

Matanuska-Susitna Borough

by Neal Fried

The Matanuska-Susitna Borough is the third largest in Alaska, with 24,683 square miles; it is about the same size as West Virginia. Home to three incorporated cities and at least 13 other identified communities (See Table 1.), the Mat-Su Borough is the third most populous area of the state. Even though the borough is large, and most of its landmass is remote, approximately 90 percent of its more than 52,000 residents live along the road system between Willow and Sutton. The few communities in the borough that are off the road system can be reached by boat, snow machine, off-road vehicle, bush plane or the Alaska Railroad.

Population growth is a primary economic force

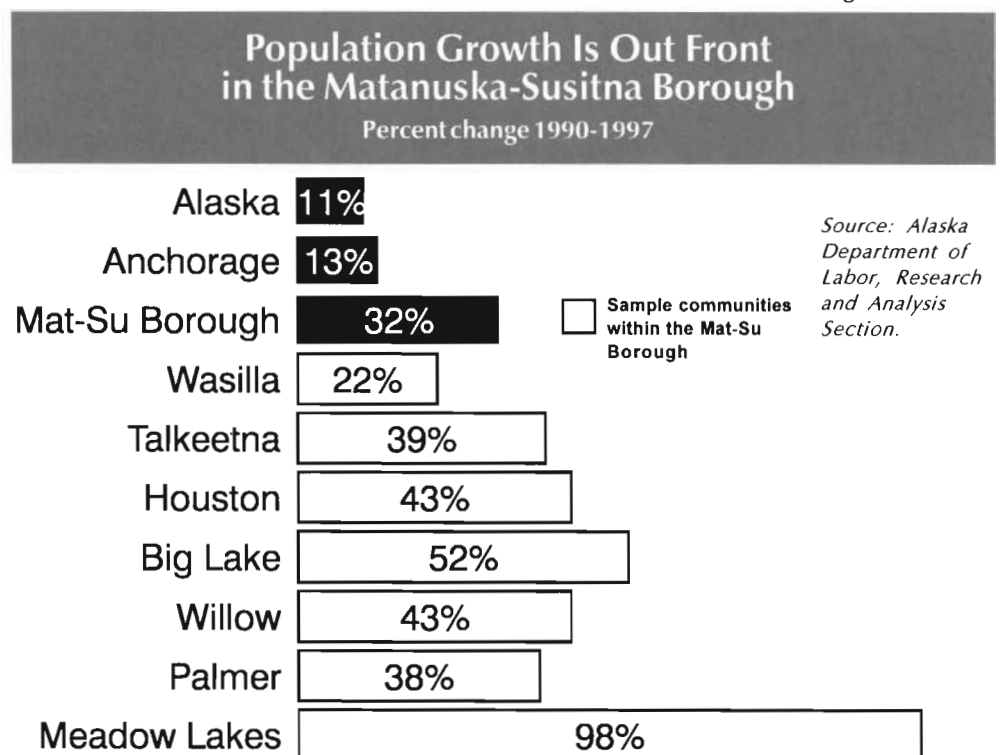
Originally, most of the economic activity in the Mat-Su Borough developed around agriculture and gold and coal mining. Although some of these activities still exist, they are dwarfed by larger economic forces. The Mat-Su Borough's economy and workforce patterns are unique within Alaska, but in some ways resemble many of those found elsewhere in the U.S.

Because much of the borough's population lives within 40-50 miles of Anchorage, many Mat-Su residents commute to Anchorage for work. According to the 1990 census, the last count available, 28 percent of Mat-Su Borough residents worked in Anchorage. Strong growth in borough population has been coupled with a steady climb in traffic counts on the new four-lane highway between the Mat-Su Valley and Anchorage. (See

Figures 1 and 2.) The affinity of these two areas helps explain their strong inter-relationship. (See Figure 3.) Not only do many Mat-Su residents make a daily commute, but 10 percent of borough residents work elsewhere in the state. The largest group of these "remote commuters" work in the North Slope oilfields, but others work in mines, on the fishing grounds, or at construction sites and other worksites throughout Alaska. In a sense, one of the borough's biggest exports is its labor force, rather than the goods and services that other regions in the state export. In fact, more than 40 percent of the income Mat-Su residents earn comes from outside the borough. In most other areas of the state the income flow is just the reverse. Why do so many people choose to live in the Mat-Su Borough and earn their livelihood elsewhere?

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Figure • 1

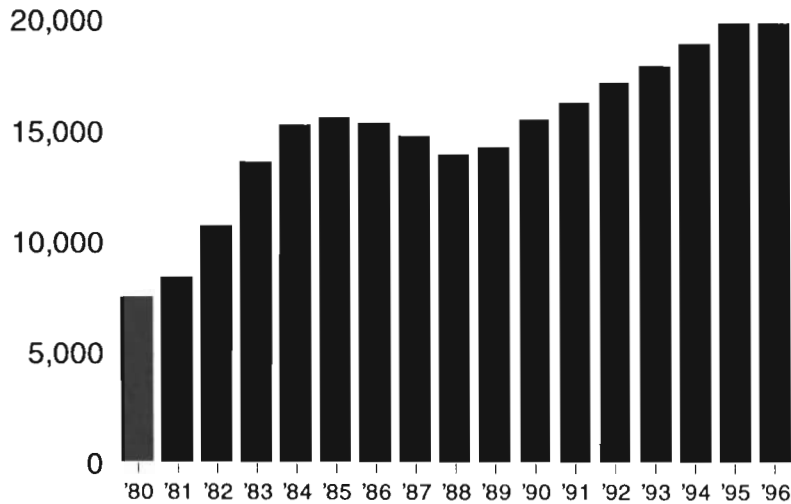


Source: Alaska Department of Labor, Research and Analysis Section.

Figure • 2

The Vehicle Count Between the Matanuska-Susitna Borough and Anchorage Keeps Growing

Source: Alaska Department of Transportation.



Mat-Su Borough's affordable housing is a cost advantage

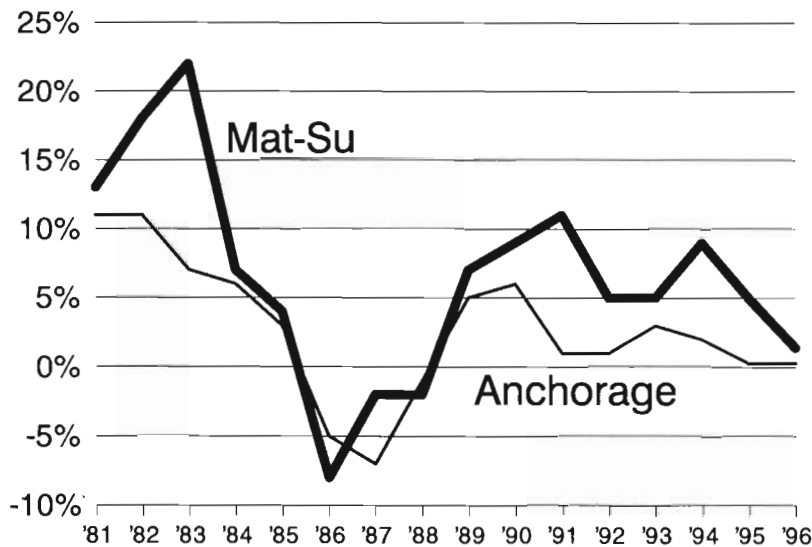
The Mat-Su Borough's appeal is due, in part, to affordable housing and lifestyle, which help explain strong economic and population growth up to and including the 1990s. The average sales price of a single family home in the Mat-Su Borough in 1997 was 20 percent below a similar home in Anchorage. (See Figure 4.) In the future, this cost advantage could increase as the residential building lots in Anchorage become increasingly scarce.

Figure • 3

Anchorage and Matanuska-Susitna Borough Economies Move Together

Annual employment growth

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



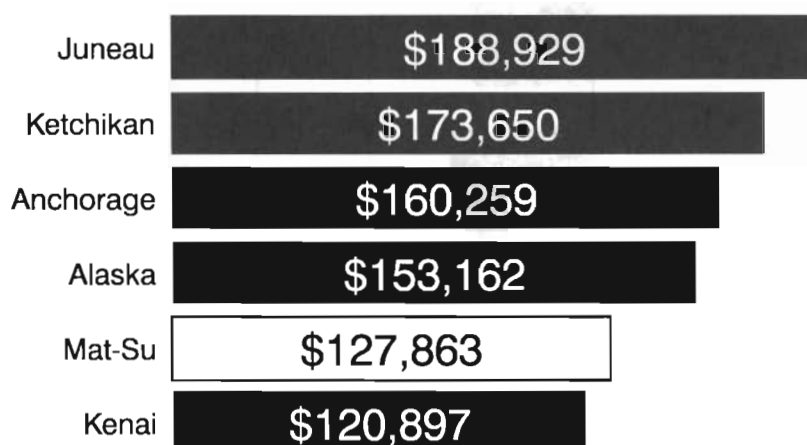
Another way of looking at affordability is calculating how many wage earners are required to support the average mortgage. Because the average wage in the Mat-Su Borough is lower than in Anchorage and statewide, it takes as many local wage earners to afford the average Mat-Su home as it does Anchorage wage earners to afford an average Anchorage home. This equation is impacted, however, by the number of Mat-Su residents who earn their wages outside of the borough. For example, for those working in Anchorage, it takes only 1.1 workers to afford a Mat-Su home versus 1.4 for an Anchorage home. It is important to remember that these numbers represent averages only and mask other important details that might make housing in the Mat-Su Borough even more attractive to homeowners.

Another housing advantage offered by the Mat-Su Borough is the ready availability of alternate

housing. For instance, in 1996, 330 of the 829 residential starts recorded by the borough were designated "cabins." Housing of this type usually requires no mortgage or lending activity. Many of these cabins are recreational, but others are year-around primary residences. This type of alternative housing is not normally available to urban residents due to the cost of land, and planning and zoning regulations. This affordable and attractive option for some Mat-Su Valley residents is not often captured by "average housing" data.

Affordable Housing Is a Big Attraction in the Matanuska-Susitna Borough

Average sales price of single family housing—1997



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

Other advantages

Cost advantages are not limited to housing, but also extend to business as well. As land and development costs continue to rise in Anchorage, the Mat-Su Valley becomes increasingly competitive for certain projects. The Mat-Su Borough is positioned to capture an expanding share of the economic growth taking place in Southcentral Alaska. For example, GCI, a telecommunications company headquartered in Anchorage, located a call center in the Mat-Su Borough in 1992. There are many businesses in the borough that cater both to the Mat-Su Valley and Anchorage markets. For example, the many car dealers in the borough service the local population but also rely heavily on Anchorage consumers.

Visitor industry a growing economic player

The Mat-Su Valley is a major visitor destination. It is home to Denali State Park and serves as a gateway to Denali climbs and tours. Bisected by the Parks and Glenn Highways, the borough offers hundreds of lakes, rivers, and attractions such as the state fair. For decades, the Valley has been one of the primary recreation areas for Southcentral residents. In fact, in 1990, 21 percent of the

Table • 1

Population for Matanuska-Susitna Borough and Its Communities

	1990	1997
Matanuska-Susitna Borough	39,683	52,448
Alexander	40	38
Big Lake	1,477	2,243
Butte	2,039	2,538
Chase	38	53
Chickaloon	145	205
Houston (city)	697	994
Knik	272	443
Lazy Mountain	838	1,043
Meadow Lakes	2,374	4,693
Palmer (city)	2,866	3,946
Skwentna	85	77
Sutton	308	431
Talkeetna	250	347
Trapper Creek	296	306
Wasilla (city)	4,028	4,917
Willow	285	408
Remainder of Borough	23,645	29,766

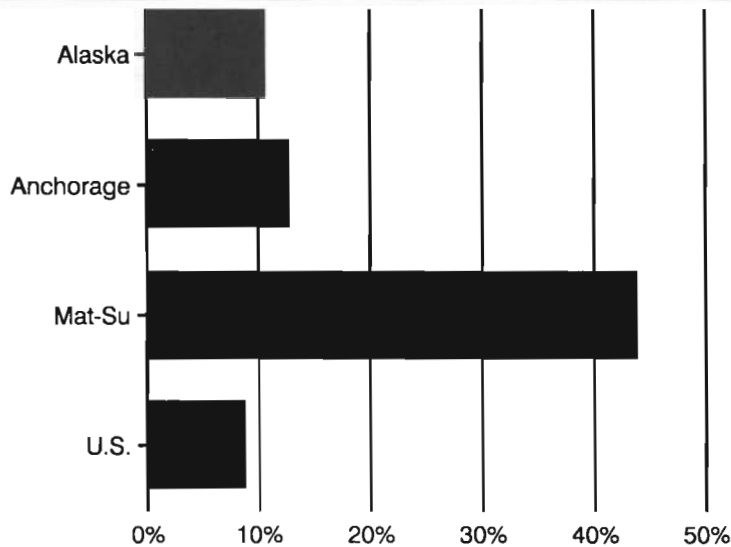
Source: Alaska Department of Labor, Research and Analysis Section.

Figure • 5

Matanuska-Susitna Borough Employment Growth Outpaces Most Places

Percent change in employment 1990-1996

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



housing units counted by the Census Bureau in the Mat-Su Borough were for seasonal or recreational use. Hundreds of new cabins are built in the borough each year, many of which are for recreational purposes. Their owners spend money in the local economy and pay property taxes. Many others who may not have recreational property also spend time in the Mat-Su area fishing, hunting, snowmobiling, boating or enjoying other recreational activities.

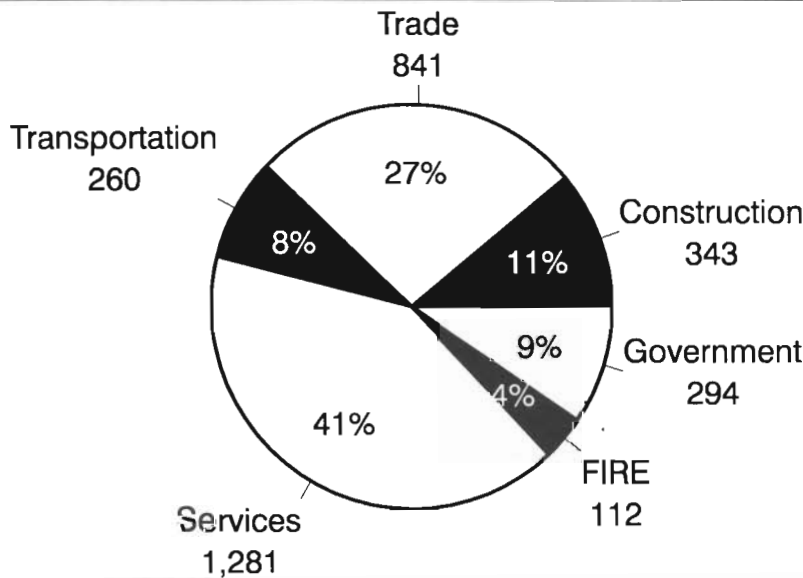
Thousands of out-of-state visitors and Alaskans from around the state make their way to the Mat-Su Borough each year. Most of the borough's visitors are independent travelers and are not part of larger organized tours. The Valley's visitor industry, however, is beginning to change and diversify. This year, Princess Tours, one of the state's largest tour operators, opened a 160-room hotel in Denali State Park. In addition, Cook Inlet Regional Corporation recently announced plans to build a new hotel/lodge in the Talkeetna area.

Figure • 6

Over 3,100 Jobs Added in Matanuska-Susitna Borough Since 1990

*FIRE=Finance, Insurance, and Real Estate.

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



Traditional players still have economic role

Although eclipsed by other economic sectors, agricultural production in the Mat-Su Borough is the largest in the state. In 1996, the Mat-Su Valley produced \$7 million worth of farm goods representing 56 percent of all agricultural production in the state. Since the closure of the Valdez Creek gold mine in 1995, mining in the borough is limited to a

Matanuska-Susitna Borough Wage and Salary Employment 1985-1996

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1996 Average Annual Wage
Total Industries ¹	6,991	6,699	6,193	6,095	6,510	7,078	7,878	8,253	8,667	9,575	10,080	10,222	\$27,841
Mining	12	N/A	N/A	2	113	65	162	169	172	164	75	23	N/A
Construction	710	427	261	179	222	304	397	366	438	560	639	647	31,061
Manufacturing	111	88	83	108	124	96	95	73	85	100	107	105	24,610
Trans.Comm. & Util. ¹	670	680	688	638	639	695	784	815	844	887	935	955	43,754
Trade	1,736	1,590	1,643	1,523	1,600	1,853	2,012	2,100	2,198	2,584	2,604	2,694	18,766
Wholesale Trade	125	112	83	87	97	134	133	157	167	188	220	257	22,879
Retail Trade	1,611	1,479	1,560	1,436	1,503	1,720	1,879	1,943	2,031	2,396	2,384	2,437	18,329
Finance	290	296	206	159	174	191	195	209	223	251	320	303	24,686
Services	1,129	1,101	1,019	1,088	1,184	1,316	1,540	1,727	1,824	2,178	2,421	2,597	21,150
Government	2,229	2,427	2,248	2,357	2,416	2,493	2,640	2,718	2,785	2,778	2,869	2,787	38,355
Federal	100	105	102	99	104	104	107	107	116	115	125	138	42,839
State	737	763	759	791	813	815	810	813	797	821	834	836	35,642
Local	1,392	1,559	1,387	1,467	1,499	1,574	1,723	1,798	1,872	1,842	1,910	1,813	39,264
Misc. & Unclassified	106	N/A	N/A	43	71	66	53	77	22	104	111	111	15,960

¹ Transportation employment 1996 adjusted for post benchmark correction. This figure differs from annual average industry employment published in the 1996 Employment & Earnings Summary Report.
Source: Alaska Department of Labor, Research and Analysis Section.

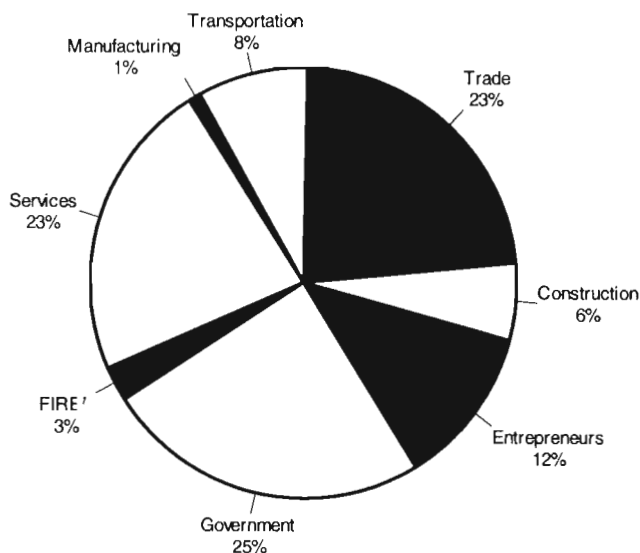
Figure • 7

few small operators employing very few workers. There is some potential in the coal mining arena. Recently the state's only coal producer, Usibelli Mines, bought out the Wishbone Hill coal interests, a move that could eventually bring back coal mining to the borough.

The Mat-Su Borough is still growing faster

Recent population figures describe the area's strong growth. During the 1990s, Mat-Su Borough growth has outpaced population growth statewide. Between 1990 and 1997, the population of the borough

Where the Matanuska-Susitna Borough's Jobs Were In 1996



¹FIRE= Finance, Insurance, and Real Estate.

Source: Alaska Department of Labor, Research and Analysis Section, and U.S. Department of Commerce, Bureau of the Census.

Employers with 50 or More Employees in the Matanuska-Susitna Borough

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

Rank	Employer	1996
1	Matanuska-Susitna Borough School District	1,482
2	Valley Hospital	365
3	Carr Gottstein Foods	339
4	Matanuska Telephone Association	284
5	Wal-Mart	259
6	Matanuska-Susitna Borough	202
7	Mat-Su Community Counseling Center	172
8	Alaska Department of Corrections	171
9	University of Alaska	164
10	Job Corps (Advanced Concepts in Education)	127
11	Nye Frontier Ford	124
12	Matanuska Electric Association	121
13	Alaska Department of Administration (Pioneer Home)	118
14	Kinn Enterprises (McDonald's)	99
15	Safeway Stores	89
16	GCI Communications	81
17	Tony Chevrolet	79
18	Mat-Su Services for Children and Adults	71
19	Lake Lucille Inn (Best Western)	66
20	Chugach Development Corporation	63
21	City of Wasilla	62
22	U.S. Post Office	57
23	Wolverine Supply	56
24	Spenard Builders Supply	56
25	MECA-Employment Connection	56
26	New Horizons Telecom	55
27	City of Palmer	53
28	Alaska Department of Health & Social Services	51

grew 32 percent primarily as a result of in-migration. During the last four years, Anchorage and the state as a whole experienced net out-migration with population growth increasing only 13 and 11 percent, respectively, due to natural increase. (See Figure 1 and Table 1.) In 1997, the Mat-Su Borough's population reached 52,488, making it the third most populous borough in the state, behind Anchorage and Fairbanks.

In addition to rapid population growth, the Mat-Su Borough has enjoyed impressive employment growth. From 1990-96, wage and salary employ-

ment in the Mat-Su Borough grew more than 40 percent compared to a little over 10 percent statewide. (See Figure 5.) In direct contrast with other areas of the state, most of the employment growth in the Mat-Su Borough is a result of population growth. Nearly two-thirds of these new jobs were in retail and services, which constitute a bigger slice of the borough's wage and salary pie than they do statewide or in Anchorage. (See Table 2 and Figures 6 and 7.) This is because a disproportionate segment of Mat-Su employees serves the local population and visitors. There are exceptions, however. For example, in 1994, Job Corps built a campus in Palmer to provide training to Alaskans around the state. It has now become one of the larger employers in the borough. (See Table 3.) Other sizable contributors to employment growth were the construction industry and local government. Most of local government's growth has come from the Matanuska-Susitna Borough School District, the borough's largest employer. Big increases in the Mat-Su Valley's student population have made this necessary. (See Figure 8.) Much of the increase in construction has resulted from a need for infrastructure to accommodate this population growth.

Wages and income still lag

Wages and income have traditionally been lower in the Mat-Su Borough. In 1996, the average monthly wage and salary job in the borough earned \$2,320 versus \$2,673 statewide. (See Table 4.) Most of this difference is explained by

the employment mix. More jobs in the borough fall into lower-paying industry categories such as retail, services, and finance-insurance and real estate while fewer are available in the higher-paying industries such as oil, transportation and government. As we have noted, many Mat-Su residents work elsewhere in the state, where wages are higher. Even considering higher wages earned outside the borough, Mat-Su's per capita income was only 72 percent of the statewide average. This lower income is a partial reflection of lower wages, larger households, higher unemployment and other factors.

Unemployment rates fall but remain high

The unemployment picture in the Mat-Su Borough has improved, but figures remain stubbornly high compared to those of Anchorage. This is somewhat vexing because much of the borough shares a common labor market with Anchorage. (See Figure 9.) For example, in July of this year, Anchorage's jobless rate was 4.7% versus 9.2% in the Mat-Su Borough. Part of the explanation is that Mat-Su's economy tends to be more seasonal and a segment of the borough's population is not within an easy commute of Anchorage. Another factor is that many permanent borough residents employed elsewhere in the state return home when they lose their jobs. There are, obviously, other factors for this consistently higher unemployment rate which are difficult to identify and isolate.

A Snapshot of the Matanuska-Susitna Borough Current Statistics - 1996 (unless noted)

	Alaska	Mat-Su
Population (1997)	611,300	52,448
Mat-Su Borough's population is older,		
Median age	30.9	32.4
less racially diverse,		
White	74.6	92.9
Native American	16.5	5.4
Black	4.5	0.9
Asian & Pacific Islander	4.4	0.8
has more children, more seniors,		
Percent under 20	34.1	36.0
Percent 20 to 64	61.0	58.7
Percent 65 years & over	4.9	5.3
an average proportion of females.		
Percent female	47.8	48.1
Fewer residents have college degrees,		
High school graduate or higher (1990) ¹	86.6	87.8
Bachelor's degree or higher (1990) ¹	23.0	18.1
more are unemployed,		
Percent of all 16 years+ in labor force	63.1	66.5
Percent unemployed	7.8	11.1
income and wages are lower.		
Personal per capita income (1994)	\$23,344	\$16,715
Annual average monthly earnings	\$2,673	\$2,320
Housing is tighter,		
Percent vacancy rate	6.0%	2.3%
rents differ little.²		
Average rent	Anchorage — \$667	\$668
		\$620

¹Source: U.S. Department of Commerce, Bureau of the Census.

²Average monthly rent for apartments, condominiums and other rental units, not including single family residences or mobile homes. Rent adjusted to include utilities.

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

Figure • 8

Matanuska-Susitna Borough School Population Keeps Growing

Enrollment

Source:
Matanuska -
Susitna Borough
School District.

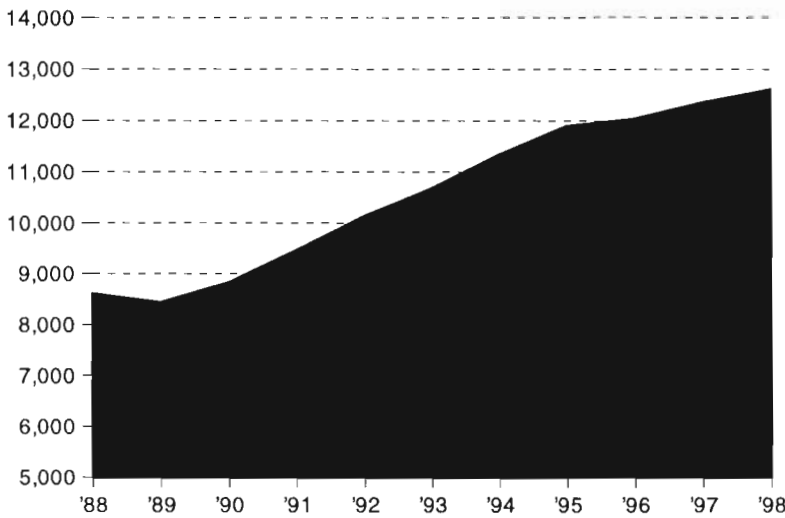
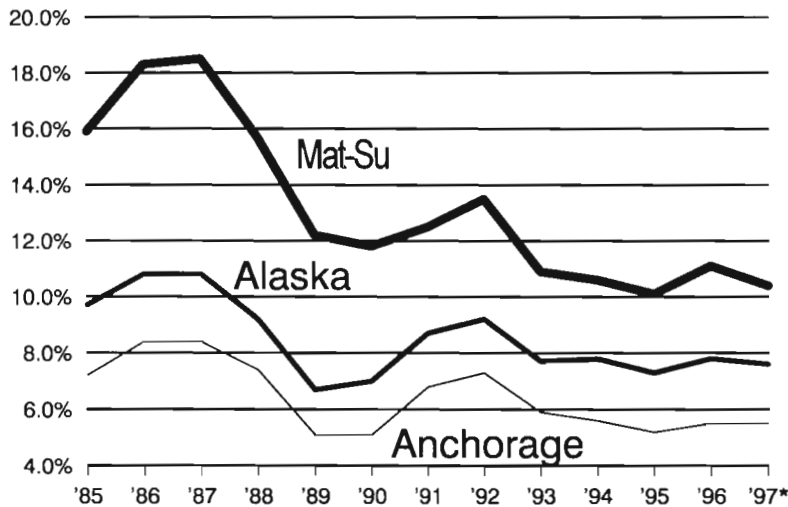


Figure • 9

The Matanuska-Susitna Borough's Unemployment Rate Has Come Down

* estimated

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



Summary

There is little doubt that the growth rates of the Mat-Su Borough's population and economy will continue to outpace those of the rest of the state or Anchorage. The desire to live in the Mat-Su Borough remains a key factor in a healthy economic future. Growth will not be limited to housing but also will be seen in the business sector as well. The Mat-Su Borough visitor industry will continue to expand and diversify. Projects such as ports and other industrial development are also high on the borough's list of goals. In the short run, income will remain lower and unemployment will be higher, but as the Anchorage and Mat-Su economies become increasingly integrated, many of the current differences will blur.