

The Denali Borough

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At the age of 10, its economy rests on mine, missiles and park

Most people associate Denali with the nation's highest peak and little else. But the people that live in the Denali Borough or are familiar with it know there is a lot more to the local economy. The mountain is the area's biggest asset, but there are other important players. Denali is one of the youngest boroughs in the state—it turned 10 in December 2000.

From a population and employment standpoint, it is one of the smallest. For its size, this rural borough has one of the most diverse and eclectic economies in the state. More often economies of such size or larger rely on one or possibly two major industries. The Denali Borough defies this stereotype by standing solidly on three legs. The three well-defined enterprises that give the borough most of its oomph are Denali National Park, Clear Air Force Base, and Usibelli Coal Mine. Associated with the mine is a large electrical power generation plant that exports electricity to Fairbanks and other Interior communities. Providing support services to Parks Highway traffic is another source of economic activity.

Geographically, the borough is large. It covers more than 12,000 square miles, making it larger than the state of Maryland. Nearly all of its 1,893 residents live along a 70-mile stretch of the Parks Highway. (See Exhibit 1.) Anderson, Cantwell, Ferry, Healy and McKinley Park are the five identified communities in the borough. The City of Anderson defines its northern boundary and Cantwell its southern. Fairbanks, where Denali residents obtain most services, is 110 miles up the Parks Highway.

Interesting demographics—older population, fewer women, slow growth

Distinctive demographics color the area. For example, the median age of the borough's population is 37.6 years, a full five years older than the state's. (See Exhibit 2.) This is not because more seniors live there. Only 3 percent of the population is 65 years and older, versus 6 percent statewide. It is the large contingent of baby boomers that raises the age statistics. About 43 percent of the population is between the ages of 35 and 54, versus 33 percent statewide. There are also fewer young children. Far more borough residents live alone and fewer live in family households (this means living with at least one person who is related). The ratio of men to women certainly evokes

Population 2000

Denali Borough and its communities

Denali Borough	1,893
Anderson	367
Cantwell	222
Ferry	29
Healy	1,000
McKinley Park	142
Remainder	133

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

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A snapshot of 2000 statistics

	Alaska	Denali
Population	626,932	1,893
Denali's population is older,		
Median age	32.4	37.6
less racially diverse,		
White	69.3%	85.7%
Native American	15.6%	4.8%
Black	3.5%	1.4%
Asian	4.0%	1.5%
Native Hawaiian, other Pacific Islander	5.0%	0.4%
Other	1.6%	1.0%
Two or more races	5.4%	5.2%
has fewer children and seniors, more baby boomers,		
Under 5	7.6%	5.2%
Boomers (35 to 54 year-olds)	33.3%	43.2%
Percent 65 years and over	5.7%	3.1%
and considerably fewer females.		
Percent female	48.3%	41.8%
Type of households:		
Average family size	3.28	3.03
Family households	68.7%	57.7%
Married couple family	52.5%	48.4%
Female householder, no husband present	10.8%	4.5%
Householder living alone	23.5%	35.0%
More are unemployed.		
Percent unemployed	6.6%	9.7%
Income is higher.		
Personal per capita income (1999)	\$28,546	\$38,410
Housing characteristics are distinctive.		
Average household size	2.89	2.28
Vacant housing units	15.1%	41.9%
Seasonal or recreational housing	8.2%	30.5%

some of Alaska's frontier tradition. Only 42 percent of residents were female, or stated another way, there were 139 males for every 100 females. Racially, the borough is far less diverse than most of the rest of the state. Nearly 86 percent of the population is white and 5 percent is Native American.

The area's population grew by only 7.3% during the past decade, compared to the state's moderate growth of 14.0%. This is somewhat surprising considering the growth in the park's visitation over the past decade and the stability in the rest of the borough's economy.

Denali National Park is the big player

Although the borough is blessed with a relatively diverse economy, Denali National Park plays the dominant role. The park was established in 1917 and has expanded over the years. It now covers 9,375 square miles and 70 percent of the entire Denali Borough. According to park figures, visitation has nearly tripled over the past 20 years. (See Exhibit 3.) In 2000, 364,000 visitors entered the park, making it the fifth most popular destination in the state, according to the Division of Community and Business Development.

An increase in the number of hotels and other accommodations has accompanied the impressive growth in visitors. In 1980, the Park Service counted 133 hotel rooms near the park's entrance. Just 20 years later the borough counted nearly 1,800 rooms, 800 rooms more than in 1993. The most recent addition came in May of this year with the opening of the new 154-room Grande Denali Lodge. Bed tax collections also document the recent growth in overnight accommodations. (See Exhibit 4.) In addition to the rooms, there are 339 cabins and 569 RV spaces. (See Exhibit 5.) This does not include the 270 camping and RV spaces inside the park.

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

Denali Visitor Numbers Nearly Triple since 1980

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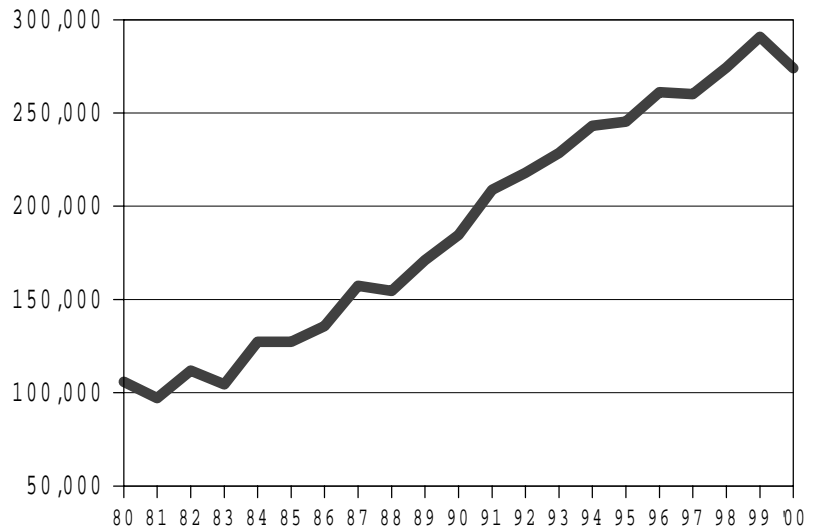
During any of the summer months, the resident population of 1,893 is swelled by a sea of visitors and the workers who cater to them. By conservative estimates, the population of the area at least triples during the summer season. The growth in the park's popularity explains both the dynamic changes that have taken place in the borough's workforce over the past decade and its dramatic seasonality.

Retail and service employment plays a prominent role in the area's workforce because of the sheer number of hotels, rafting operations, sightseeing tours and other visitor related activities. (See Exhibits 6 and 7.) Even transportation is proportionately greater in the borough than most other places because of the vast network of buses that transport nearly all visitors into the park. More than half of the top 20 employers in the borough are directly linked to park activity. (See Exhibit 8.)

From the trough to peak months of the year, employment nearly triples, and nearly all of this change is tied to the park. During the four or five winter months, employment directly related to the park centers on the 80 permanent park personnel and limited maintenance and caretaker activity. This extreme seasonality becomes very evident in the Department of Labor and Workforce Development's unemployment numbers and its resident hire data for the Denali Borough. A major reason for the borough's higher unemployment rate is the short work season for park employees. (See Exhibits 9 and 10.)

Even more telling is the fluctuation in the jobless rate during the course of a year. It peaked at 17.7% in January 2000 and dropped to 3.1% in July. Workforce residency data reveals this perennial seasonal drama. In 1999 (the most recent data), 39 percent of the private sector wage and salary workforce in the borough were nonresidents of the state. (See Exhibit 11.) Another 42 percent of the workforce lived

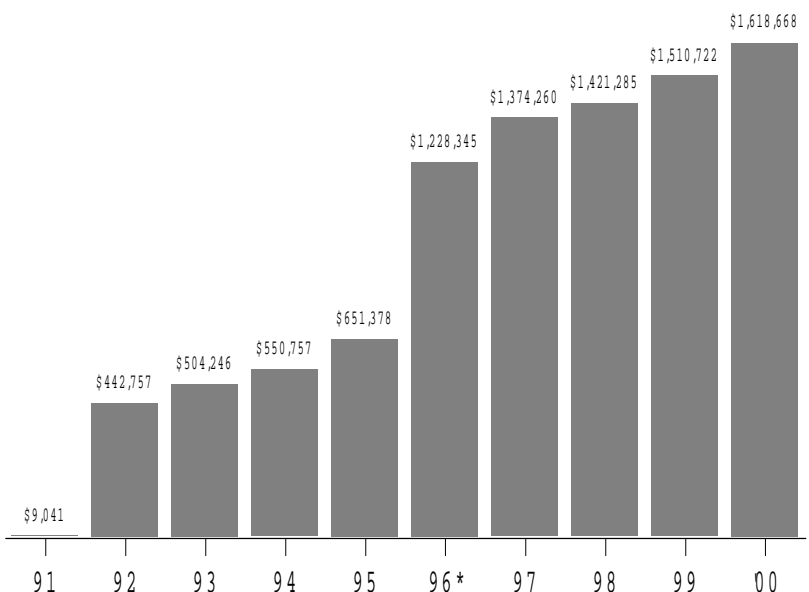
Visitation past mile 15 of park road in Denali National Park



Source: National Park Service

Overnight Accommodation Tax The Borough's major source of revenue

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* In 1996 the accommodation tax increased from 3% to 7%

Source: Denali Borough

somewhere else in the state, and are referred to as “other Alaska Residents.” Stated differently, more Alaskans from outside the area work in the borough (in mostly seasonal jobs) than live there year-round. The resident workforce is much more heavily concentrated around the mine, the schools, power generation, and the military base where work is less seasonal.

Although most activity in the park shuts down during the winter season, its economic presence is felt throughout the year. Many Denali residents who work in the park earn their living during part of the year but spend their earnings throughout the entire year. Bed taxes collected by the borough are also an

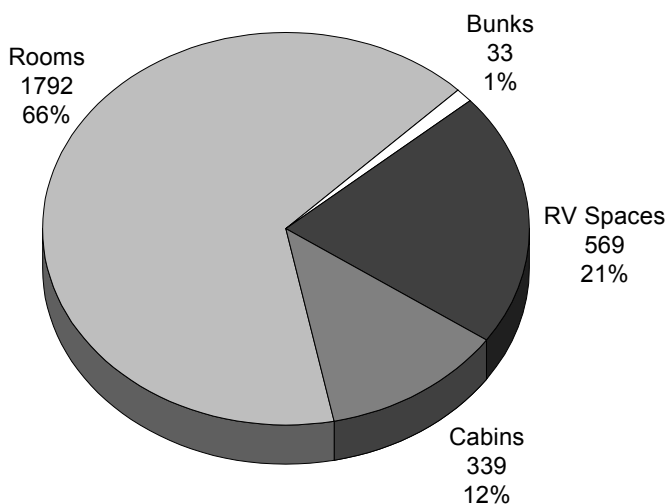
important source of economic activity to the area. Nearly 86 percent of the borough’s revenue comes from bed tax collections and this income flow is spent throughout the year.

The immediate future is tied to the park

Visitor activities in and around Denali National Park are the most dynamic ingredient in the area’s economy, and they are also the most important shaper of the borough’s future. If this assumption is correct, then growth in the borough could be restrained by the carrying capacity of the park. According to the National Park Service, if visitor activities and facilities are not expanded, the road leading into the park will reach its maximum carrying capacity by 2005. Allowing greater numbers of visitors could negatively impact the park’s natural resources. The Park Service is proposing new facilities and activities to forestall this potential problem. These include building a new viewing area, developing additional hiking trails, and expanding shuttle services to trailheads. Exploiting the shoulder months of May and September would also provide more opportunities. Some evidence indicates that an increasing number of visitors don’t even enter the park but instead take advantage of a growing number of other attractions that are developing on the periphery. Though certainly not yet the case, the park may eventually become just one among other attractions in the area.

In the longer run, if visitation continues to climb, alternative visitor destinations around the park may be necessary, and they are beginning to appear. An example is development taking place in Talkeetna. This community of 772, approximately 100 miles south of the Denali Borough, has always been the gateway for climbers and flightseers to Denali and the surrounding mountains. Now,

5 The Accommodations Mix In the Denali Borough



Source: Denali Borough

it is becoming a destination for many other travelers and possibly an alternative for potential Denali Park visitors. Other examples of such tourism development projects are the relatively new 238-room Mt. McKinley Princess Lodge (1997), 32 miles from Talkeetna at mile 133 on the Parks Highway, and the more recent addition to the Talkeetna Alaskan Lodge, now a 200-room facility, in Talkeetna. A dramatic increase in visitor activities accompanied these new hotels.

Other plans would absorb the growth in visitation closer to Denali National Park. They include developing more facilities on the southern end of the park. One proposal is to build a new road and visitor center overlooking the Tokositna River at the end of Petersville Road. This plan includes designing hiking trails with views of the Alaska Range. This proposal has generated significant opposition. Other proposals discussed were to build a rail system through

the park, and even a second road.

Although the park underpins growth in the Denali Borough's economy, it does not fully support the year-round resident population. Other staples in the local economy are mining, power generation, Clear Air Force Station, and public service. For year-round residents these industries provide the most stable employment. The oldest industry in the area is coal mining, which dates back to 1922.

Coal mining is a long-established tradition

The Nenana coalfields were discovered long before statehood. When the Alaska Railroad reached the area in 1918, commercial production became possible. Because of the Healy deposits, coal-fired power generation developed in downtown Fairbanks, on the military installations, and at the University of

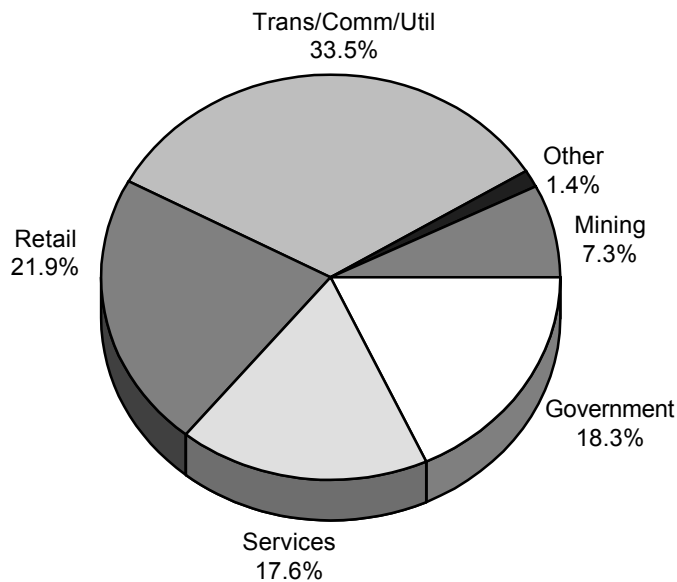
Denali Wage and Salary Employment by Industry

Annual averages, 1991 to 2000

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Total Employment	762	977	1,283	1,209	1,256	1,420	1,638	1,713	1,738	1,810
Mining	112	118	120	124	123	141	134	131	134	132
Construction	11	13	15	16	17	8	6	8	23	15
Trans., Communication, Utilities	68	216	235	228	244	278	329	371	399	607
Trade	253	282	408	352	341	393	487	383	416	397
Finance, Insur., Real Estate	2	3	4	4	0	0	0	11	6	10
Services/Misc.	163	180	229	191	219	283	367	499	443	318
Hotels	121	133	159	125	141	240	274	251	242	259
Government	153	165	272	294	312	317	315	310	317	331
Federal	111	118	148	168	179	195	195	192	192	198
State	29	27	25	21	22	20	17	16	16	20
Local	13	20	99	105	111	102	103	102	109	113

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

7 Wage & Salary Employment Denali Borough—2000



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

8 The Top Employers in 2000 The Denali Borough

	Employer	Employment
1	Aramark Leisure Services	285
2	Arctec Services	208
3	U.S. Department of Interior	133
4	Alaska Hotel Properties	132
5	Usibelli Coal Mine	119
6	Denali Borough School District	83
7	U.S. Department of Defense	56
8	Golden Valley Electrical Association	44
9	Royal Highway Tours	32
10	Denali Bluffs Hotel	26
11	Denali National Park Wilderness Center	26
12	McKinley Denali Salmon Bake	17
13	Totem Enterprises	15
14	Tsesyu Inc.	14
15	Denali Smoke Shack	13
16	U.S. Department of Transportation	13
17	Sourdough Enterprises	12
18	Polar America Inc.	11
19	Evans Industries	11
20	Stampede Lodge/Bushmaster Grill	10

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

Alaska Fairbanks. Today, these customers still buy Healy coal. Clear Air Force Station, near Anderson, joined the list in 1961. Since 1967, the Golden Valley Electric Association (GVEA) has produced electricity at its 25-megawatt mine-mouth plant in Healy. Today, this plant generates about 11 percent of the company's needs and employs 44 workers.

The Usibelli Coal Mine, founded in 1943 in Healy, became the state's single producer of coal in 1971. Exports to South Korea began in 1985. Today's mine production averages about 1.5 million tons of coal annually, half of which is destined for export. The Usibelli mine has maintained its status as one of the most important employers in the area for nearly 50 years. In 2000, it provided an average of 119 good paying jobs to local residents. (See Exhibit 8.) The mine also contributes directly to the borough's coffers with the value-linked severance tax. (See Exhibit 12.) While mine output has scarcely fluctuated in fourteen years, its production value has varied much more because the price of coal, when exported, is exposed to the swings of international markets.

Healy's Clean Coal Project is dormant

The vast coal deposit in Healy and rising power needs in Interior Alaska led to the construction of a new 50-megawatt power generating complex in Healy, called Healy's Clean Coal Project. Construction started in 1995 and ended in 1997. Budgeted costs exceeded \$267 million. Federal energy grants and investment from the Alaska Industrial Development and Export Authority funded the project. The plant is equipped with an innovative coal burning process that minimizes air pollution. But after testing and a re-evaluation of the process, the contracted operator of the plant, Golden Valley Electric Association, retreated from the agreement. The new plant's power generating process was deemed too expensive. A limited conventional retrofit of the process is currently

under investigation. If it becomes operable, the Usibelli mine will supply the plant with about 300,000 tons of coal annually.

The military plays a big role in the Denali Borough

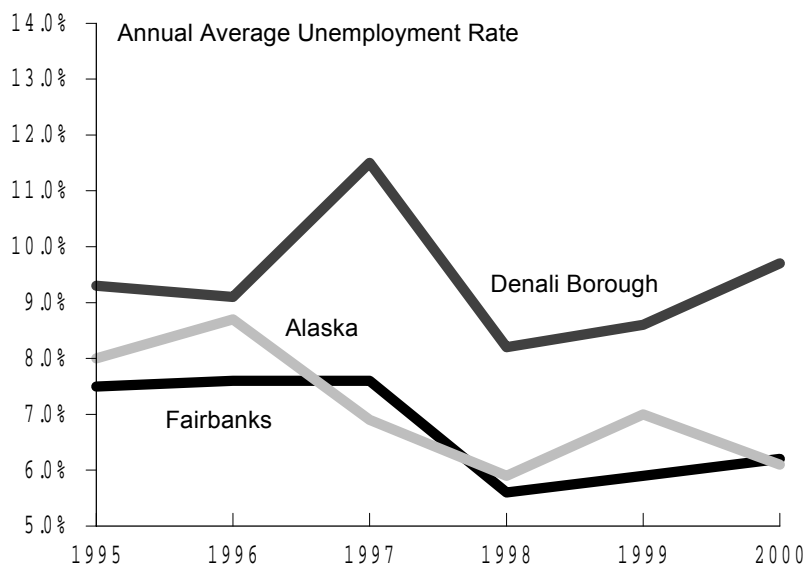
Clear Air Force Station is a radar surveillance site that detects and tracks sea-launched and intercontinental ballistic missile movement, and identifies space objects. In 1998, the Air Force launched a major radar upgrade program, a \$106.5 million project that was completed this spring. The station's mechanical radar system was replaced with a phased array warning system. This new equipment increased the station's mission capability and provided a more reliable warning system. Military personnel numbering about 115 form the 13th Space Warning Squadron. Station strength at Clear has stayed fairly constant over time because operation, security, and fire protection functions require a specific staff level.

The Denali Borough's third largest employer, Arctec Services, supplies base support to Clear Air Force Station. (See Exhibit 8.) Other contractors provide radar, technical, and other maintenance services. Combined, contract personnel and 56 civilians employed by the Department of Defense outnumber the uniformed contingent. During the past ten years, employment of the civilian workforce on base has changed little.

Public sector employment forms a steady base

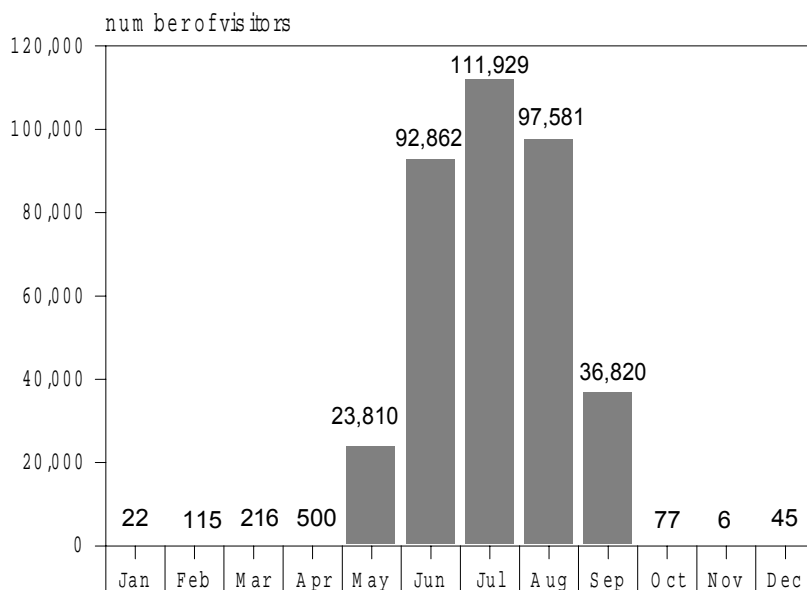
As is typical of core employment, the public sector's workforce in the Denali Borough has formed a solid and steady base. It employed 18 percent of all payroll workers, a small proportion of total employment compared to other labor regions in the state. Between 1995 and 1999 the size of the public workforce

Short Employment Season Raises unemployment 9



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

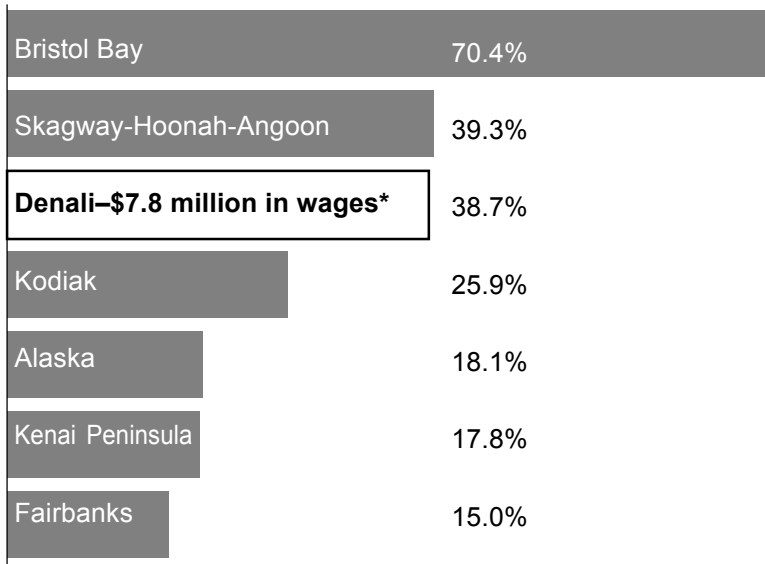
It Happens in Summer 10 In Denali National Park



Source: National Park Service

11 Nonresident Workforce is Large In the Denali Borough

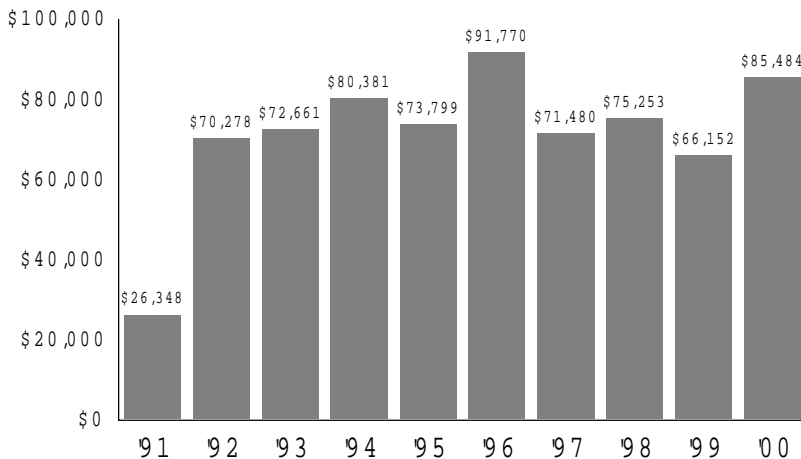
Alaska nonresidents as percent of private sector workforce



* earned by nonresidents

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

12 Coal Mining Helps Fill Public Coffers With severance tax revenue



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

changed little, and it grew only marginally in 2000. (See Exhibit 7.) The National Park Service is the largest and most seasonal among the public sector employers in the borough. Even in winter, the National Park Service retains a large group of employees. Another large public sector employer is the school district, whose staff level has remained practically the same over the past eight years. Borough school enrollment in 1993 stood at 373 but had dropped to 312 in October 2000.

Summary

Unique demographics characterize the Denali Borough's small resident population. Its economic base is surprisingly diverse. The Usibelli Coal Mine, Clear Air Force Station, the power plant and the public sector are the stable, and for the most part, predictable elements of the borough's economy. Denali National Park contributes a strong seasonal element to the economy and is responsible for most of the area's changing dynamics. Visitation to the park has grown so rapidly that capacity could become a problem in the near future. Various ways to address this problem are either being implemented or discussed. The Denali Borough is still young, and in contrast to many other rural areas in the state, its economic outlook remains bright.