

## Local and Regional Economics

**Goal:** Provide a diversity of opportunities for resource uses that contributes to the local and regional economics of Southeast Alaska.

**Objective:** Work with local communities to identify rural community assistance opportunities and provide technical assistance in their implementation. Support a wide range of natural resource employment opportunities within Southeast Alaska's communities, where economically viable.

**Background:** The Tongass National Forest (Tongass) comprises approximately 90 percent of Southeast Alaska's total land base. Approximately 73,000 people live in 32 communities within Southeast Alaska. These communities use and depend on Tongass resources for economic opportunities (such as commercial fishing and processing, recreation, tourism, wood products, and mining), quality of life (having a sense of place), traditions and cultures (subsistence activities), and recreation activities. Forest management decision can have significant impacts, positive and negative, on these communities.

### **Question 1: Are the effects on employment and income similar to those estimated in the Forest Plan?**

#### ***Data Collection***

Annually summarized estimates of the natural resource employment from the Alaska Department of Labor are compared to annual estimates in the Forest Plan. Readers are referred to the SEIS (USDA Forest Service 2003) for the most updated statistics and references on local and regional economics.

#### ***Evaluation Criteria***

Effects of Forest Plan implementation on employment by resource sector are used as evaluation criteria. Income comparisons have been dropped because state earnings data is missing in some of the employment sectors and for some of the towns in Southeast Alaska. This missing data makes any comparison with the 1997 Plan invalid for employment earnings.

#### ***Precision and Reliability***

Employment and income statistics for resource industries are difficult to collect for several reasons. Alaska Department of Labor employment and earnings statistics do not include people who are self-employed. Most commercial fishers, many loggers, and tourism-related businesses are not reflected in the state data. The U.S. Bureau of Economic Analysis income and employment data does include self-employed persons, but it is not reported in the sufficient detail to break out each resource-industry. Additionally, State disclosure laws relating to income prevent the Alaska Department of Labor from releasing detailed figures, resulting in several gaps in the analysis.

Employment and earnings data is collected and reported by industry sectors. Every business operation has an assigned industry code for which data is reported to the State. In the case of the Recreation and Tourism sector, no single industry code exists, but it is made up of many different services and retail trade operations. The amount of business activity directly related

to recreation and tourism activity is not easily available from the reported data. Recreation and Tourism figures for Forest Plan analysis were estimated using non-agricultural wage and salary employment data (not inclusive of self-employed), IMPLAN modeling output, and survey data. The data presented for this monitoring report are not directly comparable to the estimates in the Forest Plan, but are included for general trend analysis of the industry.

A similar situation exists with commercial fishers. Because most of them are self-employed, their earnings are not reflected in State data reports. The Forest Plan assumed any significant impacts to salmon fisheries would not be related to Forest management activities (see the 1997 Forest Plan FEIS, page 3-491). The employment data for seafood processing has been presented as an analysis of general trends in the commercial fisheries industry rather than a direct comparison of Forest Plan estimates.

### Monitoring Results

Monitoring results are shown in Tables L-1 and L-2 including Forest Plan estimates and the Alaska Department of Labor employment and earnings data.

**Table L-1.** Forest Plan Estimated Employment and Earnings for Southeast Alaska, Annual Equivalent<sup>1</sup>

Employment Sector	ASQ		NIC 1	
	Jobs	Earnings (\$ millions)	Jobs	Earnings (\$ millions)
Wood Products	1288	57	1109	49.4
Recreation/Tourism	3,698	117	3,698	117
Salmon Harvesting <sup>2</sup>	--	--	--	--
Mining	810	49	810	49

1. Forest Plan estimates are from the 1997 FEIS, Table 3-140 (p. 3-473) and table 3-141 (p. 3-474). Alternative 11 was selected. Non-Interchangeable Component (NIC) I estimate for wood products are 80% of the Annual Sale Quantity (ASQ) total.

2. The Forest Plan did not measure impacts to Salmon Harvesting or Seafood Processing because much of the changes in the industry are not influenced by Forest Service activity; See 1997 Forest Plan FEIS page 3-486 for details.

**Table L-2. Reported Southeast Alaska Employment, Annual Equivalent (non-agricultural Wage and Salary [NAWS] Employment<sup>1</sup>), Years 2002 – 2004**

<b>Employment Sector</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Lumber & Wood Products	500	550	458	488
Retail and Services <sup>2</sup>	31,750	31,950	31,875	18,557
Seafood Processing <sup>3</sup>	1350	1450	1417	1512
Mining	300	300	300	312

<sup>1</sup> NAWS data includes all full- and part-time wage and salary employment; this does not include any self-employed persons. The 2005 data is taken from the website of the Alaska Department of Labor and Workforce Development, Industry Information, Employment and Earnings, summary of average monthly employment, CY 2005 for areas within the Tongass National Forest. Note that 2005 data are shown instead of 2006 because 2006 data are not available at this time.

<sup>2</sup>Retail and Services includes all employment in these sectors, not just those associated with recreation and tourism. This category is used to present general trends of the sectors rather than direct comparisons.

<sup>3</sup>Seafood processing is presented to highlight general trends of the commercial fishing industry rather than direct comparison with the forest plan. Most commercial fishers are self-employed so their earnings are not counted by the Alaska Department of Labor

## **Evaluation of Results**

The differences between the Forest Plan estimates and actual employment earnings data are described and interpreted below.

### ***Wood Products***

The Forest Plan employment and earnings figures include activities associated with private, state, BIA, Forest Service and Native Corporation timber harvesting. Employment in the wood products sector currently is lower than predictions in the 1997 Forest Plan FEIS.

### ***Recreation and Tourism***

The recreation and tourism estimate in the Forest Plan, as explained previously, was not recalculated for this analysis; instead, employment for the Retail and Service sectors is used because recreation and tourism are included in this sector. We assume that the retail and service sector trends mirror the trends in recreation and tourism. The Forest Plan estimate includes an estimate of self-employment and assumes full implementation, with all opportunities for recreation and tourism being fully developed. The employment data from the State over the last four years indicates a slight growth in those sectors associated with tourism and recreation activities.

The Retail and Services portion of this year's 2005 wage and salary employment figures are different than those shown last year for 2004 that counted people instead of jobs. All job categories now show jobs instead of people. For more information on the difference of figures refer to the website of the Alaska Department of Labor and Workforce Development, Employment, Current Employment Statistics (CES) and read the section "Employment – Why are there different numbers?"

## ***Commercial Fishing***

State data do not include self-employed commercial fishing activities. Therefore, the seafood-processing sector is used as a proxy for general trends in the fishing industry. Current trends in the salmon harvesting and processing are more likely a reflection of global market conditions and the related price per pound of fish than Tongass management activities. The employment data over the last four years indicates a slight growth in the processing sector.

## ***Mining***

There is a large difference in employment and earnings between what is shown in the Forest Plan and the actual 2005 mining employment. The Forest Plan assumes full implementation of the mining potential. In 2005, only the profitable mining sites were operating. When the Kensington Mine opens there will be more employment. Ore prices must rise and expenses must fall before there is full employment. The employment data over the last four years indicates a stable workforce.

## ***Regional Picture***

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## **Action Plans**

### ***Employment and Income***

There is a continuing monitoring and evaluation of the effects of forest management on employment and income in SE Alaska. The message should be publicized that there are means for small businesses and underserved and low-income local people to buy timber sales for sale to mills or process them. All Tongass timber sales are considered SBA sales at this time. There may be sales “on the shelf” ready for SBA eligible businesses from SE Alaska to purchase for their needs at this time. There is another category of very small sales available for companies with less than 25 employees.

Adjustments for less than full implementation in the employment categories need to be made to the Forest Plan estimates. Re-evaluation and updating of the assumptions and criteria for the Forest Plan model used to determine projected employment and income levels are recommended.

### ***Rural Community Assistance Program***

The Rural Community Assistance (RCA) Program is continuing to include the Economic Recovery Program (ERP) and the Rural Development (RD) Program. The RCA program will continue to indirectly include participation in the Southeast Alaska Community Economic Revitalization Team (SEA-CERT). The Forest Service plans to continue to participate in the Rural Development program to provide this funding through the State’s Community Development Block Grant (CDBG) mini-grant program. The program provides seed money

for community projects statewide that will provide long-term jobs. There are also other USFS rural assistance programs to help achieve the objectives of 2.d.

The Forest Service will continue to notify rural communities in or near the national forests of the program and will respond to requests for assistance from communities. The program has grants that may be available to (a) organize community action teams, (b) develop community action plans, and (c) implement projects from the community action plan. Grants are competitive and contingent on annual appropriations. Some ranger districts have increased collaborative stewardship efforts that often lead identification and pursuit of RCA opportunities. The Forest has two full-time positions to implement the RCA program.

Monitoring of the Rural Community Assistance Program is planned to continue in fiscal year 2007. The Forest Service continues to work with the local communities to identify and pursue Rural Community Assistance opportunities.