

# Fairbanks jobs forecast for 2023

## Military growth continues to provide an economic buffer

By SARA TEEL

Fairbanks wasn't hit quite as hard by pandemic job losses as Anchorage and Southeast. The Fairbanks North Star Borough's employment fell 6.6 percent in 2020 while Anchorage lost 7.9 percent of its jobs and Southeast 13.5 percent.

As a regional hub with a university campus and two military bases, Fairbanks doesn't rely on tourism as much as some other regions. Many businesses remained open, as they were deemed essential. Fairbanks had another buffer, too: a military influx. The borough gained population in recent years while most of the state continued to lose people to migration.

Later in the pandemic, Fairbanks grappled with the same supply chain bottlenecks and staffing shortages as the rest of the nation, which continued into 2022 accompanied by high energy costs, rising inflation, and increasing housing prices.

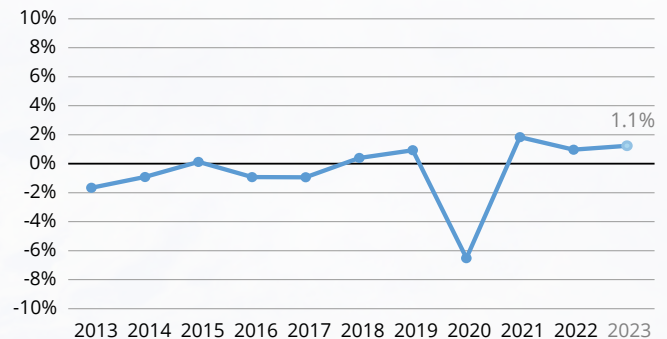
The borough's job count grew by 1.7 percent in 2021 — about 600 — and while recovery continued in 2022, growth was marginal at 0.8 percent. The private sector added 500 jobs last year, mainly in leisure and hospitality, but Fairbanks lost 200 government jobs.

We forecast a little more job growth than last year, at 1.1 percent (about 400 jobs). This looks like a challenging year for Fairbanks, with uncertainty about oil prices, inflation, the war in Ukraine and what it could mean for troops and prices, continued supply and worker shortages, and a possible national recession. The federal Infrastructure Investment and Jobs Act will stimulate some growth this year, but substantial funding disbursement isn't likely in 2023.

### Infrastructure projects coming, but timeline is not yet clear

While the funding disbursement timeline for the infrastructure bill remains unclear, Fairbanks is

### A third year of minor job recovery on the horizon for Fairbanks area



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

in line to benefit. The area's allotment will include \$1 million for a watershed restoration project, \$1 million for Yukon-Tanana uplands restoration, \$2.4 million for upgrades of the bus system, \$3.8 million for the Fairbanks International Airport, and \$146.4 million for hydropower and marine energy research at the University of Alaska Fairbanks.

### Military buildup reversed population decline trend

Fairbanks' population had declined an average of 1 percent a year since 2012, but in 2019, the first wave of new military personnel and families arrived with the installation of the F-35 fighter jets at Eielson Air Force Base. While the pandemic altered the planned arrival timeline, by late spring of 2022, the number of active duty personnel and their families at Eielson had more than doubled. Eielson had almost 3,600 people in 2019 and more than 7,600 in the first half of 2022.

A larger population usually demands more goods and services, but pandemic-linked job losses overshadowed the gains spurred by population growth. The borough's job recovery would have been slower without this cushion, though.

## The outlook for Fairbanks North Star Borough jobs, by industry

	Monthly avg, 2021 <sup>1</sup>	Monthly avg, 2022 <sup>1</sup>	Change, 2021-22	Percent change	JOBS FORECAST		
					Monthly avg, 2023	Change, 2022-23	Percent change
<b>Total Nonfarm Employment<sup>2</sup></b>	<b>36,000</b>	<b>36,300</b>	<b>300</b>	<b>0.8%</b>	<b>36,700</b>	<b>400</b>	<b>1.1%</b>
Total Private	25,700	26,200	500	1.9%	26,600	400	1.5%
Mining and Logging	900	900	0	0%	900	0	0%
Construction	2,500	2,500	0	0%	2,600	100	4.0%
Manufacturing	500	600	100	20.0%	600	0	0%
Trade, Transportation, and Utilities	7,200	7,100	-100	-1.4%	7,200	100	1.4%
Wholesale Trade	600	600	0	0%	600	0	0%
Retail Trade	4,600	4,500	-100	-2.2%	4,600	100	2.2%
Transportation, Warehousing, and Utilities	2,000	2,000	0	0%	2,000	0	0%
Information	300	300	0	0%	300	0	0%
Financial Activities	1,100	1,200	100	9.1%	1,200	0	0%
Professional and Business Services	2,600	2,500	-100	-3.8%	2,600	100	4.0%
Educational (private) and Health Services	5,400	5,400	0	0%	5,400	0	0%
Health Care	4,200	4,200	0	0%	4,200	0	0%
Leisure and Hospitality	4,100	4,500	400	9.8%	4,600	100	2.2%
Other Services	1,100	1,200	100	9.1%	1,200	0	0%
Total Government	10,300	10,100	-200	-1.9%	10,100	0	0%
Federal, except military	3,200	3,200	0	0%	3,200	0	0%
State, incl. University of Alaska	4,300	4,300	0	0%	4,300	0	0%
Local and tribal, incl. public schools	2,800	2,600	-200	-7.1%	2,600	0	0%

<sup>1</sup>Preliminary and adjusted estimates. <sup>2</sup>Excludes the self-employed, uniformed military, most commercial fishermen, domestic workers, and unpaid family workers.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

## Fairbanks' forecasted job recovery to pre-pandemic levels, by industry

	2019 jobs	2023 forecasted	Difference from 2019
<b>Total Nonfarm Employment</b>	<b>37,900</b>	<b>36,700</b>	<b>-3.2%</b>
Total Private	27,500	26,600	-3.3%
Mining and Logging	800	900	12.5%
Construction	2,700	2,600	-3.7%
Manufacturing	600	600	0%
Transportation, Trade, and Utilities	7,800	7,200	-7.7%
Wholesale Trade	600	600	0%
Retail Trade	4,800	4,600	-4.2%
Transp, Warehousing, and Utilities	2,400	2,000	-16.7%
Information	400	300	-25.0%
Financial Activities	1,200	1,200	0%
Professional and Business Services	2,800	2,600	-7.1%
Educational (private) and Health Svcs	5,600	5,400	-3.6%
Health Care	4,200	4,200	0%
Leisure and Hospitality	4,600	4,600	0%
Other Services	1,000	1,200	20%
Total Government	10,500	10,100	-3.8%
Federal, except military	3,100	3,200	3.2%
State, incl. University of Alaska	4,500	4,300	-4.4%
Local and tribal, incl. public schools	2,900	2,600	-10.3%

Note: May not sum because of rounding. Excludes the self-employed, uniformed military, most commercial fishermen, domestic workers, and unpaid family workers.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

## Homes built, but not enough to meet demand

Local housing stock wasn't sufficient for thousands of new residents, so Fairbanks' and North Pole's city governments encouraged construction by offering tax breaks for new multi-family homes. New housing went up — more in North Pole than Fairbanks — but less than anticipated.

Fairbanks usually has higher rental vacancy rates than most Alaska communities, in part because its population is more transient with university students and staff, military, and the flow of North Slope workers. The borough hit 19 percent vacancy in 2020, which dropped to 7 percent in 2022 — the lowest in over a decade.

With increased competition, rent rose 4.7 percent last year — and as households spend more of their income on housing, they spend less elsewhere.



## Fairbanks Forecast

### Spark renewed for businesses, tourism

Tourism-related revenue went way up in 2022, although much of that came from higher hotel room prices. In the first three quarters of 2022, the borough collected 41 percent more in bed taxes than in 2019, at just over \$81 million. According to Explore Fairbanks, a tourism association, hotel occupancy rates in Fairbanks and North Pole rose 8.9 percent from 2021 to 2022 while hotel rates in Fairbanks jumped 20 percent.

The number of air and rail passengers also increased from 2021 to 2022. As of September, air travel was 15 percent higher and rail traffic was up 70 percent from the year before as conferences, concerts, and other multi-day events picked up. We expect these trends to continue this year.

Tourism's return generated some job recovery in 2022. The borough added 400 jobs in leisure and hospitality — hotels, restaurants, and recreational activities — the sector hurt the most in 2020.

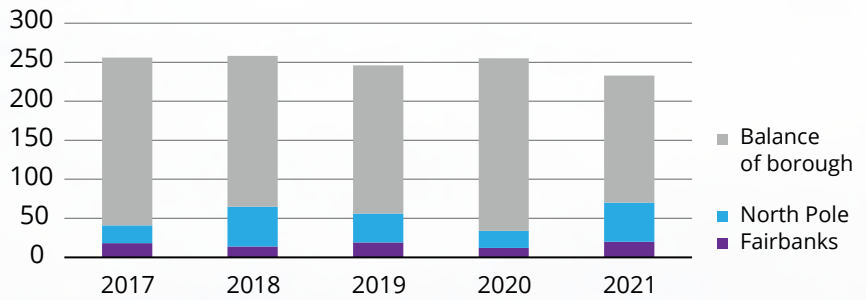
We forecast an additional 100 jobs for leisure and hospitality in 2023 and another 100 jobs for retail (both 2.2 percent).

### A slate of new, ongoing projects

Construction and renovations that will continue into 2023 include a new brewery, a second UMW location (Express Department of Motor Vehicles) with room for a store or café, and an indoor shooting range. A chiropractic business is renovating the empty Denny's restaurant, a veterinary clinic is moving to a larger space, and a marijuana dispensary is expanding its current location.

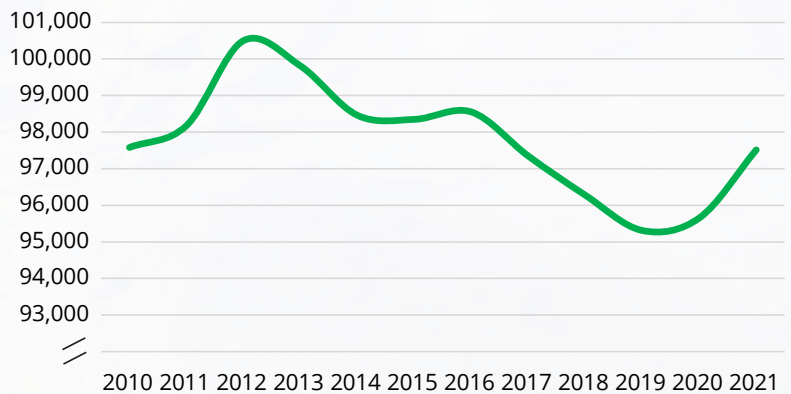
The demolition of the derelict 1952 Polaris Hotel

### More new homes built in North Pole last year as military buildup increased demand



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

### Population decline reversed with arrival of F35s



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

downtown may begin in 2023. The city is in line to receive \$10 million from the Environmental Protection Agency, as the building contains a range of hazardous materials from asbestos to black mold. The EPA considers it an emergency and has expedited the process.

The \$148 million Moose Creek Dam Modification Project in the Chena Lakes Recreation Area began last summer. Coined a mega project because of its scope and complexity and led by the U.S. Army Corps of Engineers, the project's first phase will continue until 2024.

Other construction projects scheduled this year include reconstruction of 5th Avenue and the intersection of Airport Way and Cushman Street, resurfacing of Chena Ridge and Chena Pump Road, and road work on Yankovich.

With these ongoing and upcoming projects and

## Fairbanks Forecast

infrastructure funding trickling in, we forecast a modest increase for construction employment at 100 jobs, or 4 percent. As a result, we expect professional and business services to grow in tandem.

## Federal, state government flat

Federal government employment remained flat through 2022 at 3,200 total jobs. The fire season may push that up this summer, but the overall flat trend is forecasted to continue for this year.

Similarly, state government had the same number of jobs in 2022 as the year before (4,300), most at the University of Alaska Fairbanks. UAF has absorbed a multi-year budget cut of \$70 million, and we forecast no change this year as its job losses stabilize.

## Public schools grapple with fewer students, years of flat funding

Fairbanks' local governments expect more revenue this year. The Fairbanks North Star Borough projects an \$8.5 million higher operating budget during the current cycle than last year and \$3.9 million from the state for school construction. A property tax hike and higher hotel bed taxes have given the

city and borough more breathing room. We expect no change in job levels in 2023 as local governments adjust to recent economic changes.

Public schools faced a more challenging environment last year. The state provides 65 percent of the Fairbanks North Star Borough School District's funding, allocated on a per-student basis, and fewer students means less money. Per-student funding increased slightly just once in six years, but costs have risen considerably.

The 2015-2016 school year was the last time enrollment increased in the borough. The pandemic accelerated this downward trend, resulting in an almost 15 percent drop in students. Although enrollment increased the following school year, it was still 7.3 percent below pre-pandemic levels.

As a result, three schools closed during the 2022-2023 school year: Joy Elementary and Nordale Elementary,

both in Fairbanks; and Anderson Elementary, on Eielson Air Force Base. Middle schools now include grades six through eight, school boundaries have been redrawn, and the Nordale building has been repurposed to house several alternative learning programs.

The federal pandemic CARES Act funded more than 100 jobs but expired at the end of the last school year. Partly as a result, local government employment fell 7.1 percent (-200) in 2022.

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Fairbanks has a slate of on-going construction projects and renovations that will continue into 2023.