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 branches 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.
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.

### Table 1

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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.
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.

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Alaska Economic Trends September 1996

3
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

Grants to State & Local Gov’ts 26.8%
Direct Payments to Individuals 23.6%
Procurement 16.9%
Wages & Salaries 30.7%
Other 2.1%

1/ The Department of Defense awards 78.2% of total procurement contracts.

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

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<th>FFY 1995</th>
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**Dept. of Transportation**
- Highway Trust: 321,860,000
- FAA—Airport & Airway Trust: 258,098,000
- 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**
- School Assistance: 127,001,000
- Special Ed. & Rehab. Svcs.: 64,392,000
- Education for Disadvantaged: 15,470,000
- School Improvements: 6,884,000
- Indian Education: 6,740,000
- Bilingual Education: 2,555,000

**HUD**
- Public Housing: 114,681,000
- Housing Pymts. (Section 8): 69,599,000
- Low Rent Housing—Oper. Asst.: 20,681,000
- Dept. of Agriculture: 63,432,000
- Child Nutrition: 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**
- Disaster Relief: 50,471,000
- 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**
- Fish & Wildlife Restoration & Mgmt.: 40,991,000
- BIA—Indian Programs: 16,917,000
- BLM: 13,481,000
- Dept. of Commerce: 4,713,000
- NOAA: 18,528,000
- EPA: 15,589,000

**Constr. of Wastewater Treat. Works**
- Dept. of Justice: 17,888,000
- Corp. for Public Broadcasting: 12,974,000
- Dept. of Energy: 5,574,000
- Dept. of Energy: 4,958,000
- Nat'l Endowment for the Arts: 1,955,000

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

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 wane 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

![Graph]


Defense: Still One of Alaska’s Biggest Exports

by Neal Fried

The U.S. military has played an important role in the development of Alaska’s economy. In the 70 years following the purchase of Alaska in 1867, the U.S. military built several forts. These forts spurred the building of roads and telegraph systems and facilitated the movement of explorers and settlers into the Territory. However, by 1939, the military presence in Alaska had dwindled to one fort, the Chilkoot Barracks in Haines, with a force of only 311 troops.

With the onset of World War II, the military again expanded in Alaska and its economic importance to the Territory became clear. By November of 1943, about 150,000 troops were in Alaska and thousands of construction workers were building installations, roads, air fields and ports. In a massive endeavor, the military connected the Territory to the rest of the continent by road.

This defense buildup put Alaska on the map—attracting private contractors and workers to the Territory and providing valuable infrastructure. After the war, fears that demobilization would result in lack of opportunity and a return to isolation went unrealized as first the Cold War and then the Korean War emphasized Alaska’s strategic location to the military. Instead of retreating from the Territory, the military embarked on a long period of expansion. By 1960, nearly half of Alaska’s labor force was,