



THE IMPACT OF SEALASKA CORPORATION ON THE SOUTHEAST ALASKA ECONOMY

PREPARED FOR:

***Sealaska Corporation
One Sealaska Plaza, Suite 400
Juneau, Alaska 99802***



Research-Based Consulting

Juneau
Anchorage



August 2004 Update

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Executive Summary

The purpose of this study was to measure the economic impact of Sealaska Corporation and its subsidiary operations on Southeast Alaska in 2003. This report presents region-wide data and impacts, as well as data for the communities of Hoonah, Kake, Hydaburg, and Prince of Wales Island overall.

Sealaska-related Spending and Employment in Southeast

- Sealaska Corporation, Sealaska Timber Corporation, and Sealaska Heritage Institute spent \$48 million in 2003 in support of corporate and timber-related operations in Southeast Alaska. This spending includes payroll and the purchase of goods and services, including contract amounts. Spending was spread throughout the Southeast region. Over 360 businesses and organizations in 16 Southeast communities received spending from Sealaska-related activities.
- Region-wide, Sealaska and its contractors directly employed approximately 730 full and part-time workers in 2003. These workers earned an estimated \$20 million in payroll.
- Sealaska and its contractor employment combined make the corporation the largest for-profit private sector employer in Southeast Alaska.
- The total economic “output” of Sealaska Corporation and its subsidiary operations totaled approximately \$90 million in 2003. Sealaska’s direct spending on payroll and the purchase of goods and services creates additional economic activity in the local economy, referred to as a multiplier effect (or indirect spending). The total economic output is the sum of all direct and indirect spending and payroll in the region associated with Sealaska Corporation activity.
- Including direct and indirect employment and payroll, Sealaska-related employment totaled nearly 1,000 workers and approximately \$30 million in payroll in Southeast Alaska in 2003.

Other Sealaska Benefits in Southeast

- Sealaska Corporation has a mission broader than paying dividends to shareholders. In addition to generating dividends, Sealaska’s mission includes cultural preservation, shareholder education and shareholder hire. Sealaska Corporation provides the seed money for the Sealaska Heritage Institute, which sponsors and supports numerous Native culture programs across Southeast Alaska. Using money set aside by Sealaska Corporation, Sealaska Heritage Institute awarded \$410,000 in scholarships in 2003, \$339,000 of which was awarded to students from 16 Southeast communities. Sealaska Heritage Institute also administers scholarship funds from Cape Fox Corporation.

Role of Sealaska in Southeast Communities

Sealaska logging activity and, in particular, ship loading activity, represent very important sources of cash to many village residents. A total of 210 Hoonah, Kake, and Prince of Wales Island residents earned some income from ship loading. Though these jobs are part-time, they are a critical source of cash income.

Kake

- In Kake, 130 workers earned income from Sealaska-related logging activity in 2003. Sealaska-related employment contributed approximately \$2.5 million in personal income. This accounted for 20 percent of the community's estimated total personal income of \$12 million.

Hoonah

- Hoonah had 150 Sealaska-related jobs with approximately \$3 million in personal income in 2003. Sealaska-related employment represented approximately 20 percent of total local personal income of \$16.5 million.

Hydaburg

- In Hydaburg, 85 local residents earned income from Sealaska-related ship-loading and logging activity. Sealaska-related personal income in Hydaburg was approximately \$1.1 million in 2003, about one-quarter of the community's total personal income of \$4.3 million.

Craig/Klawock and Other Prince of Wales (POW) Island

- Sealaska is by far the single largest source of employment on POW Island. Sealaska-related activity contributed approximately 335 jobs and \$12 million in personal income to the POW Island economy in 2003. This includes both full-time and part-time employment in Sealaska logging-related activity. This count includes employment for residents of Hydaburg.
- Sealaska contracts related to logging in the POW area totaled \$17 million in 2003.
- In addition to logging contracts, Sealaska Corporation spent \$1.6 million in 2003 with more than 50 POW businesses and organizations located in Craig, Hydaburg, Thorne Bay, and Klawock.

Summary of Economic Impacts of Sealaska Corporation on Southeast Alaska, 2003

Total Southeast Regional Impacts	
Direct employment (peak)	730
Direct + indirect employment (peak)	1,000
Direct payroll	\$20 million
Direct + indirect payroll	\$30 million
Total Sealaska payroll and spending in SE	\$48 million
Number of Southeast businesses and organizations receiving Sealaska dollars	350
Number of Southeast communities receiving Sealaska dollars	16
Dividends to Southeast shareholders	\$5.5 million
Total Sealaska-related economic output	\$90 million
Local Area Impacts*	
Hoonah Impacts	
Sealaska-related employment	150
Sealaska-related income	\$3.0 million
Percentage of total personal income	20%
Kake Impacts	
Sealaska-related employment	130
Sealaska-related income	\$2.5 million
Percentage of total personal income	20%
Hydaburg Impacts	
Sealaska-related employment	85
Sealaska-related income	\$1.1 million
Percentage of total personal income	25%
Craig/Klawock and Other POW Island Impacts	
Sealaska-related employment	335
Sealaska-related income	\$12 million
Juneau Impacts	
Sealaska-related employment	55
Sealaska-related income	\$2.9 million
Other Sealaska Contributions to SE Economy	
Sealaska Heritage Institute scholarship recipients in Southeast	144
Number of Southeast communities with SHI scholarship recipients	16
Total scholarships awarded in Southeast	\$339,000

*Note: Individual areas totals do not include indirect impacts of Sealaska activity. The numbers in this table are based on the best available data and should be considered estimates.

Introduction

Sealaska Corporation is a Native-owned corporation founded in 1971 as one of 13 regional Native corporations under the Alaska Native Claims Settlement Act (ANCSA). Sealaska Corporation's mission is to manage corporate assets to provide economic, social and cultural benefits to shareholders. Sealaska is the largest private landholder in the region, and represents over 17,150 Tlingit, Haida, and Tsimshian shareholders, approximately 42 percent of whom live in Southeast Alaska.

Most of Sealaska's economic activity in Southeast Alaska is generated by its subsidiary, Sealaska Timber Corporation. Sealaska Corporation's cultural and educational mission is administered by Sealaska Heritage Institute, which sponsors and supports numerous Native language and culture programs across Southeast Alaska, including the biennial cultural event, Celebration. Each year, Sealaska Heritage Institute awards scholarships from funds set aside by Sealaska Corporation to Alaska Natives who are Sealaska shareholders and descendants. Sealaska Heritage Institute also administers scholarship funds contributed by Cape Fox Corporation.

The purpose of this study is to measure the economic impact of Sealaska Corporation and its subsidiary operations on the Southeast Alaska economy in 2003. Sealaska Timber Corporation, through contractors, harvests and exports logs from the Hoonah, Kake and Prince of Wales Island areas. Communities specifically affected by this activity include Hoonah, Kake, Hydaburg, Craig/Klawock and the Prince of Wales Island economy in general. Other communities throughout Southeast Alaska benefit as a result of employment opportunities in stevedoring. Juneau, as headquarters to Sealaska Corporation and Sealaska Heritage Institute, also benefits from the number of administrative and managerial jobs located there.

This analysis focuses on the employment and personal income effects of Sealaska operations in Southeast overall. Sealaska Corporation, Sealaska Timber Corporation, and Sealaska Heritage Institute provided detailed data on spending in Southeast communities. Key Sealaska contractors were contacted to collect information about the residency of the employees working on Sealaska contracts. This, along with data from the Alaska Department of Labor and Workforce Development (ADOL), the U.S. Bureau of Economic Analysis (BEA) and the U.S. Census, provided the data used in the analysis.

While this report provides professionally defensible estimates of the economic impact of Sealaska, it is important to recognize the limitations of this analysis. The study team relied heavily on the employment data provided by contractors. Residency of workers at some remote logging camps was not available from all contractors. The available data is considered to be accurate; however, there was no way to independently verify this information. Alaska Department of Labor and Workforce Development employment data does not consider the residency of employees – its published data considers only place-of-work.

Personal income is a strong indicator of the economic impact. However, very little data exists on personal income in small communities. In fact, the most current measure of per capita income for communities such as Hoonah, Kake, and Hydaburg is the 2000 census. More recent data is available from the BEA for larger geographic areas; however, this data does not accurately reflect many of the smaller communities within these areas.

Given this dearth of relevant and timely data, the study team relied on a mix of data to estimate personal income for these communities: current employment data and wage rate data (ADOL, 2002), census area per capita source data at the community level (as of 1999, from the 2000 U.S. Census), and other income data such as Commercial Fisheries Entry Commission (CFEC) data on the value of residents' commercial seafood harvest over the last several years.

Chapter I: The Economic Impact of Sealaska Corporation

This chapter provides spending and employment data for Sealaska Corporation, Sealaska Timber Corporation and Sealaska Heritage Institute. This data reveals important economic impacts, but it does not provide a complete picture of the corporation's impact on the Southeast region or its communities.

While Sealaska Heritage Institute scholarships have been included in the analysis of Sealaska spending, some of Sealaska's contributions to Southeast are beyond the scope of this report, such as the long term economic benefits of SHI scholarships after recipients of educational funding return to the region with degrees and vocational certificates. Sealaska Corporation's shareholder intern program and shareholder hire policy have likewise provided educational and career opportunities that may not otherwise have been available to many Southeast residents. There are also impacts from dividends paid to shareholders in 2003 as a result of 2002 earnings. In the first dividend payments since 2000, Sealaska Corporation paid \$5.5 million to shareholders in Southeast in April and December 2003, an average of \$300 per shareholder.

This report focuses on the quantifiable direct impact of corporation business activity, namely timber harvesting, on Southeast communities including spending on payroll and purchases of goods and services by Sealaska Corporation, Sealaska Timber Corporation and Sealaska Heritage Institute in 2003.

Sealaska-related Spending in Southeast Alaska

Sealaska Corporation, Sealaska Timber Corporation, and Sealaska Heritage Institute spending in Southeast Alaska totaled approximately \$48 million in payroll and the purchase of goods and services in 2003. Over 350 businesses and non-profit organizations in 16 Southeast communities received Sealaska-related spending. Organizations that received Sealaska spending in 2003 included logging contractors, marine service centers, air carriers, and non-profit organizations, among many others.

In calendar year 2003, Sealaska Corporation directly spent \$4.8 million on the purchase of goods and services in Southeast communities. Approximately 70 percent of this spending occurred in Juneau. Sealaska Heritage Institute spent an additional \$485,000 on the purchase of goods and services in these communities.

Sealaska Corporation substantially increased silviculture activities in 2003. Over \$1 million was spent with contractors in Hoonah, Prince of Wales Island, and Angoon to hand plant 62,000 seedlings, pre-commercially thin 2,356 acres to encourage tree growth, and complete restoration of 6.5 miles of riparian zone. Businesses in Southeast that worked on Sealaska silviculture contracts in 2003 include Raven Forest of Hoonah, CSC Tree Service of Kake, and POW-area

contractors Medina Reforestation, Raven Reforestation, Forest and Habitat Enhancement and Williams and Clan Forest Improvement. The following table details direct spending by Sealaska Corporation and Sealaska Heritage Institute by community in 2003.

**Sealaska Corporation and Sealaska Heritage Institute
Direct Spending in Southeast Alaska, 2003
By Community**

Community	Spending
Juneau	\$3,605,491
Craig	714,734
Hoonah	215,346
Ketchikan	148,433
Angoon	103,877
Hydaburg	157,052
Klawock	88,101
Kake	66,481
Yakutat	63,003
Haines	57,555
Sitka	64,386
All Other SE Communities	4,115
Total Southeast Spending	\$5,288,574

*Note: Does not include Sealaska Timber Corporation.

Sealaska Timber Corporation spent over \$37.5 million on contracts and the purchase of goods and services in support of logging activity in Southeast Alaska in 2003. Most of this spending went to logging and ship loading contractors operating in the Hoonah, Kake and Prince of Wales Island areas. The following table shows Sealaska Timber Corporation's direct spending on the purchase of goods and services by community in 2003.

**Sealaska Timber Corporation
Direct Spending in Southeast Alaska, 2003
By Community**

Community	Spending
POW Island	\$17,304,188
Ketchikan	\$10,750,651
Kake	\$4,568,216
Hoonah	\$4,352,508
Sitka	\$121,466
Juneau	\$209,931
All Other Southeast	\$33,641
Unassigned Southeast	\$242,494
Total Southeast Spending	\$37,583,094

Sealaska-related Employment and Payroll

Sealaska Corporation employment and its contractor employment combined to make the corporation the largest for-profit private sector employer in Southeast Alaska. Sealaska accounts for more employment than Norquest, Greens Creek Mining Company, and Alaska Airlines, some of the region's other largest for-profit private employers. Among all private sector businesses in Southeast Alaska, including non-profit organizations, Sealaska Corporation and its contractor employment ranks second to SEARHC.

Sealaska Corporation headquarters employment in Juneau averaged 38 workers in 2003, with a total payroll of \$2.2 million. Sealaska Heritage Institute employment in Juneau averaged 17 workers in 2003, with a total payroll for the year of \$742,000. STC directly employs 29 in Southeast Alaska, including 18 in Ketchikan, six in Craig and a combined total of five in Hoonah and other Southeast communities. These jobs accounted for almost \$2 million in annual payroll in 2003.

Sealaska Corporation, Sealaska Heritage Institute and Sealaska Timber Corporation Payroll in Southeast Alaska by Community, 2003

Community	Payroll
Sealaska Corporation	
Juneau	\$2,219,800
Sealaska Heritage Institute	
Juneau	\$741,540
Sealaska Timber Corporation	
Ketchikan	\$1,286,430
Craig	342,270
Hoonah	187,120
All Other Southeast	146,370
Total Payroll – All Locations	\$4,923,530

Sealaska Timber Corporation contracts created an estimated 635 jobs in Southeast Alaska. While payroll data is not available for these contractors, based on ADOL wage estimates for the region it is estimated that these jobs account for \$16 million in annual payroll.

Sealaska Timber Corporation Contractor Employment in Southeast Alaska by Community, 2003

Area	Number of Employees
Kake	130
Hoonah	150
Hydaburg	85
Craig/Klawock/Other POW	250
All Other Southeast	20
Total Southeast Employees	635

Region-wide, Sealaska Corporation, Sealaska Timber Corporation, Sealaska Heritage Institute, and Sealaska's contractors employed approximately 730 full and part-time workers in 2003 in Southeast Alaska. Annual average employment was approximately 415 workers. These workers earned an estimated \$20 million in annual payroll.

**Sealaska-Related Employment
in Southeast Alaska, 2003**

Location	Annual Average Employment	Peak Employment
Sealaska Corporation headquarters	38	44
Sealaska Timber Corporation headquarters	29	30
Sealaska Timber Corporation contractors	330	635
Sealaska Heritage Institute headquarters	17	22
Total Sealaska-related direct employment	415	730

Sealaska's direct spending on payroll and the purchase of goods and services creates additional economic activity in the local economy, referred to as a multiplier effect (or indirect spending). Including direct and indirect employment and payroll, Sealaska-related employment totals approximately 1,000 workers and \$30 million in payroll in Southeast Alaska, based on McDowell Group estimates. Based on direct and indirect employment, Sealaska Corporation accounts for 2 percent of the region's economy.

Sealaska Heritage Institute Scholarships

Sealaska Heritage Institute awards scholarships and grants each year from funds set aside by Sealaska Corporation. Sealaska Heritage Institute awarded \$410,000 to Alaska Natives who are Sealaska shareholders and descendants for college, university, and vocational and technical schools in 2003. A significant amount of these scholarships, almost \$338,000, were awarded to residents of Southeast Alaska communities. SHI scholarships were awarded to 144 students residing in 16 Southeast communities. In addition to the scholarships given every year by Sealaska Corporation, Sealaska Heritage Institute administers scholarship funds contributed by Cape Fox Corporation.

Sealaska Heritage Institute Scholarship Awards in Southeast Alaska, 2003

City	Number of Recipients	Total Scholarship Awards
Angoon	2	\$4,400
Craig	9	23,100
Gustavus	1	2,300
Haines	5	11,090
Hoonah	5	11,000
Juneau	45	105,763
Kake	10	20,525
Ketchikan	24	49,250
Klawock	4	8,950
Metlakatla	1	3,000
Pelican	1	2,800
Petersburg	4	12,200
Saxman	1	2,000
Sitka	10	30,100
Wrangell	19	44,400
Yakutat	3	7,800
Angoon	2	\$4,400
Total Southeast	144	\$338,678

Chapter II: The Role of Sealaska in Southeast Alaska's Rural Economies

As indicated above, many Southeast communities experience some level of economic impact from Sealaska timber harvest operations. This analysis focuses on the smaller communities that are substantially impacted and dependent on Sealaska jobs and income from logging and/or ship loading, including Hoonah, Kake, and Hydaburg. This section also provides data on the impact of Sealaska on the POW Island economy overall.

Hoonah

Sealaska Timber Corporation contractors harvested approximately 17 mmbf last year in the Hoonah area and constructed three miles of road. Whitestone Logging is Sealaska's logging contractor in the Hoonah area.

Hoonah is a community of 851 residents (plus another 60 residents at the nearby Whitestone Logging camp) with an economy based on commercial fishing and seafood processing, timber harvesting, and government. The population of Hoonah has been slowly declining in recent years, losing about 5 percent (41 residents) between 1998 and 2003.

The data presented in the following table does not include the population at the Whitestone Logging Camp. According to the Alaska Department of Labor and Workforce Development (ADOL), the camp's population was estimated to be 60 people in 2003, down from 75 in the previous year. Whitestone's population continued its decline, falling from 109 in 2001, 116 in 2000, and 205 in 1996.

Population Trends in Hoonah, 1990, 1995, 1998-2003

Year	Population
1990	795
1995	878
1998	892
1999	877
2000	860
2001	879
2002	877
2003	851
% Change 1998-03	-4.6%
% Change 02-03	-3.0%
% Native	61%

According to ADOL, Whitestone Logging, Inc. was the community's largest employer in 2003. At the peak, Whitestone Logging employed 135 people (not all Sealaska-related). Other leading employers include Hoonah City Schools, Hoonah Cold Storage, the City of Hoonah, Hoonah Indian Association and the US Forest Service.

**Annual Average Employment in Hoonah, 2003
Non-Agricultural Employment
Top Ten Employers**

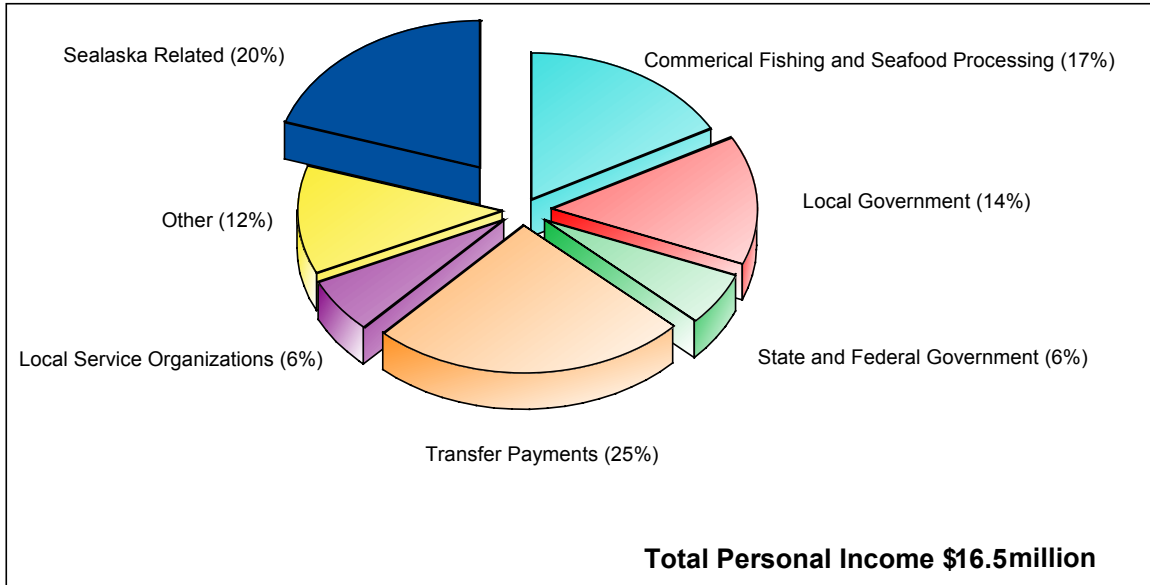
Employer	Annual Average Employment	Peak Monthly Employment
Whitestone Logging, Inc.	101	135
Hoonah City Schools	75	86
Hoonah Cold Storage	32	64
City of Hoonah	29	38
Hoonah Indian Association	21	25
U.S. Department of Agriculture - Forest Service	21	28
Wards Cove Packing, Inc.	18	36
Southeast Stevedoring	9	29
Hoonah Alaska Native Sisterhood	7	8
Alaska Native Brotherhood Camp #12	7	5
All Other Employers	97	
Total Employment	417	

A survey of STC contractors found that Sealaska-related employment in Hoonah totaled approximately 150 workers in 2003. This includes full-time and part-time jobs. Employment in ship loading included 81 different workers, while Whitestone employment peaked at 64 jobs (Sealaska-related employment only).¹ Other companies working for Sealaska in the Hoonah area include Pacific Rim Log Scaling and Yaan Dux Xach Co., a Native-owned towing and shiptending contractor located in Hoonah.

One approach to measuring the role of a business or industry in a local economy is to examine sources of personal income. Based on U.S. Census per capita income level of approximately \$16,100, personal income in Hoonah totaled approximately \$16.5 million in 2003. The following chart indicates the key sources of this personal income, including personal income for local people generated as a result of Sealaska timber harvest activity.

¹ Ship loading employment of 81 workers represents the total number of people who earned income from loading Sealaska logs, according to Southeast Stevedoring records. This number differs from the data provided by the Department of Labor because that data measures only average employment or the number of people employed in any given month.

Sources of Personal Income in Hoonah, 2003



Sealaska-related timber harvest activity directly or indirectly accounted for one-fifth of personal income dollars flowing into Hoonah, or approximately \$2.8 million in 2003. Sealaska shareholder dividends added another \$300,000 in 2003. Commercial fishing and seafood processing accounted for an estimated \$2.6 million in personal income. Over the 1998-2002 period, local commercial fishermen harvested fish with an average annual ex-vessel value of \$2.2 million. It is important to note that ex-vessel value represents gross income to fishermen. Net income, or personal income, is the amount of money left over after all expenses have been paid (for the purposes of this study, net income is assumed to be 66 percent of ex-vessel value, or an average of \$1.5 million). According to preliminary Commercial Fisheries Entry Commission data, 55 Hoonah resident permit holders fished 81 different permits in 2002.

Local government, including the school district, is an important source of personal income in most rural communities, including Hoonah. Local government accounted for an estimated \$2.2 million in personal income for Hoonah residents in 2003. State and federal government sources of personal income include jobs with the Alaska departments of Public Safety, Fish and Game, and Transportation, as well as the U.S. Department of Agriculture, Forest Service.

Local service organizations include Hoonah Indian Association, Hoonah Alaska Native Sisterhood, Alaska Native Brotherhood, Tlingit Haida Regional Electric Authority, and Southeast Alaska Regional Health Corporation. Together these organizations accounted for approximately \$1 million in personal income in 2003.

Transfer payments accounted for one-quarter of all personal income for Hoonah residents, or approximately \$3.9 million. Transfer payments include all payments

from governments to individuals, such as Permanent Fund dividends, social security payments, welfare payments, and other government transfers.

The "Other" category of personal income includes all other sources, in particular income generated from other private sector commercial activity such as construction, retail sales, transportation services, other services, lodging, and others. Personal income generated as a result of tourism activity is included in this category. The total estimated personal income from this category was \$1.8 million in 2003.

Kake

Sealaska Timber Corporation contractors harvested approximately 12 mmbf last year in the Kake area and constructed 9.5 miles of road. Kake Tribal Logging is Sealaska's logging contractor in the Kake area.

Kake is a community of 682 residents, with an economy based on commercial fishing and seafood processing, timber harvesting, government and tourism. Kake's population has been declining slowly in recent years after peaking in 1998 at 775 residents.

Population Trends in Kake, 1990, 1995, 1998-2003

Year	Population
1990	700
1995	703
1998	775
1999	745
2000	710
2001	697
2002	700
2003	682
% Change 1998-03	-12.0%
% Change 02-03	-2.6%
% Native	67%

According to 2003 ADOL data, Kake Foods, Kake Tribal Corporation and Kake Tribal Logging were the community's largest employers that year. At the peak, Kake Tribal Logging employed 92 people. Other leading employers included the Kake City School District, and the Village of Kake.

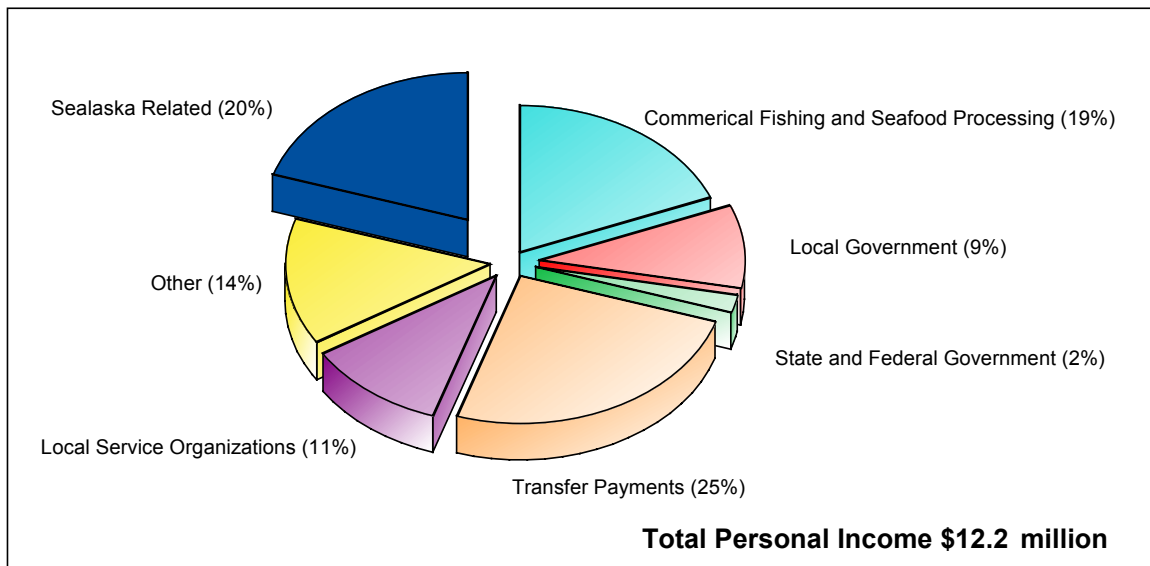
Southeast Stevedoring employed another 52 residents of Kake which is not reflected in ADOL data. A total of approximately 130 full and part-time local jobs in Kake were attributable to Sealaska logging activity.

**Annual Average Employment in Kake, 2003
Non-Agricultural Employment
Top Employers**

Employer	Annual Average Employment	Peak Monthly Employment
Kake Tribal Logging and Timber	59	92
Kake Foods Inc.	49	92
Kake Tribal Corp.	46	83
Kake City School District	30	36
Organized Village of Kake	28	33
City of Kake	22	25
SE Alaska Regional Health Corp.	16	17
SOS Value Mart Inc.	11	16
Gunnuck Creek Hatchery	8	13
Rural Alaska Community Action Program	5	7
All Other Employers	37	
Total Employment	311	

Based on McDowell Group estimates, personal income in Kake totaled \$12.2 million in 2003, based on a per capita income level of approximately \$17,400. The following chart indicates the key sources of this personal income, including personal income for residents generated as a result of Sealaska timber harvest activity.

Sources of Personal Income in Kake, 2003



Sealaska directly or indirectly accounted for about one-fifth of all personal income dollars flowing into Kake in 2003, or approximately \$2.5 million (including \$190,000 in dividends). Commercial fishing and seafood processing accounted for an estimated \$2.4 million in personal income. During the 1998-2002 period, local commercial fishermen harvested fish with an ex-vessel value of approximately \$970,000, according to preliminary Commercial Fisheries Entry

Commission data. In 2002, 26 Kake resident permit holders fished 43 different permits.

City government accounted for 9 percent of all local personal income in Kake, or approximately \$1.2 million in 2003. Kake has relatively few state and federal jobs, with only about \$180,000 in total personal income from these sources in 2003.

Local service organizations include Organized Village of Kake, Southeast Alaska Regional Health Corporation (SEARHC), the Rural Alaska Community Action Program, and Tlingit Haida Regional Electric Authority. Together these organizations accounted for approximately \$1.3 million in personal income.

In 2003, transfer payments accounted for approximately one-quarter of all personal income for Kake residents, or about \$3.0 million. Again, transfer payments include all payments from governments to individuals, such as Permanent Fund dividends, social security payments, welfare payments, and other government transfers.

The "Other" category of personal income includes all other sources, in particular income generated from other private sector commercial activity such as construction, retail sales, transportation services, other services, lodging, and others. Personal income generated as a result of tourism activity is included in this category. The total estimated personal income from this category was \$1.8 million in 2003.

Hydaburg

Hydaburg's population was 370 residents in 2003, according to the Alaska DOL. Hydaburg's population has increased slightly over the past two years. Approximately 85 percent of the residents of Hydaburg are Native, according to the 2000 Census.

Population Trends in Hydaburg, 1990, 1995, 1998-2003

Year	Population
1990	384
1995	406
1999	369
2000	382
2001	354
2002	364
2003	370
% Change 1998-03	-6.8%
% Change 02-03	1.6%
% Native	85%

Timber industry activity is the primary source of local employment, along with local government. According to ADOL data, the Hydaburg City School District, Haida Corporation, and Southeast Stevedoring were the community's largest employers in 2003. Other leading employers include SEARHC and the Hydaburg Cooperative Association IRA. Employment at Southeast Stevedoring and Grants Towing was due at least in part to these companies' roles as Sealaska contractors.

**Annual Average Employment in Hydaburg, 2003
Non-Agricultural Employment
Top Employers**

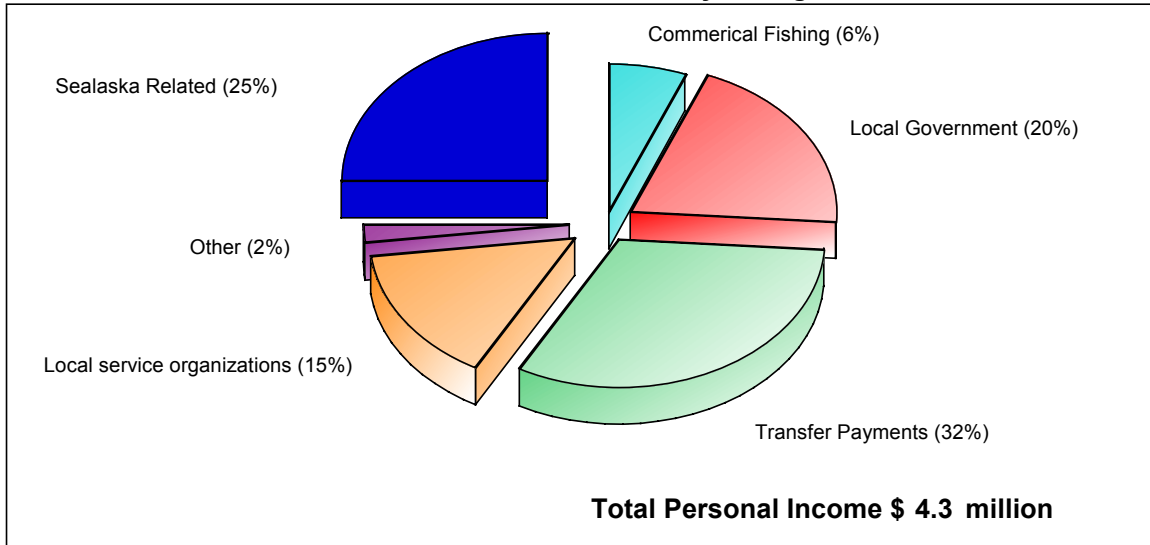
Employer	Annual Average Employment	Peak Monthly Employment
Hydaburg City School District	22	30
Haida Corporation	14	17
SE Alaska Regional Health Corp.	10	11
Southeast Stevedoring	9	42
Hydaburg Cooperative Association IRA	8	18
City of Hydaburg	5	10
Grants Towing	4	5
Rural Alaska Community Action Program	1	2
Total Employment	73	

In 2003, a total of approximately 85 jobs, mostly part-time, for Hydaburg residents were attributable to Sealaska logging activity. Southeast Stevedoring was the most important Sealaska contractor in the area, employing 77 different people in Hydaburg in that year. Sealaska-related jobs accounted for approximately \$1.1 million in personal income in 2003.

Hydaburg typically has among the lowest per capita income rates in Alaska. In 1999, per capita income in the area averaged \$11,401, only about 62 percent of the Prince of Wales-Outer Ketchikan average of \$18,395 and approximately half the Alaska average of \$22,660.

Personal income in Hydaburg totaled approximately \$4.3 million in 2003, based on an estimated per capita income level of \$11,400. The following chart indicates the key sources of this personal income, including personal income for residents generated as a result of Sealaska timber harvest activity.

Sources of Personal Income in Hydaburg, 2003



Sealaska timber harvests accounted for one-quarter of all personal income in Hydaburg. Southeast Stevedoring was the largest Sealaska-related source of employment, contributing about \$600,000 in personal income to the community. Logging also provides local employment opportunities. Dividends contributed \$190,000 in income to residents in 2003. Commercial fishing accounted for an estimated \$250,000 in personal income in that year. During the five-year period of 1998-2002, local commercial fishermen harvested fish with an average annual ex-vessel value of approximately \$400,000, according to preliminary Commercial Fisheries Entry Commission data. In 2002, 18 Hydaburg resident permit holders fished 31 different permits.

Local government, including the school district, accounted for an estimated \$800,000 in personal income in Hydaburg.

Local service organizations include Southeast Alaska Regional Health Corporation, the Rural Alaska Community Action Program, and the Hydaburg Cooperative Association IRA. These organizations accounted for approximately \$600,000 in personal income.

Transfer payments accounted for approximately one-third of all personal income for Hydaburg residents in 2003, or about \$1.4 million. Again, transfer payments include all payments from governments to individuals, such as Permanent Fund dividends, social security payments, welfare payments, and other government transfers.

The "Other" category of personal income includes all other sources, including Haida Corp and other local businesses. The total estimated personal income from this category was \$400,000.

Craig/Klawock and the POW Island Economy

The POW economy is a mix of timber industry, commercial fishing, government and tourism related employment. Since 2000, the population of POW has declined 10 percent due in part to reduced national forest timber harvests, depressed ex-vessel salmon prices, and other economic factors. Currently, the top employers in POW are the Craig School District, the City of Craig, A&M Market in Thorne Bay, Shaan Seet, Alaska Pacific Logging and Viking Lumber in Klawock.

Sealaska Corporation is a strong component in an otherwise weakened POW economy. Sealaska is by far the single largest source of employment on POW Island. Sealaska-related employment on POW Island directly totaled approximately 335 full and part-time jobs and \$12 million in annual payroll in 2003. This includes jobs with Shaan Seet, Phoenix Logging Co., Southeast Stevedoring and Alaska Pacific Logging.

Most of Sealaska's timber harvest activity occurs in the POW area, including Dall Island and Soda Bay. In 2003 approximately 65 mmbf was harvested from these areas, and 34 miles of road were constructed. Sealaska's logging contractors include Phoenix Logging (Dall Island), Alaska-Pacific Logging (Soda Bay and Natzuhini) and Columbia Helicopters subcontracting with Shaan Seet (Dall Island).

In addition to logging contracts, Sealaska Corporation, STC and SHI spent another \$1.6 million in 2003 with more than 50 POW businesses and organizations located in Craig, Hydaburg, Thorne Bay, and Klawock.

Including logging and ship-loading contracts for POW harvests, direct STC, SHI and Sealaska Corporation local purchases of goods and services and local STC payroll, Sealaska invested \$25 million in the POW economy in 2003.

Chapter III: The Potential Socioeconomic Impacts of Reduced Sealaska Timber Harvests

In Chapters I and II, the employment and income impacts of Sealaska were presented. These impacts, however, do not necessarily reflect what would happen to an economy if Sealaska were to reduce or discontinue timber harvest operations in the Hoonah, Kake or Prince of Wales Island areas. Several factors would determine, ultimately, how people and a local economy would react to the loss of Sealaska-related jobs and income.

This chapter briefly addresses the potential socioeconomic impacts of reduced Sealaska timber harvest activity. The chapter begins with a historical perspective on rural socioeconomic conditions and the political forces that have shaped the economies of these communities in the recent past.

The Economics of Rural Southeast Communities

While economic conditions in rural Southeast Alaska communities are not well-understood, available indicators suggest the region's villages continue to struggle economically. Based on the best available data, rural communities with a majority Native component in the population are typified by high unemployment (and underemployment) and low per capita income. As indicated in Chapter II, nearly every Southeast community with a population of 50 percent or more Native people has experienced population decline in recent years. For example, Angoon's population fell by 3.2 percent between 2001 and 2002, Hoonah by 0.6 percent, Klavock by 2.6 percent, and Klukwan 7.5 percent. Only Hydaburg and Kake grew slightly between 2001 and 2002 (up 2.8 and 0.4 percent respectively).

Why are Southeast's smaller communities struggling economically? Several outside forces have been at work, including initiation of limited entry in the commercial salmon fisheries and, more recently, the individual fisherman's quota (IFQ) system. These resource management changes have led to the migration of commercial fishing permits from rural to urban people. IFQs have also resulted in the loss of crew jobs important to rural fishermen. This migration has made it more difficult for rural people to earn cash income.

Another reason for the population decline has been the reduction in Tongass National Forest logging activity. Since 1990, the volume of timber harvested annually from the Tongass National Forest has dropped from 471 million board feet (mmbf) to 51 mmbf in 2003, a 90% decline. The Tongass forest products industry's direct employment of approximately 200 people is over 2,000 jobs below the 1990 level, when logging, sawmill and pulp mill employment totaled 2,500 jobs.

The Southeast Alaska economy has lost over \$100 million in forest products payroll since 1990, not counting indirect and induced payroll losses. While the mill towns of Sitka, Ketchikan and Wrangell have suffered the lion's share of these losses, villages have even fewer options during economic downturns than larger communities with more diverse employment opportunities. Rural communities have lost employment and income opportunities as well as reduced Tongass timber receipts, which provide funding for rural schools and roads.

Other forces have also affected the rural economies of Southeast Alaska. Declining state government revenues have led to reduced municipal assistance and revenue sharing, for example. Welfare reform has also affected the socioeconomic structure of some communities. Federal and state laws passed in 1996 made fundamental changes to welfare programs that had been in place for decades. In Alaska, some families began reaching the 5-year lifetime limit on welfare benefits in July, 2002. While some families may fit the exemption criteria allowing for benefit extensions, many residents, especially those in rural communities, find limited opportunities for work in their areas – jobs are often low-paying, part-time or seasonal, and not sufficient for a family to reach self-sufficiency. In summary, a range of forces have led to increasing economic hardship for many rural communities.

This historical context is important in considering the potential socioeconomic consequences of reduced or discontinued Sealaska timber harvests. It is important to recognize that communities such as Hydaburg, Kake, and Hoonah have and will continue to face major challenges as they seek to improve the socioeconomic well-being of their residents –even without any loss of Sealaska-related income for local residents.

Community Analysis

The potential socioeconomic impacts of reduced Sealaska logging activity would vary from community to community. Some communities are better-equipped to adjust to the economic shock that would occur. In all cases, however, the economic shock of a complete cessation of Sealaska logging activity would be significant.

All communities (Hoonah, Kake, and POW communities) would likely see some population decline, but not proportional to the loss of jobs and income. Because most rural residents have placed lifestyle over economic opportunity in where they have chosen to live, many will likely remain despite the loss of an important source of income. Many affected residents would remain but would attempt to get by with less cash and a lower standard of living.

In all communities, local business would see reduced sales (though Hydaburg has almost no retail development), resulting from the decline in local disposable income.

Reduced school enrollment and associated loss of state foundation formula school funding would result, to the extent that out-migration occurs.

Hoonah

Hoonah, the largest of the four communities considered in this study, could best adjust to a reduction in Sealaska logging activity. Hoonah has the most diverse economy and offers the widest range of alternative employment opportunities. Nevertheless, the loss of 150 jobs and \$3.0 million in personal income – 20 percent of all local personal income – (plus additional indirect losses) would represent a very significant shock to the local economy. Population loss would be expected, certainly from reduced population at the Whitestone Logging camp, but also from some out-migration of Hoonah-proper residents. A population loss of ten percent or more is possible.

Kake

Sealaska creates 130 jobs and \$2.5 million in annual personal income, 20 percent of the local economy in the community of Kake. The local population could fall by 10 to 15 percent and per capita personal income could drop by 15 to 20 percent.

Hydaburg

Hydaburg has at stake 85 jobs and \$1.1 million in annual income – one-quarter of all local personal income. Hydaburg exists in a historical socioeconomic context within which Sealaska-related jobs have been particularly valuable. Because local residents are likely to choose lifestyle considerations over cash income considerations, the local population would not decline in proportion to the economic loss. Still, per capita personal income could fall by 25 percent. Residents of Hydaburg have few, if any, employment alternatives.

Craig/Klawock and Other Prince of Wales Island

The impacts of reduced timber activity on the Prince of Wales economy are still potentially significant. The entire POW economy could suffer a significant economic shock. Sealaska creates a total of 335 jobs in the POW economy. Approximately \$12 million in personal income is at stake.

Clearly, the potential socioeconomic consequences of reduced or discontinued Sealaska logging operations are significant. Perhaps the best measure to mitigate these impacts would be phase-out over time rather than full-scale shut down. This would give local residents and business some opportunity to adjust to loss of jobs and income. The impacts would still be significant, but the immediate shock would be reduced.