

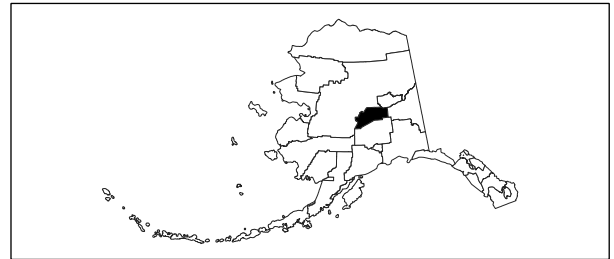
## Steady as she goes

**T**he economic fundamentals of the Denali Borough have changed little since it was created in 1990. The basic economic sectors of this small borough of 1,848 residents were largely in place in 1990. Clear Air Force Station had been operating since 1961. Denali National Park and Preserve, created in 1917, had already existed for some 70 years. The Usibelli Coal Mine had been mining coal since 1943; it started exporting it to South Korea in 1985. And a power plant in the borough had been generating power for Fairbanks and elsewhere in the Interior since 1967.

In addition, the Alaska Railroad, whose existence made most of the other developments possible, has bisected the area since 1923, when President Warren Harding drove the Golden Spike in Nenana, signifying its completion.

One last event that was transformational for the borough's economy came with the completion of the George Parks<sup>1</sup> Highway in 1971. With that in

<sup>1</sup> The highway, often called the Parks Highway, was named after George Alexander Parks, the governor of the Territory of Alaska from 1925 to 1933. The fact that the highway's name had "parks" in it was an added bonus, given that the highway led to the national park and Denali State Park.



place, Alaska's two largest cities, Anchorage and Fairbanks, were directly connected, in turn creating the busiest road transportation corridor in the state. For the next 38 years, the Parks Highway facilitated the dramatic rise in visitors to the park. And the borough became a provider of support services to traffic on the highway.

As a result of all these economic assets being packed into this lightly populated rural borough, the Denali Borough may be home to one of the most stable and diverse rural economies in the state. Often economies of its size or even larger rely on fewer basic sectors to sustain themselves.

### A big place with few people

Geographically the borough is large. Its more than 12,000 square miles make it larger than the

## 1 Denali Borough's Population 2000 to 2008

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Denali Borough	1,893	1,901	1,886	1,915	1,848	1,820	1,793	1,762	1,848
Anderson (city)	367	376	365	376	342	280	277	263	295
Cantwell	222	221	216	226	220	217	205	184	192
Ferry	29	32	33	35	38	36	34	30	38
Healy	1,000	1,015	999	1,014	1,000	1,012	993	1,021	1,025
McKinley Park	142	133	138	134	129	138	147	150	160
Remainder of Denali Borough	133	124	135	130	119	137	137	114	138

Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section, Demographics Unit; U.S. Census Bureau, Census 2000

state of Maryland. Denali National Park accounts for 70 percent of the land area. Nearly all the borough's residents live along a 70-mile stretch of the Parks Highway.

Anderson, Ferry, Healy (the borough seat), McKinley Park and Cantwell are the borough's five identified communities. (See Exhibits 1 and 2.) Anderson is at the borough's northern boundary and Cantwell is at its southern boundary. Fairbanks is 110 miles up the Parks Highway, where many borough residents get most of their services. Anchorage is roughly 240 miles south.

### The elephant in the economy

Denali National Park plays a dominant role in the Denali Borough's economy. More than 400,000 visitors entered the park in 2008. (See Exhibit 3.) It's the fifth-most popular destination in the state, according to the state's Alaska Visitor Statistics Program.

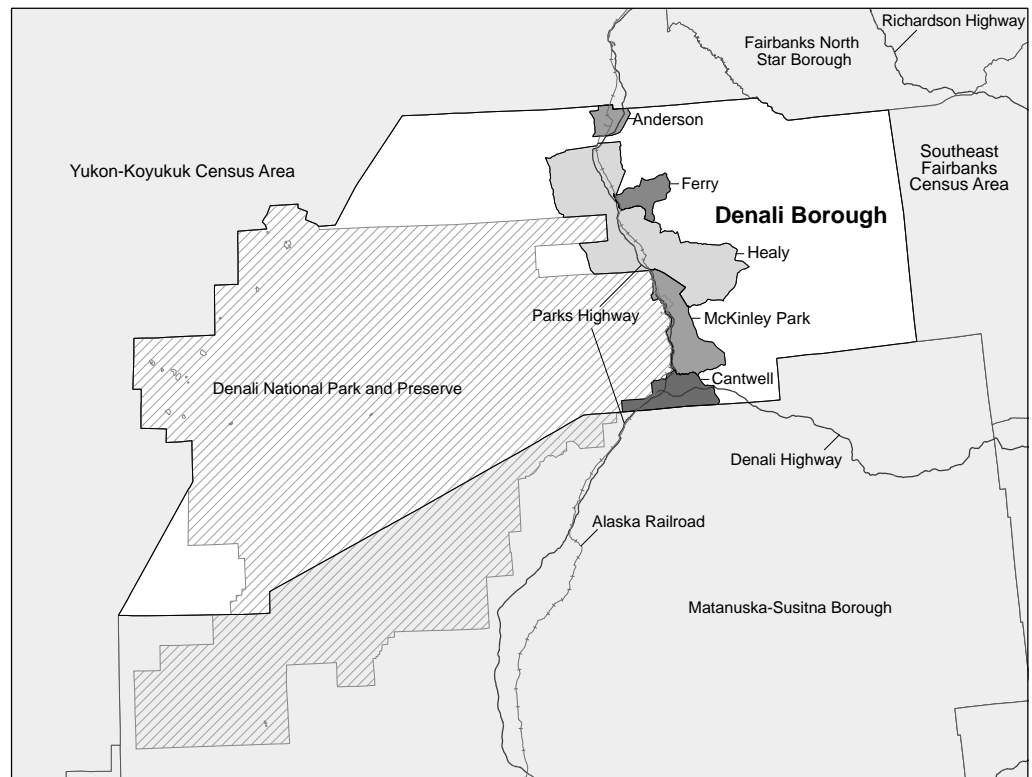
The number of visitors to the park has more than doubled since 1980, and an increase in the number of hotels and other accommodations has followed that growth. In 1980, the Park Service counted 133 hotel rooms near the park's entrance. By 1990, the borough counted nearly 1,800 rooms and by 2008, it counted 2,100 rooms. (See Exhibit 4.)

Bed tax collections also illustrate the growth in overnight accommodations. (See Exhibit 5.) In addition to the hotel rooms, there's a combination of more than 900 cabins, bunks and RV spaces where visitors can overnight. And that doesn't include the 274 camping and RV spaces in the park itself.

### Extreme seasonality tied to the park

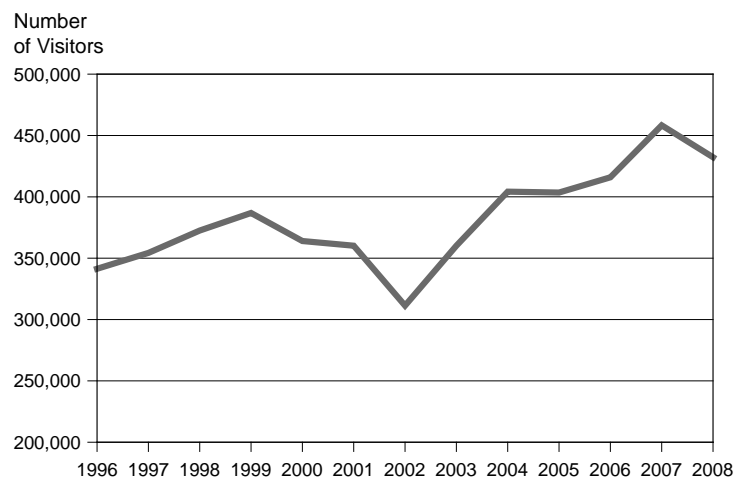
During any of the summer months, the resident Denali Borough population figure of 1,848 is

## Five Communities and the Park **2** The Denali Borough



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

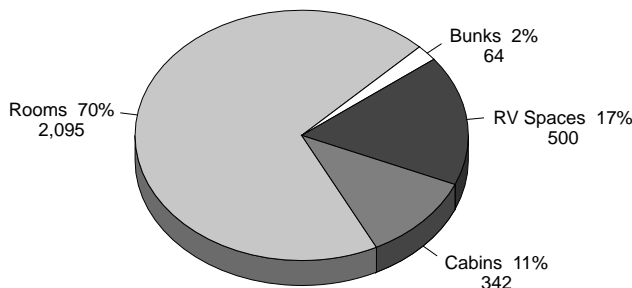
## Visitors Numbers Mostly Grow **3** Denali National Park, 1996 to 2008



Source: National Park Service

almost meaningless. That's not just because of all of the visitors that swarm to the park each year – more importantly, it's also due to the army of workers that moves temporarily to the park to cater to those visitors.

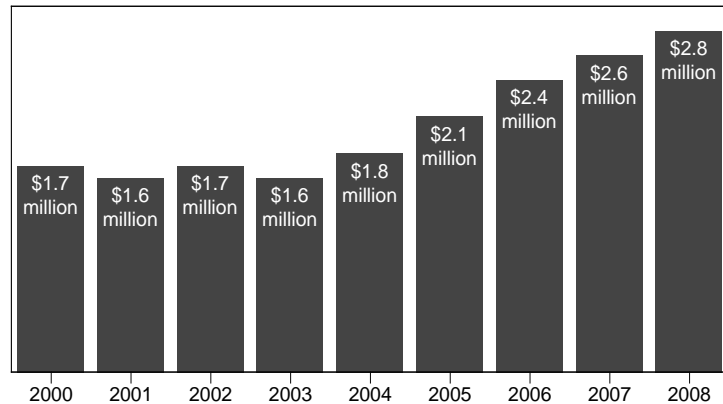
## 4 The Accommodations Mix Denali Borough, 2008



Source: Denali Borough

## 5 Tax Revenues from Accommodations Denali Borough, 2000 to 2008

Accommodations' Tax Revenues



Source: Denali Borough

The borough's work force is the most seasonal in the state. (See Exhibits 6 and 7.) From trough to peak, the work force runs from less than 1,000 jobs in late winter to more than 4,000 during the peak months of the summer. That peak employment number is more than twice the borough's resident population.

The borough's unemployment numbers also show the extreme seasonality. In January 2009, the borough's unemployment rate was 20.1 percent – at that time one of the highest in the state – and last June it was 3.2 percent – the lowest rate in the state.

### Many nonresident workers

The dramatic seasonality of the visitor-related activity explains why most of the Denali Borough's work force comes from elsewhere. Forty-five percent of the borough's wage and salary

work force are not Alaska residents, one of the highest ratios for an area in the state. (See Exhibit 8.)

And that only tells part of the story. Figures also exist for workers who are Alaska residents but live outside the borough. If they're added in, the nonresident worker number climbs to 76 percent.

Both the group that doesn't live in Alaska and the group of Alaska residents who live outside the borough are individually larger than the borough's local resident workers group. As a result, there's a chance that a visitor to the park may never interact with a local resident.

The area's resident work force is more likely to be working for less-seasonal employers and for employers who pay more – the Usibelli Coal Mine, Denali Borough School District, Golden Valley Electric Association, National Park Service and Clear Air Force Station. For example, Usibelli's work force in 2007 was more than 90 percent Alaska resident.

The income and poverty figures for the borough's residents also reflect that employment pattern. The median household income for the borough was \$64,565 in 2007 and the poverty rate was 6.4 percent, according to the U.S. Census Bureau. That compares with statewide figures of \$62,854 and 9.8 percent.

### Loads of tourist-type jobs

Leisure and hospitality, and other service employment, play a prominent role in the area's work force because of the sheer number of hotels, rafting operations, sightseeing tours and other visitor-related activities. (See Exhibit 9.)

More than half the average annual wage and salary employment, 58 percent, was in the leisure and hospitality sector in 2008, compared to 10 percent statewide. During August each year, the sector's share of employment in the borough reaches 64 percent. There's no other area of the state where there's such a concentration of leisure and hospitality workers.

Nearly all those workers are employed at hotels or restaurants, or a combination of the two. The remaining workers typically work for rafting companies, sled dog operations, as fishing guides, or for companies providing other forms of entertainment.

Transportation is another standout employer in the borough. It's proportionately bigger than most other places because of the vast network of buses that transport most of the visitors into the park.

The borough's top four employers provide services to park visitors and 10 of the top 15 employers rely on park activity for their business. (See Exhibit 10.)

The Denali National Park is also a source of on-going and sometimes major construction activity. The new \$9.2 million Eielson Visitor Center was completed last year, for example. Maintenance of the 91-mile road through the park, McKinley Park Road, is also a constant source of work.

Although most park-related activity shuts down during the winter season, the economic presence from that activity is felt throughout the year. Many Denali Borough residents who work in the park only earn their living during part of the year but they spend those earnings throughout the year. In addition, roughly 80 National Park Service employees work year-round.

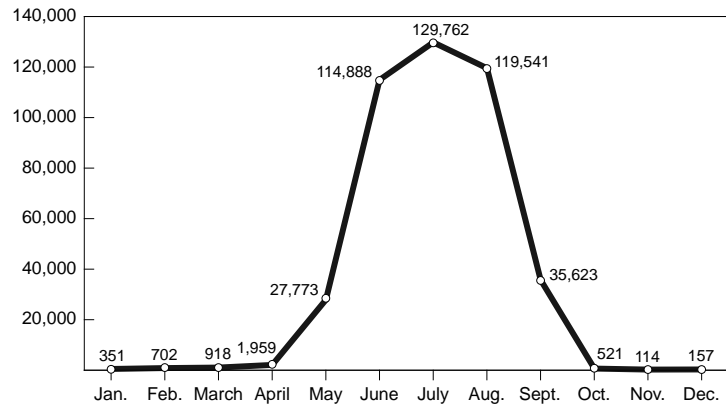
Bed taxes collected by the borough are also an important source of economic activity. Eighty-four percent of the borough's revenue came from bed tax collections in 2008, a typical year; the borough spends that revenue year-round.

### Coal mining – an old hand in the area

The Nenana coalfields were discovered long before statehood. When the Alaska Railroad reached the area in 1918, commercial production became possible. Joe Usibelli began operations of the Usibelli Coal Mine in Healy in 1943, and the mine has been one of the most important employers in the area for some 66 years. Because of the Healy deposits, coal-fired

## Most Visit in Four-Month Span Denali National Park and Preserve, 2008 **6**

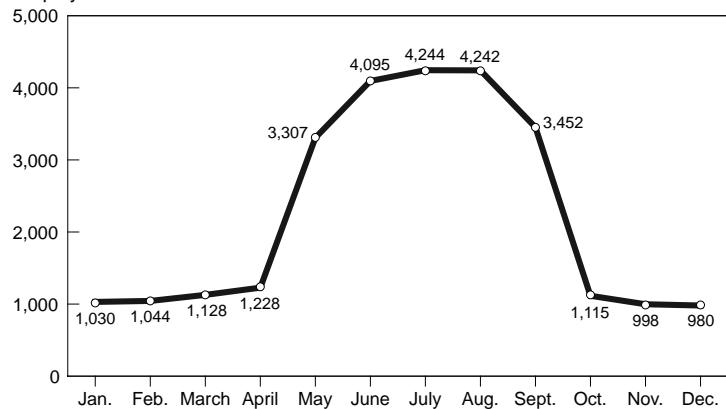
Monthly Visitor Count, 2008



Source: U.S. Department of the Interior, National Park Service

## Extreme Seasonality Reigns Employment in the Denali Borough, 2008 **7**

Wage and Salary Employment<sup>1</sup>



<sup>1</sup> Excludes self-employed workers, fishermen, domestic workers, unpaid family workers and nonprofit volunteers

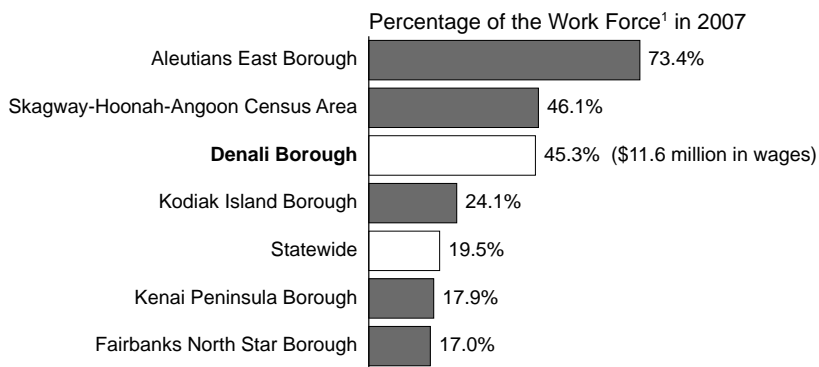
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

power generation developed in Fairbanks and the Denali Borough.

The mine supplies coal for power generation and space heat to both of Fairbanks' military installations – Fort Wainwright and Eielson Air Force Base – plus the University of Alaska Fairbanks, Aurora Power in Fairbanks, and Clear Air Force Station's power plant.

The Usibelli Coal Mine also supplies the Golden Valley Electric Association's 25-megawatt mine-mouth power plant in Healy for electricity in

## 8 A Large Nonresident Work Force Denali Borough, 2007



<sup>1</sup> Excludes federal workers and the self-employed

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

Fairbanks. The mining trucks literally carry the coal from the mine to the plant, without any additional processing or transportation. Today, the Healy plant generates about 15 percent of Golden Valley Electric Association's needs and employs 39 workers.

The mine is currently mining 1.8 million tons of coal annually, which is up from 1.5 million in 2007. Slightly more than half of that coal is used locally, in Fairbanks and the Interior. The mine exports the rest to Chile and South Korea along with smaller amounts to China and elsewhere. Usibelli employs about 120 workers in Healy, according to the company. Most of the jobs are non-seasonal, high-paying jobs, with the Teamsters Union representing the miners. The mine also contributes directly to the borough's coffers with a value-linked severance tax. (See Exhibit 11.)

Adjacent to GVEA's mine-mouth power plant is the \$300 million Healy Clean Coal Project 50-megawatt power plant. In 1991, GVEA entered into a 30-year agreement with the Alaska Industrial Development Export Authority, a state program that loans money for development projects, to buy power from the HCCP if the plant was successful.

The construction of the HCCP, which was completed in 1997, was partially funded by a \$117 million grant from the U.S. Department of Energy to test new technologies. But, because of

problems, the plant hasn't been operational since 1999.

The plant currently belongs to AIDEA. Recently, AIDEA has been in negotiations with GVEA to possibly purchase and operate the plant – the AIDEA board approved a sale agreement Aug. 25. GVEA officials have stated that if they can work out all the details, they hope to have the plant up and running by 2011. If successful, it would translate into increased coal sales and GVEA would hire an additional 12 power plant operators.

### The military plays a quiet role

Clear Air Force Station is a relatively small military installation, tucked in five miles south of Anderson. Even though many Alaskans probably haven't heard of the base, it's played an important role in the area's economy for nearly 50 years.

Clear Air Force Station is a radar surveillance site that detects and tracks sea-launched ballistic missiles and incoming intercontinental ballistic missiles. The station is part of the North American Aerospace Defense Command, or NORAD. Its secondary mission is to track objects orbiting in space for the Space Control Center.

In 1998, the Air Force launched a major \$107 million radar upgrade program at Clear that was completed in 2001. The new equipment increased the station's mission capability and provided a more reliable warning system.

Currently, about 100 Air Force National Guard personnel form the 213<sup>th</sup> Space Warning Squadron at Clear. The Department of Defense has another 50 civilians working there, along with roughly 200 employees for various private contractors, including Aleut Global Solutions – a subsidiary of Aleut Corp., a regional Native corporation – and BAE Systems. Both Aleut Global and BAE are among the borough's 15 largest employers. (See Exhibit 10.)

### Demographics have their own flavor

The population of the Denali Borough didn't change much between 2000 and 2008 – it

# Employment in the Denali Borough 2000 to 2008



	Average Monthly Employment								
	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Total Wage and Salary Employment<sup>1</sup></b>	<b>1,797</b>	<b>1,996</b>	<b>2,101</b>	<b>1,922</b>	<b>2,082</b>	<b>2,202</b>	<b>2,323</b>	<b>2,247</b>	<b>2,239</b>
Natural Resources	132	133	112	86	93	98	97	101	-
Construction	15	6	9	19	15	22	28	21	15
Retail Trade <sup>2</sup>	53	47	51	44	38	48	52	59	64
Transportation, Warehousing <sup>2</sup>	348	356	379	341	403	382	367	390	-
Utilities <sup>2</sup>	44	44	40	36	35	36	35	35	-
Information	3	191	188	1	2	2	3	3	-
Professional and Business Services	11	12	9	195	188	189	169	189	187
Educational <sup>3</sup> and Health Services	20	19	16	11	13	13	10	13	14
Health Care/Social Assistance	20	19	16	11	13	13	10	13	14
Leisure and Hospitality	623	815	910	839	937	1,010	1,175	1,052	1,150
Accommodations, Food Services, Drinking Places	590	777	866	790	870	935	1,098	979	1,059
Accommodations	245	298	394	317	371	319	368	392	-
Food Services and Drinking Places	345	479	472	473	499	616	730	587	-
Other Services	10	10	12	9	10	13	15	14	-
Government	331	365	374	341	348	386	373	370	365
Federal Government <sup>4</sup>	198	219	226	211	209	218	210	210	214
State Government <sup>5</sup>	20	21	21	23	22	22	23	22	24
Local Government <sup>6</sup>	113	125	127	107	117	146	141	138	127
<b>Uniformed Military Count</b>	<b>132</b>	<b>107</b>	<b>114</b>	<b>111</b>	<b>85</b>	<b>97</b>	<b>93</b>	<b>95</b>	<b>96</b>

Note: A dash indicates that the data failed to meet Bureau of Labor Statistics' publication criteria.

<sup>1</sup> Excludes self-employed workers, fishermen, domestic workers, unpaid family workers and nonprofit volunteers

<sup>2</sup> These employment categories are part of larger categories, but those larger categories aren't shown here.

<sup>3</sup> Private education only

<sup>4</sup> Excludes uniformed military

<sup>5</sup> Includes the University of Alaska

<sup>6</sup> Includes public school systems

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section; U.S. Department of Labor, Bureau of Labor Statistics

declined 0.3 percent a year, compared to 1 percent annual growth for the state's overall population. That slight population loss wasn't unusual in many rural places in Alaska.

However, behind that relatively stable total resident count, the borough's demographics become far more interesting – particularly the borough's age structure and gender makeup. The demographics of the frontier remain very much alive and well in the borough.

The borough's 2008 median age was nearly 40 – 39.6 to be exact – compared to 33.5 statewide. That's not because the borough has a large senior population. Seven percent of its population is over 65, the same as statewide. The borough is home, though, to a large contingent of baby boomers (ages 44 to 62). Baby boomers make up about 34 percent of the borough's population, compared to 27 percent statewide.

Another characteristic of the borough's population is the relatively high number of men. There are more men in all age groups, except some of the very young. There are 132 men in the borough to 100 women, compared to 104 men per 100 women statewide.

The borough's population is also far less diverse than the state as a whole. Eighty-seven percent of the borough's population was white in 2006, 9 percent was Native American and smaller percentages were sprinkled among other groups. In comparison, 72 percent of the state's population was white, 18 percent was Native American and there were smaller shares of Asians, African Americans and Hispanics.

## Is Denali National Park the wild card?

Given the size of the Denali Borough's population and work force, its economic base is

# 10 The Top 15 Employers Denali Borough, 2008

		Average Monthly Employment in 2008 <sup>1</sup>
1	Aramark	500 to 749
2	Royal Highway Tours	100 to 249
3	Alaska Hotel Properties (Princess)	"
4	Department of Interior (National Park Service)	"
5	Usibelli Coal Mine	"
6	Aleut Global Solutions (formerly TekStar)	50 to 99
7	Denali Borough School District	"
8	BAE Systems	"
9	Department of Defense (Clear Air Force Station)	"
10	Denali Park Salmon Bake and Cabins	20 to 49
11	Golden Valley Electric Association	"
12	Doyon Tourism Services	"
13	Black Diamond Resort	"
14	Denali Park Wilderness Center	"
15	Denali Backcountry Lodge	"

<sup>1</sup> These are ranges that a company's or organization's specific employment number falls into; the ranking is based on the specific number.  
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

For decades, there has been a general belief that the number of park visitors would continue to grow as far as the eye could see. However, during the past couple of years, the number of park visitors has leveled off and this year there was a sharp decline.

This year's drop in visitors is probably just a reflection of the overall softness in the statewide visitor season and is not specific to the park. Yet there are other forces that could change the number of future park visitors.

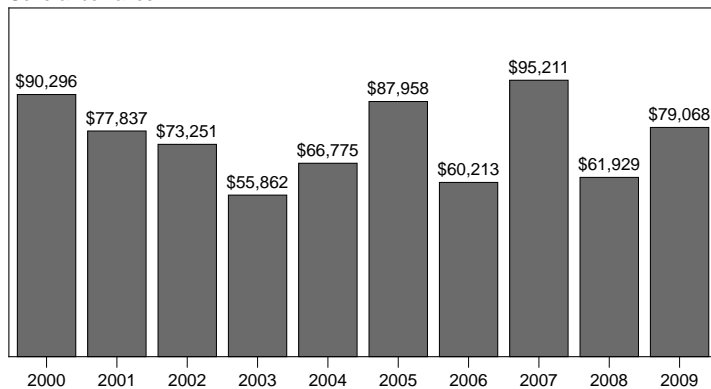
For one thing, the cruise ship industry recently announced that in 2010, it would cut ship capacity by more than 100,000 passengers for the ships ending their trips in Seward or Whittier. It's those very passengers who are the park's largest source of visitors.

For another thing, there are also plans to develop the South Denali Visitor Center in Denali State Park, about 100 miles south of Denali National Park in the Mat-Su Borough. Part of the rationale for the development is to take pressure off the national park. If those plans materialize, they could also affect traffic to Denali National Park.

What is also true, however, is that the Denali Borough is still young and its broad-based and mixed economy will for many years remain the envy of many other rural and even some urban areas of the state.

# 11 Tax Revenues from Coal Mining Denali Borough, 2008

Severance Taxes<sup>1</sup>



<sup>1</sup> In this case, a tax on the extraction of coal  
Source: Denali Borough

surprisingly diverse. The coal mine, power generation, Clear Air Force Station and the public sector are the stable, and for the most part, predictable, components of the borough's economy. Then there's Denali National Park, which not only adds a strong seasonal quality to the economy, but is also responsible for many of the changing dynamics of the area. The park's role as a major "change agent" in the borough won't likely change.