

The Denali Borough



A diverse, stable rural economy

By NEAL FRIED

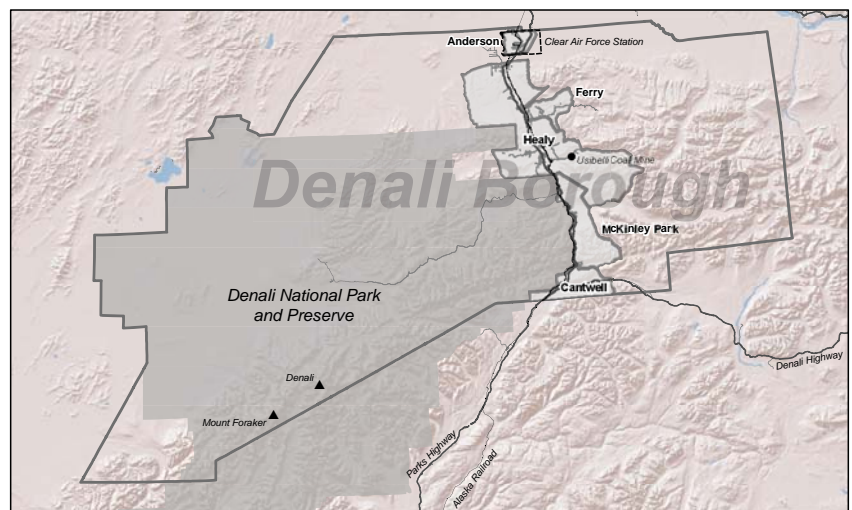
The sparsely populated Denali Borough covers more than 12,000 square miles at the center of Alaska, making it larger than nine states. About 70 percent of its area is Denali National Park and Preserve, home to Denali, North America's highest peak.

Nearly all of the borough's 1,785 residents live along a 70-mile stretch of the Parks Highway in Anderson, Cantwell, Ferry, Healy, or McKinley Park. (See Exhibit 1.) Residents rely on Fairbanks for many of their services, as it's only about 100 miles away.

Although the Denali Borough is young — 2015 is the 25th anniversary of its incorporation — most of its economic drivers gained a foothold nearly a century ago. Tourism, mining, and the military have built a hardy, diverse economy; for its size, Denali Borough's economy is one of the most diverse in the state. It's also remained remarkably stable.

The rise of mining and tourism

The area's evolution began with gold mining in the Kantishna mining district during the early 1900s,



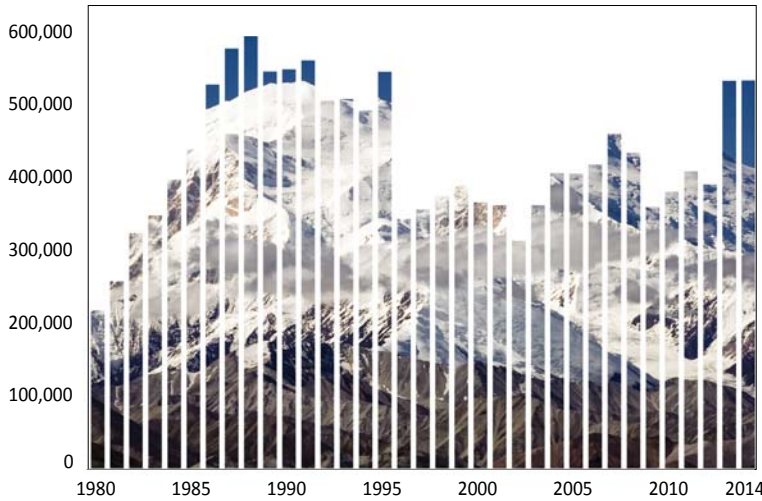
1 Borough Population

DENALI, 2000 TO 2014

	2000	2010	2014
Denali Borough	1,893	1,826	1,785
Anderson	367	246	209
Cantwell	222	219	182
Ferry	29	33	25
Healy	1,000	1,021	1,104
McKinley Park	142	185	179
Rest of borough	133	122	86

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

2 Visitors to Denali National Park 1980 TO 2014



The National Park Service ranks Denali third among all national parks for visitor spending.

Note: The methods of counting visitors have changed several times, making it difficult to assess year-to-year trends.
Source: National Park Service

which was eclipsed in 1917 when President Woodrow Wilson established Denali National Park, the first national park in Alaska.

By Thanksgiving of 1921, the park had its first hotel, which recorded seven official visitors the following year. With the 1923 completion of the Alaska Railroad, the park became one of the state’s most popular tourist destinations, and yearly visits crested the 1,000 mark by 1929.

The railroad also made it possible to ship large quantities of coal from the area, first from the Suntrana coal mines and ultimately from the Usibelli Coal Mine in Healy in the 1940s. Usibelli remains one of the borough’s major employers and the only operating coal mine in the state. With the availability of coal, Golden Valley Electric Association built a power plant in Healy in 1967 to export its coal-fired electricity to Fairbanks and beyond.

The Denali Highway opened in 1957, and visitor numbers to the park doubled in a single year, reaching 25,900 in 1958. The region’s economy also gained a third pillar during the late ‘50s: the military. At the height of the Cold War, the military built Clear Air Force Station near Anderson to track any hostile incoming missiles.

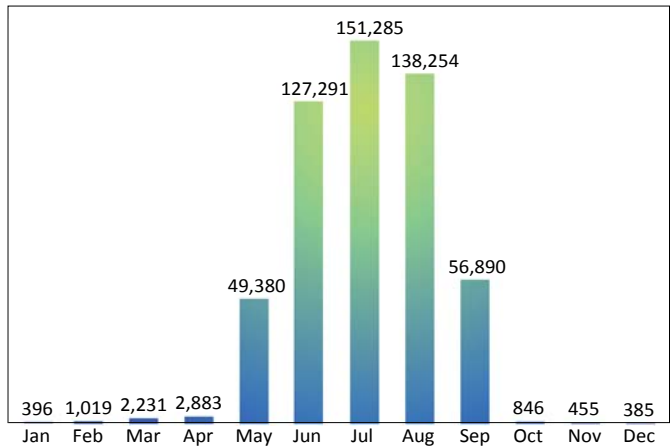
The most recent transformation came with the completion of the Parks Highway in 1971, which connected Alaska’s two largest cit-

ies, Anchorage and Fairbanks, and created the busiest road transportation corridor in the state. It also spurred a dramatic rise in visitors to the park, and the borough began to provide support services for the highway’s increasing traffic.

Burgeoning summer population

The borough’s resident count of 1,785 barely scratches the surface of its summer population. In 2014, the

3 Denali Highly Seasonal MONTHLY VISITS TO THE PARK, 2014



Source: National Park Service

park had more than half a million visitors (see Exhibit 2), with more than three-quarters arriving between June and August. At the July peak, 151,285 people visited the park, which fell to a low of 385 in December. (See Exhibit 3.)

The long-term growth of visitors to the park brought a steady increase in the number of hotel rooms and other accommodations. In 1990, the borough counted nearly 1,800 rooms and by 2014, it had 2,181 rooms. The borough also has 258 cabins and 406 RV spaces plus seven campgrounds and many backcountry camping opportunities.



The northbound Denali Star rounds the bend just north of Denali National Park. Photo by Flickr user Timothy Wildey

Slew of tourism jobs

In addition to the thousands of visitors, an army of summer workers move in temporarily to cater to those tourists. Denali Borough's workforce rivals Bristol Bay's for the most seasonal in the state. From trough to peak, Denali's workforce went from 856 jobs in January 2014 to 3,656 in August, a peak employment figure that's double the borough's resident population. (See Exhibit 4.)

Similarly, the borough's February unemployment rate was second-highest in the state at 25 percent, but it fell to 4.2 percent in August, one of the lowest.

More than half of jobs in the Denali Borough last year were in leisure and hospitality, which includes hotels, bars, restaurants, and other entertainment. This is in

contrast to just 10 percent statewide. Denali Borough also has the state's highest concentration of bar and restaurant workers, at three times the statewide average.

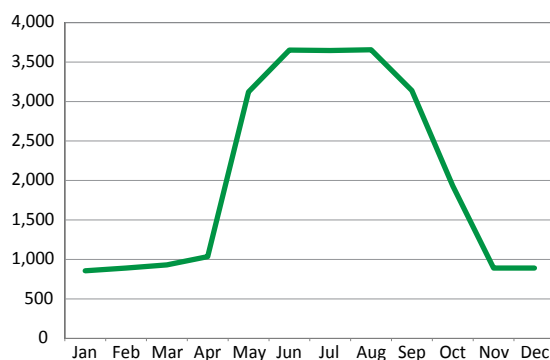
The dramatic seasonality explains why most support workers come from outside the borough. Last year, just 16 percent of the area's payroll workers were Denali Borough residents. Another 20 percent came from elsewhere in the state, and 64 percent came from outside Alaska. Only the Aleutians East and Bristol Bay boroughs had smaller resident workforces. (See Exhibit 5.)

Denali residents are more likely to hold less seasonal — and for the most part better-paying — jobs at the mine, park, school district, power plant, or Clear Air Force Station. The borough also has some government employment. The park employs 281 federal workers, 91 of whom are permanent. Of those, at least 41 work at the park year-round.

Although most park-related activity shuts down during the winter, it keeps an economic presence throughout the year outside its handful of year-round employees. Denali residents who work in the park in the summer spend their earnings in the area throughout the year, and nearly two-thirds of the borough's revenue comes from bed tax collection — \$3 million in fiscal year 2014 — which is also spent year-round.

4 Jobs Triple in the Summer

DENALI BOROUGH, 2014



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

Coal is a mainstay

Though tourism has become the largest and most visible industry in the area, coal still plays a big role.

Emil Usibelli began operating the Usibelli mine in Healy in 1943, and it's remained one of the area's major employers for 72 years.

Because of the coal deposits in Healy, the borough and Fairbanks began generating coal-fired power. The mine supplies coal for seven Interior power generation plants: two locally and five in the Fairbanks area. Five of these plants also provide space heat for homes and businesses.

Usibelli mines approximately 1.5 million tons of coal a year. The domestic power plants burn about 1.2 million tons and export the rest to mostly Pacific Rim nations.

The mine employs more than 100 workers in mostly year-round, high-paying jobs, with miners represented by the Teamsters Union.

According to Usibelli, all of the miners are Alaska residents with average annual pay at double the statewide average. The mine also contributes directly to the borough's coffers with a value-linked severance tax.

Golden Valley Electrical Association, a co-op that exports most of its power to Fairbanks, has two coal-fired power plants in Healy: one operational and another in progress.

Healy Unit 1 began operating in 1967. The second, Healy Unit 2, began as the \$300 million Healy Clean Coal Power Plant in 1997, which ran into problems and never became operational. In 2013, GVEA bought the plant from the Alaska Industrial Development and Export Authority for \$44 million, and expect work on it to continue through 2017.



A visitor poses with the bus from the movie "Into the Wild," about the death of Christopher McCandless, near Healy alongside the Stampede Trail on the eastern bank of the Sushana River. McCandless ventured into the wilderness in 1992 and lived in this bus until his remains were found by a hunter four months later. The old converted Fairbanks city bus had been used by trappers and outdoorsmen as a backcountry shelter. McCandless, whose desires for a simple life and a transcendental odyssey were the subject of a book by Jon Krakauer and subsequent film, continues to fascinate many. Photo by Kwong Yee Cheng

Space Control Center.

About 100 Air Force National Guard personnel run the site. The Department of Defense has another 50 civilians working there and approximately 220 private contract personnel.

In May of this year, the Department of Defense chose Clear as a site for the Long Range Discrimination Radar system, which will improve targeting for missile defense.

Stable demographics that stand out

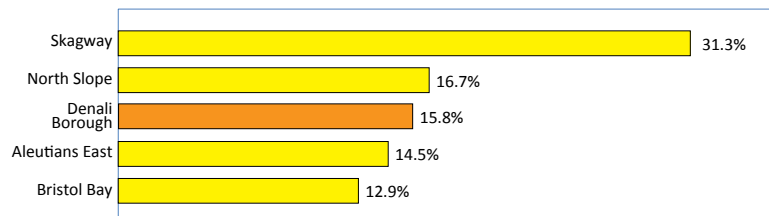
Although the borough's population has declined slightly in recent years, it's changed little overall during its existence. But behind the stable resident count

The military plays a quiet role

Clear Air Force Station is a relatively small military installation situated a few miles off the Parks Highway. It's easily missed, but it's been part of the area's economy for more than 55 years. Clear serves as a radar surveillance site that detects and tracks sea-launched and intercontinental ballistic missile movement, and as a secondary mission it tracks objects orbiting in space for the

5 Workers Mostly Not Local

PERCENT LOCAL EMPLOYMENT, 2013

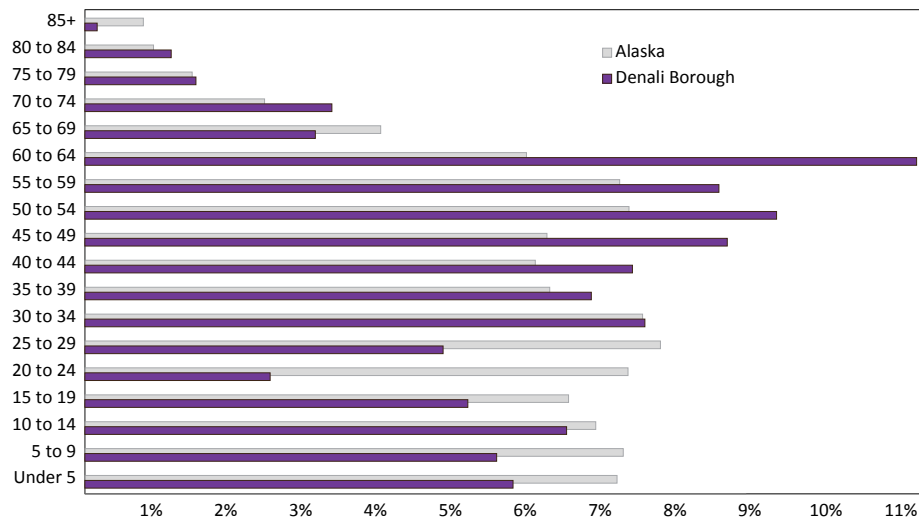


Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

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An Older Population

DENALI BOROUGH VS. ALASKA AVERAGE, 2014



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

there’s a considerable amount of churn — proportionally even more than for the state as a whole, which is known for high population turnover. Each year, about 200 people move out of the borough and are replaced by the same number moving in.

But the year-round population is still known for its “maleness,” especially among those over 40, and is considerably older than the state as a whole. Denali Borough has 127 males for every 100 females, versus 107 statewide.

Outside of Southeast, it’s home to the state’s oldest population. Denali’s median age in 2014 was 43.3 versus the state median of 34.4. This isn’t because the borough has a large senior population — just 9 percent of its population is over 65, compared to 10 percent statewide — but rather due to its large group of baby boomers between 50 and 69. Approximately a third of the population is part of this generation, versus a quarter in Alaska. (See Exhibit 6.)

Denali’s racial makeup also differs considerably from the rest of the state, at 86 percent white in 2014 and

4 percent Alaska Native. Overall, Alaskans are 67 percent white and 15 percent Alaska Native.

Higher incomes and earnings

Denali residents also stand out from the statewide average for their high earnings; per capita and median household income figures both paint a positive picture of the borough’s standard of living. This is likely because residents hold the higher-paying jobs in the borough while the lower-paying and seasonal jobs are mainly held by nonresidents.

In 2013, Denali Borough’s per capita income — which includes all sources of income and not just wages — was \$66,674, 33 percent above the statewide average and 49 percent above the U.S. average. Median household income in 2013 for the borough was \$72,500 compared to \$70,760 statewide.

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