Results re-calculated to remove "not applicable" responses. Due to rounding, some columns may not add up to 100 percent. Annual survey results are used to produce indices for the following year.

## CAPITAL EXPENDITURES

- Nearly one-half of businesses (45 percent) expect an increase in capital expenditures, while 17 percent expect a decrease, and 38 percent expect no change.
- The percentage expecting an increase in capital expenditures grew from 36 percent in 2017 to 45 percent in 2018, while those expecting a decrease fell from 25 percent to 17 percent. The 2018 "expect increase" rate of 45 percent was the highest since 2013 (50 percent).

**Table 5. In terms of capital expenditures, how do you expect your organization to perform in 2019 compared to 2018? (2009-2018 results) (Percent)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Increase (net)</b>	<b>45</b>	<b>36</b>	<b>33</b>	<b>34</b>	<b>42</b>	<b>50</b>	<b>52</b>	<b>45</b>	<b>46</b>	<b>35</b>
Large increase	4	2	3	3	5	7	7	5	3	4
Moderate increase	14	9	11	9	14	14	18	12	12	8
Small increase	27	25	19	22	23	29	27	28	31	23
<b>Decrease (net)</b>	<b>17</b>	<b>25</b>	<b>29</b>	<b>32</b>	<b>19</b>	<b>16</b>	<b>13</b>	<b>14</b>	<b>17</b>	<b>22</b>
Small decrease	9	11	14	17	7	8	7	8	7	9
Moderate decrease	3	5	10	8	6	3	4	4	5	8
Large decrease	5	9	5	7	6	5	2	2	5	5
<b>No change</b>	<b>38</b>	<b>39</b>	<b>37</b>	<b>34</b>	<b>38</b>	<b>35</b>	<b>35</b>	<b>43</b>	<b>37</b>	<b>42</b>

Note: Results re-calculated to remove "not applicable" responses. Due to rounding, some columns may not add up to 100 percent. Annual survey results are used to produce indices for the following year.

## Barriers to Business Growth

Respondents were asked to rate a list of potential barriers to their business's growth as either significant, moderate, not a barrier, or not applicable.

- When combining the results for “significant” and “moderate” barrier, the condition of the state economy is seen as the biggest barrier (90 percent), followed by cost of health insurance (75 percent), availability of professional/technical workforce (62 percent), and cost of labor (62 percent).
- Factors seen as least threatening are availability of commercial property for development near the airport (just 10 percent rated this as a moderate or significant barrier), state taxes (21 percent), availability of industrial/commercial/office space (26 percent), and federal taxes (28 percent).
- “Other” barriers (or comments) mentioned by respondents are listed in the Appendix.

**Table 6. To what extent are the following factors a barrier to your organization's growth? (Percent)**

	Significant barrier	Moderate barrier	Significant/ Moderate Combined	Not a barrier	Not applicable
Condition of the state economy	51	39	90	8	1
Cost of health insurance	44	31	75	20	5
Availability of professional/technical workforce	25	37	62	33	4
Cost of labor	14	48	62	33	6
Availability of semi-skilled workforce	15	41	56	35	9
Cost of goods and materials	13	41	54	38	8
Public safety in Anchorage	17	36	53	38	9
Job readiness of entry-level workforce	15	38	53	34	13
Energy prices	16	36	52	40	8
Condition of the national economy	8	40	48	49	3
Availability and affordability of quality housing	13	34	47	43	11
State regulations	12	35	47	45	8
Municipality of Anchorage regulations	17	24	41	50	8
Federal regulations	12	28	40	50	10
Cost of Workers' Compensation insurance	8	31	39	51	10
Cost of commercial lease/rental property	12	25	37	46	17
Access to capital	13	22	35	54	11
Municipality of Anchorage taxes	10	22	32	54	15
Transportation linkages with suppliers and markets	7	22	29	51	20
Federal taxes	8	20	28	56	15
Availability of industrial/commercial/office space	5	21	26	60	14
State taxes	6	15	21	57	21
Availability of commercial property for development near the airport	2	8	10	52	38

Note: Due to rounding, some rows may not add up to 100 percent.



- Results were similar to 2017, with several exceptions:
  - Those citing “condition of the state economy” as a significant barrier fell from 56 to 51 percent.
  - Those citing “cost of health insurance” increased from 38 to 44 percent.
  - Those citing “availability of professional/technical workforce” increased from 15 to 25 percent.
  - Those citing “Municipality of Anchorage regulations” increased from 11 to 17 percent.
  - Those citing “federal regulations” fell from 20 to 12 percent.

**Table 7. To what extent are the following factors a barrier to your organization’s growth?  
 (“Significant barriers” only) (2009-2018 results) (Percent)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Condition of the state economy	51	56	53	51	33	27	*	*	*	*
Cost of health insurance	44	38	38	31	31	36	29	23	34	27
Availability of professional/technical workforce	25	15	15	16	26	24	19	15	12	10
Public safety in Anchorage	17	19	9	6	5	*	*	*	*	*
Municipality of Anchorage regulations	17	11	10	14	12	10	7	6	9	6
Energy prices	16	18	20	21	15	9	15	15	12	12
Job readiness of entry-level workforce	15	13	13	13	14	16	9	11	7	7
Availability of semi-skilled workforce	15	13	8	13	13	18	6	4	5	6
Cost of labor	14	12	13	11	15	11	*	*	*	*
Access to capital	13	12	13	11	8	10	10	8	13	16
Availability and affordability of quality housing	13	10	9	14	*	*	*	*	*	*
Cost of goods and materials	13	*	*	*	*	*	*	*	*	*
Federal regulations	12	20	22	24	25	36	28	25	29	21
State regulations	12	16	13	12	12	18	13	12	10	9
Cost of commercial lease/rental property	12	11	7	9	10	9	7	10	10	8
Municipality of Anchorage taxes	10	10	6	7	6	6	4	4	10	6
Federal taxes	8	12	10	13	15	13	7	9	9	11
Cost of Workers’ Compensation insurance	8	11	8	11	9	13	8	12	14	11
Condition of the national economy	8	7	16	12	16	28	*	*	*	*
Transportation linkages with suppliers and markets	7	8	7	7	9	8	6	10	5	7
State taxes	6	10	6	6	5	7	7	6	6	6
Availability of industrial/commercial/office space	5	5	5	3	*	*	*	*	*	*
Availability of commercial property for development near the airport	2	2	3	2	*	*	*	*	*	*

\* Not included in the survey that year.

## Capital Improvement Plans

- Over one-quarter of businesses (28 percent) said they are planning significant capital improvements in the next two years. Among these businesses, 80 percent said their investment will create jobs for Anchorage residents.
- The percentage planning capital improvements (28 percent) is about the same (25 percent) as in 2017.
- Among those not planning capital improvements, one-half (50 percent) said that recent changes in the Anchorage economy have affected their growth plans.
- The percentage claiming that the recent economic climate affected their plans (50 percent) is up slightly from 2017 (44 percent) and the highest in the last decade.

**Table 8. Are you planning significant capital improvements in the next two years (2019-2020)? (2009-2018 results) (Percent)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Planning capital improvement</b>	<b>28</b>	<b>25</b>	<b>31</b>	<b>27</b>	<b>31</b>	<b>35</b>	<b>43</b>	<b>34</b>	<b>27</b>	<b>31</b>
Will create jobs	80	69	67	68	78	70	65	71	64	73
Will not create jobs	20	31	33	32	22	30	35	29	36	27
<b>Not planning capital improvement</b>	<b>72</b>	<b>75</b>	<b>69</b>	<b>73</b>	<b>69</b>	<b>65</b>	<b>57</b>	<b>66</b>	<b>73</b>	<b>69</b>
Recent economic climate did not affect plans	50	56	59	60	73	76	88	72	62	69
Recent economic climate affected plans	50	44	41	40	27	24	12	28	38	31

Note: Results re-calculated to remove "not applicable" responses. Due to rounding, some columns may not add up to 100 percent. Annual survey results are used to produce indices for the following year.

## Expectations for the Economy in 2019

Respondents were asked about their expectations for both the Anchorage and Alaska economies.

### ANCHORAGE ECONOMY

- Six out of ten businesses (58 percent) said they think the Anchorage economy will fare better in 2019 compared to 2018, while 23 percent expect it to fare worse, and 19 percent expect no change.
- Businesses are much more optimistic than last year, with the percentage of those saying the economy will improve rising from 29 percent in 2017 to 58 percent in 2018. It is the fourth consecutive year optimism has increased: from a low of 10 percent in 2015, to 18 percent in 2016, 29 percent in 2017, and 58 percent in 2018.

**Table 9. How do you think the Municipality of Anchorage economy will fare next year, compared to this year? (2009-2018 results) (Percent)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Better (net)</b>	<b>58</b>	<b>29</b>	<b>18</b>	<b>10</b>	<b>37</b>	<b>59</b>	<b>51</b>	<b>55</b>	<b>48</b>	<b>33</b>
Much better	2	2	1	-	1	1	1	-	1	-
Moderately better	12	4	3	<1	7	11	14	7	8	8
Slightly better	44	23	14	10	29	47	36	48	39	25
<b>Worse (net)</b>	<b>23</b>	<b>58</b>	<b>70</b>	<b>78</b>	<b>44</b>	<b>18</b>	<b>21</b>	<b>20</b>	<b>25</b>	<b>47</b>
Slightly worse	18	36	40	48	29	17	19	15	21	32
Moderately worse	4	17	23	22	12	1	2	3	3	13
Much worse	1	5	7	8	3	<1	-	2	1	2
<b>No change</b>	<b>19</b>	<b>14</b>	<b>12</b>	<b>12</b>	<b>18</b>	<b>22</b>	<b>28</b>	<b>25</b>	<b>27</b>	<b>21</b>

Note: Results re-calculated to remove "not applicable" responses. Due to rounding, some columns may not add up to 100 percent. Annual survey results are used to produce indices for the following year.

## ALASKA ECONOMY

- Six out of 10 Anchorage businesses (62 percent) think the Alaska economy will improve in 2019, while one-quarter (24 percent) think it will worsen, and 15 percent think there will be no change.
- The percentage expecting Alaska's economy to improve (62 percent) is twice as high as it was in 2017 (32 percent) and significantly up from the previous years of 2016 (19 percent) and 2015 (5 percent). Conversely, those expecting the economy to worsen fell from 88 percent in 2015, to 71 percent in 2016, to 52 percent in 2017, and to 24 percent in 2018.

**Table 10. How do you think the overall Alaska economy will fare next year, compared to this year? (2009-2018 results) (Percent)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Better (net)</b>	<b>62</b>	<b>32</b>	<b>19</b>	<b>5</b>	<b>35</b>	<b>56</b>	<b>54</b>	<b>51</b>	<b>47</b>	<b>37</b>
Much better	3	2	1	-	2	1	2	1	1	-
Moderately better	16	5	4	<1	8	13	11	8	8	7
Slightly better	43	25	14	5	25	42	41	42	38	30
<b>Worse (net)</b>	<b>24</b>	<b>52</b>	<b>71</b>	<b>88</b>	<b>50</b>	<b>24</b>	<b>17</b>	<b>24</b>	<b>29</b>	<b>49</b>
Slightly worse	17	29	32	40	29	20	13	19	23	37
Moderately worse	6	19	29	36	16	3	4	3	4	10
Much worse	1	4	10	12	5	1	-	2	2	2
<b>No change</b>	<b>15</b>	<b>16</b>	<b>9</b>	<b>7</b>	<b>15</b>	<b>20</b>	<b>29</b>	<b>26</b>	<b>25</b>	<b>15</b>

Note: Results re-calculated to remove "not applicable" responses. Due to rounding, some columns may not add up to 100 percent. Annual survey results are used to produce indices for the following year.



## Importance of Issues for the Economy

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Businesses were asked to rate the importance (very, somewhat, or not important) of various projects and issues to the Anchorage economy.

The vast majority of issues are seen as important to the Anchorage economy, with at least 75 percent of businesses rating 19 out of 25 issues as “somewhat” or “very” important. The top five issues in terms of overall importance (very and somewhat important combined) were:

- Sustainability of State of Alaska operating budget (98 percent very or somewhat important)
- Community and neighborhood safety (98 percent)
- Retaining and expanding existing Anchorage businesses (97 percent)
- Increased North Slope oil production (96 percent)
- Reducing cost of health care (93 percent somewhat or very important)

The issues seen as of somewhat less importance to the Anchorage economy (though still important overall) include:

- Pebble Project (54 percent somewhat or very important)
- Donlin Gold Project (64 percent)
- Ship Creek redevelopment (65 percent)
- Live.Work.Play. initiative (67 percent)

“Other” issues of high importance to respondents not included in the table below are provided in the Appendix.

Between 2017 and 2018, “very important” ratings changed for several issues. Following are changes of more than 5 percent.

- Reducing cost of health care (from 78 to 68 percent)
- Attracting new businesses to Anchorage (from 68 to 60 percent)
- Port of Alaska modernization (from 50 to 56 percent) (Note: Wording changed from “Port of Anchorage improvements”)
- Cook Inlet resource development (from 59 to 49 percent)
- Area’s road infrastructure (from 38 to 45 percent)
- Pebble Project (from 29 to 20 percent)
- Upgrade community water/wastewater utility infrastructure (from 28 to 19 percent) (Note: Wording changed from “Upgrade of energy and water/wastewater utility infrastructure.”)

*See tables, next two pages.*

**Table 11. How important do you think the following are for the Municipality of Anchorage economy? (Percent)**

	Very important	Somewhat important	Very/ Somewhat Combined	Not important
Sustainability of State of Alaska operating budget	85	13	98	1
Community and neighborhood safety	73	25	98	2
Retaining and expanding existing Anchorage businesses	63	34	97	2
Increased North Slope oil production	72	24	96	3
Reducing cost of health care	68	25	93	4
Attracting new businesses to Anchorage	60	32	92	7
The impacts of drug and alcohol addiction	56	36	92	5
Port of Alaska modernization	56	36	92	6
Workforce training	42	49	91	7
Cook Inlet oil and gas development	49	41	90	7
Area's road infrastructure	45	45	90	9
90% Anchorage School District high school graduation rate by 2020	44	45	89	7
Workforce affordable housing	49	40	89	9
The impacts of homelessness	49	39	88	9
Affordable/available childcare services	35	50	85	12
Natural gas pipeline from North Slope to Cook Inlet	49	34	83	13
Creative environments that enhance community livability	34	45	79	18
Increasing support services for entrepreneurs	29	49	78	16
Retaining transitioning veterans in the local workforce	24	53	77	18
Upgrade community water/wastewater utility infrastructure	19	51	70	22
City parks and trails revitalization	19	51	70	28
<i>Live. Work. Play.</i> initiative	23	44	67	30
Ship Creek redevelopment	14	51	65	27
Donlin Gold Project	26	38	64	22
Pebble Project	20	34	54	36

Note: Don't know responses not shown. Due to rounding, some rows may not add up to 100 percent.

**Table 12. How important do you think the following are for the Municipality of Anchorage economy? (“Very important” responses only) (2009-2018 results) (Percent)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Sustainability of State of Alaska operating budget	85	87	86	81	76	73	*	*	*	*
Community and neighborhood safety	73	74	60	51	47	54	*	*	*	*
Increased North Slope oil production (Prior to 2018: “Declining North Slope oil production”)	72	76	69	83	80	82	*	*	*	*
Reducing cost of health care	68	78	*	*	*	*	*	*	*	
Retaining and expanding existing Anchorage businesses	63	65	53	56	*	*	*	*	*	*
Attracting new businesses to Anchorage	60	68	43	56	*	*	*	*	*	*
Port of Alaska modernization (Prior to 2018: “Port of Anchorage improvements”)	56	50	40	35	33	41	43	43	42	38
The impacts of drug and alcohol addiction	56	*	*	*	*	*	*	*	*	*
Natural gas pipeline from North Slope to Cook Inlet	49	50	39	61	65	67	62	57	66	66
Cook Inlet resource development (such as oil, gas, coal, energy, etc.)	49	59	48	60	64	73	76	69	73	75
The impacts of homelessness	49	*	*	*	*	*	*	*	*	*
Workforce affordable housing	49	44	38	39	56	51	35	22	33	22
Area’s road infrastructure	45	38	31	33	43	*	*	*	*	*
90% Anchorage School District high school graduation rate by 2020	44	49	41	31	50	54	*	*	*	*
Workforce training	42	44	31	32	42	46	41	37	31	39
Affordable/available childcare services	35	40	32	25	*	*	*	*	*	*
Creative environments that enhance community livability	34	35	31	27	33	33	*	*	*	*
Increasing support services for entrepreneurs (Prior to 2018: “Entrepreneurship support services”)	29	34	36	23	*	*	*	*	*	*
Donlin Gold Project	26	30	17	*	*	*	*	*	*	*
Retaining transitioning veterans in the local workforce	24	27	21	22	*	*	*	*	*	*
<i>Live. Work. Play.</i> Initiative	23	24	22	20	22	24	*	*	*	*
Pebble Project	20	29	*	21	54	33	35	*	*	*
Upgrade community water/wastewater utility infrastructure (Prior to 2018: “Upgrade of energy and water/wastewater utility infrastructure”)	19	28	23	23	25	30	33	39	35	*
City parks and trails revitalization	19	24	24	17	25	17	*	*	*	*
Ship Creek redevelopment	14	14	12	10	12	14	20	*	*	*
Outer Continental Shelf oilfield development	*	48	36	44	*	*	*	*	*	*
The cost and impact of public inebriation	*	46	30	36	*	*	*	*	*	*

\* Not included in the survey that year.

- When asked to select the “most important” issue for the Anchorage economy, only two responses capture more than 10 percent of businesses: sustainability of the State operating budget (16 percent) and increased North Slope oil production (14 percent). Responses were fairly similar to 2017.

**Table 13. Which of the following do you think is most important for the Municipality of Anchorage economy? (2009-2018 results) (Percent)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Sustainability of SOA operating budget	16	19	25	23	12	13	*	*	*	*
Increased North Slope oil production (Prior to 2018: “Declining North Slope oil production”)	14	19	19	20	24	28	31	-	-	-
Attracting new businesses to Anchorage	10	9	7	7	*	*	*	*	*	*
Community and neighborhood safety	8	6	2	3	3	1	*	*	*	*
Reducing cost of health care	6	6	*	*	*	*	*	*	*	*
Port of Alaska modernization (Prior to 2018: “Port of Anchorage improvements”)	6	6	4	2	3	3	8	10	7	4
Natural gas pipeline from North Slope to Cook Inlet	5	6	5	12	13	16	18	14	18	20
Retaining and expanding existing Anchorage businesses	5	5	8	7	*	*	*	*	*	*
Workforce affordable housing	5	2	5	4	8	8	8	3	5	2
The impacts of drug and alcohol addiction	4	*	*	*	*	*	*	*	*	*
The impacts of homelessness	4	*	*	*	*	*	*	*	*	*
Workforce training	3	3	2	1	5	5	2	3	2	4
Creative environments that enhance community livability	2	1	3	3	2	1	*	*	*	*
<i>Live. Work. Play.</i> Initiative	2	1	1	3	3	1	*	*	*	*
Cook Inlet resource development (such as oil, gas, coal, energy, etc.)	1	3	3	6	8	9	16	28	16	15
90% ASD high school graduation rate by 2020	1	2	1	-	2	3	*	*	*	*
Increasing support services for entrepreneurs (Prior to 2018: “Entrepreneurship support services”)	1	1	1	2	*	*	*	*	*	*
Area’s road infrastructure	1	1	-	<1	2	*	*	*	*	*
City parks and trails revitalization	1	<1	-	-	<1	-	*	*	*	*
Pebble Project	1	<1	*	*	4	<1	1	*	*	*
Ship Creek Redevelopment	1	<1	<1	<1	1	-	-	*	*	*
Retaining transitioning veterans in the local workforce	1	-	-	<1	*	*	*	*	*	*
Affordable/available childcare services	-	-	-	<1	*	*	*	*	*	*
Donlin Gold Project	-	1	1	*	*	*	*	*	*	*
Upgrade community water/wastewater utility infrastructure (Prior to 2018: “Upgrade of energy and water/wastewater utility infrastructure”)	-	-	1	<1	1	1	1	3	4	*
The cost and impact of public inebriation	*	3	1	<1	*	*	*	*	*	*
Outer Continental Shelf oilfield development	*	1	1	3	*	*	*	*	*	*
Other**	2	3	2	3	3	1	4	3	5	4

\* Not included in the survey that year. \*\* Other responses provided in the Appendix.

## ANCHORAGE SALES TAX AND PORT OF ALASKA FUNDING

- Three-quarters of businesses (73 percent) agreed port fees should be increased to pay for Port of Alaska modernization, while 26 percent disagreed. This was the first time the question was asked in the BCI survey.
- Two-thirds of business (63 percent) agreed that Municipality of Anchorage should establish a sales tax to offset property taxes, while 38 percent disagreed.
- While the format of the question changed between 2017 and 2018, it appears that support of a sales tax increased: only 49 percent of businesses said they supported a sales tax in 2017, compared with 63 percent agreeing with the statement in 2018.

**Table 14. Agreement with Statements about Sales Tax and Port of Alaska Funding, 2018**

	Strongly Agree	Agree	TOTAL AGREE	Disagree	Strongly Disagree	TOTAL DISAGREE
Port fees should be increased to pay for modernization of the Port of Alaska.	18	55	73	22	4	26
The Municipality of Anchorage should establish a sales tax to offset property taxes.	22	41	63	20	18	38

**Table 15. Do you support establishment of a Municipal sales tax to offset property taxes in Anchorage? (2011-2017 results) (Percent)**

	2017	2016	2015	2014	2013	2012	2011
Yes	49	59	68	60	58	54	60
No	51	41	32	40	42	46	40



## STATE'S LONG-TERM FISCAL STABILITY

This question gauged support for six potential methods of addressing the State of Alaska's budget deficit.

- Of the six methods, the most supported was reductions to State spending (81 percent were very or somewhat supportive), followed by reduction to the PFD (63 percent), then statewide sales tax (55 percent).
- The other three methods were opposed by a majority of businesses: other broad-based statewide tax (53 percent somewhat or very opposed), statewide income tax (59 percent), and elimination of the PFD (71 percent).
- Responses were very similar between 2017 and 2018. The biggest change was in the percentage supportive of eliminating the PFD, which dropped from 36 to 29 percent. The percentage supportive of a reduction to the PFD increased from 57 percent to 63 percent.

**Table 16. In response to the State of Alaska's budget deficit, how supportive are you of each of the following? (2017 and 2018 results) (Percent)**

2018	Very Supportive	Somewhat Supportive	TOTAL SUPPORTIVE	Somewhat Opposed	Very Opposed	TOTAL OPPOSED
Reductions to State spending	48	33	81	15	5	20
Reduction to the PFD	31	32	63	14	22	36
Statewide sales tax	19	36	55	15	29	44
Other broad-based statewide tax	14	33	47	27	26	53
Statewide income tax	19	23	42	15	44	59
Elimination of the PFD	10	19	29	28	43	71
2017	Very Supportive	Somewhat Supportive	TOTAL SUPPORTIVE	Somewhat Opposed	Very Opposed	TOTAL OPPOSED
Reductions to State spending	60	17	77	13	10	23
Reduction to the PFD	29	28	57	17	26	43
Statewide sales tax	16	37	53	23	24	47
Other broad-based statewide tax	10	37	47	23	31	54
Statewide income tax	20	19	39	17	43	60
Elimination of the PFD	15	21	36	19	45	64

Notes: Due to rounding, some rows may not add up to 100 percent

## BUSINESS SECTOR

The most common sector represented by respondent businesses was finance/insurance/real estate (21 percent), followed by professional services (15 percent), and non-profit (11 percent). A few shifts in composition occurred between 2017 and 2018, notably finance/insurance/real estate increasing from 11 to 21 percent.

**Table 17. Which sector best describes your organization? (Self-identified) (2009-2018 results) (Percent)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Finance/insurance/real estate	21	11	13	12	12	20	9	8	10	9
Professional services	15	14	18	16	21	15	12	10	9	12
Non-profit	11	7	9	10	11	8	12	13	1	7
Engineering/architecture	6	4	7	11	8	7	4	7	4	7
Construction/maintenance	5	6	3	5	4	8	5	3	9	5
Wholesale/retail trade	5	8	6	6	5	3	6	5	7	4
Media/communication	5	7	7	5	4	2	6	4	7	10
Transportation	5	4	5	5	4	9	7	10	6	5
Tourism/hospitality	5	6	6	7	6	2	7	5	13	6
Government/military	4	3	3	5	2	5	7	2	1	7
Health care	3	6	4	3	5	3	2	3	4	4
Alaska Native Corporation	2	4	4	3	2	2	2	4	2	*
Information technology	2	3	4	2	2	2	4	3	2	3
Education/child care	2	2	*	*	*	*	*	*	*	*
Mining/oil production	1	4	2	1	2	2	3	4	4	6
Mining/oil support services	1	3	2	2	2	3	3	2	*	*
Manufacturing	1	2	3	2	-	1	2	1	3	3
Utilities	1	1	1	3	2	1	3	2	4	3
Social services	<1	1	1	1	<1	-	-	1	*	*
Arts	-	2	*	*	*	*	*	*	*	*
Fishing/seafood	-	1	-	-	-	<1	-	2	-	-
Other	-	1	1	<1	3	-	4	7	5	3

\* Not included in survey that year.

## ORGANIZATION SIZE

When asked about their business's gross sales or annual operating budgets, the most common range was more than \$10 million (32 percent), followed by \$1 million to \$5 million (24 percent), then under \$250,000 (15 percent).

Higher-earning businesses made up a larger portion of survey respondents in 2018 compared with 2017, with those earning more than \$1 million per year increasing from 53 to 67 percent of the sample. However, 2017 was unusual in that regard; the percentage earning over \$1 million was 56 percent in 2016, and 63 percent in 2015.

**Table 18. Which of the following categories best describes your organization's annual gross sales or annual operating budget? (2009-2018 results) (Percent)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Under \$250,000	15	27	20	13	16	11	9	16	21	19
\$250,000 to \$500,000	7	6	10	9	8	6	3	4	9	5
\$500,000 to \$1 million	7	10	8	9	8	5	10	9	8	8
\$1 million to \$5 million	24	20	13	25	26	19	20	19	25	20
\$5 million to \$10 million	11	8	10	7	8	12	11	9	10	7
More than \$10 million	32	25	33	31	30	41	45	38	26	38
Don't know	4	4	7	6	5	6	3	5	2	3

Note: Due to rounding, some columns may not add up to 100 percent.

## CURRENT AND PEAK EMPLOYMENT

Over one-third of businesses (36 percent) reported fewer than 10 employees, while another 30 percent had between 10 and 49 employees.

In keeping with the results on the previous page, businesses reported a higher number of employees in 2018 compared with 2017, but results were not unusual within the context of the last decade.

**Table 19. How many people (full-time and part-time) do you employ in Municipality of Anchorage currently? (2009-2018 results) (Percent)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Under 10	36	54	46	43	45	38	31	39	46	42
10 to 49	30	24	26	31	22	20	27	27	28	26
50 to 99	12	6	7	6	5	11	12	7	8	9
100 to 249	10	7	7	10	12	16	12	10	6	9
250 to 500	5	2	5	4	6	3	10	8	7	6
500 or more	6	5	8	5	7	11	8	7	5	8
Don't know	<1	1	1	2	2	<1	-	2	1	1

Note: Due to rounding, some columns may not add up to 100 percent.



- Peak employment responses are similar to the number of current employees.

**Table 20. How many people (full-time and part-time) do you employ in Municipality of Anchorage in a peak month? (2009-2018 results) (Percent)**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Under 10	34	51	45	40	42	37	30	39	43	39
10 to 49	31	25	25	31	24	22	27	26	29	27
50 to 99	12	7	8	8	7	11	12	8	8	9
100 to 249	11	7	7	9	10	13	11	10	6	10
250 to 500	5	3	5	5	7	5	11	9	10	4
500 or more	6	5	8	5	8	11	9	7	4	9
Don't know	1	2	2	2	2	<1	-	2	1	1

Note: Due to rounding, some columns may not add up to 100 percent.

## BUSINESS/INDUSTRY ORGANIZATION MEMBERSHIP

- The most frequent memberships among surveyed businesses were AEDC (43 percent) and Anchorage Chamber of Commerce (41 percent).
- Businesses reported higher rates of membership in several organizations, including AEDC and Anchorage Chamber, in 2018 compared to 2017. Only 21 percent said they weren't members of any of the listed organizations, down from 32 percent in 2018 (and similar to the 2016 rate of 20 percent).

**Table 21. Is your business/organization a member of any of the organizations listed below? (Self-identified) (Multiple responses allowed) (2016-2018 results) (Percent)**

	2018	2017	2016
Anchorage Economic Development Corporation	43	29	57
Anchorage Chamber of Commerce	41	36	55
Alaska Chamber	23	25	33
Rotary Club	21	18	26
Associated General Contractors of Alaska	20	10	17
Anchorage Downtown Partnership	17	11	22
Building Owners and Managers Association (BOMA)	17	7	11
Resource Development Council of Alaska	15	17	20
Alaska Support Industry Alliance	13	16	18
Alaska Miners Association	13	15	18
Visit Anchorage	13	13	19
Better Business Bureau of Alaska	9	10	13
Anchorage Home Builders Association	8	9	8
Eagle River/Chugach Chamber of Commerce	6	6	8
Alaska World Trade Center	6	5	10
Association of Builders and Contractors of Alaska	4	4	5
Alaska World Affairs Council	4	3	7
Alaska Trucking Association	2	5	3
Alaska Cabaret, Hotel Restaurant & Retailer's Association (CHARR)	2	3	4
Alaska Process Industry Careers Consortium	2	3	2
None of the above	21	32	20

## Appendix: Verbatim Responses

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The following section includes responses for open-ended survey questions. Wording has been edited slightly for clarity.

### **Are there any other barriers that prevent your organization from achieving growth?**

- Access to Capitol.
- Access to donors for our nonprofit.
- Access to the UMed District; horrible congestion, access, lighting, poor bus shelters/stops, missing overpass for students across N. Lights, and pedestrian safety issues along/on both Bragaw and Northern Lights roads. Worst in the areas where many working poor families live and are simply unable to complain due to juggling work, transportation, children, and general life duties.
- Climate change, significant.
- Competition from Fintech and other providers entering the banking space.
- Cost of transportation of goods and personnel within the state.
- Dependability on other businesses operating in Alaska.
- Federal tariffs on foreign goods, like steel, have driven up material costs as they relate to both maintenance and capital construction.
- Funding for workforce development. Public transportation.
- Geographical distance from prospective customers in the L48 (and timezone) stereotypes about Alaska from same.
- Having to compete with State agencies for work that should be going to private business.
- Health of the national and international investment markets.
- Housing inventory.
- I work with relocation companies. These companies are reporting that once candidates look at the crime statistics they no longer want to relocate to Anchorage.
- Inability to get SBA loans for truly small neighborhood businesses, those with fewer than 20 employees. No tax relief (Muni, federal) for truly small businesses in their first few years of operation.
- Interest rates and appraisals that meet sales prices.
- Lack of a culture that embraces and invests in education.
- Lack of consistent direction for state government priorities.
- Lack of economic opportunities for African Americans in Anchorage and statewide.
- Lack of good quality employees that really want to work.
- Lack of state funding for economic development.
- Mishandling of the opioid crisis by federal and state governments.
- Non-profit relies on grant funding, that availability has been curtailed.
- Not sure on the specifics.

- Our business is dependent on Alaska and the Army Corps following the CWA and requiring mitigation for the impairment or destruction of wetlands.
- Political environment, uncertainty around state budgets. Collapse of mental health services and lack of addiction treatment services.
- Population - size of market.
- Probably 90% or more of one- and two-family dwellings are built (by owner or contractor) without using a designer or architect. So the challenge for people like me is to expand the appeal beyond 10%.
- Proposed alcohol tax.
- State fiscal uncertainty is exacerbated by ineffective leadership and a lack of vision in Juneau.
- State spending decreases.
- Taxes, skilled labor, weak economy.
- The cost of health care services. The cost of insurance is just one factor. The cost of the actual services is a huge barrier. Access to quality care is also a barrier.
- The State of Alaska's different Administrations have been fixated on a gas pipeline to the exclusion of other potential options. Dunleavy Administration may be different and if it is, our business may flourish.
- We provide fuel to commercial cargo airlines. As such, our growth is dependent upon the demand for international cargo coming from Asia, primarily China. The biggest barrier we see is the pending tariff increases.
- Will of Congress to properly fund the agency in which I work.

## **Are there any other projects you think are very important for the Anchorage Economy?**

- 1 Acre/each PFD receive at Port Mackenzie
- Accelerate DNR permits 90-day up/down
- Affordable college programs/tuition
- Affordable senior housing
- Air Shipment/Transshipment growth
- Ambler Mining District
- Boardwalk at small boat harbor for summer tourists
- Bring back the capital budget
- Business friendly parking is all in mid/south town
- Chugach State Park access and facilities
- Downtown beautification
- Downtown beautification. Focus on the whole year.
- Drug abuse leading to leap in crime
- Efficient public transportation
- Eliminate criminal encampment on public land
- Glenn to Seward Hwy Connection for East Downtown
- Green Energy Initiatives, Important
- Grow tourism from Asia
- Highway through town
- Implementation of Municipal Sales Tax
- Improve quality of K12 education
- Knik Arm Bridge (x2)
- Knik road project
- Launch Alaska
- Manage the homeless (x3)
- MOA Administration out of touch with issues
- Move state capital to Anchorage (only half kidding)
- Municipal and State incentives to promote investment
- New MOA Transfer Station
- No more schools on major roads/thoroughfares!
- Our gas to all Alaska people/business
- Protect the safety of the residents
- Pt. Thompson
- Public transportation availability
- Reclaiming parks and trails / Illegal campers
- Repair of deteriorating drainage infrastructure
- Residential development in downtown area
- Revitalization of Downtown (\*x2)
- Revitalize Eagle River
- Road traffic lighting sequencing
- Save/renovate 4th Ave. Theater
- Scattered supportive housing (outside 99501)
- Seward Highway Anchorage Bypass
- Smothering effects of Title 21
- Take advantage of global warming
- Tourism efforts - downtown beautification - flowers
- Transportation/land use paradigm shift
- UAA expansion and financial stabilization
- UAA needs to more viable for employers
- Update horticulture program/perennial gardens
- Urban enterprise zone
- Winter tourism growth



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