

THE MILITARY ROLE IN ALASKA'S ECONOMY

By Neal Fried and Greg Huff

Along with fish, and oil, the military has been one of the main driving forces in the economic growth of the State of Alaska. Since World War II the military has filled an important niche in Alaska's economy. Military defense has been and remains one of the state's major "exports"-Alaska exports defense to the rest of the nation. Alaska has the highest concentration of military population in the nation. There is one uniformed military person for every 20 Alaskans while nationally the figure is one for every 168 people.

The military exerts its economic influence on the state in a number of ways. Military personnel spend part of their paychecks in the local economy, the military employs thousands of civilians, the military purchases goods and supplies in the local market, and the military employs local contractors for many of its projects. These funds flow into the economy directly and indirectly supporting thousands of other jobs. In this capacity the military is one of the single largest employers in the state.

In 1983, 22,261 military personnel were stationed in Alaska. The total military population, including civilian employees and dependents, added up to 67,763, 13% of the state's population. This uniformed military figure of 22,261 represents the smallest number of soldiers in the state since the late 1950's. This trend may be reversed in the near future as the Army is considering stationing a light infantry division in Alaska beginning in 1985. If Alaska is chosen, an additional 7,400 soldiers and 360 civilians will arrive. If dependents are included, the state's military related population would increase by approximately 20,000.

During the 1940's and 1950's, the military was a major impetus behind Alaska's economic growth. The uniformed military population peaked at 70,000 in 1945 and then began to drop off through the early 1950's. By the mid-1950's, the number began to climb again with the onset of the Cold War. During the Cold War years the military was making major expansions and additions to their facilities in Alaska, and many contractors and businesses depended on the military for their survival. In 1955, the uniformed military represented 23% of Alaska's population; if dependents and civilians were included it was closer to 40%. During this period of Alaska's economic history it was once estimated that the federal government was responsible for 80% of Alaska's basic employment with military providing the largest share. /1

The easing of tensions in the 1960's brought troop levels down to 30-32,000. During the 1960's and even more so in the 1970's Alaska's

dependency on the military began to wane. The military presence was declining and more importantly Alaska's economy was beginning to diversify, particularly because of the discovery and resulting development of oil at Prudhoe Bay. In 1975, the uniformed military population was 7% of the state's population and total payroll was a mere 11%.

The military's payroll in relation to the total economy's payroll continued to decline despite the fact that in inflation adjusted dollars the military payroll has made gains since 1970. The influence of Alaska's oil funded state government versus the military illustrates the declining importance of the military. A decade ago the military's expenditures in Alaska were \$601 million compared to state expenditures of \$538 million. In 1983 the state's expenditures, buoyed by giant oil revenues, were almost 3 times as large as the military's despite growing military expenditures.

Though the military's relative importance has declined in Alaska during the past 2 decades it remains one of the larger employers in the state. It provides steady year-round employment to thousands of Alaskans, both directly and indirectly. In 1983, the total U.S. military expenditures budgeted for Alaska reached \$1.4 billion with 75% of this total estimated to have been spent in Alaska. /2

Defense construction expenditures in Alaska in 1983 totaled 141.2 million dollars. The proportion of construction expenditures that enters the Alaska income stream varies widely with the type of construction, but it is estimated that approximately 50% of the total construction budget is spent in Alaska. When construction projects are undertaken by Alaskan contractors and labor, construction spending contributes directly to the local economy and to the creation of jobs. Most building material and equipment purchases are made out of state, thus their contribution to the creation of new jobs is far less. Since the early 1960's construction expenditures have been increasing. Construction expenditures as measured by inflation free dollars has nearly doubled over the past 20 years.

The operations and maintenance budget for the military in Alaska amounted to \$380 million in 1983. The budget included supplies and equipment, travel, rent, utilities, communications and various other expenses such as laundry and contract technical services. The purchases of services by the military generally has a greater impact on a local economy than does the purchase of goods because services are more often locally owned, while goods are usually produced and purchased outside of Alaska. Of the total operations and maintenance budget, \$274 million or 72% is estimated to be spent locally. In real dollars the Alaska military operations and maintenance budgets in Alaska has remained fairly stable through the 1960's but in the 1980's the budgets increased substantially. For example, the 1979 operations and maintenance budget was \$218.6 million but had increased to \$303.1 million. in 1980.

The military and civil service payroll totaled \$675.9 million in 1983. The remaining \$219 million of the total military budget falls in the other category and includes retirement benefits and exchange commission purchases (on base contracts for purchase of goods and services). Even after these expenditure figures are adjusted for inflation, the dollars spent have increased over the decade while manpower numbers have fallen.

It is difficult to estimate how much of the total expenditures reach the local economy given the nature of military operations. Military installations are self-sufficient communities partially insulated from the local economy. Most of the soldiers and their dependents live in base housing. (It has been estimated that 15% of the uniformed military live off base.)³ The thousands of civilians working on base are not usually afforded these benefits and are part of the local economy. Thus, they have a greater economic impact than the uniformed military. Many of the goods and services which the uniformed military receive are either provided or can be purchased on the military installations. The military Postal Exchanges (PX's) and commissaries are retail outlets where military personnel can purchase groceries and merchandise at discounted prices. Medical care, child care, and a variety of other services are provided by the military.

The average annual earnings of the uniformed military is below the statewide average. In 1982 the uniformed military's average annual earnings were 48% below average statewide annual earnings. The federal civilian earnings were closer to the statewide average, measuring 14% below the statewide average. Given the self-sufficient nature of the military and the lower wages the personnel receive, the direct impact on employment and income is less per direct employee than that of other basic sectors in the economy such as oil, state government, and manufacturing.

A multiplier of 1.8 has been calculated to estimate the secondary effects of the military's total expenditures.⁴ In other words, the military's total expenditures of \$1.4 billion in 1983 amounted to \$2.5 billion when the multiplier effect of this expenditure is considered. Employment multipliers for the military have been calculated over the years to range from 1.2 to 2.5. If a conservative approach is used, it is estimated that an additional 13,000-15,000 jobs are created throughout Alaska's economy, outside of direct military employment.

The military is playing a stabilizing role in Alaska's economy, helping to offset the seasonality found in many of state's industries. It provides a core of stability to many local economies during periods of extreme economic fluctuation. Though its role has diminished in Alaska's economy, it remains one of the state's most important basic industries. This diminishing role may soon be reversed if Alaska is chosen as the stationing point for the light infantry division now under development.



Regional

The impacts of the military are not evenly distributed across the state. Some areas have high concentrations of military population while others have little or none. Of the over 50 separate military locations statewide, 10 major defense installations in 6 locations account for 97% of active duty (uniformed) military population. A similar percentage of civilian employees of the Department of Defense, NAF/EXCHANGE personnel and military dependents are located at these 6 locations (See Map).

Two of the largest installations are in Anchorage. Fort Richardson and Elmendorf Air Force Base had 10,527 active duty personnel in 1983 (47% of the total statewide active duty population). In total, Anchorage has 54% of the statewide military associated population, including military civilian employees and dependents.

The Fairbanks area contains the next largest concentration of military population with 29% of the statewide defense related population and 25% of Alaska's uniformed military population. Fort Wainwright and Eielson AFB had an active duty population of 5,841 in 1983. Fort Greeley, south of

**Military Population for Regions and Selected Census Areas of Alaska
1983**

	Uniformed* Military	Civilian Employees** and Dependents
Southcentral	11,784	27,225
Anchorage Borough	10,527	25,931
Kodiak	1,095	N/A
Other Southcentral	162	N/A
Fairbanks	6,656	12,892
Fairbanks North Star Borough	5,841	N/A
S.E. Fairbanks	815	N/A
Southwest	2,538	2,917
Aleutian Islands	2,194	N/A
Bristol Bay	311	N/A
Other Southwest	33	N/A
Interior	473	175
Northwest	51	380
North Slope	13	7
Southeast	746	1,906
Total	22,261	45,502

* Source: Research & Analysis Demographics Section.

** Source: DES/Comptrollers Alaska Air Command.

1/ Impact of Military Spending on the Economy of Alaska, Alaska Air Command, Elmendorf Airforce Base, 1983.

2/ Impact of Military Spending on the Economy of Alaska, Alaska Air Command, Elmendorf Airforce Base, 1983.

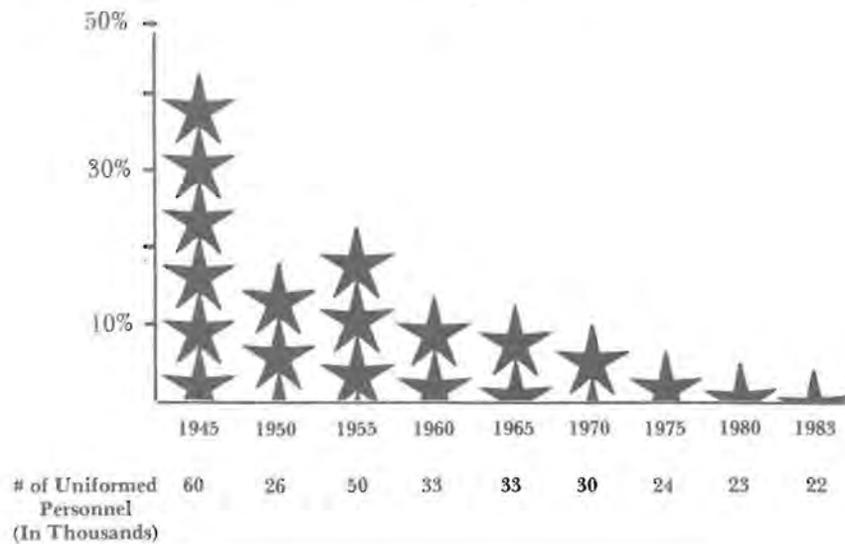
3/ Kruze, Jack; Design and Implementation of Alaska 1980 Reapportionment Data Election Effort; University of Alaska, Institute of Social and Economic Research (draft), 1981.

4/ Goldsmith, Scott; Federal Revenues and Spending in Alaska; University of Alaska, Institute of Social and Economic Research, 1981.

Fairbanks and adjacent to Delta Junction, had 714 troops in 1983. In 1983 the Fairbanks bases had 1.6 dependents to every active duty and civilian personnel compared to 1.3 in Anchorage. Together the bases in Anchorage and Fairbanks account for over 1/3 of the total statewide military associated population.

The Aleutian Islands uniformed military population accounted for 10% (2,194) of the total statewide military population in 1983. The two primary bases are Shemya Air Force Base and ADAK Naval Station. Other Southwest installations, the largest at King Salmon, brought the Southwest region total active duty population to 2,538 in 1983. Other Southwest military related population in 1983 included 1,825 dependents and

Percent of Military of Total Population
1945-1983



approximately 1,000 civilian employees. The Southwest region has a low proportion of dependents to active duty and civilian personnel, but has a high ratio of civilian Department of Defense employees to uniformed personnel.

The Coast Guard station at Kodiak is the largest U.S. Coast Guard installation in the State. The base makes Kodiak the area with the fourth highest concentration of military population in the State. In 1983, the active duty population at Kodiak Island was 1,095, 5% of the statewide total. Dependents of military personnel totaled approximately 1,200.

The Interior region of the state contains the last of Alaska's 10 major military installations. The air base squadron at Galena represents the majority of the 1983 Interior region military population. Active duty personnel at Galena totaled 473 in 1983. Other areas with any significant amount of military associated populations are Juneau, Sitka and Ketchikan. The Coast Guard stations in these areas account for most of the 614 active duty personnel in the Southeast region.

Since 1955 the military population in Alaska has been declining, except for a slight upsurge during the Vietnam War. However, various trends existed regionally. Military populations at installations across the state peaked and fell at different times and some regions have experienced reversals in the declining trends. In Anchorage the military population declined from the mid-1950's into the 1960's. The Vietnam war induced manpower

increases beginning in 1965 and peaked in 1968 at 15,209. Manpower levels have steadily declined since then and by 1983 the active military population was 28% less than in 1968.

Fort Wainwright and Eielson AFB active duty population declined from 9,880 in 1960 to 5,011 in 1976. Since then, the active duty rolls have averaged 5,480. In 1983, the troop levels reached the highest point since 1967. Fort Greely has maintained a fairly stable active duty population ranging from 680 to 850. Kodiak's active duty population peaked in 1965 at 2,287 and bottomed out at the 680 level in 1972 through 1974 when the Navy pulled out of Kodiak Island Station. Buoyed by the Coast Guard, Kodiak's active duty population has grown 26% to 1,095 by 1983. The Aleutian Islands largest troop population since WWII was in 1967 at 3,758. After 1967, the military population fell rather dramatically. By 1978, the number of troops had fallen 40% below 1967 levels. Since then, the military population has stabilized around the 2,100 to 2,200 levels. The active duty ranks in the Yukon-Koyukuk area of the state, which contains Galena AFB, peaked in 1974 at 1,063. The population stayed fairly stable for several years, but fell dramatically in 1979 to 592 and has fluctuated around that level since.

Military associated population in Alaska accounted for 13%, with active duty personnel representing 4.4% of the total statewide population. The areas with the highest proportions of military relative to population are the Aleutian Islands and Bristol Bay Borough. Active duty personnel in these areas comprise 25% of their total population and when combined with civilian employees and dependents, the military represents 55% of the area's total population. The share of total population the military represents has been declining since 1970 when 45% of Aleutian Island population was uniformed military personnel (in 1960 the percentage was 40%). In 1970, the population of Bristol Bay Borough was 38% active duty military personnel.

The area with the next highest proportion of military population to total population is the Fairbanks North Star Borough. In 1983, the active duty population at Fort Wainwright and Eielson AFB represented 9% of the Borough's total population. Combined with civilian employees and dependents total military related employment accounted for 13% of the area's total employment. The proportion of active duty military has been declining since 1950 when it was 23% of total population. In 1970 and 1980 it was 17.8% and 10%, respectively, of total population. The Southeast Fairbanks area (Fort Greely) has a uniformed military population of 13% of the areas population (no dependents data available) which has fallen from 20% in 1970. The Fairbanks area, in recent years, has gained in its share of statewide uniformed military population. In 1980, the bases in the Fairbanks area (including Fort Greely) accounted for 28% of the active duty population statewide and in 1983 rose to 26% but still less than the 31% in 1960.

The active duty population accounted for 4.5% of Anchorage's population in 1983. When civilian employees and dependents are considered, the total military population stationed on Anchorage bases comprises 15.8% of Anchorage's population. The percentage the active duty personnel represent in Anchorage's population has dropped from 17% to 11% and to 6.4% in 1960, 1970, and 1980, respectively.

Impacts of military installations on a regional or local economy vary considerably. Those installations with large numbers of civilian employees deliver greater benefits than do other installations because civilians spend much more of their income in the local economy than do uniformed personnel. Positive benefits to a local economy are greater in the urban areas of the state than in the rural areas because the self-sufficiency of the remote bases are greater and are therefore more insulated from the local economy. The communities that appear to benefit the greatest from the military presence in Alaska are Fairbanks, Kodiak, and Anchorage.
