

The MatSu Borough Recovery in Sight

by Holly Stinson

Like most of the rest of the state, the Matanuska-Susitna (MatSu) Borough went on an economic roller coaster ride during the 1980s. Unfortunately, the ride was rougher in MatSu than in other regions of Alaska. The climb was steeper during the early '80s (with percent growth rates 2-3 times those of Anchorage) and the drop was more severe during the 1986-88 recession. Today the MatSu economy exhibits signs of renewed health.

Testaments to the recession remain: a boarded up hotel now owned by the Federal Deposit Insurance Corporation, vacant houses owned by other financial institutions, and shopping malls with empty space. Abandoned are grandiose plans for projects aimed at economic recovery — a multi-million dollar port facility with rail access, and an elaborate downhill ski resort.

However, signs of recovery are evident: the number of institution-owned homes is down, shopping malls are beginning to fill up with new businesses, the residential real estate market is turning around, and tourism is growing. A couple of other indicators are at all-time highs — school enrollment and telephone hookups. In addition, there is one major project which is a definite go — the federal government is building a Job Corps Center in Palmer.

Commuters are a Significant Part of the MatSu Economy

The MatSu economy is not confined to activity within borough boundaries. Eighty percent of the borough's population live in Palmer, Wasilla or nearby suburban areas — that means over 30,000 borough residents are within commuting distance of Anchorage.

A recent study by the University of Alaska's Institute for Social and Economic Research found that in 1987, 27% of MatSu residents who held jobs worked in Anchorage. Another 10% of MatSu's working population held a job elsewhere in the state (for example, oil field jobs on the North Slope). The MatSu Borough is therefore affected by Anchorage's economy and economic events occurring elsewhere in the state.

Recent Growth in Employment, Population

MatSu has a geographic diversity in its workforce — those who work in the local public and private sectors, and those who commute to jobs in other areas. In addition, there are a considerable number of self-employed workers who aren't included in nonagricultural wage and salary employment statistics. In the MatSu Borough many gold miners, agricultural workers, and loggers as well as some of those in the trade, transportation and services industries can be counted among the self-employed.

The statistics in Table 1 count the jobs in the MatSu Borough, excluding self-employed individuals. So while Table 1 indicates a small decline in jobs during 1986-1988, it doesn't reflect the hundreds of MatSu residents who lost jobs in Anchorage and elsewhere in the state, or the self-employed who lost their businesses.

About the author:

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Table 1

Matanuska-Susitna Borough Employment by Industry 1980-1989

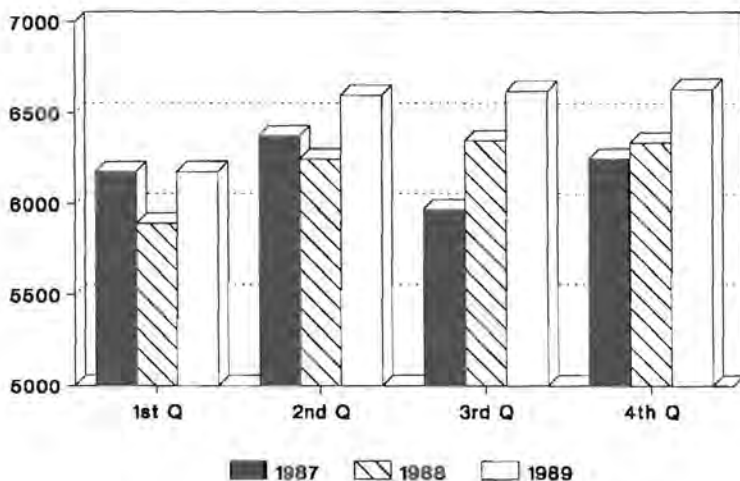
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Total	3,265	3,701	4,383	5,355	6,542	6,991	6,699	6,193	6,207	6,508
Mining	**	**	**	**	**	**	**	**	**	**
Construction	178	253	518	778	971	710	427	261	179	223
Manufacturing	37	106	70	67	111	111	88	83	108	124
Trans., Comm. & Utilities	319	343	381	525	595	670	680	688	638	639
Trade	733	748	898	1,173	1,547	1,736	1,590	1,643	1,523	1,600
Finance-Ins. & R.E.	120	131	198	208	280	290	296	206	169	174
Services	460	537	604	793	991	1,129	1,101	1,019	1,088	1,183
Government	1,341	1,418	1,564	1,734	1,977	2,229	2,425	2,248	2,357	2,415
Federal	112	103	101	104	112	100	105	102	99	104
State	403	460	545	596	651	737	761	759	791	811
Local	826	855	919	1,035	1,214	1,392	1,559	1,387	1,467	1,500
Miscellaneous	**	**	**	**	**	**	**	**	**	**

** Nondisclosable

Source: Alaska Department of Labor, Research and Analysis Section

Figure 1

MatSu Employment by Quarter



Source: Alaska Department of Labor, Research and Analysis Section

Over the year growth began showing up in MatSu's employment statistics beginning with the third quarter of 1988. (See Figure 1.) While these employment statistics understated the decline in MatSu's economy during the downturn, they are also understating the strength of the recovery. MatSu employment grew 4.8% in 1989; jobs in Anchorage increased 4.5%. Undoubtedly some of those Anchorage jobs went to MatSu residents. One indicator of the recovery is the unemployment rate, which has been steadily declining in the MatSu Borough since a 1987 high.¹

Another indicator of recovery is that after losing several thousand people, MatSu's population is once again on the rise. (See Figure 2.) School enrollment, which doubled from 1979 to 1986, declined by several hundred during 1987-88. It then increased just as rapidly for the 1989-90 school year, reaching its highest level ever. Officials expect a slight increase this fall to 8,900 students. In response to the increasing student population, Colony Junior High School, completed in 1987, will open its doors this fall for the first time. Its vacant companion high school is slated to open in the fall of 1991.

Public Sector Mostly Education & State Jobs

Government employment accounts for 37% of all wage and salary employment in the region, and employment with the MatSu School District accounts for more than half of all government employment. (See Figure 3.) Over 90% of the MatSu Borough's budget goes to operate schools and to retire school construction debt; most of this money (close to 75%) comes from the state's coffers. State aid increased by \$10 million for the 1990 fiscal year to \$68.6 million. Still, the borough was forced to raise the mill rate on property tax and dip into reserves to meet this year's budget.

State jobs account for one-third of public sector employment. The MatSu College of the University of Alaska (almost 200 employees) and the Palmer Correctional Center (160 employees) are the largest state agencies in the borough. The Palmer prison is building new housing at a cost of \$5 million. The construction project will increase capacity by 70 inmates and necessitate at least ten new jobs. Plans call for additional funding next year to renovate the old housing into activity centers.

Federal employment in the MatSu region has been the steadiest of all sectors through the ups and downs of the 1980s. Most federal jobs in this region are with the U.S. Postal Service.

Mining Plays Important Role in MatSu

Although public sector employment grabs the largest share of the employment pie at 37%, that still leaves 63% with the private sector. Much of the private sector employment depends on the region's natural resources of minerals, timber, fish, and scenery.

There are too few firms to allow for disclosure of total mining employment, but one mining company, Valdez Creek, was among the region's five largest private employers. (See Table 2.) A blow was dealt to the MatSu Borough when they suspended operations in late 1989. Over 130 jobs were lost, along with a monthly payroll of \$750,000. According to a company spokesman, 60% of that payroll went to MatSu residents. In late

Table 2

MatSu Borough's Five Largest Private Employers*

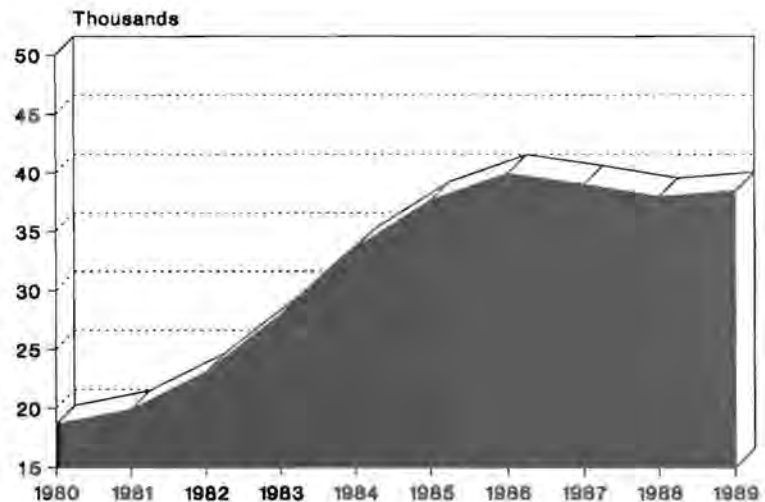
	1989 Annual Average Employment
Carr Gottstein Inc.	250
Matanuska Telephone Assoc. (MTA)	242
Valley Hospital	233
Matanuska Electric Assoc. (MEA)	136
Valdez Creek Mining Co.	110

*Published with employers' permission.

Source: Alaska Department of Labor, Research and Analysis Section

Figure 2

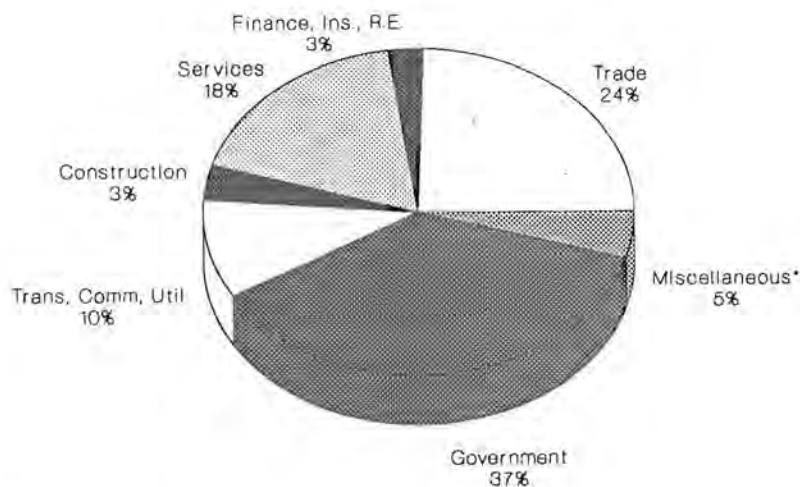
MatSu Borough Population



Source: Alaska Department of Labor, Research and Analysis Section

Figure 3

Employment in MatSu Borough By Industry, 1989



Source: Alaska Department of Labor, Research and Analysis Section

July, the owners announced intentions to reopen the mine. However, the Alaska Department of Environmental Conservation will have to approve the company's plan to comply with environmental regulations.

While many MatSu residents hope for a reopening of Valdez Creek, another mining project received the green light this year. Idemitsu-Kosan plans to mine a million tons of coal a year for the next 15 years from Wishbone Hill near Palmer for export to Japan. The legislature's approval of \$9 million to the Alaska Railroad for needed railroad engines and coal cars to transport the coal to Seward should allow the project to happen. This mining operation will mean 180 new jobs with an annual payroll of \$10 million.

A Palmer firm began exploration work this July in an abandoned mine in the same area as the Wishbone Hill deposit. Other coal deposits could turn into feasible ventures now that there is a coal terminal at Seward and the railroad has expanded coal-carrying capacity.

Currently the only presence of the oil & gas industry in the MatSu Borough is in the form of paychecks to residents working in Anchorage or the North Slope Borough. Last winter ARCO Alaska tested for oil and gas in the Big Lake/Houston area. This September's lease sales may shed light on the confidential results of those tests.

Another source of jobs in the mining sector is the sand and gravel industry. During the construction heyday of the early 1980s more than three times as much sand and gravel was mined as today's 2 million ton estimate. One major highway project—turning the Glenn Highway into a 4-lane divided road—could double the sand and gravel production for a two-year period.

Large, Small Construction Projects On Tap for MatSu

The MatSu Borough captured \$31.3 million for capital projects (excluding the above-mentioned \$9 million for the Alaska Railroad) in SFY 1991. Close to \$24 million is federal highway funds, almost all of which is for the Glenn Highway widening to four lanes from Eklutna to the Parks Highway. Long a priority for commuters to Anchorage, design is now nearly complete. Construction will begin in 1991 and is scheduled for completion by the end of 1993. The road should make commuting to Anchorage jobs easier and make real estate in the Palmer-Wasilla area more attractive.

Another project scheduled to start next year is the federal Job Corps Center. The borough, City of Palmer, and federal governments are all contributing to this project, which will house 200 students and have a faculty of at least 65. The City of Palmer hopes to complete road and sewer work this season, so construction of the dormitories and classrooms can begin next spring.

This construction season saw work begin on a new \$6.5 million airport in Wasilla, a new elementary school and an addition to one of the high schools. For this year and the coming few, construction projects are on the rise in MatSu but will not approach 1983-85 levels any time soon, if ever. (See Figure 4.)

Real Estate Market Improving

Real estate in the MatSu Borough is finally showing signs of life. The number of properties owned by financial institutions has declined 40% since 1989's high of 1,190. Construction of a house built on speculation began in June, the first in many years. Information from the multiple listing service (which doesn't include all residential sales) shows mixed news.

The average selling price is still declining, but the number of units sold is on the upswing. The number of houses sold in 1989 was about double that of the bleak year of 1987. If 1990 finishes at the same pace as the first six months, the number of houses sold will be 14% above 1989. The year could end on an even better note; this June saw half again as many units sold as last June. MatSu property will become more attractive in the future as the price of Anchorage real estate climbs and as improvements are made to the Glenn Highway.

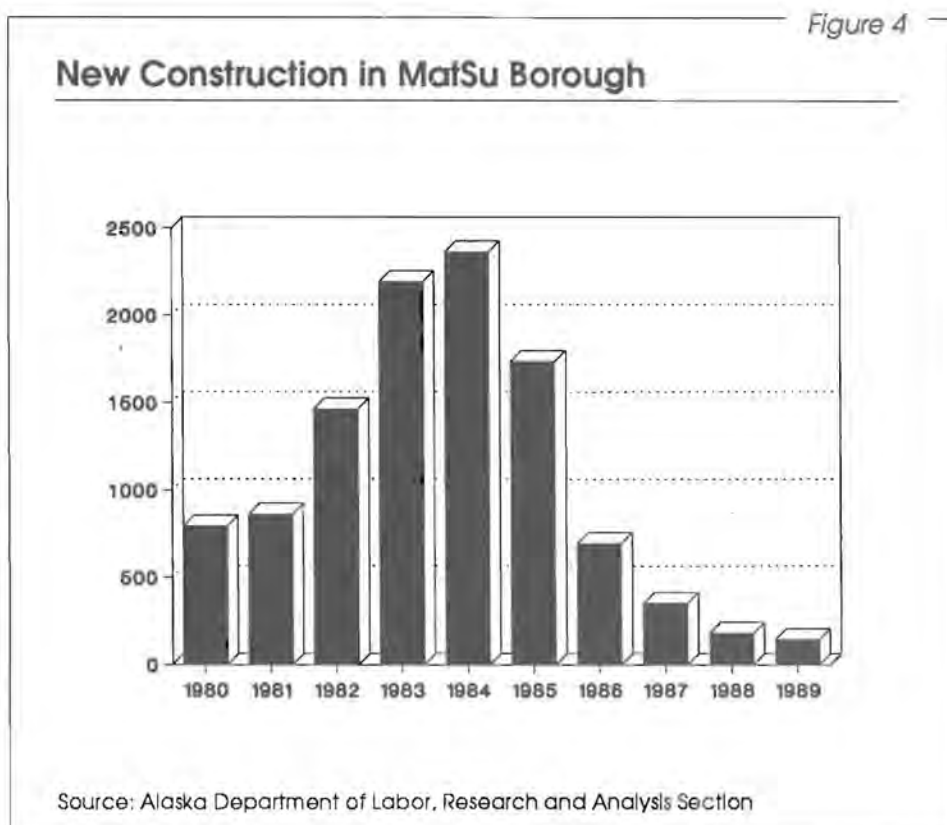
Communications and Utilities Expanding

Two of the largest employers in the borough are in the transportation, communications and utilities industry. Matanuska Telephone Association is the second largest private employer in the region and the 73rd largest statewide. (See "Trends 100" article in the August issue of *Alaska Economic Trends*.) The cooperative that supplies electricity in the area, MEA, is also one of the five largest private employers in MatSu.

A relative newcomer to the region, Enstar Natural Gas, is now the largest taxpayer in the borough. Having relatively cheap natural gas energy has made MatSu housing more economical than ever. Another newcomer to the borough is General Communications, Inc. The firm opened an operator services center in Wasilla this month, creating 50 new jobs. Continuing to attract new businesses is one key to the borough's future economic health.

Timber, Agriculture Small but Significant

Timber harvesting is a growing industry in many parts of Southcentral Alaska,



but has remained quite small in the MatSu Borough. An industry official estimated 200 people in the area either log or operate small sawmills; this number is not anticipated to grow appreciably anytime soon.

Agriculture is the region's oldest economic pillar. Today the area accounts for two-thirds of the state's total agricultural production. Several farms produce milk for Matanuska Maid, the state-owned dairy. These include four at the Point McKenzie dairy farm project which the state began in 1982.

Tourism Holds Potential for MatSu

The borough has numerous natural attractions, but visitor facilities are scarce. Many people pass through on tour buses headed for Denali Park or Valdez; borough entrepreneurs would like to capture more of their business. The Mat-Su Convention & Visitors Bureau was formed in 1986 to develop tourism, and a 5% bed tax was levied in 1989 to raise funds for tourism support. Increasing numbers of people are visiting the region — sportfishing doubled from 1978 to

1988, and the number of bed-and-breakfast facilities has grown ten-fold in the last four years.

The state maintains more than 30 sites in the MatSu Borough, and Denali State Park is the most popular. Of the more than 1.2 million visits to state parks² in MatSu from July 1988 through June 1989, more than 30% were at this popular spot. The largest tourist project to date is a planned hotel development at this park. Dubbed the South Denali Visitor Complex, it would be a public/private venture. The federal government would build a visitor center, the state government would donate land and infrastructure such as sewers and roads, and the private sector would build a facility with as many as 250 rooms, at an estimated cost of \$29 million. Current legal action keeps the fate of the project unsure at this time.

Attracting summer tourists has been the main focus in MatSu, but winter tourism holds potential, too. A Japanese firm backed out of plans to build a downhill ski resort in Hatcher Pass near Wasilla and Palmer, but others are interested in developing the area. The Department of Natural Resources

hopes to begin the leasing process later this year. Many existing facilities cater to winter recreationists such as cross-country skiers and dog mushers.

Other tourist attractions in the region include the Musk Ox Farm near Palmer, the Knik and Matanuska glaciers, the Iditarod Trail Sled Dog Race Headquarters, and the state fair which attracts about 180,000 people each August. Almost all climbers of Mt. McKinley begin their journey in Talkeetna. Over 1,000 people a year now attempt the climb, and the National Park Service is considering a permit system to limit this number.

Trade, Services Sectors Affected by Tourism

Tourism has a big impact on trade and services, and these are two sectors where employment didn't decline too drastically during the 1986-88 recession. A steady stream of tourists, which increases each year, has done a lot to keep both trade and services employment from suffering larger job losses. While other industries grab the headlines, these two together provide 43% of all jobs.

Summary: MatSu is Rebounding from Recession

The MatSu Borough went through a tremendous period of growth in the early 1980s, followed by a severe recession in 1986-88. By the last half of 1988, though, employment was once again on the increase. In 1989 the number of jobs increased close to 5%. These employment statistics don't count the considerable number of residents holding down jobs in Anchorage or elsewhere in the state.

More than one-third of MatSu jobs are in the public sector, and most of these are in education. In the private sector trade and services account for the largest share of employment. Mining — for coal, gold, sand and gravel — is important to the MatSu economy and could become more so in the near future. Major construction projects are on the horizon, such as a 4-lane highway and a federal Job Corps Center. Two of the largest employers in MatSu are in the transportation, communications and utilities industry; the number of jobs and firms in this sector is increasing.

School enrollment is at an all-time high, and the real estate market is finally turning around (although values still lag behind). Although support from state revenues may decline in the future, the MatSu Borough is making firm strides toward economic recovery for now.

Notes:

^{1/} Unlike wage and salary employment, unemployment statistics are measured by place of residence. So if MatSu residents who worked in Anchorage lost their jobs, they would be counted among the unemployed in the MatSu Borough. Unemployment statistics also include self-employed individuals, unpaid family help, domestic help and agricultural workers.

^{2/} Each entry is counted as one visit. A single person could visit several state parks, or the same park on several occasions. In either case, this one person would account for multiple visits.