

Economic Impact of the Visitor Industry in the Mat-Su Borough

Prepared for
**Mat-Su Convention
& Visitors Bureau**



Prepared by
**McDowell
GROUP**

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Executive Summary

The Mat-Su Convention and Visitors Bureau contracted with McDowell Group to conduct an economic impact study of visitors to the Mat-Su Borough. The economic analysis is focused on the out-of-state visitor market, for which there is recent and reliable spending and traffic data. Visitation from Alaska residents is also discussed in the report. The primary source for the study was the *Alaska Visitor Statistics Program*, which provides detailed traffic and spending estimates based on 2016 visitor survey data. Additional sources included the Alaska Department of Labor and Workforce Development, Bureau of Economic Analysis, and several previous reports on Mat-Su's visitor industry. Following are key findings of the study.

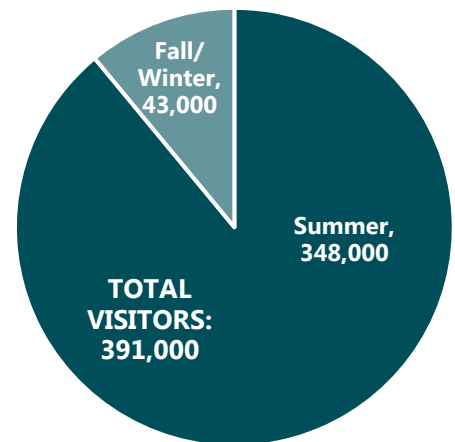
Visitor Traffic

- An estimated 391,000 out-of-state visitors traveled to the Mat-Su Borough in 2016, including 348,000 (89 percent) in the summer months of May through September, and 43,000 (11 percent) in the January-April and October-December periods.
- The most common Mat-Su destinations among summer visitors were Talkeetna at 239,000 visitors and Palmer/Wasilla at 174,000. An additional 21,000 visited other Mat-Su destinations such as Willow, Byers Lake, Hatcher Pass, and Sheep Mountain.
- Alaska resident visitation to Mat-Su is more difficult to measure. Applying 2006 visitation rates to 2016 population estimates yields an overall visitation estimate of 309,000 Alaska resident travelers to Mat-Su. The estimated volume only represents the number of people who spent time in Mat-Su in a year-long period, not the number of times they visited within that period.

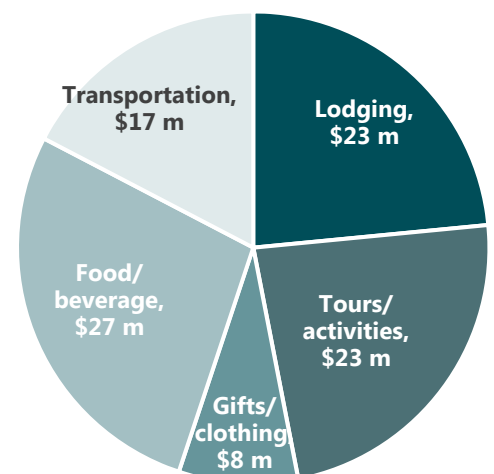
Direct Economic Impacts

- Out-of-state visitors spent an estimated \$98 million in the Mat-Su Borough in 2016, distributed throughout a variety of sectors: food/beverage (28 percent), lodging (23 percent), tours/activities (23 percent), transportation (17 percent), and gifts/clothing/souvenirs (8 percent).
- Visitor spending is estimated to have resulted in direct employment of 1,350 jobs and \$34 million in labor income in 2016. These impacts are distributed throughout the economic sectors, similarly to spending distribution.

Total Out-of-State Visitor Volume to Mat-Su Borough, 2016



Out-of-State Visitor Spending in Mat-Su Borough, By Sector, 2016



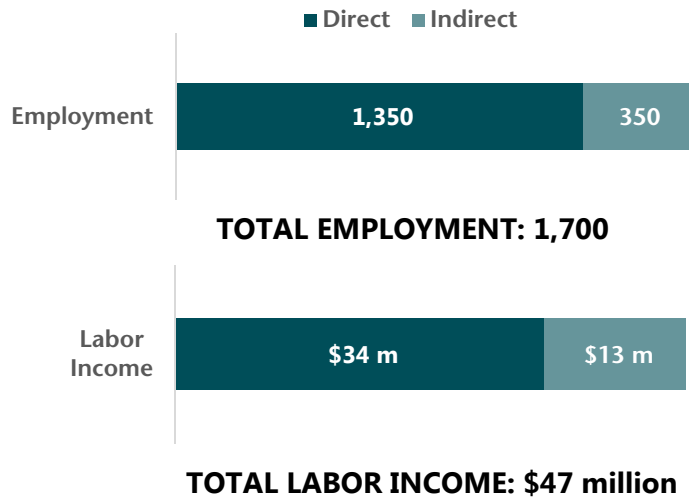
DIRECT SPENDING: \$98 million
DIRECT EMPLOYMENT: 1,350 jobs
DIRECT LABOR INCOME: \$34 million

- While spending by Alaska residents traveling to the Mat-Su is less certain, this study estimates it to be roughly \$160 million, based on the adjustment of 2006-07 estimates to reflect population increases and inflation.

Total Economic Impacts

- Jobs and income are also created as the visitor dollar is re-spent by visitor industry businesses and their employees (indirect impacts). Including both direct and indirect impacts, out-of-state visitor spending resulted in an estimated 1,700 jobs and \$47 million in labor income.
- Economic output is another measure of economic impacts, including total direct, indirect, and induced spending in the borough related to out-of-state visitors. Out-of-state visitor spending in the Mat-Su Borough in 2016 resulted in an estimated \$133 million in economic output.

Direct, Indirect, and Total Employment and Labor Income Resulting from Out-of-State Visitor Spending, 2016



Introduction and Methodology

Introduction

The Mat-Su visitor industry plays a vital role in the borough's economy. However, the industry is a difficult one to measure, as it stretches across a number of industry sectors: lodging, recreation, food and beverage, retail, and transportation, for example. To better understand the full extent of visitors' impact in the borough, the Mat-Su Convention and Visitors Bureau contracted with McDowell Group to conduct an economic impact study. The report largely focuses on the non-resident market, for which there is recent and reliable spending and traffic data. The impact of visitation from Alaska residents is also discussed in this report to the extent information is available.

Methodology

Visitor Volume

Mat-Su visitor volume estimates are based on several sources. Non-resident, summer volume is based on the *Alaska Visitor Statistics Program 7* (AVSP), conducted by McDowell Group for the State of Alaska in summer 2016. The AVSP visitor survey is administered to a random sample of out-of-state visitors departing Alaska at all major exit ports, including airports, highways, cruise ship docks, and ferries. The project included surveys of 5,926 out-of-state visitors to Alaska, including 1,314 who visited Mat-Su Borough (whether day or overnight).

The AVSP study also includes an estimate of visitor volume based on traffic data and exit tallies; visitation to Mat-Su Borough is calculated by applying the percentage of respondents who visited Mat-Su to statewide visitor volume estimates. A similar methodology is employed to determine fall/winter volume. Because the most recent fall/winter AVSP occurred in 2011-12, a percentage visitation rate from the 2011-12 study was applied to updated statewide traffic volumes to estimate recent fall/winter visitation by non-residents.

Visitation by Alaska residents is much more challenging to estimate because there has been little recent research on the topic. This report provides a discussion and some rough estimates of resident traffic, based on several studies:

- *Alaska Resident Statistics Program Final Report*, prepared by Peter Fix, School of Natural Resources and Agricultural Sciences, Department of Resources Management, University of Alaska Fairbanks. Published 2009.
- *Mat-Su Borough Tourism Infrastructure Needs Study*, prepared by McDowell Group for the Matanuska-Susitna Borough. Published 2008.
- *2007 Alaska Resident In-State Pleasure Travel Study*, conducted by GMA Research Corporation for the Alaska Travel Industry Association. Published 2007.

Visitor Spending

The AVSP survey includes detailed questions on visitor spending, by category and community. This survey data determines per-person, average spending in Mat-Su, by spending category. Fall/winter spending estimates from 2011-12 was adjusted upwards to reflect inflation.

Summer visitor spending data was adjusted for one factor: spending on lodging by cruise passengers. Cruise passengers on land tours generally do not report spending on Mat-Su lodging in the AVSP survey, because lodging was included as part of their pre-paid package. Lodging spending was adjusted upwards to reflect what cruise lines and tour package providers paid Mat-Su lodging establishments on behalf of their guests.

Spending by Alaska residents in Mat-Su is difficult to quantify due to the lack of recent data. Similar to Alaska resident travel to Mat-Su, spending by residents is discussed based on the reports cited above.

Economic Impact Analysis

This economic impact analysis estimates direct, indirect, and induced employment and labor income resulting from non-resident visitor spending in the Mat-Su Borough in 2016. McDowell Group developed a custom model for estimating multiplier effects. The econometric modeling program IMPLAN was used to estimate specific model inputs. Additional economic data was obtained from the Alaska Department of Labor and Workforce Development and the Bureau of Economic Analysis.

Mat-Su Visitor Industry Overview

The Mat-Su Valley is one of Alaska's most popular destinations. In addition to a strategic location between Anchorage and Denali National Park, it offers a wide range of scenic attractions: three mountain ranges, hundreds of lakes, accessible glaciers, salmon-filled rivers, abundant wildlife, spectacular views of Denali, and the Glenn Highway National Scenic Byway. Popular summer visitor activities include fishing, rafting, kayaking, canoeing, hiking, camping, Alaska Railroad, scenic driving, and flightseeing. Mat-Su also attracts visitors for winter activities, particularly Alaska residents interested in the region's snowmobiling, dog-sledding, skiing, snow-boarding, snow-shoeing, and ice-fishing opportunities. Special events represent another draw to visitors, particularly the Alaska State Fair, which boasts an annual attendance of roughly 300,000.

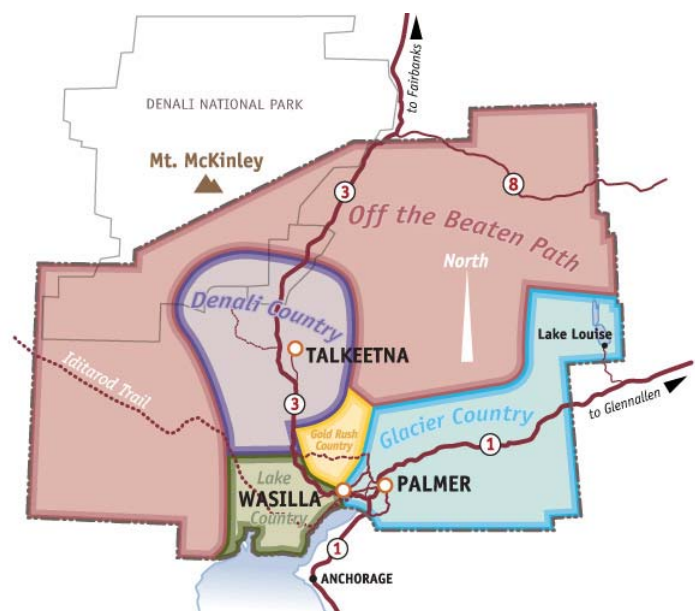
All of the Mat-Su Borough's communities are frequented by visitors. These include:

- Big Lake
- Chikaloon
- Hatcher Pass
- Matanuska Glacier
- Palmer
- Skwentna
- Sutton
- Talkeetna
- Trapper Creek
- Wasilla
- Willow

The Mat-Su Borough is home to several popular parks and recreation areas, and more than 2,000 miles of trails. Favored destinations include:

- Denali National Park & Preserve
- Denali State Park
- Independence Mine State Historical Park
- Knik Glacier
- Lake Louise State Recreation Area
- Matanuska Glacier
- Nancy Lake State Recreation Area
- Summit Lake State Recreation Site
- Palmer Hay Flats State Game Refuge.

MSCVB Map of Mat-Su Valley with Sub-Regions



Visitor Traffic and Spending

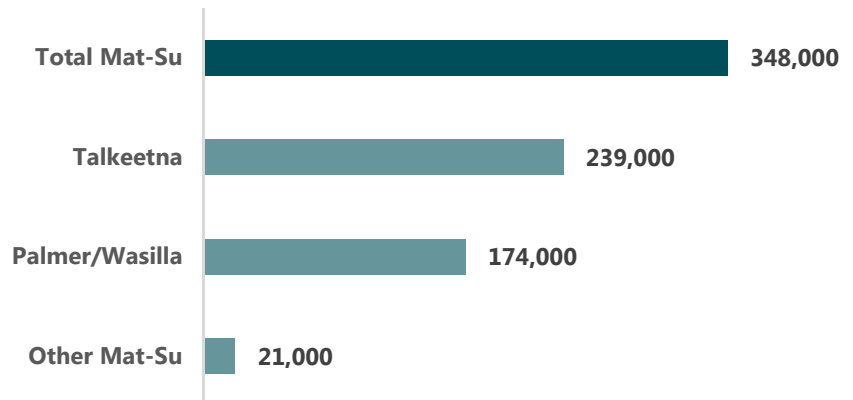
Out-of-State Visitor Traffic and Spending

Summer Volume

Out-of-state visitor traffic to the Mat-Su Borough in summer 2016 (May through September) is estimated at 348,000. This figure includes 239,000 visitors to Talkeetna, 174,000 to Palmer/Wasilla, and 21,000 to other Mat-Su destinations.

Of the 348,000 visitors, 224,000 (or 64 percent) overnighted in the region, while 124,000 were day visitors.

Out-of-State Visitor Volume to Mat-Su Borough, Summer 2016



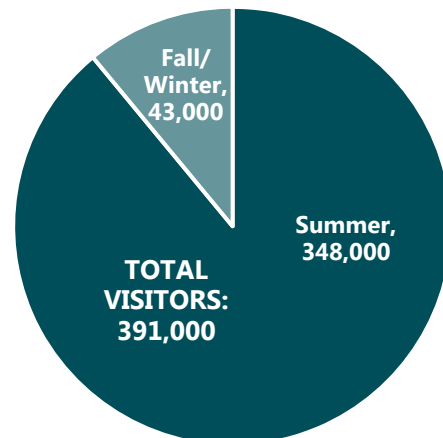
The "other Mat-Su" category includes the following locations: Willow, Byers Lake, Matanuska Glacier, Trapper Creek, Hatcher Pass, Sheep Mountain, Big Lake, Chickaloon, Houston, Lake Creek, and Skwentna.

Annual Volume

Out-of-state visitor volume during fall and winter months (January to April and October to December) is estimated at 43,000 in 2016. (Due to small sample sizes, little additional detail is available on Mat-Su's fall/winter market.)

Combining summer and fall/winter volume yields an annual visitation estimate of 391,000. Nearly nine of ten visitors (89 percent) are attributable to the summer months of May through September.

Total Out-of-State Visitor Volume to Mat-Su Borough, 2016



Spending

Out-of-state, summer visitors are estimated to have spent an average of \$244 per person while in the Mat-Su, while fall/winter spending averaged \$180 per person. The following chapter on economic impacts (page 10) explores visitor spending in greater detail.

Alaska Resident Traffic and Spending

Volume

While this report focuses on the out-of-state visitor market for purposes of economic impact analysis, Alaska residents represent an important source of visitors to the Mat-Su Borough. Following are discussions of previous research efforts that have addressed Alaska resident travel to Mat-Su.

A survey of over 2,000 Alaska residents regarding their in-state travel was conducted in 2006-07.¹ The table at right applies Mat-Su visitation rates, by region of residence, to 2016 population estimates. Because the survey did not capture frequency of visits, the estimated volume only represents the number of people who spent time in Mat-Su in a year-long period, not the number of times they visited within that period.

Alaska Resident Visitation to Mat-Su Borough

Region of Residence	2016 Population	% Visitation to Mat-Su 2006	Estimated Volume 2016
Southcentral	482,761	52%	251,000
Interior	113,154	34%	39,000
Southeast	73,812	11%	8,000
Southwest	42,274	20%	8,000
Northern	27,827	12%	3,000
Total Visitors			309,000

Sources: Alaska Department of Labor and Workforce Development; *Alaska Resident Statistics Program*, 2006-07. Note: Mat-Su residents (included in Southcentral population estimates) were not counted as visiting their own region.

Another source of information on the Alaska resident market is the *Mat-Su Borough Tourism Infrastructure Needs Study*, prepared by McDowell Group for the Matanuska-Susitna Borough in 2008. The study estimated that 263,000 Alaska residents visited the Mat-Su in summer 2006, while 183,000 visited in fall/winter 2006-07. (Note that these estimates were based in part on a 1998 study of in-state travel to Mat-Su conducted by Alaska Village Initiatives.) Considering that significant overlap is to be expected in these two markets (with many summer visitors also traveling to the Borough in the fall/winter period), these figures are generally in alignment with those determined by the *Alaska Resident Statistics Program (ARSP)*. Like the ARSP figures, these numbers reflect the amount of visitors, rather than the number of visits.

A third source of information is the *2007 Alaska Resident In-State Pleasure Travel Study*, conducted by GMA Research for the Alaska Travel Industry Association. The study involved a telephone survey of 1,100 Alaska residents regarding their in-state travel in the previous year. This study differed from studies mentioned previously in that it focused on pleasure-related travel, excluding travel that was for business purposes only. This study found that Wasilla and Talkeetna were among the top-mentioned day-trip destinations among all Alaskans at 11 percent and 10 percent, respectively. Five percent of statewide residents said they overnighted in Wasilla (other Mat-Su destinations for overnight visits were not noted). Among Anchorage residents only, 23 percent cited day trips to Wasilla; 17 percent to Talkeetna; and 14 percent to Palmer.

¹ Fix, Peter. *Alaska Resident Statistics Program Final Report*, prepared by School of Natural Resources and Agricultural Sciences, Department of Resources Management, University of Alaska Fairbanks. Published March 2009.

Spending

The 2008 infrastructure study estimated that Alaska residents spent a total of \$121 million in the Mat-Su Borough in the 2006-07 study period, including \$57 million in the summer months and \$64 million over the fall/winter. In 2016 dollars, that figure represents roughly \$150 million. Considering that the population of Anchorage (the Mat-Su's major source of in-state visitors) increased by 7 percent between 2006 and 2016,² it would be reasonable to assume that spending in Mat-Su by Alaska residents has increased at a similar rate, implying \$160 million in Alaska resident spending in 2016. Due to the lack of recent primary data, however, this estimate should be considered rough at best.

Additional Traffic Indicators

The Mat-Su Borough contains five Alaska State Parks, which record visitation on a calendar year basis. The table below shows visitor counts for 2016. The most popular park was Hatcher Pass with over 300,000 visitors, followed by Matanuska Area, Denali State Park, Susitna District, and Copper Basin Area.

Visitor Counts to Alaska State Parks in Mat-Su Borough, 2016

	Visitors
Hatcher Pass	330,150
Matanuska Area	228,039
Denali State Park	222,552
Susitna District	135,955
Copper Basin Area	19,027

Note: Visitor counts for Copper Basin Area were not recorded; a preliminary 2017 estimate is used as a proxy.
Source: Alaska State Parks.

² U.S. Census.

Economic Impact Analysis

Spending in the Mat-Su Borough by visitors creates jobs, income, and secondary spending throughout the borough economy. Visitor spending creates jobs and payroll with tour companies, hotels and lodges, retail establishments, transportation providers, and a range of other businesses. Visitor industry businesses and their employees in turn spend a portion of that money with other borough businesses (some is spent outside the borough), creating additional economic impacts. This chapter describes the borough-wide employment and labor income effects of out-of-state visitor spending in 2016. (Note that all estimates exclude spending by Alaska residents.) The analysis includes direct employment and labor income, as well as indirect and induced employment and labor income (the “multiplier effects”).

Direct Impacts

Direct Spending by Sector

Out-of-state visitors to Mat-Su spent an estimated \$98 million while in the Borough in 2016. The largest spending categories were food/beverage (\$27 million; 28 percent); lodging (\$23 million; 23 percent); and tours/activities (\$23 million; 23 percent). Transportation expenses, which include rental cars and fuel purchases, represented \$17 million and 17 percent, while gifts, clothing, and souvenirs represented \$8 million and 8 percent.

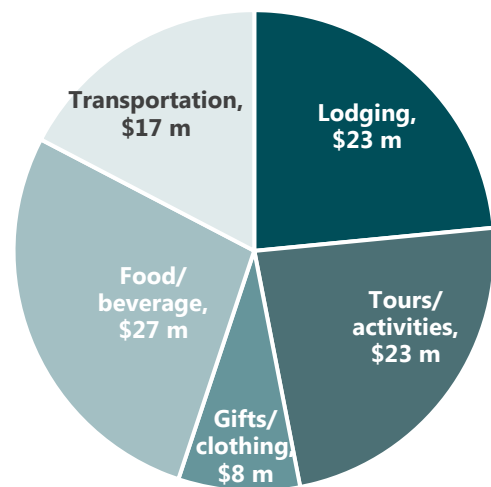
Spending figures are based on out-of-pocket spending reported by visitors in the AVSP survey. The lodging category was adjusted upwards to reflect payments by cruise lines to lodging providers on behalf of guests participating in land tours.

Direct Employment by Sector

Visitor spending directly generated 1,350 full- and part-time jobs in the borough, and \$34 million in labor income, based on McDowell Group’s economic impact modeling. Employment by sector is distributed similarly to passenger spending, though economic impact varies with the type of spending. For example, spending on services typically has a greater employment and wage impact than retail spending.

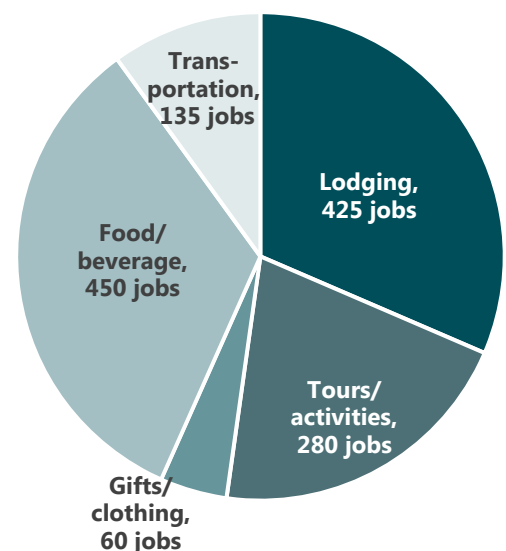
Food/beverage accounted for 33 percent of employment at 450 jobs; lodging accounted for 31 percent at 425 jobs; tours/activities accounted for 21 percent of employment at 280 jobs; transportation accounted for 10 percent at 135 jobs; and gift and retail purchases accounted for 4 percent at 60 jobs.

**Non-Resident Visitor Spending
in Mat-Su Borough, By Sector, 2016**



DIRECT SPENDING: \$98 million
DIRECT EMPLOYMENT: 1,350 jobs
DIRECT LABOR INCOME: \$34 million

**Direct Employment Resulting from
Visitor Spending, By Sector, 2016**



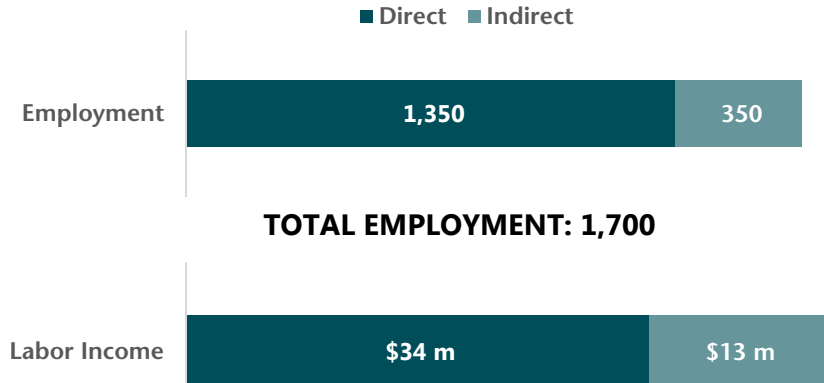
Total Economic Impacts

Direct employment and labor income estimates do not include multiplier effects, i.e., those jobs and income created in the Mat-Su Borough as the visitor dollar is re-spent by visitor industry businesses and their employees. This secondary spending is estimated to result in 350 jobs and \$13 million in labor income in 2016. Adding secondary impacts to the initial direct impacts of 1,350 jobs and \$34 million in labor income indicates total direct, indirect and induced impacts of 1,700 jobs and \$47 million in labor income.

This estimate is a tally of the total number of full- and part-time jobs linked to out-of-state visitor travel to the Mat-Su Borough. It includes annual average wage and salary employment, and total proprietors' employment (the total number of sole proprietorships or partnerships active at any time during the year).

Economic output is another measure of economic impacts, shown in the pie chart at right. It provides a measure of total direct, indirect, and induced spending in the borough related to out-of-state visitors. Out-of-state visitor spending in the Mat-Su Borough in 2016 resulted in an estimated \$133 million in economic output.

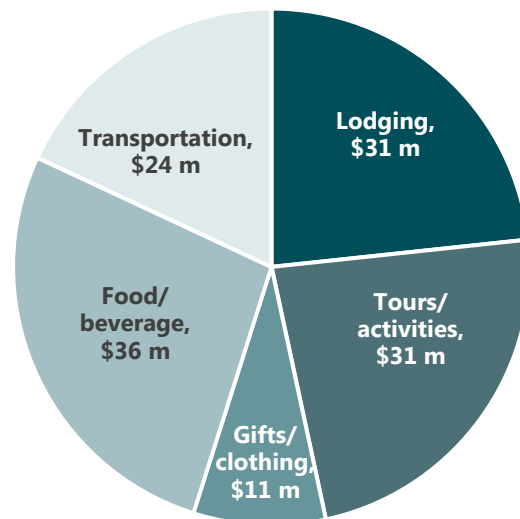
Direct, Indirect, and Total Employment and Labor Income Resulting from Visitor Spending, 2016



TOTAL EMPLOYMENT: 1,700

TOTAL LABOR INCOME: \$47 million

Total Economic Output Resulting from Visitor Spending, By Sector, 2016



TOTAL ECONOMIC OUTPUT: \$133 million

Role of Out-of-State Visitor Spending in the Mat-Su Borough Economy

The Bureau of Economic Analysis estimated total Mat-Su Borough employment at 37,037 in 2015. Based on the estimate of 1,700 total (direct and indirect) jobs resulting from out-of-state visitor spending in 2016, visitor-related employment represented approximately 5 percent of Borough-wide employment. In terms of wages, visitor-related labor income represented 3 percent (\$47 million) of total labor income reported in 2015 (\$1.8 billion). (Visitor industry employment typically represents a greater share than labor income due to lower-than-average wages in this sector.)

Additional Indicators

Employment and Wage Data

Employment and wage data from the Alaska Department of Labor and Workforce Development reveals over 400 businesses in those sectors most likely to be impacted by visitor spending. Peak employment in these sectors (the month of July is used as a proxy) reached over 6,000, while payroll totaled roughly \$130 million. Due to the seasonal fluctuations of visitor volume and spending in the borough, employment in visitor-affected businesses also fluctuates throughout the year. For example, 2016 employment in accommodations fluctuated from 258 workers in January to 726 workers in July.

Employment and Earnings in Visitor-Affected Sectors of the Mat-Su Economy, 2016

	# of Employers	July Monthly Employment	December Monthly Employment	Average Annual Employment	Total Earnings	Average Monthly Wage
Total All Industries	2,139	22,788	21,951	23,293	\$973,854,946	\$3,484
Total government	103	3,133	5,357	5,174	260,634,897	4,198
Retail Trade						
Food & beverage	25	464	436	454	10,508,247	1,929
Gas stations	12	198	186	195	4,773,570	2,040
Clothing & accessories	13	46	54	54	1,090,716	1,683
Sporting goods, books, music, etc.	18	164	144	147	2,393,711	1,357
General merchandise	10	1,295	1,233	1,284	34,259,191	2,223
Miscellaneous	44	322	296	287	7,656,493	2,223
Transportation						
Air	12	210	105	156	9,608,353	5,133
Transit & ground	7	115	279	258	8,225,032	2,657
Scenic & sightseeing	10	129	26	68	2,472,643	3,030
Support activities	24	119	71	94	3,081,688	2,732
Arts, Entertainment & Recreation						
Performing arts	12	n/a	n/a	n/a	n/a	n/a
Museums, zoos, parks, etc.	3	n/a	n/a	n/a	n/a	n/a
Amusements, gambling, recreation	36	387	170	277	4,776,331	1,437
Accommodation & Food Services						
Accommodation	62	726	258	421	10,198,753	2,019
Food services & drinking places	151	2,217	1,907	2,059	34,617,854	1,401
Total Visitor Affected	439	6,392	5,165	5,754	\$133,662,582	
Percent Visitor Affected	21%	28%	24%	25%	14%	

Source: Alaska Department of Labor and Workforce Development. Compiled by McDowell Group.

Total employment numbers in this table differ from BEA employment estimates because ADOLWD does not count self-employment workers.

Bed Tax Revenues

The Mat-Su Borough charges a 5 percent bed tax, and collected \$1,207,740 in revenues in Fiscal Year 2017. Currently, the Borough directs 65 percent of bed tax funds to Mat-Su CVB. This reinvestment of visitor expenditures in the region helps to perpetuate and grow the economic impact of visitor travel to Mat-Su. For example, destination marketing and business development programs operated by Mat-Su CVB include production and distribution of a regional visitor guide, a recently upgraded website and email marketing campaigns, convention marketing and planning assistance, and promotion of the region's attractions and businesses to travel media, tour operators, and other travel professionals.

Visitor Business Example: Gift Shop

The graphic on the following page demonstrates the way visitor spending filters through the local economy (using a gift shop as an example), creating jobs and income in nearly every sector of the economy.

"Alaska Treasure" Gift Shop

