

2020

ANNUAL BUSINESS CONFIDENCE INDEX REPORT

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Summary of Key Findings

Anchorage Economic Development Corporation (AEDC) contracted with McDowell Group, an Alaska research firm, to conduct the 12th 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 2020. The survey was fielded from November 27 to December 23, 2019. Online responses from 170 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 2020 show optimism has tempered somewhat since last year, with indices between 46 and 61. The composite index of 55.4 shows survey respondents are more optimistic than pessimistic about the business outlook for 2020. The composite index is down from 2019, but higher than any other year since 2015. The outlook for the Anchorage economy is weakest, at 45.9, and the only area of pessimism. The outlooks for gross sales and employment are very similar to last year, while the index fell slightly in outlook for net profits and capital expenditures.

Comparing all indices to last year's results, expectations for 2020 are:

- Lower for the overall "composite" Business Confidence Index, ↓ 2.8 points to 55.4.
- Lower for the Anchorage Economy Index, ↓ 11.6 points to 45.9.
- Slightly higher for Gross Sales Index, ↑ 0.3 points to 61.4.
- Lower for Net Profits Index, ↓ 1.9 points to 59.3.
- Slightly higher for Employment Index, ↑ 0.2 points to 55.2.
- Slightly lower for Capital Expenditures Index, ↓ 0.7 points to 55.3.

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

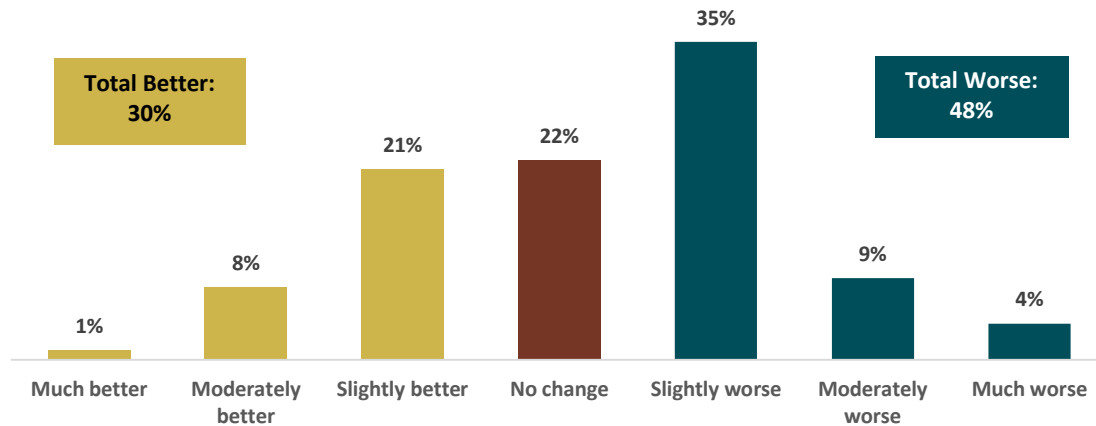
Figure 1. Anchorage Business Confidence Indices, 2011-2020
 (0– Very Pessimistic, 50 – Neither Pessimistic Nor Optimistic, 100 – Very Optimistic)



ANCHORAGE ECONOMY

When asked how the Anchorage economy will fare in 2020 compared to 2019, nearly half of respondents (48%) were pessimistic, saying they expect it to fare worse than 2019, while only 30% expect it to fare better. These results are a reversal from 2019, when 58% expected the economy to improve, and 23% expected it to worsen.

Figure 2. How do you think the Municipality of Anchorage economy will fare in 2020, compared to 2019?

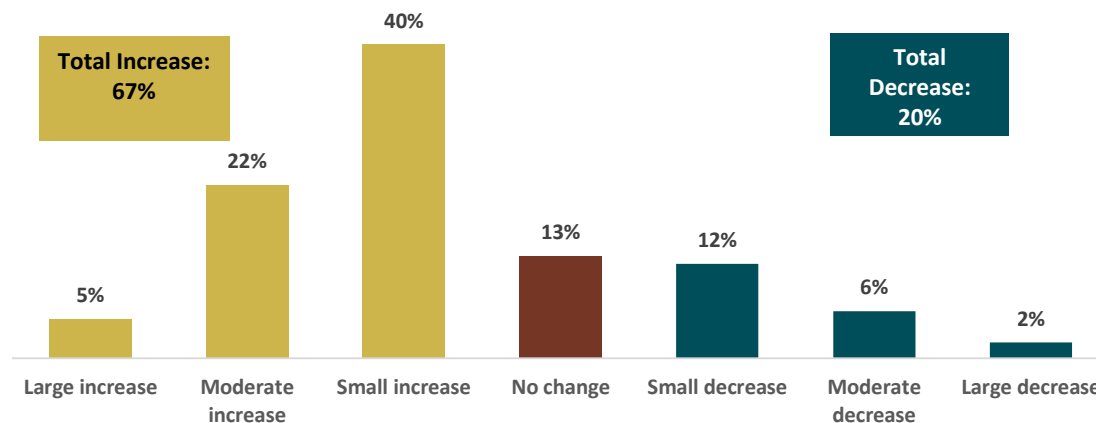


GROSS SALES AND NET PROFITS

Two-thirds of businesses (67%) expect their gross sales or annual operating budget to increase in 2020, while 20% expect a decrease. These results are slightly more optimistic than 2019, when 62% of businesses expected an increase, and 21% expected a decrease.

Net profit expectations (not shown) are slightly lower than gross sales/operating budget expectations, with 60% of businesses anticipating an increase in net profits in 2020, and 23% expecting a decrease.

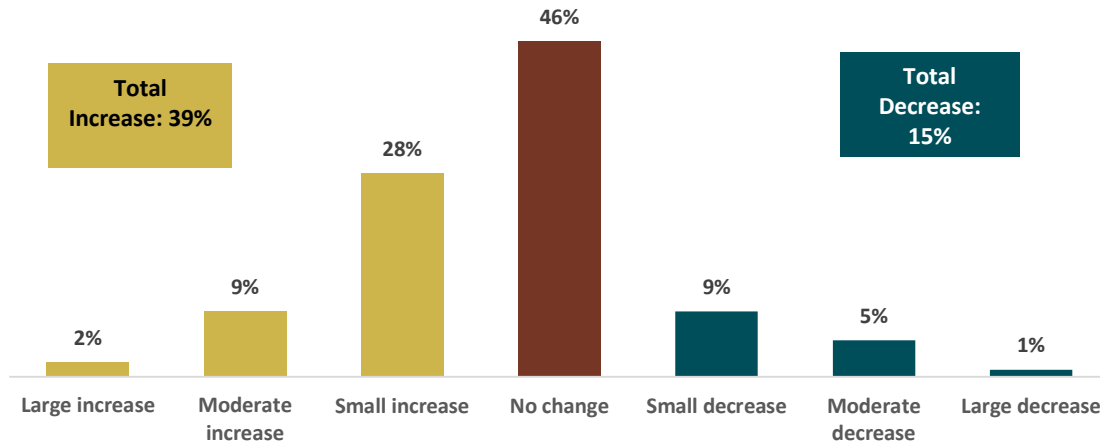
Figure 3. Expectations for Gross Sales/Annual Operating Budget in 2020



EMPLOYMENT

Nearly half of responding businesses (46%) expect no change in their 2020 employment. The remainder are much more likely to expect an increase (39%) than to expect a decrease (15%). These responses are similar to businesses' 2019 outlook for employment.

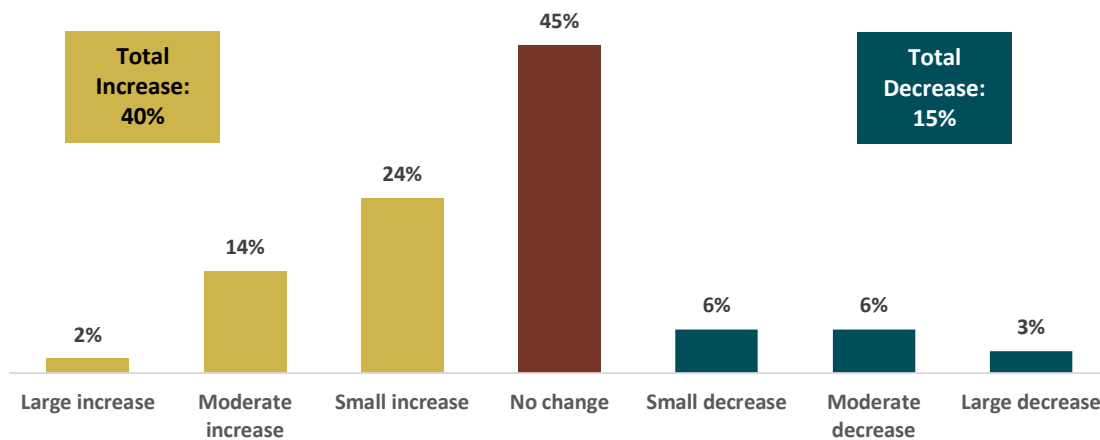
Figure 4. Expectations for Employment in 2020



CAPITAL EXPENDITURES

Four in ten businesses (40%) expect to increase capital spending in 2020, while just 15% expect to decrease capital spending. Nearly half (45%) expect no change. Those expecting an increase fell slightly from 45% in 2019, and those expecting a decrease dropped slightly from 17% in 2019.

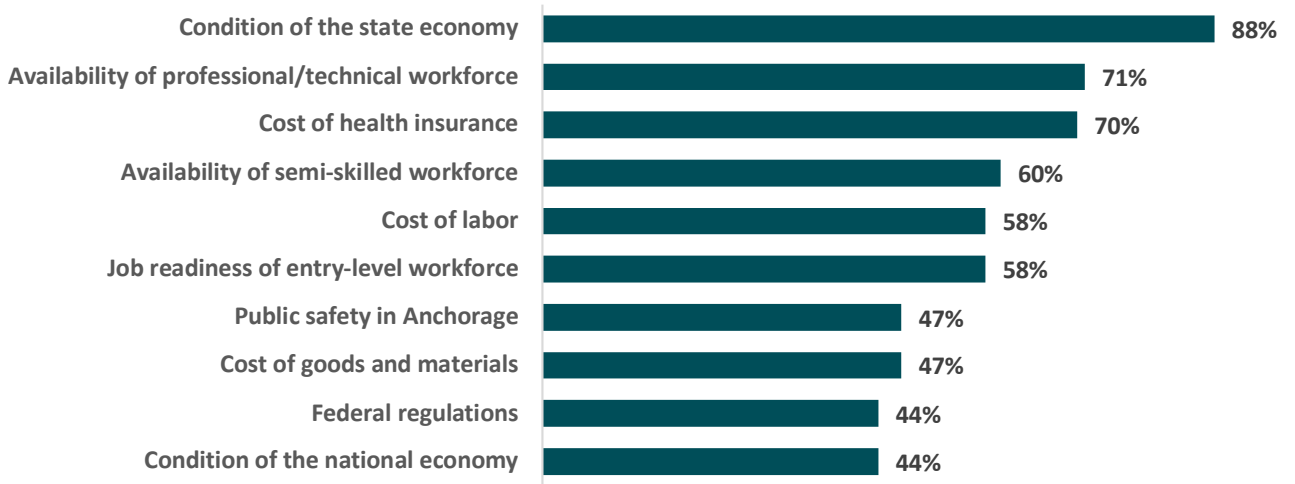
Figure 5. Expectations for Capital Expenditures in 2020



BARRIERS TO BUSINESS GROWTH

When asked to rate the significance of various barriers to their businesses' growth, the most significant barrier cited is the condition of the state economy, with 88% calling it either a significant (54%) or moderate (34%) barrier. Next highest ranked were the availability of professional/technical workforce (71%, including 24% who say it's a "significant" barrier), the cost of health insurance (70%, including 38% calling it "significant"), and availability of semi-skilled workers (60%, including 20% calling it "significant"). The top five barriers are the same as those identified in the 2018 survey, with the state economy again topping the list.

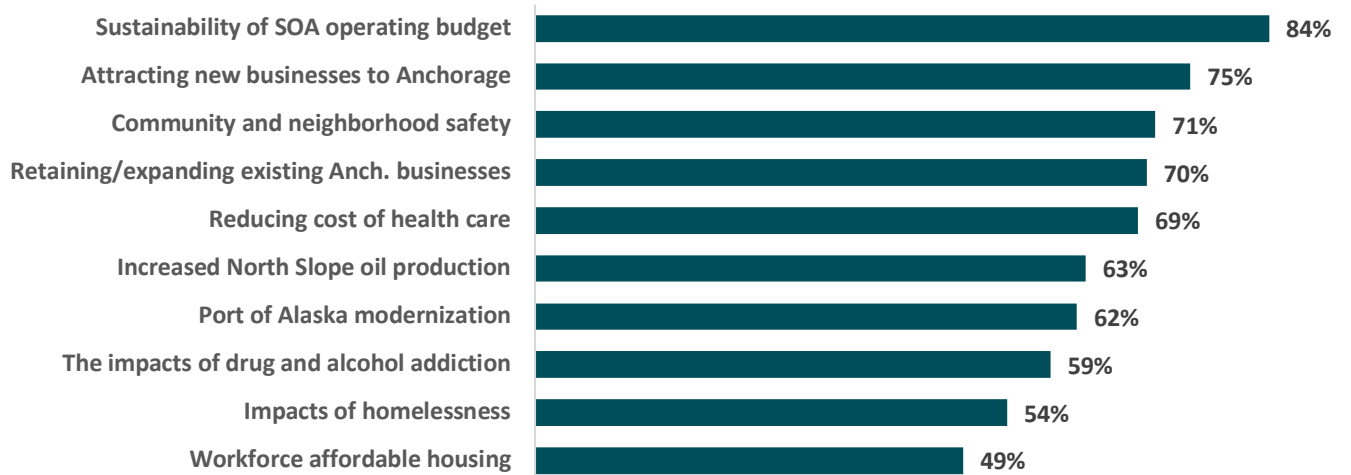
Figure 6. Top 10 Barriers to Business Growth (Significant and Moderate Barriers Combined)



IMPORTANT ISSUES AFFECTING ANCHORAGE'S ECONOMY

When asked to rate the importance of various issues to the Anchorage economy, sustainability of the State of Alaska operating budget again received the most "very important" ratings at 84%, followed by attracting new businesses to Anchorage (75%), and community and neighborhood safety (71%).

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

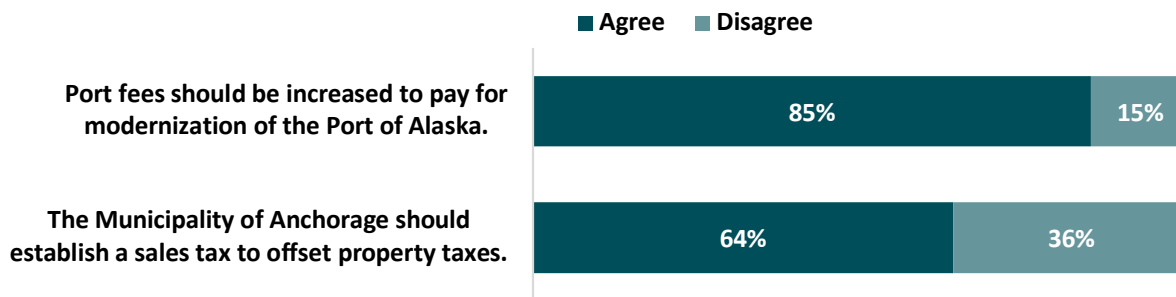


BUSINESS SUPPORT FOR INCREASED PORT FEES AND ANCHORAGE SALES TAX

Eighty-five percent of businesses agreed that port fees should be increased to pay for modernization of the Port of Alaska, while 15% disagreed. This reflects a rise in support from the 2018 survey, when 73% supported increased fees.

Nearly two-thirds (64%) agreed that the Municipality of Anchorage should establish a sales tax to offset property taxes, while 36% disagreed. These results are similar to 2018 survey findings.

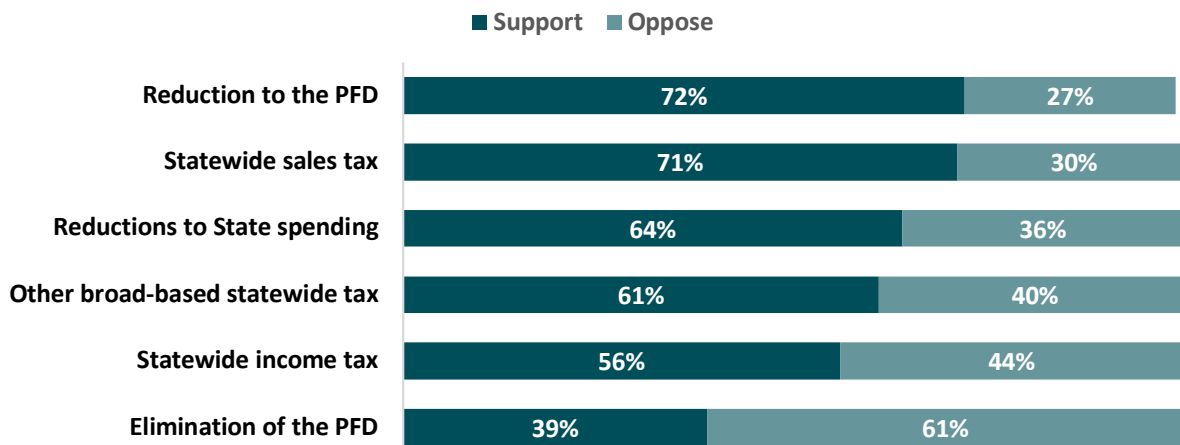
Figure 8. Port Fees and Anchorage Sales Tax: Agree/Disagree



STATE'S LONG-TERM FISCAL STABILITY

When respondents were asked to state support or opposition to six potential methods of addressing the State of Alaska's budget gap, the most popular was "Reduction to the Permanent Fund Dividend" at 72% supportive, followed by a statewide sales tax at 71%, and "Reductions to State spending" at 64%. Support for spending cuts fell 9 points from 81% in the 2018 survey, while support for all other methods grew. Support for a statewide sales tax rose 15 points, support for state income tax and for "Other broad-based statewide tax" rose 14 points, and support for a reduced PFD rose 8 points. Elimination of the PFD remains the least popular method of addressing the budget gap, but support for this option rose 10 points.

Figure 9. Methods to Address Budget Gap: Support/Oppose



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

Introduction and Methodology

Anchorage Economic Development Corporation (AEDC) contracted with McDowell Group for the 12th 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 factors that affect Anchorage businesses and the overall economy, and to assess business confidence.

The online survey was conducted between November 27 and December 23, 2019. Respondents were asked about their organization's business performance in 2019 compared to 2018, expectations for 2020, 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 questions were unchanged from prior surveys, allowing most results to be benchmarked.

This year, a total of 170 businesses and organizations completed the survey, representing a decline in response rate from the 2018 survey, when 203 businesses participated.

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.

2019 Business Performance

- In terms of net profits, 53% of businesses reported an increase between 2018 and 2019, significantly more than the percentage reporting a decrease (33%). The remainder (15%) reported no change.
- The percentage reporting an increase (53%) is the same as in 2018, while the percentage reporting a large increase grew from 3% to 7%.

Table 1. In terms of net profits, how has your business performed in 2019 compared to 2018? (2010-2019 results) (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Increase (net)	53	53	42	46	53	61	65	56	57	56
Large increase	7	3	4	4	5	8	6	10	8	6
Moderate increase	19	18	17	22	21	29	24	25	23	20
Small increase	27	32	21	20	27	24	35	21	26	30
Decrease (net)	33	32	44	41	34	27	23	28	25	34
Small decrease	18	12	20	16	16	14	12	15	12	16
Moderate decrease	12	15	14	14	13	9	9	9	7	10
Large decrease	3	5	10	11	5	4	2	4	6	8
No change	15	14	14	13	13	12	12	15	19	9

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

GROSS SALES / ANNUAL OPERATING BUDGETS

- Two-thirds of businesses (67%) expect an increase in their gross sales or annual operating budgets in 2020, more than triple the number expecting a decrease (20%). Thirteen percent expect no change.
- The percentage expecting an increase in their sales/budget grew from 62% in 2018 to 67% in 2019, while those expecting a decrease was similar, going from 21% to 20%. The 2019 “expect increase” percentage is the highest since 2013, when 73% of businesses expected an increase.
- The percentage expecting “no change” is low compared to prior years, at 13%.

Table 2. In terms of gross sales/annual operating budget, how do you expect your organization to perform in 2020 compared to 2019? (2010-2019 results) (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Increase (net)	67	62	53	54	49	65	73	73	68	63
Large increase	5	4	4	5	4	5	4	3	4	3
Moderate increase	22	26	22	27	19	26	27	33	26	22
Small increase	40	32	27	22	26	34	42	37	38	38
Decrease (net)	20	21	27	28	31	18	13	13	12	17
Small decrease	12	11	16	14	17	10	9	6	8	10
Moderate decrease	6	8	8	10	11	5	3	4	2	3
Large decrease	2	2	3	4	3	3	1	3	2	4
No change	13	18	20	17	18	17	14	15	19	21

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

NET PROFITS

- Six in ten businesses (60%) expect their net profits to increase in 2020, while 23% expect their net profits to decrease, and 17% expect no change.
- Businesses expecting an increase in net profits dropped slightly from 64% in 2018 to 60% in 2019, while those expecting a decrease rose from 20% to 23%.

Table 3. In terms of net profits, how do you expect your organization to perform in 2020 compared to 2019? (2010-2019 results) (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Increase (net)	60	64	51	53	49	63	68	68	66	60
Large increase	4	4	3	5	2	4	3	2	4	2
Moderate increase	21	23	20	25	19	27	24	23	23	20
Small increase	35	37	28	23	28	32	41	43	39	38
Decrease (net)	23	20	27	29	28	20	16	12	14	18
Small decrease	12	13	15	15	15	12	11	7	10	10
Moderate decrease	8	5	9	9	9	6	4	5	2	4
Large decrease	3	2	3	5	4	2	1	-	2	4
No change	17	15	22	18	23	18	15	20	19	22

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

EMPLOYMENT

- Thirty-nine percent of businesses expect their employment to increase in 2020, while 15% expect a decrease. Almost half (46%) expect no change in employment.
- The percentage expecting an increase rose from 36% in 2018 to 39% in 2019, and is the highest since 2014 (41%). Similar numbers expect a decrease at 15% in 2019 compared to 14% in 2018.

Table 4. In terms of employment, how do you expect your organization to perform in 2020 compared to 2019? (2010-2019 results) (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Increase (net)	39	36	26	30	36	41	45	52	45	34
Large increase	2	1	1	1	2	2	1	2	2	-
Moderate increase	9	9	6	11	10	11	11	11	11	9
Small increase	28	26	19	18	24	28	33	39	32	25
Decrease (net)	15	14	20	21	21	17	13	8	13	16
Small decrease	9	11	14	14	12	11	8	6	10	12
Moderate decrease	5	3	4	5	7	3	4	2	2	2
Large decrease	1	-	2	2	2	3	1	<1	1	2
No change	46	50	53	48	43	44	41	39	43	49

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

CAPITAL EXPENDITURES

- Four in ten businesses (40%) expect an increase in capital expenditures in 2020, while 15% expect a decrease, and 45% expect no change.
- The percentage expecting an increase in capital expenditures dropped from 45% in 2018 to 40% in 2019, while those expecting a decrease went from 17% to 15%. The 2019 "no change" rate of 45% is up compared to prior years.

Table 5. In terms of capital expenditures, how do you expect your organization to perform in 2020 compared to 2019? (2010-2019 results) (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Increase (net)	40	45	36	33	34	42	50	52	45	46
Large increase	2	4	2	3	3	5	7	7	5	3
Moderate increase	14	14	9	11	9	14	14	18	12	12
Small increase	24	27	25	19	22	23	29	27	28	31
Decrease (net)	15	17	25	29	32	19	16	13	14	17
Small decrease	6	9	11	14	17	7	8	7	8	7
Moderate decrease	6	3	5	10	8	6	3	4	4	5
Large decrease	3	5	9	5	7	6	5	2	2	5
No change	45	38	39	37	34	38	35	35	43	37

Note: Results re-calculated to remove "not applicable" responses. Due to rounding, some columns may not add up to 100%. 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 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 (88%), followed by availability of professional/technical workforce (71%), cost of health insurance (70%), and availability of semi-skilled workforce (60%).
- The condition of the state economy is the only barrier seen as “significant” by more than half of respondents (54%).
- Factors least likely to be seen as barriers are availability of industrial/commercial/office space (13%), state taxes (17%), and federal taxes (21%).
- Other barriers and related 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? (%)

	Significant barrier	Moderate barrier	Significant/Moderate Combined	Not a barrier	Not applicable
Condition of the state economy	54	34	88	11	1
Availability of professional/technical workforce	24	47	71	25	4
Cost of health insurance	38	32	70	24	6
Availability of semi-skilled workforce	20	40	60	31	9
Cost of labor	15	43	58	38	4
Job readiness of entry-level workforce	13	45	58	34	9
Public safety in Anchorage	13	34	47	45	8
Cost of goods and materials	9	38	47	45	9
Federal regulations	15	29	44	48	8
Condition of the national economy	8	36	44	54	2
State regulations	13	30	43	50	6
Energy prices	11	31	42	48	9
Availability and affordability of quality housing	10	31	41	46	13
Municipality of Anchorage regulations	12	22	34	55	11
Cost of commercial lease/rental property	10	23	33	52	15
Transportation linkages with suppliers and markets	6	24	30	50	20
Municipality of Anchorage taxes	8	20	28	59	13
Access to capital	7	17	24	66	10
Federal taxes	7	14	21	66	13
State taxes	4	13	17	68	15
Availability of industrial/commercial/office space	2	11	13	72	15

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

- Trends observed include:
 - 2019 responses are generally similar to 2018, with condition of the state economy, cost of health insurance, and availability of professional/technical workforce topping the list of significant barriers to respondents' business growth.
 - The number of respondents viewing "condition of the state economy" as a significant barrier rose significantly in 2015, and has remained above 50% every year since then.
 - The number of respondents who view the availability of professional/technical workforce as a significant barrier was up in 2018 (25%) and 2019 (24%) from the previous several years (15% to 16%).
 - Fewer respondents in 2019 see energy prices as a significant barrier (11%).
 - Those citing "federal regulations" as a significant barrier rose slightly from 2018 (from 12% to 15%) but remained lower than any other time in the past decade.
 - Taxes at federal, municipal, and state levels were each seen as a significant barrier by fewer than 10% of respondents in 2019, comparable to 2018 results.

Table 7. To what extent are the following factors a barrier to your organization's growth? ("Significant barriers" only) (2010-2019 results) (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Condition of the state economy	54	51	56	53	51	33	27	*	*	*
Cost of health insurance	38	44	38	38	31	31	36	29	23	34
Availability of prof./technical workforce	24	25	15	15	16	26	24	19	15	12
Availability of semi-skilled workforce	20	15	13	8	13	13	18	6	4	5
Cost of labor	15	14	12	13	11	15	11	*	*	*
Federal regulations	15	12	20	22	24	25	36	28	25	29
Job readiness of entry-level workforce	13	15	13	13	13	14	16	9	11	7
Public safety in Anchorage	13	17	19	9	6	5	*	*	*	*
State regulations	13	12	16	13	12	12	18	13	12	10
Municipality of Anchorage regulations	12	17	11	10	14	12	10	7	6	9
Energy prices	11	16	18	20	21	15	9	15	15	12
Availability/affordability of quality housing	10	13	10	9	14	*	*	*	*	*
Cost of commercial lease/rental property	10	12	11	7	9	10	9	7	10	10
Cost of goods and materials	9	13	*	*	*	*	*	*	*	*
Municipality of Anchorage taxes	8	10	10	6	7	6	6	4	4	10
Condition of the national economy	8	8	7	16	12	16	28	*	*	*
Access to capital	7	13	12	13	11	8	10	10	8	13
Federal taxes	7	8	12	10	13	15	13	7	9	9
Transportation linkages with suppliers and markets	6	7	8	7	7	9	8	6	10	5
State taxes	4	6	10	6	6	5	7	7	6	6
Availability of industrial/commercial/office space	2	5	5	5	3	*	*	*	*	*
Cost of Workers' Compensation insurance	*	8	11	8	11	9	13	8	12	14
Availability of commercial property for development near the airport	*	2	2	3	2	*	*	*	*	*

* Not included in the survey that year.

Capital Improvement Plans

- More than one-fourth of businesses (28%) said they are planning significant capital improvements in the next two years. Among these businesses, 73% said their investment will create jobs for Anchorage residents.
- The percentage planning capital improvements (28%) is the same as in 2018.
- Among those not planning capital improvements, more than half (55%) said recent changes in the Anchorage economy have affected their growth plans.
- The percentage claiming that the recent economic climate affected their plans (55%) is up slightly from 2018 (50%) and the highest in the last decade.

Table 8. Are you planning significant capital improvements in the next two years (2020-2021)? (2010-2019 results) (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Planning capital improvement	28	28	25	31	27	31	35	43	34	27
Will create jobs	73	80	69	67	68	78	70	65	71	64
Will not create jobs	27	20	31	33	32	22	30	35	29	36
Not planning capital improvement	72	72	75	69	73	69	65	57	66	73
Recent economic climate did not affect plans	45	50	56	59	60	73	76	88	72	62
Recent economic climate affected plans	55	50	44	41	40	27	24	12	28	38

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

Expectations for the Economy in 2020

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

ANCHORAGE ECONOMY

- Three in ten businesses (30%) said they think the Anchorage economy will fare better in 2020 than 2019, while almost half (48%) expect it to fare worse, and 22% expect no change.
- Businesses are significantly more pessimistic than last year, with the percentage of those saying the economy will improve falling from 58% in 2018 to 30% in 2019. It is the first year since 2015 that expectations have fallen from the prior year.

Table 9. How do you think the Municipality of Anchorage economy will fare next year, compared to this year? (2010-2019 results) (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Better (net)	30	58	29	18	10	37	59	51	55	48
Much better	1	2	2	1	-	1	1	1	-	1
Moderately better	8	12	4	3	<1	7	11	14	7	8
Slightly better	21	44	23	14	10	29	47	36	48	39
Worse (net)	48	23	58	70	78	44	18	21	20	25
Slightly worse	35	18	36	40	48	29	17	19	15	21
Moderately worse	9	4	17	23	22	12	1	2	3	3
Much worse	4	1	5	7	8	3	<1	-	2	1
No change	22	19	14	12	12	18	22	28	25	27

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

ALASKA ECONOMY

- About one-third of Anchorage businesses (35%) think the Alaska economy will improve in 2020, while about half (49%) think it will worsen, and 16% expect no change.
- The percentage expecting Alaska's economy to improve (35%) is much lower than it was in 2018 (62%). Similar to the outlook for the Anchorage economy, respondents' expectations for the state economy have fallen for the first year since 2015.

Table 10. How do you think the overall Alaska economy will fare next year, compared to this year? (2010-2019 results) (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Better (net)	35	62	32	19	5	35	56	54	51	47
Much better	3	3	2	1	-	2	1	2	1	1
Moderately better	6	16	5	4	<1	8	13	11	8	8
Slightly better	26	43	25	14	5	25	42	41	42	38
Worse (net)	49	24	52	71	88	50	24	17	24	29
Slightly worse	35	17	29	32	40	29	20	13	19	23
Moderately worse	10	6	19	29	36	16	3	4	3	4
Much worse	4	1	4	10	12	5	1	-	2	2
No change	16	15	16	9	7	15	20	29	26	25

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

Importance of Issues for the Economy

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% of businesses rating 18 out of 22 issues as “somewhat” or “very” important. The top six issues in terms of overall importance (very and somewhat important combined) were:
 - Sustainability of State of Alaska operating budget (98%)
 - Community and neighborhood safety (97%)
 - Cost of health care (97%)
 - Attracting new businesses (95%)
 - Retaining and expanding existing Anchorage businesses (95%)
 - Workforce training (95%)
- The issues seen as relatively less important to the Anchorage economy include:
 - Ship Creek redevelopment (59%, with only 12% calling it “very important”)
 - Live.Work.Play. initiative (68%, with 26% calling it “very important”)
 - Upgrade community water/wastewater utility infrastructure (71%, with 21% calling it “very important”)
- Other issues of high importance to respondents not included in the table below are provided in the Appendix.
- Between 2018 and 2019, “very important” ratings changed for several issues; in nearly all cases such swings indicated increased importance. Following are changes of more than 5%.
 - Attracting new businesses to Anchorage (↑ 15 points to 75%)
 - North Slope oil production (↓ 9 points to 63%)
 - Affordable/available childcare (↑ 8 points to 43%)
 - Retaining and expanding existing businesses (↑ 7 points to 70%)
 - Port of Alaska modernization (↑ 6 points to 62%)
 - City parks and trails (↑ 6 points to 25%)
 - The impacts of homelessness (↑ 5 points to 54%)
 - 90% Anchorage School District graduation rate (↑ 5 points to 49%)

See tables, next two pages.

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

	Very important	Somewhat important	Very/Somewhat Combined	Not important
Sustainability of State of Alaska operating budget	84	14	98	3
Community and neighborhood safety	71	26	97	2
Cost of health care	69	28	97	2
Attracting new businesses to Anchorage	75	20	95	5
Retaining and expanding existing Anchorage businesses	70	25	95	3
Workforce training	41	54	95	4
North Slope oil production	63	31	94	4
Port of Alaska modernization	62	31	93	5
The impacts of drug and alcohol addiction	59	34	93	5
The impacts of homelessness	54	38	92	6
90% Anchorage School District high school graduation rate	49	42	91	7
Workforce affordable housing	49	40	89	10
Affordable/available childcare services	43	46	89	8
North Slope natural gas development projects	46	41	87	10
Area's road infrastructure	41	46	87	11
Creative environments that enhance community livability	37	44	81	16
Retaining transitioning veterans in the local workforce	22	57	79	14
Mining resource development projects	36	42	78	16
City parks and trails revitalization	25	49	74	25
Upgrade community water/wastewater utility infrastructure	21	50	71	20
<i>Live. Work. Play.</i> Initiative	26	42	68	27
Ship Creek redevelopment	12	47	59	35

Note: Don't know responses not shown.

Table 12. How important do you think the following are for the Municipality of Anchorage economy? (“Very important” responses only) (2010-2019 results) (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Sustainability of State of Alaska operating budget	84	85	87	86	81	76	73	*	*	*
Attracting new businesses to Anchorage	75	60	68	43	56	*	*	*	*	*
Community and neighborhood safety	71	73	74	60	51	47	54	*	*	*
Retaining and expanding existing Anchorage businesses	70	63	65	53	56	*	*	*	*	*
Cost of health care	69	68	78	*	*	*	*	*	*	*
North Slope oil production	63	72	76	69	83	80	82	*	*	*
Port of Alaska modernization	62	56	50	40	35	33	41	43	43	42
The impacts of drug and alcohol addiction	59	56	*	*	*	*	*	*	*	*
The impacts of homelessness	54	49	*	*	*	*	*	*	*	*
90% Anchorage School District high school graduation rate	49	44	49	41	31	50	54	*	*	*
Workforce affordable housing	49	49	44	38	39	56	51	35	22	33
North Slope natural gas development projects	46	49	50	39	61	65	67	62	57	66
Affordable/available childcare services	43	35	40	32	25	*	*	*	*	*
Area’s road infrastructure	41	45	38	31	33	43	*	*	*	*
Workforce training	41	42	44	31	32	42	46	41	37	31
Creative environments that enhance community livability	37	34	35	31	27	33	33	*	*	*
Mining resource development projects	36	*	*	*	*	*	*	*	*	*
<i>Live. Work. Play.</i> Initiative	26	23	24	22	20	22	24	*	*	*
City parks and trails revitalization	25	19	24	24	17	25	17	*	*	*
Retaining transitioning veterans in the local workforce	22	24	27	21	22	*	*	*	*	*
Upgrade community water/wastewater utility infrastructure	21	19	28	23	23	25	30	33	39	35
Ship Creek redevelopment	12	14	14	12	10	12	14	20	*	*
Cook Inlet resource development (such as oil, gas, coal, energy, etc.)	*	49	59	48	60	64	73	76	69	73
Donlin Gold Project	*	26	30	17	*	*	*	*	*	*
Increasing support services for entrepreneurs	*	29	34	36	23	*	*	*	*	*
Outer Continental Shelf oilfield development	*	*	48	36	44	*	*	*	*	*
Pebble Project	*	20	29	*	21	54	33	35	*	*
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 among 17 options, four responses capture more than 10% of businesses: sustainability of the State operating budget (18%), attracting new businesses to Anchorage (15%), North Slope oil production (11%), and retaining and expanding existing Anchorage businesses (11%). Responses were fairly similar to 2018; the only responses to change by 5% or more were attracting new businesses (up 6%) and retaining and expanding existing businesses (up 5%).

Table 13. Which of the following do you think is most important for the Municipality of Anchorage economy? (2010-2019 results) (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Sustainability of SOA operating budget	18	16	19	25	23	12	13	*	*	*
Attracting new businesses to Anchorage	15	10	9	7	7	*	*	*	*	*
North Slope oil production	11	14	19	19	20	24	28	31	-	-
Retaining and expanding existing Anchorage businesses	11	5	5	8	7	*	*	*	*	*
Community and neighborhood safety	5	8	6	2	3	3	1	*	*	*
Port of Alaska modernization	5	6	6	4	2	3	3	8	10	7
Cost of health care	5	6	6	*	*	*	*	*	*	*
North Slope natural gas development projects	4	5	6	5	12	13	16	18	14	18
The impacts of drug and alcohol addiction	4	4	*	*	*	*	*	*	*	*
The impacts of homelessness	4	4	*	*	*	*	*	*	*	*
Creative environments that enhance community livability	3	2	1	3	3	2	1	*	*	*
Workforce training	3	3	3	2	1	5	5	2	3	2
Affordable/available childcare services	2	-	-	-	<1	*	*	*	*	*
Area’s road infrastructure	2	1	1	-	<1	2	*	*	*	*
Workforce affordable housing	2	5	2	5	4	8	8	8	3	5
90% ASD high school graduation rate	1	1	2	1	-	2	3	*	*	*
<i>Live. Work. Play.</i> Initiative	1	2	1	1	3	3	1	*	*	*
City parks and trails revitalization	-	1	<1	-	-	<1	-	*	*	*
Retaining transitioning veterans in the local workforce	-	1	-	-	<1	*	*	*	*	*
Ship Creek redevelopment	-	1	<1	<1	<1	1	-	-	*	*
Upgrade community water/wastewater utility infrastructure	-	-	-	1	<1	1	1	1	3	4
Cook Inlet resource development (such as oil, gas, coal, energy, etc.)	*	1	3	3	6	8	9	16	28	16
Donlin Gold Project	*	-	1	1	*	*	*	*	*	*
Increasing support services for entrepreneurs	*	1	1	1	2	*	*	*	*	*
Outer Continental Shelf oilfield development	*	*	1	1	3	*	*	*	*	*
Pebble Project	*	1	<1	*	*	4	<1	1	*	*
The cost and impact of public inebriation	*	*	3	1	<1	*	*	*	*	*
Other**	3	2	3	2	3	3	1	4	3	5

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

ANCHORAGE SALES TAX AND PORT OF ALASKA FUNDING

- Eighty-five percent of businesses (85%) agreed port fees should be increased to pay for Port of Alaska modernization, while 15% disagreed. Support rose from 73% in 2018, while opposition fell from 26%.
- Almost two-thirds of business (64%) agreed that Municipality of Anchorage should establish a sales tax to offset property taxes, while 36% disagreed. These figures are comparable to 2018 results. Note that the question changed from a “Yes/No” format to an “Agree/Disagree” format in 2018.

Table 14. Agreement with Statements about Sales Tax and Port of Alaska Funding, 2019

2019	Strongly Agree	Agree	TOTAL AGREE	Disagree	Strongly Disagree	TOTAL DISAGREE
Port fees should be increased to pay for modernization of the Port of Alaska.	17	68	85	14	1	15
The Municipality of Anchorage should establish a sales tax to offset property taxes.	24	40	64	23	13	36
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) (%)

	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 gap.

- Of the six methods, the most strongly supported was reduction to the Permanent Fund Dividend (72% were very or somewhat supportive), followed by statewide sales tax (71%), then reductions to State spending (64%).
- The only method opposed by a majority of businesses was elimination of the PFD (61% oppose).
- Responses reflect significant changes from 2018 to 2019. Compared to 2018, spending cuts fell from first to third in total support, with support dropping from 81% to 64%. Support for all other budget-balancing options except spending cuts grew. Reduction to the PFD now tops the list, with support up from 63% to 72%.
- Support for a statewide sales taxes rose 16 points to 71%, support for "other broad-based statewide tax" rose 14 points to 61%, and support for a state income tax rose 14 points to 56%.

Table 16. In response to the State of Alaska's budget gap, how supportive are you of each of the following? (2018 and 2019 results) (%)

2019	Very Supportive	Somewhat Supportive	TOTAL SUPPORTIVE	Somewhat Opposed	Very Opposed	TOTAL OPPOSED
Reduction to the PFD	38	34	72	14	13	27
Statewide sales tax	32	39	71	15	15	30
Reductions to State spending	36	28	64	25	11	36
Other broad-based statewide tax	21	40	61	23	17	40
Statewide income tax	28	28	56	17	27	44
Elimination of the PFD	15	24	39	32	29	61
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

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

BUSINESS SECTOR

- The most common sectors represented by respondent businesses were finance/insurance/real estate and professional services (17% each), and non-profit (15%). No shifts of more than 4 points occurred in any sector between 2018 and 2019.

Table 17. Which sector best describes your organization? (Self-identified) (2010-2019 results) (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Finance/insurance/real estate	17	21	11	13	12	12	20	9	8	10
Professional services	17	15	14	18	16	21	15	12	10	9
Non-profit	15	11	7	9	10	11	8	12	13	1
Alaska Native Corporation	6	2	4	4	3	2	2	2	4	2
Engineering/architecture	5	6	4	7	11	8	7	4	7	4
Construction/maintenance	5	5	6	3	5	4	8	5	3	9
Wholesale/retail trade	5	5	8	6	6	5	3	6	5	7
Transportation	4	5	4	5	5	4	9	7	10	6
Tourism/hospitality	4	5	6	6	7	6	2	7	5	13
Media/communication	3	5	7	7	5	4	2	6	4	7
Health care	3	3	6	4	3	5	3	2	3	4
Information technology	3	2	3	4	2	2	2	4	3	2
Government/military	2	4	3	3	5	2	5	7	2	1
Education/child care	2	2	2	*	*	*	*	*	*	*
Mining/oil production	1	1	4	2	1	2	2	3	4	4
Mining/oil support services	1	1	3	2	2	2	3	3	2	*
Manufacturing	1	1	2	3	2	-	1	2	1	3
Utilities	1	1	1	1	3	2	1	3	2	4
Social services	1	<1	1	1	1	<1	-	-	1	*
Fishing/seafood	1	-	1	-	-	-	<1	-	2	-
Arts	-	-	2	*	*	*	*	*	*	*
Other	4	-	1	1	<1	3	-	4	7	5

* Not included in survey that year.

ORGANIZATION SIZE

- When asked about their organization’s gross sales or annual operating budgets, the most common range was more than \$10 million (31%), followed by \$1 million to \$5 million (19%), then \$5 million to \$10 million (14%).
- High-grossing businesses (more than \$10 million) made up a similar portion of survey respondents in 2019 compared with 2018. The only category to change more than 4 points from 2018 was businesses with gross sales of \$1 million to \$5 million, which dropped from 24% to 19%.

Table 18. Which of the following categories best describes your organization’s annual gross sales or annual operating budget? (2010-2019 results) (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Under \$250,000	12	15	27	20	13	16	11	9	16	21
\$250,000 to \$500,000	10	7	6	10	9	8	6	3	4	9
\$500,000 to \$1 million	8	7	10	8	9	8	5	10	9	8
\$1 million to \$5 million	19	24	20	13	25	26	19	20	19	25
\$5 million to \$10 million	14	11	8	10	7	8	12	11	9	10
More than \$10 million	31	32	25	33	31	30	41	45	38	26
Don't know	5	4	4	7	6	5	6	3	5	2

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

CURRENT AND PEAK EMPLOYMENT

- Over one-third of businesses (37%) reported fewer than 10 employees, while another third (35%) had between 10 and 49 employees.
- In terms of numbers of current employees, the distribution of responses did not differ substantially in 2019 compared to 2018.

Table 19. How many people (full-time and part-time) do you employ in Municipality of Anchorage currently? (2010-2019 results) (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Under 10	37	36	54	46	43	45	38	31	39	46
10 to 49	35	30	24	26	31	22	20	27	27	28
50 to 99	12	12	6	7	6	5	11	12	7	8
100 to 249	6	10	7	7	10	12	16	12	10	6
250 to 500	5	5	2	5	4	6	3	10	8	7
500 or more	4	6	5	8	5	7	11	8	7	5
Don't know	-	<1	1	1	2	2	<1	-	2	1

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

- 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? (2010-2019 results) (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Under 10	37	34	51	45	40	42	37	30	39	43
10 to 49	33	31	25	25	31	24	22	27	26	29
50 to 99	15	12	7	8	8	7	11	12	8	8
100 to 249	6	11	7	7	9	10	13	11	10	6
250 to 500	4	5	3	5	5	7	5	11	9	10
500 or more	5	6	5	8	5	8	11	9	7	4
Don't know	-	1	2	2	2	2	<1	-	2	1

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

BUSINESS/INDUSTRY ORGANIZATION MEMBERSHIP

- The most frequent memberships among surveyed businesses were the Anchorage Chamber of Commerce (44%) and AEDC (35%).
- Membership rates were fairly similar between 2018 and 2019. Membership in AEDC fell slightly (from 43% to 35%) while membership in the Alaska Chamber grew slightly (from 23% to 28%). Associated General Contractors of Alaska membership fell from 20% to 13%.

Table 21. Is your business/organization a member of any of the organizations listed below? (Self-identified) (Multiple responses allowed) (2016-2019 results) (%)

	2019	2018	2017	2016
Anchorage Chamber of Commerce	44	41	36	55
Anchorage Economic Development Corporation	35	43	29	57
Alaska Chamber	28	23	25	33
Anchorage Downtown Partnership	17	17	11	22
Rotary Club	17	21	18	26
Building Owners and Managers Association (BOMA)	15	17	7	11
Resource Development Council of Alaska	15	15	17	20
Associated General Contractors of Alaska	13	20	10	17
Better Business Bureau of Alaska	13	9	10	13
Visit Anchorage	13	13	13	19
Alaska Miners Association	10	13	15	18
Anchorage Home Builders Association	10	8	9	8
Alaska Support Industry Alliance	7	13	16	18
Alaska Cabaret, Hotel Restaurant & Retailers Association (CHARR)	3	2	3	4
Alaska Trucking Association	3	2	5	3
Alaska World Trade Center	3	6	5	10
Alaska Process Industry Careers Consortium	2	2	3	2
Chugiak-Eagle River Chamber of Commerce	2	6	6	8
Alaska World Affairs Council	1	4	3	7
Association of Builders and Contractors of Alaska	1	4	4	5
None of the above	17	21	32	20

The following section includes responses for open-ended survey questions. Some wording has been lightly edited for clarity.

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

- *State of Alaska budget issues and non-action in resolving the balanced budget is hurting future development.*
- *Deteriorating nearby real estate.*
- *Lack of available land for development and construction.*
- *The political environment. Our business success is directly related. We could track loss of sales in 2018 each time the Governor or legislators cut the budget. The fear of job losses to the University and other large groups directly impacted sales.*
- *Low reimbursement rates for health care.*
- *Cost of advertising; competition with Alaska Native Corporations.*
- *For Multi-family [real estate] to do better we need net migration into Anchorage.*
- *National companies establishing a presence in this area - they can afford advertising that eclipses that of small businesses.*
- *General uncertainty in the State's annual budget and related budget cuts. Overall business climate seems to be much less optimistic than in previous years and previous decades. Many business people are taking a wait and see approach until economic factors are brought into better focus. We lease commercial office space downtown with parking for 65 reserved spaces and it has been the slowest office space leasing market that I remember in nearly the last 30 years!*
- *Medicaid cuts.*
- *Age of workforce, economy of payroll levels, economic success of Alaska Native Corporations.*
- *Weed in the workforce – too many stoners in general. The municipality's constant property tax increases are making my not-for-profit consider starting up in Palmer.*
- *Declining education attainment level of local residents.*
- *State budget for rural communities' energy efficiency/infrastructure upgrades.*
- *Instability of the state oil tax regulations create fear and lack of growth within the industry. This impacts all support organizations. We are one of those support organizations.*
- *Failure of the State to recognize the need for substantial tax stability over the long term for its biggest investors. Confusion stops GROWTH. State continuing to impound the citizens' earnings in the PFD. The churn value coming from the base of citizens is far more of a stimulant to the economy than spending from the top down.*
- *Significant cuts in the Medicaid reimbursement rates.*
- *Appropriate funding for nonprofit behavioral health providers.*

- *Poor-to-bad policies concerning rural Alaska by past and current state and federal legislators, leaders, and agency heads.*
- *Cut to state tourism marketing budget, which helps promote Alaska tourism on the national level.*
- *With the exit of BP, the donor base they supported is now out looking for foundation and charitable support, increasing competition for funds. Unrestricted funds are needed to operate while state and federal grants are drying up. The state budget cut a lot of the funding to support programs supporting the homeless, and so our company is required to work even harder to help prevent homelessness on little to no funding.*
- *Public charter schools.*
- *Environmental anti-development activists.*
- *Investor optimism.*
- *Cost of services, cost of construction, TIF [tax increment financing] not available to use.*
- *New business.*
- *The current disrepair and unknown remediation plans by the NPS to repair Denali Park Road presents a challenge and barrier for the tourism industry to marketing and sales at the height of the selling cycle for summer 2020. Denali is a priority for Alaska visitors and the messaging of NPS will affect visitation decisions.*
- *Legislative uncertainty and lack of leadership; oil tax initiatives driven by emotion and not economic analysis.*
- *Building permit crazy expensive requirements.*
- *International political climate, trade wars and tariffs, travel advisories issued in retaliation to international animosity.*
- *Population/size of market.*
- *Just myself and my apprehension of growing too quickly.*
- *Capital campaign for nonprofit without state funding.*
- *We rely on foundation support and charitable donations. These are affected by various economic issues facing our State and Municipality. Grant dollars are slowly drying up, and vital services must eventually be somehow funded by the private sector if they are to continue.*

Are there any other projects you think are very important for the Anchorage economy?

- *Retain UAA as a viable university*
- *Revitalizing downtown*
- *Law enforcement of small crimes (panhandling, etc.)*
- *Secondary access for Hillside i.e., Mt. Air Drive*
- *Climate Action Plan (complete waste of time)*
- *Mental health treatment for victims of crime*
- *Zoning issues*
- *More housing downtown*
- *Downtown redevelopment and expansion*
- *Infrastructure and access*
- *Recalling Governor Dunleavy is an important project!*
- *Tourism*
- *Transportation hub development (FedEx, UPS, etc.)*
- *Stable oil & gas taxes*
- *UAA Health*
- *Updating existing neighborhoods*
- *Sullivan Arena needs closed*
- *National tourism push/ad for the Anchorage area*
- *Point Mackenzie Bridge*
- *Reduce admin/documentation burdens: behavioral health*
- *Continued strong funding for University of Alaska*
- *Chugach State Park Trails development*
- *Early and elementary education*
- *Expansion of tourism*
- *100% high school graduation rate*
- *Downtown housing*
- *Increase oil taxes*
- *Housing in downtown Anchorage*
- *Downtown revitalization.*
- *Not a project, but state capital budget is important*
- *Increasing users for Merrill Field*
- *Lack of daycare*
- *Get rid of homeless vagrants in Anchorage*
- *TSAIA cargo operations expansion projects*
- *Energy prices*
- *Programs for kids*
- *Logistics Training Program for the tech high school*
- *Infrastructure and access*

AEDC is a private non-profit corporation (IRS code 501(c)(6)), operating since 1987. It exists to encourage growth and diversity in the Anchorage economy, promote a favorable business climate and improve the standard of living of Anchorage residents. Funding sources for the corporation are private contributions, municipal and state grants and contracts.



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