### Economic Impact of the Klondike Gold Rush National Historical Park On the Economy of Skagway, Alaska

**Prepared for the National Park Service** 

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#### **Executive Summary**

### Economic Impact of the Klondike Gold Rush National Historical Park on the Economy of Skagway, Alaska

The U.S. Congress authorized the establishment of the Klondike Gold Rush National Historical Park (Park) in Skagway, Alaska in 1976. Even before that time, the National Park Service (Park Service) has been a key contributor in various ways to the economy of Skagway. In this study we examined direct spending of Park Service dollars in Skagway (direct economic impacts), spending in the local economy by businesses receiving Park Service money (indirect economic impacts), and spending in the local economy by residents receiving Park Service paychecks (induced economic impacts). The following table presents these impacts for operating and construction spending and other monetary contributions to the economy of Skagway by the Park Service in Federal Fiscal Year (FFY) 2002.

Table 1
Summary of Economic Impacts
FFY 2002

Category	Dollar Value
OPERATING BUDGET	
Direct Impacts (Operating Expenditure)	\$2,836,378
Indirect Impacts (Business Spending)	\$170,781
Induced Impacts (Household Spending)	\$663,525
Total Impacts - Operating Budget	\$3,670,684
CONSTRUCTION BUDGET	
Direct Impacts (Construction Expenditure)	\$250,000
Indirect and Induced Impacts	\$99,903
Total Impacts - Construction Budget	\$349,903
OTHER MONETARY CONTRIBUTIONS	
Monetary Contributions	\$55,000
Indirect and Induced Impacts	\$7,692
Total Impacts - Other Contributions	\$62,692
TOTAL ECONOMIC IMPACTS	\$4,083,279

Source: Southeast Strategies, 2003.

Note that the construction expenditures in the previous table are actual expenditures for FFY 2002. Construction expenditures can fluctuate greatly from year to year. Although these expenditures have decreased in recent years, it is important to look at the cumulative impact to get a better understanding of the impact from all Park activities over time. Cumulative impacts of all Park spending in Skagway from FFY 1996 to FFY 2002 is estimated at \$31,928,376 and is outlined in the following table.

## Table 2 Cumulative Economic Impacts\* to Skagway of Park Spending FFY 1996 to FFY 2002 in 2002 Dollars

TOTAL IMPACTS	\$31,928,376
Other Monetary Contributions	\$438,844
Construction Budget	\$7,871,833
Operating Budget	\$23,617,699

Source: Southeast Strategies, 2003.

These estimates include direct, indirect and induced economic impacts of all Park Service spending in Skagway from FFY 1996 to FFY 2002. Park operations and construction impacts were calculated from actual expenditures over that time. Other monetary contribution impacts assume an average annual impact similar to that in FFY 2002 (\$62,692).

The estimated economic impacts to Skagway from FFY 1996 to FFY 2002 does not consider impacts of Park Service land purchases (none occurred after 1992) or non-monetary contributions to the community by the Park and its employees. Additional Park Service contributions to the Skagway economy are outlined below.

- In the early 1980s, the Park Service began renovating downtown historic buildings, leading a revival of the waning tour industry.
- The Park Service made land purchases totaling \$3,706,908 in the Skagway area from 1971 to 1992.
- The Park Service renovated 15 historic buildings, several of which it leases to businesses. Those businesses earned over \$4,600,000 in revenue and paid about \$198,500 in City sales taxes in 2001.
- The Park Service directly provided the full-time equivalent of 27.7 jobs in Skagway during 2002, which is nearly 6 percent of all Skagway jobs (2002 Census Data).
- Cumulative direct, indirect and induced economic impacts of Park Service construction activities in Skagway since 1983 equals \$32,433,175.
- Direct, indirect and induced employment impacts of Park Service construction activities since 1983 averages about 11 full-time, non-NPS jobs per year.
- Direct, indirect and induced employment impacts of Park Service operating activities since 1996 averages about 36 full-time jobs per year.
- The Park and its employees contribute to the community through volunteer work, inkind contributions, and use of facilities for community events and activities.
- The Park Service promotes travel to Skagway through a variety activities, including public contact in Park Service offices outside of Skagway, and media and industry outreach and organizational support.
- The Park Service continues to work to obtain and preserve historic buildings and artifacts in Skagway.

<sup>\*</sup>Includes direct, indirect and induced economic impacts.

•	More than \$33,000 was generated in City sales taxes in 2002 from local spending by residents and businesses receiving income from the Park Service. Park Service construction activities generated additional City sales taxes not considered here.

### Economic Impact of the Klondike Gold Rush National Historical Park on the Economy of Skagway, Alaska

#### Introduction

Skagway is a small town located in a narrow valley at the head of the Lynn Canal fjord in Southeast Alaska. The year round population for 2002 was estimated at 841. Skagway is the terminus of the Klondike Highway, which connects to the Alcan Highway on the continental road system. The community also receives regularly scheduled commercial air service and state ferry service, yet it is relatively isolated. With business centers to the North (Whitehorse, Yukon Territory, Canada) and the South (Juneau, Alaska), Skagway has a limited business community which offers little more than basic necessities to local residents.

Skagway is a popular tourist destination, and most of the business community is geared towards providing visitor goods and services. In fact, the visitor industry is the major industry in Skagway, and generates most of the employment, business income, and government revenue to the City. The 2000 Census estimated the average monthly employment in Skagway at 478, although there are many seasonal jobs, and many self-employed Skagway residents not reflected in this number. The Skagway Economic Impact Study (Southeast Strategies and Dean Runyan Associates, February 2000) estimates a total of 1,469 workers during the summer season, and about 406 workers in the winter season.

The Klondike Gold Rush National Historical Park (Park) was created in 1976 by an act of Congress (Public Law 94-323) to preserve and promote the historic nature and value of the Skagway area as gateway to the Klondike gold fields. Park headquarters are located in downtown Skagway, with a Federal Fiscal Year 2002 year round employment of 19 full-time personnel, and additional seasonal and part-time employment of more than 30. The Park Service generates about 5.8 percent of the census count of Skagway jobs.

Since before creation of the Park, the National Park Service (Park Service) has contributed to the economy of the City of Skagway in many ways. The Park Service has developed visitor facilities and services in Skagway and has worked to preserve Skagway's history and improve its appeal by renovating 15 historic buildings since the Park's designation. In addition, the Park Service purchases goods and services in Skagway, sponsors, assists with and contributes to several local and regional events, and contributes to the community in other ways. This study examines the contribution of the Park to the economy of Skagway, considering contributions in terms of jobs, income to businesses, income to local government, and other contributions.

#### Methodology

In order to estimate the Park's contribution to the economy of Skagway, we worked with Park Service officials to gather information on Park employment and payroll, and expenditures in Skagway for Park operations. We also looked at Park construction and maintenance projects in the Skagway area to determine that impact on Skagway's economy in terms of jobs, payroll, taxes and other income. Park Service land purchases

in the Skagway area were also considered for their economic impacts. In addition, we gathered information about Park Service contributions in funds, volunteer work and inkind contributions to the community of Skagway.

The impact to Skagway's economy includes more than just the money spent by the Park Service. The first wave of spending puts the money into the hands of local businesses and workers, who in turn spend some of that money in the local economy, creating a multiplier effect. The actual value of a multiplier varies according to how an economy is structured. Models of individual economies are often used to map how money moves through that economy, how much of it is respent after the initial infusion, and how much leaves the economy through various means. Using these models, a multiplier effect can be determined, and the amount of respending in an economy can be estimated.

In this study, we first present the amount of initial spending by the Park Service in Skagway. That initial spending is called the *direct* economic impact. The secondary and continued waves of local spending beyond the direct impact come from two areas. Businesses who receive money directly from the Park Service will spend some of that money in the local economy, creating an *indirect* economic impact. Also, local residents who work for the Park Service will spend some of their paychecks in the local economy, creating an *induced* economic impact.

Several models exist of the Skagway economy that can help estimate the indirect and induced impacts of Park Service spending. Two different models of Skagway's economy are used in this study because one is better at estimating indirect impacts, while the other is better at estimating induced impacts. The model used to estimate business spending (indirect impacts) is the IMPLAN model, developed by the Minnesota IMPLAN Group. The IMPLAN model is a respected industry standard, and is often used in Park Service studies. This model can be refined to be specific to economies at the Census Area geographic level. Skagway is in the Skagway-Hoonah-Angoon Census area, so this model also considers the economies of Hoonah, Angoon, Gustavus, Tenakee Springs, Elfin Cove, Pelican, Klukwan, and other small communities. Although each of these individual economies is different, they are in the same region with similar economic and infrastructure realities, and they are all relatively isolated, with few local retail and service opportunities available beyond basic necessities. The IMPLAN model for the Skagway-Hoonah-Angoon Census Area is used here to estimate local spending by businesses who receive money directly from the Park Service.

The other economic model used in this study (the Skagway Economic model) was developed specifically for the Skagway Economic Impact Study (Southeast Strategies and Dean Runyan Associates, 2000). This model examines both business and resident spending patterns. The Skagway Economic model was not used here to examine business spending patterns because it was developed to estimate visitor industry spending patterns, which differ from Federal Government spending patterns (the IMPLAN model can isolate spending patterns of Federal Government agencies, where the Skagway Economic model cannot). However, once money reaches the hands of the residents, their spending patterns are similar regardless of the type of industry they work in. The advantage of using the Skagway Economic model to estimate resident (induced) spending is that it considers only the Skagway economy, and does not include the economies of other communities within the Skagway-Hoonah-Angoon Census Area.

For this study, the Park Service personal services budget (payroll and benefits) for Skagway was fed into the Skagway Economic model to determine induced impacts, and the Park Service operating budget amounts other than personal services were fed into the IMPLAN model to determine indirect Impacts generated. Impacts are reported in terms of income and jobs. Income includes wages and salaries, business owners income, other property type income (rents, interest, profits, etc.), and indirect business taxes (mainly sales taxes). For simplicity, jobs are reported in Full-time Equivalents (FTEs), which combines all part-time or seasonal jobs into the equivalent of full-time, year-round jobs.

In addition to analyzing Park operations spending for economic impacts, construction expenditures (mostly for construction and restoration of buildings) were fed through the IMPLAN model to estimate number of jobs created, and income through payroll, taxes, fees, rents, and other payments. In some cases, it was difficult to determine which year some construction jobs were funded, so total expenditures were sometimes averaged out over several years. Funds spent for land purchases were also considered.

In some cases, we were able to present historic data, but in other cases, we could only present FFY 2002 impacts. When comparing or combining cumulative impacts from different categories of spending, we only used data from FFY 1996 to FFY 2002, because that is the only data available for all spending categories. When discussing cumulative impacts for construction projects and land purchases separately, we consider historical data before FFY 1996. To allow comparison of historic dollar values to current dollar values, all dollar amounts were adjusted for inflation using the Anchorage Consumer Price Index for Urban Consumers (CPI-U). Unless otherwise noted, all dollar values in this report are state in 2002 dollars.

#### **Background - Visitor History**

Skagway, with its rich history and beautiful setting, is a popular visitor destination. The area embodies the historic flavor of the Klondike Gold Rush, and brings to mind the perseverance of the human spirit pitted against the wilds of the north country. That allure still calls to visitors. Between early May and late September, Major cruiselines bring large ships to the port of Skagway for day visits. In 2002, just over 600,000 visitors saw Skagway that way. Another 160,000 visitors came to Skagway by other modes of travel, including railway, air, highway, and other ocean going vessels. The following table presents Skagway summer visitor arrivals by mode from 1983 to 2002.

Table 3
Summer Visitor Arrivals at Skagway by Mode
1983 to 2002

	CRUISE	STATE			PRIVATE	COMM.		
YEAR	SHIP	FERRY	HIGHWAY	RAILWAY	FERRY	AIR	OTHER	TOTAL
2002	610,534	27,475	89,042	28,466	0	5,641	12,154	773,312
2001	599,520	23,232	82,629	20,674	0	7,479	10,205	743,739
2000	565,639	30,732	94,925	19,231	0	15,626	8,362	734,515
1999	525,507	31,467	92,291	20,422	0	15,963	4,767	690,417
1998	494,961	31,324	100,784	20,432	2,671	20,679	7,923	678,774
1997	438,305	27,659	91,849	14,416	0	11,466	7,173	590,868
1996	299,651	35,760	86,536	20,871	14,782	20,721	4,000	482,321
1995	256,788	33,961	87,977	15,521	13,000	17,000	4,100	428,347
1994	204,387	34,270	81,172	15,865	13,000	10,000	3,000	361,694
1993	192,549	33,650	80,709	16,313	13,220	10,092	3,000	349,533
1992	145,973	37,216	79,946	17,809	18,852	7,947	2,000	309,743
1991	141,284	33,630	64,610	19,069	19,157	4,853	1,163	283,766
1990	136,512	33,234	63,237	16,072	17,767	4,799	NA	271,621
1989	112,692	29,997	63,789	15,972	14,562	7,233	NA	244,245
1988	115,505	31,481	74,614	NA	15,123	5,957	NA	242,680
1987	119,279	30,905	70,993	NA	15,498	4,953	NA	241,628
1986	100,695	30,981	91,908	NA	15,000	4,250	NA	242,834
1985	77,623	31,522	89,542	NA	15,000	4,000	NA	217,687
1984	54,907	25,196	79,215	NA	15,000	3,750	NA	178,068
1983	48,066	25,288	72,384	NA t D	15,000	3,500	NA	164,238

Source: Skagway Convention and Visitors Bureau.

Notes: 1983 to 1997 counts are from May through September, and 1998 to 2002 counts are from April through September.

Visitors in the "Other" category arrived by private boat or aircraft.

The presence of the Park Service in Skagway has contributed in a major way to the development of the visitor industry in that community. In the early 1980s, the visitor industry in Skagway was in decline. The downtown area was run down and many of the buildings were dilapidated and falling down. The Park Service recognized the value to visitors of reviving the historic gold rush atmosphere, and in 1983 it began to renovate historic buildings in downtown Skagway. Because of the Park's initiatives, other community members grasped the idea of reviving Skagway's history, and making it a desirable visitor destination, which lead to the revival of tourism in Skagway. Skagway would likely not be the high quality visitor destination, attracting more than three quarters of a million visitors every year, were it not for the contribution of the Park Service in the early 1980s.

While the Park does not have a large marketing budget, it does engage in activities which promote Skagway to potential visitors. Park personnel work with the media and

Southeast Strategies

<sup>&</sup>lt;sup>1</sup> From a telephone interview with Robert Ward, Skagway City Manager and long-time Skagway resident, March 2003.

industry associations to promote Skagway. The Park makes thousands of public contacts annually in various National Park locations and websites to provide information about Skagway to potential visitors. In addition, it provides organizational support and outreach through industry and other organizations, and cooperates in the production of films in the Park (three films in the past two years).

In addition to its renovation program and promotional efforts, the Park Service provides visitor facilities and services in Skagway. Table 4 lists many of the events and facilities operated by the Park, and the number of visitors from 1998 to 2002. While these are official counts to specific facilities, they likely underestimate actual visitor interaction with the Park. Although it is difficult to determine whether the fact that Skagway is the location of the Klondike Gold Rush National Historical Park influenced the decision to visit the area, it is likely that most visitors participated in some aspect of the Park while in Skagway.

Table 4
Annual Visitors to Klondike Park Facilities
1998 to 2002

Event	2002	2001	2000	1999	1998
Visitors' Center	159,864	161,539	157,393	137,715	174,832
Mascot Saloon*	134,286	135,692	132,000	115,681	146,858
Movie Viewers	29,620	40,477	34,431	30,470	34,000
Walk Participants	16,681	17,325	18,004	16,124	19,800
Talk Participants	8,252	12,555	11,514	12,938	16,120
<b>Moore House Visitors</b>	19,420	18,554	14,481	7,465	2,450
Map Talk Participants	337	1,197	2,400	NA	NA
Special Groups	234	250	406	331	580
Rove Contacts	683	1,295	3,926	NA	NA
<b>Evening Program Participants</b>	1,421	572	832	697	910
Dyea Tour Participants	765	618	681	NA	NA
Robert Service	1,421	NA	1,100	993	5,000
Trail Center	NA	8,960	8,580	NA	16,433

Source: Klondike Gold Rush National Historical Park.

NA = Not Available.

#### **Economic Impacts**

The following sections estimate economic impacts of Park Service activities in Skagway. These impacts are generally stated in terms of income to the local economy, and jobs created. Income includes wages and salaries, business owners' income, rents, dividends and taxes paid. Jobs are reported in Full-time Equivalents (FTEs), which

<sup>\*</sup>Visitor use of the Mascot Saloon display was estimated from sampling in 2000, and indicates that about 84% of the visitors at the Klondike Gold Rush National Historical Park Visitors' Center also visited the Mascot Saloon display.

combines all part-time and seasonal jobs into the equivalent of full-time, year-round jobs. Unless otherwise noted, dollar values are reported in 2002 dollars.

In addition to the direct economic impacts from the Park's operating and construction budgets, money from those budgets is circulated and respent in Skagway, creating additional income to the economy. Additional income from business spending (indirect impacts) was estimated using the IMPLAN model, and additional income from resident spending (induced impacts) was estimated using the Skagway Economic model.

#### Direct impacts – Direct Spending and Jobs

We obtained distinct Park operating budget figures back to FFY 1979 from a Park Service publication entitled *An Administrative History of the Klondike Gold Rush National Historical Park, 1996.* Table 5 presents the Park Service operating budget for Skagway for FFY 1996 to FFY 2002. These funds enter the Skagway economy from outside of the economy (appropriated by U.S. Congress in Washington, D.C.), and are considered direct impacts to Skagway's economy. The estimates of how much actually stays in the economy result from feeding the direct impact amounts through the two economic models of Skagway's economy.

Table 5
Klondike Gold Rush National Historical Park Operating Budget
FFY 1996 to FFY 2002
in 2002 Dollars

Category	2002	2001	2000	1999	1998	1997	1996
Personal Services	\$1,615,320	\$1,474,815	\$1,459,142	\$1,728,035	\$1,866,558	\$1,909,825	\$1,792,957
Travel	\$100,495	\$89,918	\$104,175	\$65,517	\$56,830	\$80,967	\$68,211
Vehicle Rental	\$5,272	\$4,282	\$2,331	\$937	\$0	\$0	\$0
Transportation	\$6,747	\$3,323	\$2,274	\$7,684	\$1,187	\$2,848	\$4,488
GSA Truck	\$0	\$0	\$0	\$2,699	\$2,694	\$2,609	\$2,131
Utilities	\$67,807	\$72,449	\$61,285	\$47,751	\$45,471	\$56,464	\$46,319
Printing	\$10,543	\$3,244	\$3,644	\$5,025	\$18,691	\$5,220	\$2,583
Other Services	\$245,146	\$195,580	\$265,472	\$139,439	\$92,374	\$167,944	\$134,558
Supplies	\$195,088	\$143,246	\$176,654	\$219,609	\$302,235	\$226,271	\$261,828
Equipment	\$85,619	\$23,533	\$75,504	\$32,399	\$25,359	\$32,387	\$52,632
Fixed Assets	\$0	\$0	\$32,284	\$21,260	\$7,275	\$0	\$0
Lease Maintenance	\$339,304	\$263,228	\$205,449	\$129,706	\$130,122	\$117,472	\$116,194
Other	\$165,037	\$140,754	\$62,771	\$21,174	\$24,165	\$91,150	\$33,233
Total	\$2,836,378	\$2,414,372	\$2,450,985	\$2,421,235	\$2,572,960	\$2,693,157	\$2,515,133

Source: Klondike Gold Rush National Historical Park.

Notes: Personal Services includes a 25 percent cost of living allowance for some employees. Uniform allowances are not accounted for in this budget, and amounted to about \$8,300 in FFY 2001.

The direct economic impact to Skagway of Park operations in FFY 2002 was \$2,836,378, the amount of the Park operating budget. When adjusted for inflation to

2002 dollars, the cumulative operating budget (direct economic impact to Skagway) for the Park from FFY 1996 to FFY 2002 was \$17,904,220.

Table 6 presents Park employment for FFY 1996 through FFY 2002. While seasonal employment for FFY 2002 is shown at 9.4 FTE, that figure represents many jobs of part year in duration or part-time jobs combined into the equivalent of full-time, year-round jobs. The Park Service has estimated that it employed more than 30 seasonal and part-time workers in Skagway in 2002.

Table 6
Klondike Gold Rush National Historical Park Employment
FFY 1996 to FFY 2002
in Full-time Equivalents (FTEs)

	2002	2001	2000	1999	1998	1997	1996
Permanent Jobs	18.4	16.9	16.4	17.1	16.6	15.7	16.0
Seasonal Jobs	9.4	9.5	9.5	12.4	19.8	21.5	20.3
Total Employment	27.7	26.4	25.9	29.4	36.5	37.3	36.4

Source: Klondike Gold Rush National Historical Park.

Note: Although there are many more actual positions than reported here, we have consolidated all seasonal and part-time jobs into Full-time Equivalents (FTEs), the equivalent of full-time, year-round jobs.

From FFY 1996 to FFY 2002, personal services (payroll and benefits) was the largest portion of the Park's operating budget, and ranged between 65 and 76 percent of that budget over those years. The Park Service reported a personal services budget of \$1,615,320 (including retirement, benefits, and a 25 percent cost of living allowance) in FFY 2002, and employment of 27.7 FTEs in that year. The average FTE Park employee received about \$58,000 in pre-tax payroll and benefits in FFY 2002. Seasonal and part-time workers make less than that average because they work less than full time, and likely do not receive full benefits.

#### Indirect and Induced Impacts

While direct impacts include money entering the economy from outside the local area, it does not account for circulation and respending of that money in the local economy. Money is circulated in the economy by businesses spending income earned from Park Service spending (indirect impacts), and by households spending salaries and wages received from Park operations in Skagway (induced impacts). Table 5 summarizes all economic impacts (direct, indirect and induced impacts) of the Park Service operating budget in Skagway from FFY 1996 to FFY 2002. The total income to Skagway's economy from Park Service operating expenditures over that time period was \$23,617,699.

# Table 7 Direct, Indirect and Induced Impacts of Park Operations in Skagway FFY 1996 to FFY 2002 in 2002 Dollars

	Park Operating	Increased	Increased	
Year	Budget (Direct Impacts)	Business Spending (Indirect Impacts)	Resident Spending (Induced Impacts)	Total Impacts
-	<u> </u>			
2002	\$2,836,378	\$170,781	\$663,525	\$3,670,684
2001	\$2,414,372	\$131,409	\$605,810	\$3,151,591
2000	\$2,450,985	\$138,722	\$599,372	\$3,189,079
1999	\$2,421,235	\$96,953	\$709,825	\$3,228,013
1998	\$2,572,960	\$98,800	\$766,726	\$3,438,486
1997	\$2,693,157	\$109,559	\$784,499	\$3,587,215
1996	\$2,515,133	\$101,006	\$736,493	\$3,352,632
Totals	\$17,904,220	\$847,230	\$4,866,249	\$23,617,699

Sources: National Park Service, IMPLAN 2000 (Minnesota IMPLAN Group), and the Skagway Economic Model (Southeast Strategies).

#### Definitions:

- 1. Indirect impacts result when businesses receiving income from the Park Service purchase additional goods and services in the local economy.
- 2. Induced impacts result when households (residents) receiving wages from the Park Service increase local spending.

#### Indirect Impacts - Business Spending

When the Park Service spends money in Skagway, the businesses that receive that income increase their purchases of goods and services in the local economy. Table 7 shows the indirect economic impacts of increased business spending as a result of Park Service spending in Skagway. These estimates were obtained by feeding the Park operating budget, except for personal services amounts, into the IMPLAN model for the Skagway Census Area. Because Skagway has a small retail sector, local spending of income received from the Park Service by Skagway businesses results in an indirect impact of about \$.14 for every dollar of direct spending. The total indirect economic impact of Park operations from FFY 1996 to FFY 2002 was \$847,230. This amount includes over \$32,000 in sales taxes paid to the local government during the same time period.

#### Induced Impacts – Employee Spending

The Park Service budgeted amount for personal services (payroll and benefits) in Skagway was fed into the Skagway Economic model to determine additional spending in the local economy by households receiving Park paychecks. Although Skagway has a small retail sector, with limited availability of goods and services beyond the basic necessities, results of the Skagway Economic Impact Study show that Skagway residents spend an average of about 41 percent of their gross income in the local economy. Table 7 presents the induced local impact of additional household spending

of wages and salaries received from Park operations. The total induced economic impact of Park operations from FFY 1996 to FFY 2002 was \$23,617,699. This amount includes nearly \$907,000 in sales taxes paid to the local government during that time.

Table 8
Summary of Spending In Skagway by Park Employees
FFY 2002

Annual Gross Wages (\$)	\$1,615,319
Total Payroll Deductions (\$)	\$368,386
Total Savings (\$)	\$306,263
Available to Spend (\$)	\$940,671
Spent in Skagway (\$)	\$663,525
Spent Outside of Skagway (\$)	\$268,484
Leakage from Deductions (%)	22.8%
Leakage from Savings (%)	19.0%
Leakage from Outside Spending (%)	16.6%
Total Leakage (\$)	\$943,133
Total Leakage (%)	58.4%
Total Capture (%)	41.6%

Source: Skagway Economic Model, developed for the Skagway Economic Impact Study by Southeast Strategies, 2000.

#### Definitions:

- 1. **Leakage** represents the amount of money that leaves the local economy by various means (payroll deductions, savings and spending outside of Skagway).
- 2. **Capture** is the amount of money that remains in the Skagway economy as a result of local spending by Park employees.

Table 8 shows that in FFY 2002, Park Service employees spent \$663,525 in Skagway for goods and services. This expenditure amount includes over \$25,000 in sales tax revenues to the City of Skagway in that year.

#### **Employment Impacts**

The following table presents direct, indirect and induced employment resulting from Park operations spending in Skagway from FFY 1996 to FFY 2002. The IMPLAN employment multiplier for the Skagway Census Area for non-military Federal Government expenditures is about 15 percent, meaning that for every job created directly by Park Service operations in Skagway, an additional .15 FTE jobs are created in the economy through additional business and household spending. Although employment has fluctuated over the years, results of this analysis show that since 1996, Park Service operations (not including construction activity) have created an annual average of about 36 FTE jobs in Skagway.

Table 9
Employment Impacts of Park Operations Spending in Skagway
FFY 1996 to FFY 2002
in FTEs

	2002	2001	2000	1999	1998	1997	1996
Direct Employment	27.7	26.4	25.9	29.4	36.5	37.3	36.4
Indirect & Induced Employment	4.1	3.9	3.8	4.3	5.3	5.5	5.3
Total Employment Impacts	31.8	30.2	29.7	33.8	41.8	42.7	41.7

Sources: National Park Service and IMPLAN 2000 (Minnesota IMPLAN Group).

#### Impacts from Construction Expenditures

In addition to providing income and employment through operations in Skagway, the Park Service has contributed to the economy over the years through construction projects in the community. From 1983 to 1999, the Park Service renovated and restored 15 historic buildings in Skagway, and made several of those buildings available for lease by businesses. Also, the Park Service has built offices, maintenance buildings, and employee housing in Skagway, and it has built, improved and maintained Park facilities such as the Chilkoot Trail and camping areas.

Park Service construction projects in Skagway from 1983 to 2002 contributed \$23,173,500 in direct impacts, and \$32,433,175 in total (direct, indirect and induced) impacts to the local economy. This economic activity created 222.8 local FTE jobs of one year in duration (an average of about 11 jobs per year if averaged over the 20-year time period), with a total payroll of about \$10.7 million over that time.

Table 10
Direct, Indirect and Induced Impacts
Of Park Construction Expenditures
FFY 1983 to FFY 2002
in 2002 Dollars

Construction Expenditures	
Direct Expenditures	\$23,173,500
Indirect & Induced Expenditures	\$9,259,675
<b>Total Economic Impacts</b>	\$32,433,175
Employment (Full-Time Equivalents)	
Direct Employment	167.7
Indirect & Induced Employment	55.1
Total Employment Impacts	222.8

Sources: National Park Service and IMPLAN 2000 (Minnesota IMPLAN Group).

The value-added multiplier for construction activities in Skagway is one of the highest of all industries in that community. Results of the IMPLAN model analysis show that for

each dollar spent in the construction industry in Skagway, another \$.40 is created within the local economy.

#### Park Land Purchases

Table 11 presents payments by the Park Service for land purchases in the Skagway area since 1971. Since the sale of land does not generally create employment, and it is difficult to determine which land owners were local residents and spent some of their earnings in Skagway, we have not examined indirect and induced impacts of land sales on the local economy.

Table 11
Park Service Land Purchases in Skagway
in 2002 dollars

Year	Amount	
1992	\$112,140	
1980	\$138,400	
1979	\$253,230	
1978	\$1,495,616	
1977	\$1,305,415	
1974	\$98,004	
1973	\$12,158	
1971	\$291,946	
Total	\$3,706,908	

Source: National Park Service.

#### Other Financial Contributions

Following is a list of KLGO Park financial contributions to the community of Skagway in FFY 2002:

- \$15,000 to support the Skagway Police Department in providing 24 hour/day dispatch operations (accounted for in the operating budget, so not added to the totals here).
- \$20,000 to Skagway Fire Department to purchase wildland fire prevention equipment.
- \$31,000 to Alaska Department of Transportation and Public Facilities to support
  the Skagway Gateway Project, a partnership involving the National Park Service,
  the City of Skagway, and the Department of Transportation and Public Facilities.

The Park Service also provides funds to local government through a program called Payments in Lieu of Taxes (PILT). These funds compensate local governments for their inability to collect taxes on property owned by Federal Government agencies. In FFY 2002, the City of Skagway received \$87,858 in PILT payments. Since the Park Service

is not a major land holder in the Skagway area, an estimated \$4,000 of that amount resulted from Park Service holdings.

Total financial contributions to local government in Skagway for FFY 2002 equals about \$55,000. Although exact dollar amounts are not available, the Alaska Natural History Association (an affiliate of the Park Service) regularly makes financial contributions to local events such as the 4<sup>th</sup> of July celebration and Yuletide, and they donate books and other items to various charity auctions.

In addition to the direct contributions to the Skagway economy, these Park Service expenditures are subject to indirect and induced impacts, which result in another \$7,692 for the local economy. Total economic impacts of these contributions for FFY 2002 is was \$62,692.

While these financial contributions do not necessarily occur on an annual basis, they provide an indication of the types and magnitude of financial support the Park provides to the community of Skagway.

#### Park Leasing Program

As visitation to Skagway has grown, visitor-related businesses have flocked to the town. Buildings to house these businesses are in strong demand. Historic Broadway Street is the main street leading from the waterfront, and buildings on Broadway get the most visitor traffic and are the most desirable business locations. Beginning in 1986, the Park Service began to restore Park-owned historic buildings (many on Broadway Street), and offer them for lease. Following is a list of Park-owned buildings that are leased to businesses. The dates presented are periods of historical significance.

- Boas Tailor and Furrier Building (1899-1910)
- Verbauwhedes Cigar Store and Confectionary Building (1899-1910)
- Verbauwhedes "Cribs" Building (1902-1910)
- Boss Bakery Building (1903-1906)
- Lynch and Kennedy Dry Goods Building (1908-1910)
- Pantheon Saloon Building (1910)
- Pacific Clipper Line Building (1898-1904)
- Pioneer Paint and Wallpaper Store/Red Front Building (1898-1910)
- Hern Liquor Store Building (1937)
- Martin Itjen House (1901)

In 2001, businesses leasing Park Service buildings in Skagway made total revenue of over \$4,600,000 (2001 dollars), and paid sales taxes on those revenues to the City of Skagway of nearly \$185,000. In addition, these businesses pay the four percent City sales tax on the building leases that they pay to the Park Service (about \$13,500 in 2002).

#### **Non-monetary Contributions**

In addition to the monetary contributions provided by the Park Service in Skagway, the Park also contributes through volunteer work, in-kind contributions such as use of facilities, and in other ways. Following is a partial list of non-monetary contributions by the Park to the Skagway community in FFY 2002. This list includes both Park sponsored volunteer activities, and activities undertaken by Park employees on their own time.

- Skagway Film Festival: co-sponsored by Park.
- Windfest: Park employees help organize and staff.
- Health Fair: Park employees help organize and staff.
- July 4th parade: Park employees help organize and staff.
- Annual Yuletide event: Park employees help organize and staff.
- Search & Rescue, Wildland Fire: Park employees help organize and staff.
- Park Sponsors several Elderhostel groups each year and opens programs to the public.
- Operation Clean Sweep (annual activity to remove litter throughout the city).
- Park Employees serve on City Committees and Boards such as the Dyea Community Advisory Board, Historic District Commission, and Museum Board.
- Park supports DARE (Drug Abuse Resistance Education) program in the Skagway schools.
- Sponsors Klondike Road Relay and provides office space for race registration & organization.
- SAGA (Southeast Alaska Guidance Association): trail crew who are paid by Park Service and work on Park & City trails during the summer.
- Park sponsors public speakers that benefit the community.
- Staging of plays, movies and other public performances in the Park auditorium.
   Park co-sponsors the Artist-in-Residence program with the Skagway Fine Arts Council.
- Park offers professional expertise to the community in the areas of architectural restoration, cultural and natural history, and archeology in the form of public speakers, publications, education and professional consultation.

Although it is difficult to place a dollar value on these Park Service contributions, it appears that the Park Service provides significant involvement in community events and activities.

Other Park Service contributions include continued efforts to obtain and preserve historical items such as the Rapuzzi collection. In addition, the Park Service is a good neighbor, and assists with public emergencies such as the flooding in Dyea in the summer of 2002.

#### **Summary of Economic Impacts**

Table 12 presents the total monetary impacts of Park Service presence in Skagway in FFY 2002. The total impacts include direct, indirect and induced income generated from operation and construction activity, as well as other monetary contributions. Although construction activity impacts vary from year to year, the actual expenditure for construction activities in FFY 2002 was \$250,000. Building renovation activities ceased in 1999, so construction spending has dropped since that time, however, the average

yearly impact of Park construction spending from FFY 1983 to FFY 2002 is about \$1.6 million.

Total economic impact of Park activities in Skagway for FFY 2002 is estimated at \$4,095,594. The number of FTE jobs generated by Park activity in Skagway, including operating and construction activity, is about 42 in FFY 2002. These estimates do not include non-monetary contributions to the community.

Table 12
Summary of Economic Impacts
FFY 2002

Category	Dollar Value	Source
OPERATING BUDGET		
Direct Impacts (Operating Expenditure)	\$2,836,378	Park Service
Indirect Impacts (Business Spending)	\$170,781	IMPLAN Model
Induced Impacts (Household Spending)	\$663,525	Skagway Model
Total Impacts - Operating Budget	\$3,670,684	
CONSTRUCTION BUDGET		
Direct Impacts (Construction Expenditure)	\$250,000	Park Service
Indirect and Induced Impacts	\$99,903	IMPLAN Model
Total Impacts - Construction Budget	\$349,903	
OTHER MONETARY CONTRIBUTIONS		
Monetary Contributions	\$55,000	Park Service
Indirect and Induced Impacts	\$7,692	IMPLAN Model
Total Impacts - Other Contributions	\$62,692	
TOTAL ECONOMIC IMPACTS	£4.002.070	
TOTAL ECONOMIC IMPACTS	\$4,083,279	

Source: Southeast Strategies, 2003.

Note that the construction expenditures in Table 12 are actual expenditures for FFY 2002. Construction expenditures can fluctuate greatly from year to year, and have decreased with the completion of the building renovation program in 1999. To get a better understanding of the magnitude of past construction expenditure impacts, it is helpful to look at the cumulative impacts of Park construction activities. Cumulative impacts of all Park spending in Skagway from FFY 1996 to FFY 2002 are estimated in the following table. Average annual Park construction spending over this time period was about \$1.1 million.

# Table 13 Cumulative Economic Impacts to Skagway of Park Spending FFY 1996 to FFY 2002 in 2002 Dollars

TOTAL IMPACTS	\$31,928,376
Other Monetary Contributions	\$438,844
Construction Budget	\$7,871,833
Operating Budget	\$23,617,699

Source: Southeast Strategies, 2003.

The figures presented in Table 13 include direct, indirect and induced economic impacts of all Park Service spending in Skagway from FFY 1996 to FFY 2002. Park operations and construction impacts were calculated from actual expenditures over that time. Impacts of other monetary contributions assume an average annual impact similar to that in FFY 2002 (\$62,692). The estimate of \$31,928,376 over those seven years does not consider impacts of non-monetary contributions to the community. No Park Service land purchases in the Skagway area occurred after 1992, so land purchases are not considered in this estimate.