

Federal Agencies Prominent Despite Downsizing

by John Boucher and Kristen Tromble

The federal government (including uniformed military personnel) has been the largest employer in Alaska since the military build-up associated with World War II. As late as 1970, it provided almost one in every five civilian wage and salary jobs. As oil and other industries rose to prominence in the 1970s, federal government's share of employment declined. However, despite recent downsizing, the federal government (including the military) is still the largest single employer in Alaska's job base. In all, more than 37,000 individuals had federal government jobs in Alaska in 1995.

Although uniformed military and civilian employees supporting military functions represent 72% of the federal presence in Alaska, civilian agencies make an important contribution to the state's economy. This article examines civilian federal agency employment in Alaska and gives a brief overview of future employment trends. For a discussion of the economic impact the military has on Alaska, see "Defense: Still One of Alaska's Biggest Exports," on page seven of this issue of *Alaska Economic Trends*.

In 1995, federal agency employment averaged 10,494, with a total payroll, including cost-of-living allowance (COLA), of \$483.2 million. This represented about 4.0% of the state's total wage and salary employment and 5.7% of the payroll. In measuring the civilian payroll's impact, it should be remembered that many civilian employees receive the 25% tax-free COLA for being located in Alaska. These employees have more disposable income to spend on local goods and services because of the federal COLA than other individuals of comparable income.

Interior the largest department

Five agencies account for most of the federal employment in Alaska. In order from the largest they are: the Department of Interior, the Postal Service, the Department of Transportation, the Department of Agriculture and the Department of Health and Human Services. (See Table 1.)

The relative size of these five agencies gives insight into the unique federal presence in Alaska. Interior is the largest non-military department in Alaska because the federal government is the largest landowner in the state. Most agencies in Interior manage federal lands or their associated resources. Within Interior, prominent branches are: the Bureau of Land Management, the Fish and Wildlife Service, the National Park Service, the National Biological Survey, the Bureau of Indian Affairs, the Minerals Management Service and the U.S. Geological Survey. Except for the Bureau of Indian Affairs, the primary function of these bureaus is to manage or support the management of federal landholdings and resources in Alaska.

Alaska's second largest federal civilian employer is the Postal Service. This is no surprise, since the Postal Service is the largest federal employer in many states. However, Alaska's unique geographic characteristics contribute to a relatively large work force. Isolated areas of Alaska are more dependent on mail service than the average rural community. In Alaska's remote areas, it's not uncommon for residents to call up a grocer in a nearby town and have their groceries delivered through the mail.

The Department of Transportation's prominence is also related to Alaska's geographic characteristics. Alaska's large land area makes the airways a more common mode of transportation for goods and people than anywhere else in the country. In support of the air transportation sector, the Federal Aviation Administration (FAA) has a large contingent, accounting for most of the Department of Transportation's employment in Alaska. The FAA provides air traffic controllers to airfields, and is responsible for engineering, design and maintenance of Alaska's air navigational aids and traffic management systems. In addition, FAA personnel conduct inspections and certify the fitness of aircraft. The Coast Guard's civilian employees are also counted among the department's employees, but military personnel of the Coast Guard are excluded from the figures in Table 1.

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Like Transportation, the Department of Agriculture is dominated by one branch of the department. More than 90 percent of Agriculture's employees are in the Forest Service. Forest Service employees serve a similar function to Interior's in that many are land and resource managers. The difference is that the Forest Service's jurisdiction is restricted to the Tongass and Chugach National Forests.

Alaska's fifth largest civilian federal agency, the Department of Health and Human Services, is dominated by the Public Health Service (PHS). Demographics account for this department's large presence in the state. Through the Indian Health Service (IHS), this agency administers the health care needs of Alaska Natives, who comprise 15.7% of Alaska's total population. The IHS's largest facility is the Alaska Native Medical Center in Anchorage. In addition to this facility, the PHS may provide employees to numerous

privately-contracted Native hospitals and clinics around the state.

Outside of the largest five, a host of agencies comprises the balance of federal employment in Alaska. The biggest of the remaining agencies is the Department of Commerce, of which the National Oceanic and Atmospheric Administration (NOAA) is the major component. Within NOAA, the National Weather Service, which provides weather observations and forecasts, and the National Marine Fisheries Service, which manages ocean fisheries, are the primary agencies. The Department of Veterans Affairs, which operates a medium-sized veterans' clinic in Anchorage, is the seventh largest federal agency in Alaska. The Treasury Department, of which the Internal Revenue Service and Customs Bureau are the prominent arms, is the eighth largest civilian federal agency and also has a significant employee base in Alaska. Most other federal agencies have a relatively small presence.

T a b l e • 1

Federal Civilian Agency Employment 1980-1995 1/

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
US Dept of Interior	2,896	2,862	2,614	2,493	2,476	2,380	2,241	2,230	2,297	2,371
US Postal Service	1,476	1,328	1,425	1,628	1,893	1,979	2,169	2,240	2,216	2,186
Transportation 2/	2,342	2,465	2,380	2,341	2,326	1,631	1,576	1,632	1,625	1,661
US Dept of Agriculture	1,265	1,239	1,220	1,185	1,134	1,081	1,048	1,057	1,061	1,163
US Dept of Health & Human Services	1,681	1,666	1,374	1,359	1,402	1,422	1,248	1,158	1,137	1,114
US Dept of Commerce	808	600	578	577	500	437	406	396	397	415
Veterans Administration	115	146	101	113	127	136	139	151	162	183
US Treasury Dept 3/	295	276	278	303	321	308	333	371	406	389
US Dept of Justice	117	115	62	66	67	86	100	109	117	125
US Courts	0	0	58	54	55	59	63	71	72	72
General Services Administration	164	145	116	115	117	118	117	120	115	120
US Dept of Housing & Urban Development	66	62	57	51	43	47	49	60	69	75
US Dept of Energy	0	0	0	0	0	0	39	39	36	35
Environmental Protection Agency	0	0	0	0	0	0	0	0	0	0
Small Business Administration	33	28	25	26	29	30	30	30	29	30
US Dept of Labor	22	20	11	13	13	13	14	14	16	19
Federal Communications Commission	15	13	9	9	11	10	13	13	13	13
Corp. for National and Community Service	0	0	0	0	0	0	0	0	0	0
Office of Personnel Management	26	22	31	21	21	20	21	21	20	21
Federal Emergency Management Agency 3/	0	0	0	0	0	0	0	0	0	0
National Labor Relations Board	0	0	0	2	7	5	6	5	5	4
Smithsonian	0	0	0	0	0	0	0	0	0	0
Interstate Commerce Commission	1	1	1	1	1	1	1	0	0	0
Federal Deposit Insurance Corp.	0	0	0	0	0	0	0	2	50	78
US General Accounting Office	10	8	7	7	7	5	3	0	0	0
Total Civilian Agencies	11,332	10,996	10,347	10,364	10,550	9,768	9,616	9,720	9,844	10,073

1/ Employment based on the best data currently available. Some jobs may not be included.

2/ Department of Transportation numbers include civilian employees of the US Coast Guard.

3/ From 1982-1992, employment at the Federal Emergency Management Agency is included in U.S. Treasury Department numbers.

Source: Alaska Department of Labor, Research and Analysis Section.

Employment ebbs, then surges

In the first half of the 1980s, civilian federal employment in Alaska declined. During this period many federally-provided services were transferred to state and private control. The Bureau of Indian Affairs transferred administration of its schools to the state, the Alaska Railroad was transferred from federal to state ownership, the Forest Service contracted out more seasonal employment, and the Public Health Service turned over health care facilities to Alaska's Native corporations. Of the five largest agencies, only the Postal Service bucked the trend of dropping employment. The Postal Service expanded due to three factors: rapid population growth, an aggressive facilities upgrade program, and designation of Alaska as a postal district, which resulted in responsibility for some support functions being transferred from Seattle to Anchorage.

In 1987, civilian agency employment began a six-year expansion. When the large-scale transfer of services slowed, employment growth in agencies that were expanding their mission in Alaska became evident. The Department of Interior was one agency responsible for the expansion. In the mid to late 1980s, Interior's Fish and Wildlife Service grew as a result of the passage of the Alaska National Interest Land Claims Act (ANILCA) in 1982. That legislation established 16 new wildlife refuges which substantially increased the wildlife resources and habitat managed in Alaska. Another employment boost occurred in 1989 when Fish and Wildlife was given the responsibility of managing subsistence activities on federal lands in Alaska. Meanwhile, the National Park Service (NPS) grew in response to the tourism industry's increased demand for its facilities. Each year, more visitors are coming to NPS facilities such as Denali National Park, Glacier Bay National Monument, and Kenai Fjords National Monument.

1990	1991	1992	1993	1994	1995	1995 Total Payroll	Average Annual Wage
2,371	2,482	2,636	2,901	2,834	2,637	\$113,341,392	\$42,981
2,136	2,125	2,113	2,081	2,107	2,139	76,106,881	35,579
1,704	1,777	1,882	1,880	1,763	1,659	105,587,171	63,639
1,233	1,241	1,326	1,373	1,361	1,283	58,314,842	45,443
1,127	1,182	1,191	1,200	1,146	1,122	44,102,729	39,307
732	432	429	432	448	452	23,937,590	52,969
196	217	256	297	322	337	17,042,831	50,622
367	380	376	369	340	313	15,773,579	50,422
135	147	128	157	154	160	9,716,652	60,792
81	93	107	114	116	115	5,671,452	49,174
115	111	120	130	116	89	4,141,444	46,316
70	65	60	55	54	51	2,698,991	53,182
34	36	34	35	33	30	2,186,984	72,098
0	0	0	20	26	27	1,269,749	47,320
27	29	31	29	28	25	1,413,482	55,612
18	17	17	15	15	14	585,248	42,563
13	11	11	11	12	11	620,365	54,339
0	0	0	0	0	11	101,993	9,343
20	15	14	11	8	9	155,266	17,413
0	0	0	1	4	6	218,509	38,560
4	3	3	3	3	3	185,969	65,636
0	0	0	0	1	1	56,113	51,797
0	0	0	0	0	0	0	0
143	180	171	121	0	0	0	0
0	0	0	0	0	0	0	0
10,524	10,543	10,902	11,234	10,892	10,494	\$483,229,232	\$46,046

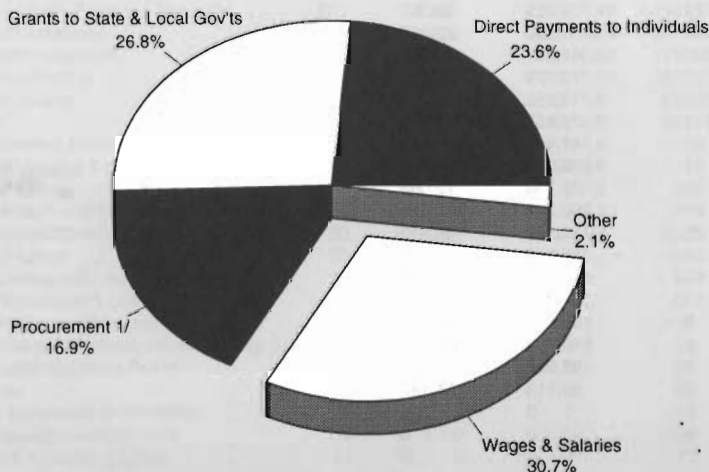
Federal Government Spending in Alaska Tops \$4 Billion

The accompanying table and figures highlight some of the areas of Alaska's economy that benefit from federal expenditures.

Civilian and military wages paid to employees of the federal government in Alaska are a fraction of the economic stimulus that federal spending provides the state's economy. Wages and salaries paid to military and civilian employees accounted for just over 30 percent of the \$4.19 billion spent by the federal government in Alaska in federal fiscal year 1995. (See Figure 1.) Direct grants to state and local governments accounted for 26.8%, or \$1.1 billion, of the federal dollars spent (also Table 1), while direct payments to individuals was 23.6%, or \$990 million, of federal expenditures (also Figure 2). Federal procurement, of which the Department of Defense awards the most federal dollars, accounted for another 16.9% of the federal spending in Alaska. In addition to direct spending, the federal government provided almost \$700 million in economic stimulus by acting as a lender or insurer of last resort for mortgage and flood insurance, home and business loans and other activities in fiscal year 1995. (See Figure 3.)

Figure 1
Federal Funds Distribution in Alaska
FFY 1995

Total = \$4,198,000,000



1/ The Department of Defense awards 78.2% of total procurement contracts.
Source: U.S. Bureau of the Census, *Federal Expenditures by State for Fiscal Year 1995*.

Paralleling Interior's employment expansion was a period of growth at the Department of Agriculture. From 1988-1992, the Forest Service beefed up its staff devoted to studying forest habitat, particularly wildlife and fisheries biologists, ecologists, and technicians supporting their efforts. In addition to a larger scientific staff, more personnel were hired to plan, develop and maintain recreational facilities within the forests.

The Department of Transportation, in particular the Federal Aviation Administration (FAA), also expanded in the latter part of the 1980s. The primary reason for FAA expansion was an initiative to increase airline safety. This included a broad-based effort of hiring air traffic controllers, upgrading air traffic management systems, and increasing staff devoted to inspecting and certifying aircraft and operators.

Another contributor to civilian federal employment growth was the Department of Veterans Affairs (VA). The VA administers veterans' entitlement programs in Alaska and provides health care services through the Anchorage VA clinic. In April 1990, the VA moved into a larger facility that enabled them to increase in-house health care services provided to veterans. It also expanded its service area to include the Kenai Peninsula and the MatSu Borough, which significantly increased its potential patient base. The extra staff necessary to deliver these services is the primary reason for VA growth in Alaska.

Another temporary boost to federal employment during this period occurred when the Federal Deposit Insurance Corporation opened an office in the late 1980s to deal with the bank failures of the recession. Employment at the agency peaked at nearly 200 jobs in 1991, but then was whittled back to zero when the office closed in 1993.

National Performance Review reduces employment

In 1994, civilian federal agency employment in Alaska declined, reversing gains that occurred since 1986. At the broadest level, the administration's National Performance Review forced federal agencies to examine how

they could deliver services more efficiently. The result was smaller staff levels, particularly in administrative functions, and expansion of partnerships with other entities to accomplish their mission. Partnerships range from contracting out functions to private entities to jointly developing new facilities and services with other government and private agencies.

The Department of Interior, a prominent player in the growth spurt of the late 80s and early 90s, is one agency that downsized during the last several years. Within Interior, the Bureau of Land Management, Fish and Wildlife Service, Minerals Management Service, and the Bureau of Indian Affairs experienced most of the job losses. Some of these losses were shifts of staff to the newly created National Biological Survey; others were the result of attrition or retirement. Although the National Park Service has fared relatively well compared to other agencies within the department, it too has cut back on staffing levels and is developing partnerships with other entities to maintain and develop facilities.

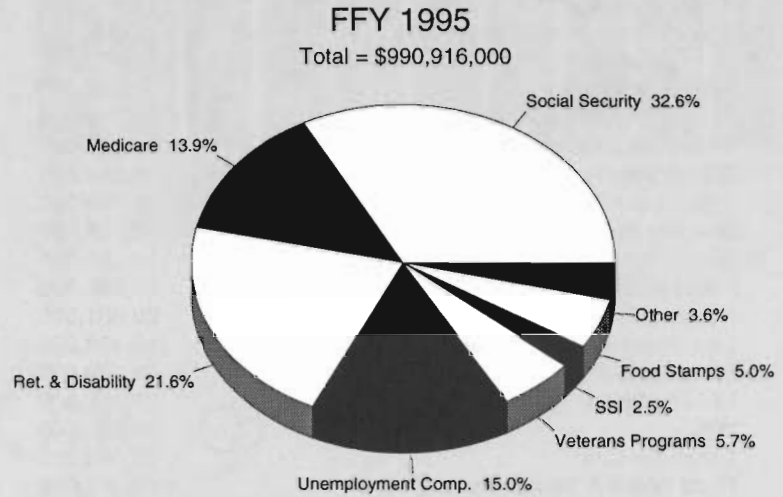
The Postal Service, which experienced a small increase in employment the past several years, expects employment to remain close to current levels in the near term. Mail volume is the critical factor determining future Postal Service employment and, if population continues to grow, there will probably be slight growth in Postal Service employment.

The Federal Aviation Administration (FAA) and the civilian side of the Coast Guard both cut employment during the past several years, but now expectations are for relatively stable employment. Much of the FAA consolidation occurred in the administrative support and supervisory ranks of the agency. With flight standards for small carriers more stringent and the airline industry under scrutiny for safety and security reasons, the FAA is likely to remain at current levels or perhaps even experience some limited growth.

In the Department of Agriculture, the employment outlook also appears stable for the immediate future. As with the other federal

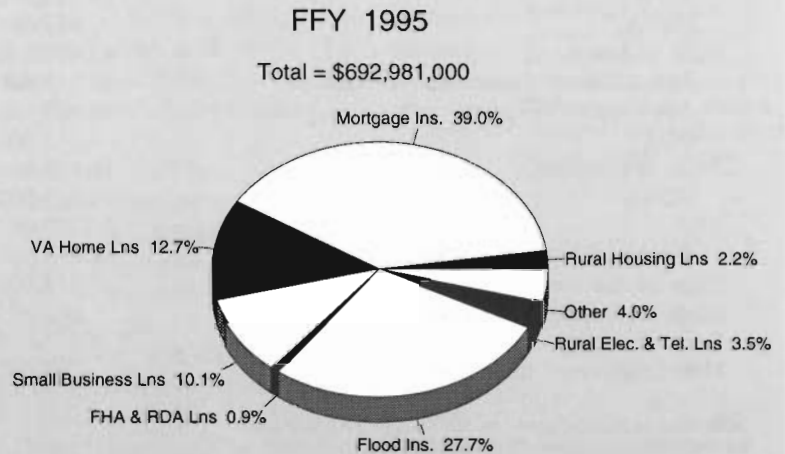
From 1988 to 1994, federal spending in Alaska increased from \$2.664 billion to \$4.640 billion, an increase of almost 75 percent. (See Figure 4.) The state has seen an enormous economic benefit as a result, with federal employment and wages being an important, but fractional, portion of the growth during that period. In federal fiscal year 1995, federal spending decreased for the first time since 1988, a harbinger of the direction that overall federal spending in Alaska will take in the near future.

Figure 2
Direct Payment to Individuals



Source: U.S. Bureau of the Census, Federal Expenditures by State for Fiscal Year 1995.

Figure 3
Loan and Insurance Programs 1/



1/ Includes direct and guaranteed loans.

Source: U.S. Bureau of the Census, Federal Expenditures by State for Fiscal Year 1995.

Table 1
Grants and Other Payments to State and Local Governments
for Selected Departments and Programs
FFY 1995

Total	\$1,124,749,000
Dept. of Transportation	321,860,000
Highway Trust	258,098,000
FAA—Airport & Airway Trust	55,479,000
Dept. of H&HS	313,032,000
Medicaid	168,723,000
AFDC	69,228,000
Children & Family Svcs.	36,204,000
Foster Care & Adoption Asst.	9,527,000
Low Income Home Energy Asst.	8,483,000
Dept. of Education	127,001,000
School Assistance	64,392,000
Special Ed. & Rehab. Svcs.	17,711,000
Education for Disadvantaged	15,470,000
School Improvements	6,884,000
Indian Education	6,740,000
Bilingual Education	2,555,000
HUD	114,681,000
Public Housing	69,589,000
Housing Pymts. (Section 8)	20,681,000
Low Rent Housing—Oper. Asst.	10,928,000
Dept. of Agriculture	63,432,000
Child Nutrition	20,058,000
WIC	12,828,000
Forest Service	10,089,000
Rural Water & Waste Disposal	7,964,000
Food Stamps	7,353,000
Food Safety & Inspection	1,190,000
FEMA	50,471,000
Disaster Relief	49,326,000
Dept. of Labor	42,778,000
State U.I. & Employment Svcs.	29,217,000
JTPA	10,158,000
OSHA	1,657,000
Dept. of Interior	40,991,000
Fish & Wildlife Restoration & Mgmt.	16,917,000
BIA—Indian Programs	13,481,000
BLM	4,713,000
Dept. of Commerce	18,528,000
NOAA	15,589,000
EPA	17,888,000
Constr. of Wastewater Treat. Works	12,974,000
Dept. of Justice	5,574,000
Corp. for Public Broadcasting	4,958,000
Dept. of Energy	1,955,000
Nat'l Endowment for the Arts	706,000

*Table includes selected agencies. Subtotals do not add to totals.
 Source: Federal Expenditures by State for Fiscal Year 1995.*

agencies, administrative functions were targeted for cutbacks at the Forest Service, while field operations suffered fewer cutbacks. With the majority of the downsizing behind it, future employment changes at the Forest Service could result from a shift from timber harvest programs to total forest ecosystem management. Changing land management philosophy could place downward pressure on employment related to timber harvesting programs, but programs receiving a greater emphasis could grow.

Since 1993, Health and Human Services employment in Alaska has steadily declined. This trend is expected to continue as the last of the Public Health Service health care facilities are privately contracted. The lone remaining Indian Health Service facility is the Alaska Native Medical Center (ANMC) in Anchorage. That facility is expected to move to private management in the next two to three years. Transfer to private management does not necessarily mean that all ANMC employees will immediately move from federal government employment into the private sector. However, over time, the number of federal employees at the facility is bound to dwindle.

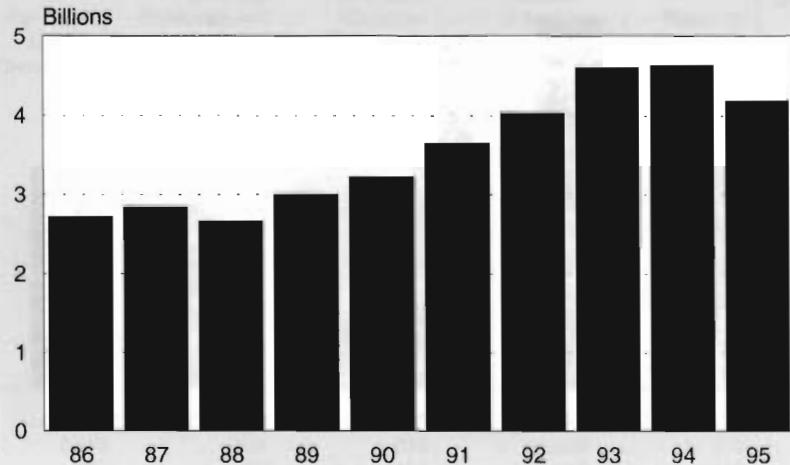
Most of the other smaller federal agencies in the state expect little or no change in employment. The Veterans Administration (VA) expects marginal employment growth as the current round of expansion of medical care services to veterans winds down. When the new hospital at Elmendorf Air Force base opens, the VA expects to further expand its capacity to provide in-patient services to the area's veterans. In the Department of Commerce, current plans are to construct a major facility for the National Marine Fisheries Service (NMFS) in Juneau around the year 2000. In partnership with the University of Alaska, Fairbanks fisheries school, the facility would consolidate much of the region's fisheries scientists in one facility. The new facility may be accompanied by a slight personnel increase at NMFS. During the next two years, the Department of Energy's presence in Alaska is expected to wither as the two electrical facilities operated by the Alaska Power Authority are sold. Overall, the impact on federal employment in the smaller agencies tends to be minimal in comparison to what happens at the larger agencies.

Civilian feds remain an economic cornerstone

Although its prominence has diminished since the oil industry emerged as a major force in Alaska's economy, the federal government remains the state's largest single employer. In the last several years, an effort to pare federal spending has placed downward pressure on employment at most civilian agencies in Alaska. For the immediate future, it appears that the impetus to downsize employment levels at most federal agencies has subsided. Relative stability or slight employment drops gained from attrition are the most common outlook for federal agencies in the state. With a large resource base to manage, and a growing population spread over a large area, it's a certainty that the federal government will remain an important player in Alaska's economy for many years to come.

Figure 4

Historical Summary of Total Federal Government Expenditure by Federal Fiscal Year Alaska



Source: U.S. Bureau of the Census, Federal Expenditures by State for Fiscal Year 1995.