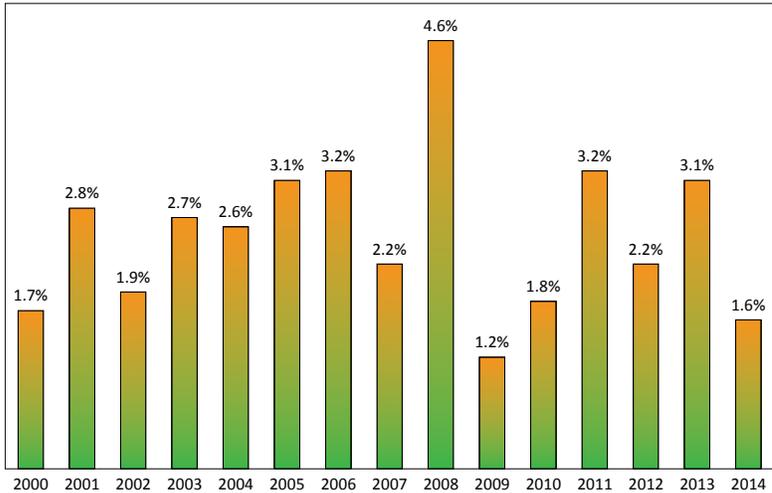


# ALASKA'S COST OF LIVING

Still a spendy place, but prices didn't rise as fast in 2014

## 1 Inflation Was Relatively Low in 2014 ANCHORAGE, 2000 TO 2014



Source: U.S. Bureau of Labor Statistics

By **NEAL FRIED**

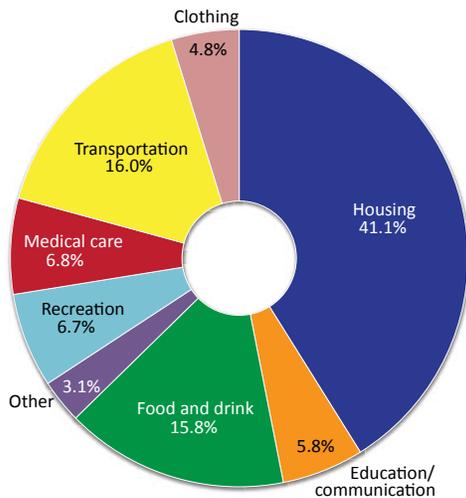
The cost of living in Alaska has been a topic of lore and fascination since the state's beginnings. During the gold rush days, writers lamented the often astronomical expense of goods in the territory compared to the rest of the nation — for example, a pound of canned butter during the Klondike Gold Rush was \$5, or about \$142 in today's dollars.

As decades passed, this fixation moderated somewhat as cost-of-living differences narrowed for Alaska's larger communities. But living costs remain one of the most persistent economic challenges in rural Alaska, and the cost of living still ranks among the most requested economic information for Alaskans.

There are two ways to measure the cost of living. One is to exam-

# 2 How We Spend Our Money

## ANCHORAGE CPI, 2014



Source: U.S. Bureau of Labor Statistics

ine the differences between places at a single point in time, which can answer a question like, “Is it more expensive to live in Kodiak, Juneau, or Seattle?” The other way is to look at price changes in a single place over time. The sidebar on this page explains these methods in more detail.

### How fast prices are changing

The only reliable way to compare costs from year to year in Alaska is to track inflation in Anchorage. Although costs in Anchorage don’t represent many Alaska communities, it’s the only Alaska city with its own Consumer Price Index, so it’s often considered the de facto measure of inflation for the state. In most cases, though, price changes in Anchorage don’t differ radically from most Alaska communities.

Overall, 2014 registered the second-smallest increase in prices in a decade, falling to 1.6 percent from 3.1 percent the year before. (See Exhibit 1.) Transportation costs fell slightly, which kept a larger overall cost increase at bay when combined with a moderate rise in housing costs.

Although there’s a national CPI as well as CPIs for 27 metropolitan areas, these indexes can’t be used to compare costs between cities. For example, the 2014 average index for Anchorage was 215.8 and the national index was 236.7, but that doesn’t mean the national cost of living is higher; it just means national prices have increased a bit faster than Anchorage prices since the early 1980s.

## Two ways to measure the cost of living

### 1. In a single place over time (inflation)

Anchorage is one of 27 cities — and the smallest — where the U.S. Bureau of Labor Statistics tracks changes in consumer prices. Because it’s the only CPI in Alaska, it’s treated as the de facto statewide measure of inflation. Although there’s a CPI for the U.S. and for a number of its cities, these indexes cannot be used to compare costs between locations.

BLS goes to great lengths and expense to produce the CPI through elaborate surveys of consumer spending habits. These surveys look at a “market basket” of items, to which BLS assigns location-specific weights. A market basket, used in most cost-of-living indexes, is a sample of goods and services believed to best mimic the average consumer or a specific group of consumers and the CPI basket includes housing, food, transportation, medical care, and entertainment.

The inflation rate, or how much prices have gone up in a year, is used to adjust the value of the dollar over time. Workers, unions, employers, and many others pay close attention to the CPI because bargaining agreements and other wage rate negotiations often incorporate an adjustment for inflation. The CPI also plays a role in long-term real estate rental contracts, annual adjustments to the state’s minimum wage, child support payments, and budgeting. Most Alaskans are affected when the Permanent Fund Corporation uses the CPI to inflation-proof the fund, and nearly all senior citizens are affected when Social Security payments are adjusted each year using the CPI.

The Anchorage CPI is produced twice each year, for January to June and July to December. Information for the latter period and the annual average come out in January of the following year.

### 2. Differences between places

The other way to assess the cost of living is to look at cost differences between places. For example, is it more expensive to live in Barrow or Fairbanks? A variety of studies and data sources this article uses compare the costs of living among Alaska communities and other places around the country.

These studies assume a certain consumption pattern and investigate how much more or less it might cost to maintain a specific standard of living elsewhere. Some of these data are more comprehensive than others, and because there can be several sources for the same areas, it’s important to weigh the strengths and weaknesses of the data sets, which each section of this article discusses for each source. Some may better suit a particular need, or in some cases it may work best to cobble together several sources.

# 3

## Inflation in Anchorage and the U.S.

BY TYPE OF EXPENDITURE, 2004 TO 2014

| ALL ITEMS |  |                                   |
|-----------|--|-----------------------------------|
| Year      | Anchorage<br>% chg from<br>previous yr | U.S.<br>% chg from<br>previous yr |
| 2004      | 2.6%                                   | 2.7%                              |
| 2005      | 3.1%                                   | 3.4%                              |
| 2006      | 3.2%                                   | 3.2%                              |
| 2007      | 2.2%                                   | 2.8%                              |
| 2008      | 4.6%                                   | 3.8%                              |
| 2009      | 1.2%                                   | -0.4%                             |
| 2010      | 1.8%                                   | 1.6%                              |
| 2011      | 3.2%                                   | 3.2%                              |
| 2012      | 2.2%                                   | 2.1%                              |
| 2013      | 3.1%                                   | 1.5%                              |
| 2014      | 1.6%                                   | 1.6%                              |

| ALL ITEMS MINUS HOUSING |  |                                   |
|-------------------------|--|-----------------------------------|
| Year                    | Anchorage<br>% chg from<br>previous yr | U.S.<br>% chg from<br>previous yr |
| 2004                    | 3.1%                                   | 2.7%                              |
| 2005                    | 3.4%                                   | 3.8%                              |
| 2006                    | 3.0%                                   | 3.1%                              |
| 2007                    | 2.6%                                   | 2.5%                              |
| 2008                    | 5.5%                                   | 4.5%                              |
| 2009                    | 0.6%                                   | -1.0%                             |
| 2010                    | 1.5%                                   | 2.6%                              |
| 2011                    | 3.4%                                   | 4.0%                              |
| 2012                    | 1.7%                                   | 2.0%                              |
| 2013                    | 3.0%                                   | 1.1%                              |
| 2014                    | 1.0%                                   | 1.1%                              |

| HOUSING |  |                                   |
|---------|--|-----------------------------------|
| Year    | Anchorage<br>% chg from<br>previous yr | U.S.<br>% chg from<br>previous yr |
| 2004    | 1.6%                                   | 2.5%                              |
| 2005    | 2.7%                                   | 3.3%                              |
| 2006    | 4.0%                                   | 3.8%                              |
| 2007    | 2.7%                                   | 3.1%                              |
| 2008    | 2.5%                                   | 2.2%                              |
| 2009    | 3.7%                                   | 0.4%                              |
| 2010    | 0.9%                                   | -0.4%                             |
| 2011    | 2.9%                                   | 1.3%                              |
| 2012    | 2.7%                                   | 1.6%                              |
| 2013    | 3.1%                                   | 2.1%                              |
| 2014    | 2.7%                                   | 2.6%                              |

| TRANSPORTATION |  |                                   |
|----------------|--|-----------------------------------|
| Year           | Anchorage<br>% chg from<br>previous yr | U.S.<br>% chg from<br>previous yr |
| 2004           | 2.8%                                   | 3.5%                              |
| 2005           | 5.5%                                   | 6.6%                              |
| 2006           | 4.0%                                   | 4.0%                              |
| 2007           | 1.2%                                   | 2.1%                              |
| 2008           | 10.5%                                  | 5.9%                              |
| 2009           | -4.8%                                  | -8.3%                             |
| 2010           | 4.4%                                   | 7.9%                              |
| 2011           | 4.7%                                   | 9.8%                              |
| 2012           | 2.0%                                   | 2.3%                              |
| 2013           | 7.0%                                   | -                                 |
| 2014           | -0.6%                                  | -0.7%                             |

| FOOD AND BEVERAGES |  |                                   |
|--------------------|--|-----------------------------------|
| Year               | Anchorage<br>% chg from<br>previous yr | U.S.<br>% chg from<br>previous yr |
| 2004               | 4.4%                                   | 3.4%                              |
| 2005               | 2.5%                                   | 2.5%                              |
| 2006               | 1.8%                                   | 2.4%                              |
| 2007               | 4.6%                                   | 3.9%                              |
| 2008               | 4.4%                                   | 5.4%                              |
| 2009               | -0.2%                                  | 1.9%                              |
| 2010               | -0.2%                                  | 0.8%                              |
| 2011               | 3.6%                                   | 3.6%                              |
| 2012               | 2.4%                                   | 2.6%                              |
| 2013               | 0.4%                                   | 1.4%                              |
| 2014               | 1.3%                                   | 2.3%                              |

| MEDICAL CARE* |  |                                   |
|---------------|--|-----------------------------------|
| Year          | Anchorage<br>% chg from<br>previous yr | U.S.<br>% chg from<br>previous yr |
| 2004          | -                                      | 4.4%                              |
| 2005          | -                                      | 4.2%                              |
| 2006          | 3.5%                                   | 4.0%                              |
| 2007          | 3.0%                                   | 4.4%                              |
| 2008          | 3.7%                                   | 3.7%                              |
| 2009          | 4.3%                                   | 3.2%                              |
| 2010          | 5.7%                                   | 3.4%                              |
| 2011          | 5.3%                                   | 3.0%                              |
| 2012          | 4.3%                                   | 3.6%                              |
| 2013          | 3.2%                                   | 2.5%                              |
| 2014          | 3.2%                                   | 2.4%                              |

| CLOTHING |  |                                   |
|----------|--|-----------------------------------|
| Year     | Anchorage<br>% chg from<br>previous yr | U.S.<br>% chg from<br>previous yr |
| 2004     | 0.6%                                   | -0.4%                             |
| 2005     | -2.1%                                  | -0.1%                             |
| 2006     | 4.6%                                   | 0                                 |
| 2007     | -2.8%                                  | -0.4%                             |
| 2008     | 6.1%                                   | -0.1%                             |
| 2009     | 3.6%                                   | 1.0%                              |
| 2010     | 3.0%                                   | -0.5%                             |
| 2011     | 2.2%                                   | 2.2%                              |
| 2012     | 4.3%                                   | 3.4%                              |
| 2013     | 4.8%                                   | 0.9%                              |
| 2014     | 1.5%                                   | 0.1%                              |

| ENERGY |  |                                   |
|--------|--|-----------------------------------|
| Year   | Anchorage<br>% chg from<br>previous yr | U.S.<br>% chg from<br>previous yr |
| 2004   | 9.7%                                   | 10.9%                             |
| 2005   | 12.85                                  | 17.0%                             |
| 2006   | 13.9%                                  | 11.2%                             |
| 2007   | 9.9%                                   | 5.5%                              |
| 2008   | 17.5%                                  | 13.9%                             |
| 2009   | -7.8%                                  | -18.4%                            |
| 2010   | 3.5%                                   | 9.5%                              |
| 2011   | 10.8%                                  | 15.4%                             |
| 2012   | 1.1%                                   | 0.9%                              |
| 2013   | -2.7%                                  | -0.7%                             |
| 2014   | 2.4%                                   | -0.3%                             |

\*No index was created for Anchorage medical care costs in 2004 and 2005.  
Source: U.S. Bureau of Labor Statistics

## The heavyweight is housing

For the Consumer Price Index, the U.S. Bureau of Labor Statistics conducts elaborate surveys of Anchorage consumers' spending habits to understand what people buy and what percentage of their income they spend on goods and services.

Anchorage residents spend the most by far on housing, at more than 40 percent of their income. (See Exhibit 2.) This means housing has the largest "weight" in the index and tends to give cities' CPIs their local flavor. In contrast, national or international trends dictate trends for most other goods and services. Price changes for gasoline, food, clothing, insurance, transportation, health care, and recreation are usually responses to national and global market conditions.

Between 2007 and 2012, Anchorage's CPI housing component increased by 13.3 percent, while the nation's housing prices went up 6.3 percent. In 2010, the nation's housing costs fell and Anchorage's increased by nearly 1 percent.

These numbers reflected the difference between the tough national housing market during the past decade's recession and Anchorage's relatively healthy economy. With the rebound in the national economy, the two housing indexes have been similar for the past two years, and in 2014 they were nearly identical. (See Exhibit 3.)

## Energy costs volatile

Heating is included in the housing category, and because energy prices are the most volatile part of the index, they can also play a big role in year-to-year changes in the overall index.

One caveat for Anchorage is that unlike most people outside Southcentral, its residents use mainly natural gas to heat their homes. Unlike the prices of heating oil and gasoline, which closely track with the price of crude oil, what

## Is there really an ‘average consumer’?

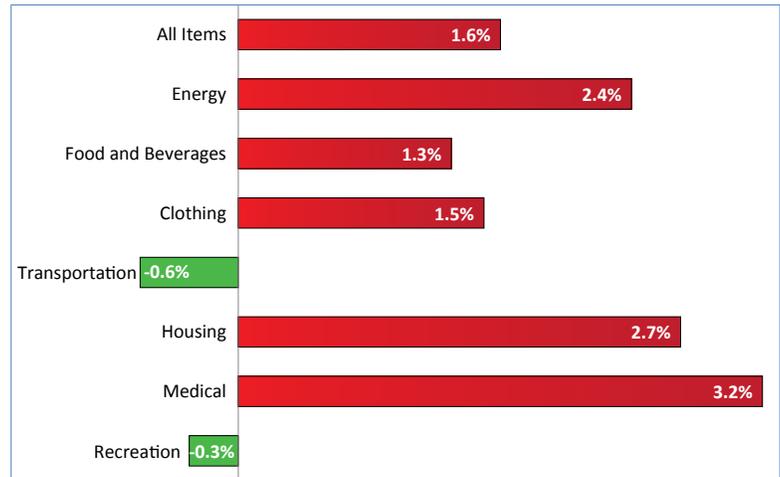
All cost-of-living measures have their shortcomings, because no two consumers spend their money alike, nor does any index accurately capture all the differences. For example, the average household in Nome may spend money differently from the average household in Sitka, and they may differ even more dramatically from a family in Los Angeles. An index may or may not take these differences into account, depending on how sophisticated it is.

Consumer spending habits are also continuously in flux. Technology advances, tastes change, and people react differently to changes in prices.

# 4

## Health Care Expenses Grew Most

ANCHORAGE CONSUMER PRICE INDEX, 2014



Source: U.S. Bureau of Labor Statistics

Anchorage consumers pay for natural gas is far more complex. As with many utilities, the State of Alaska regulates the price of natural gas used for heating. Though its cost can change dramatically, the time period can be quite different from that of oil.

## No category matches health care’s rise

Although health care is a small component of the CPI, its meteoric rise is worth noting. (See Exhibit 4.) No other component has come close to matching the increases in health care costs, which went up 3.2 percent in 2014.

## Alaska’s cities are spendy, but not the highest

Aside from the Consumer Price Index, the remainder of the indexes in this article compare costs between places. The most comprehensive source is the Council for Community and Economic Research, or C2ER, which publishes a detailed cost-of-living survey for more than 250 U.S. cities each quarter and annually based on a professional or executive household in the top income quartile. Besides the CPI, it’s probably the most widely used cost-of-living measure and the one many other indexes use for their own calculations. (An example is

Continued on page 10

## Calculating index changes

Movements of the indexes from one period to another are usually expressed as percent changes rather than index points, because index points are affected by the level of the index in relation to its base period. The following example shows how index points and percent changes are computed.

### Index Point Change

Anchorage CPI, 2014.....215.805  
 Less CPI for previous period, Anchorage 2013.....212.381  
 Equals index point change.....3.4

### Percent Change

Index point difference.....3.4  
 Divided by the previous index.....212.381  
 Equals.....0.016  
 Results multiplied by 100.....0.016 x 100  
 Equals percent change, Anchorage CPI 2014.....1.6

### How much would \$1,000 in 2000 buy in 2014?

In Anchorage, it would be worth \$1,430. To find how to take a dollar amount from some earlier year and make it current with today’s dollar value, see [labor.alaska.gov/research/cpi/inflationcalc.htm](http://labor.alaska.gov/research/cpi/inflationcalc.htm) for an inflation calculator. The calculator can also deflate dollars to an earlier year’s value.

## 5

# Cities in Alaska More Expensive for Professional Households\*

COUNCIL FOR COMMUNITY AND ECONOMIC RESEARCH INDEX, FIRST QUARTER 2015

| Region and city                 | Total index  | Groceries    | Housing      | Utilities    | Transport.   | Medical      | Misc.        |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>U.S. Average</b>             | <b>100.0</b> |
| <b>Alaska</b>                   |              |              |              |              |              |              |              |
| Anchorage                       | 132.9        | 122.6        | 163.0        | 109.4        | 124.0        | 137.8        | 121.2        |
| Fairbanks                       | 138.6        | 122.6        | 123.0        | 245.3        | 138.0        | 147.9        | 123.8        |
| Juneau                          | 135.2        | 125.3        | 152.6        | 142.1        | 155.3        | 149.1        | 112.3        |
| Kodiak                          | 141.2        | 142.6        | 157.1        | 140.7        | 166.6        | 137.2        | 117.4        |
| <b>West</b>                     |              |              |              |              |              |              |              |
| Portland, OR                    | 128.5        | 116.3        | 166.1        | 88.5         | 111.4        | 113.8        | 122.2        |
| Honolulu, HI                    | 190.4        | 154.3        | 305.2        | 216.5        | 153.0        | 110.3        | 122.3        |
| San Francisco, CA               | 173.2        | 124.1        | 314.6        | 108.4        | 130.8        | 119.3        | 114.9        |
| Los Angeles/Long Beach          | 136.9        | 106.3        | 209.1        | 111.9        | 119.9        | 109.2        | 105.2        |
| Las Vegas, NV                   | 107.7        | 112.6        | 107.7        | 91.7         | 115.8        | 105.6        | 107.8        |
| Reno, NV                        | 103.1        | 109.6        | 92.0         | 96.2         | 106.0        | 101.1        | 111.5        |
| Seattle, WA                     | 133.1        | 119.5        | 182.1        | 99.3         | 118.9        | 118.6        | 114.3        |
| Spokane, WA                     | 91.7         | 91.8         | 87.4         | 80.9         | 93.3         | 114.0        | 95.3         |
| Tacoma, WA                      | 103.2        | 95.1         | 90.6         | 108.8        | 106.8        | 121.7        | 112.0        |
| Boise, ID                       | 90.8         | 88.5         | 82.8         | 85.8         | 91.6         | 105.6        | 98.2         |
| Bozeman, MT                     | 102.1        | 101.0        | 113.1        | 85.8         | 93.5         | 105.6        | 100.9        |
| <b>Southwest/Mountain</b>       |              |              |              |              |              |              |              |
| Salt Lake, UT                   | 97.6         | 94.9         | 93.9         | 93.8         | 106.4        | 91.2         | 100.7        |
| Phoenix, AZ                     | 93.6         | 100.5        | 92.0         | 92.5         | 93.5         | 97.2         | 91.9         |
| Denver, CO                      | 107.7        | 99.5         | 127.3        | 93.1         | 97.7         | 106.0        | 102.8        |
| Dallas, TX                      | 97.1         | 107.2        | 72.9         | 103.5        | 89.6         | 104.4        | 113.7        |
| Houston, TX                     | 98.0         | 86.0         | 107.5        | 93.8         | 89.1         | 91.1         | 100.6        |
| <b>Midwest</b>                  |              |              |              |              |              |              |              |
| Cleveland, OH                   | 101.5        | 107.4        | 95.7         | 100.2        | 96.5         | 114.1        | 104.5        |
| Chicago, IL                     | 114.6        | 107.5        | 135.8        | 103.7        | 111.6        | 100.0        | 105.9        |
| Minneapolis, MN                 | 107.1        | 105.3        | 113.8        | 92.6         | 100.8        | 102.9        | 109.8        |
| <b>Southeast</b>                |              |              |              |              |              |              |              |
| Fort Lauderdale, FL             | 114.9        | 101.5        | 147.7        | 97.4         | 117.6        | 99.2         | 98.8         |
| Miami, FL                       | 112.6        | 106.7        | 128.1        | 97.4         | 116.5        | 104.0        | 106.2        |
| Birmingham, AL                  | 91.7         | 102.2        | 81.0         | 92.9         | 89.1         | 80.9         | 98.6         |
| Atlanta, GA                     | 101.6        | 106.8        | 98.7         | 91.2         | 109.2        | 103.3        | 102.2        |
| <b>Atlantic/New England</b>     |              |              |              |              |              |              |              |
| New York City:<br>Manhattan, NY | 223.7        | 120.7        | 445.4        | 133.4        | 138.3        | 117.1        | 150.6        |
| Boston, MA                      | 140.3        | 108.2        | 178.8        | 156.1        | 116.1        | 124.3        | 127.1        |
| Philadelphia, PA                | 120.6        | 116.5        | 134.2        | 120.7        | 116.9        | 99.0         | 114.9        |

\*Comprises households with incomes in the top quartile

Note: Index numbers are a comparison to the average for all cities for which volunteers collected data.

Source: *The Council For Community And Economic Research*

# 6

## What Common Items Might Cost You

ALASKA CITIES VS. THE U.S. AVERAGE, 1ST QUARTER 2015

### Pound of Bananas



|           |        |
|-----------|--------|
| Anchorage | 88¢    |
| Fairbanks | 90¢    |
| Juneau    | 97¢    |
| Kodiak    | \$1.26 |

**U.S. Average**  
**59¢**

### Pound of Ground Beef



**U.S. Average**  
**\$4.48**

|           |        |
|-----------|--------|
| Anchorage | \$5.27 |
| Fairbanks | \$5.71 |
| Juneau    | \$5.01 |
| Kodiak    | \$5.99 |

### Whole Milk, half gallon



**U.S. Average**  
**\$2.36**

|           |        |
|-----------|--------|
| Anchorage | \$2.37 |
| Fairbanks | \$2.37 |
| Juneau    | \$2.52 |
| Kodiak    | \$2.69 |

### Pound of Coffee



**U.S. Average**  
**\$4.49**

|           |        |
|-----------|--------|
| Anchorage | \$5.87 |
| Fairbanks | \$5.61 |
| Juneau    | \$5.85 |
| Kodiak    | \$6.09 |

### Dozen Eggs



**U.S. Average**  
**\$2.10**

|           |        |
|-----------|--------|
| Anchorage | \$2.71 |
| Fairbanks | \$2.55 |
| Juneau    | \$2.28 |
| Kodiak    | \$2.94 |

### Health Care Exams

**U.S. Average**

**Doctor**  
**\$105.03**

**Veterinarian**  
**\$48.01**

**Dentist**  
**\$88.70**

|           |          |         |          |
|-----------|----------|---------|----------|
| Anchorage | \$169.40 | \$59.05 | \$127.80 |
| Fairbanks | \$173.50 | \$45.56 | \$143.72 |
| Juneau    | \$172.75 | \$62.75 | \$151.00 |
| Kodiak    | \$167.50 | \$76.00 | \$122.67 |



Note: Grocery items are for the lowest-priced supermarket brand.  
Source: The Council For Community And Economic Research

# 7 The 10 States With Highest Living Costs 2014

|          |               | Index        |
|----------|---------------|--------------|
|          | <b>U.S.</b>   | <b>100.0</b> |
| 1        | Hawaii        | 164.0        |
| 2        | Connecticut   | 145.2        |
| 3        | New York      | 133.3        |
| <b>4</b> | <b>Alaska</b> | <b>133.2</b> |
| 5        | California    | 128.7        |
| 6        | New Jersey    | 126.7        |
| 7        | Oregon        | 125.1        |
| 8        | Massachusetts | 123.5        |
| 9        | Rhode Island  | 122.4        |
| 10       | Vermont       | 119.0        |

Sources: Missouri Economic Research and Information Center; and The Council For Community And Economic Research

the “Quarter Pounder Index” in Exhibit 8.)

C2ER tracks and publishes costs for 59 items in grocery, housing, utility, transportation, health care, and miscellaneous categories, called the “market basket.” (See Exhibits 5 and 6.)

For the first quarter of 2015, Anchorage, Fairbanks, Juneau, and Kodiak prices remained well above the national average. The Anchorage index weighed in at 132.9, or 32.9 percent above the U.S. average of 100. Fairbanks registered 138.6, Juneau was 135.2, and Kodiak came in at 141.2.

Housing in Alaska wasn’t the only component that drove up total consumer costs, as all expenditures were above the U.S. average. For utility costs, Fairbanks ranked highest in the survey.

Still, 11 U.S. cities topped even Alaska’s most expensive city, which in early 2015 was Kodiak. Manhattan, part of New York City, was the most expensive at 223.7, followed by Honolulu, Hawaii, at 190.4. Other cities in New Jersey, New York, California, and Hawaii ranked higher than Alaska cities, and so did Washington, D.C. The C2ER also doesn’t address taxation, which is one area where Alaska’s cities would have a clear cost advantage over many others, as the state has no income tax and Anchorage and Fairbanks don’t have a sales tax.

## Alaska named the fourth most expensive state

Each year, the Missouri Economic Research and Infor-

# 8 The Quarter Pounder Index

ALASKA BURGERS AMONG THE SPENDIEST, 2015



Source: The Council For Community And Economic Research, first quarter 2015

mation Center publishes a cost of living series by state, based on the C2ER indexes. Without taking city sizes into account, they simply average the participating city values to compute a statewide index.

Based only on Anchorage, Juneau, Kodiak, and Fairbanks, Alaska registered 133.2 for 2014, making it the fourth most expensive state. (See Exhibit 7.) This measure is limited because these communities represent just 60 percent of Alaska’s population, but the results can still be useful.

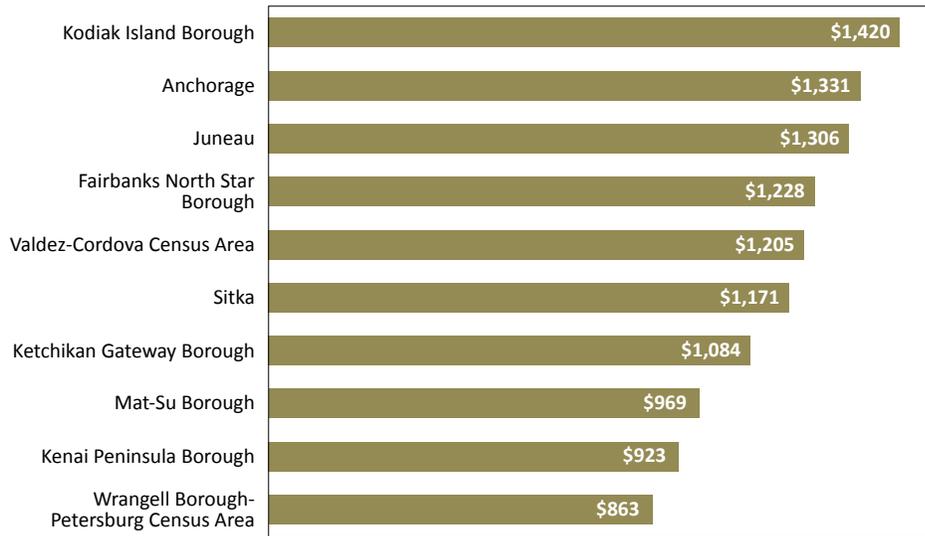
## Housing varies widely around Alaska

Because housing gobbles up such a large slice of a household’s income, it’s sometimes used as a proxy for the overall cost of living. The Alaska Housing Finance Corporation contracts with the Alaska Department of Labor and Workforce Development to collect housing data around the state. For a detailed analysis of Alaska’s housing costs, see the April 2014 issue of *Trends*.

Like food and fuel, housing can vary dramatically around the state based on supply, quality, vacancy rates, the local economy, building costs, and demographics. Rental and buying costs show some strong geographic similarities. (See exhibits 9 and 10.) For

# 9 Kodiak Has the Highest Rent

## TWO-BEDROOM APARTMENTS, 2014



Note: Includes the cost of utilities  
 Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

example, Anchorage, Kodiak, and Juneau rank high for both average rents and average home prices.

The department also establishes a housing affordability index for six areas. It takes housing prices into account and factors in the number of paychecks needed to buy one, using an area's average annual wage. (See Exhibit 11.)

Combining these factors shows that while the Matanuska-Susitna Borough has some of the lowest housing prices, purchasing a home there is less affordable for Mat-Su residents than for someone who works in Anchorage, where average wages are higher. Thirty percent of Mat-Su residents commute to Anchorage for work.

### Building supplies, shipping factor in to housing affordability

The results of our yearly residential construction cost survey also help explain the differences in housing affordability around the state. The survey's market basket includes about 30 percent of the supplies necessary to build the average home in a variety of Alaska communities. Exhibit 12 shows the costs of buying those supplies locally versus purchasing them in Seattle and having them shipped.

# 10 Anchorage Houses Cost the Most

## 2014

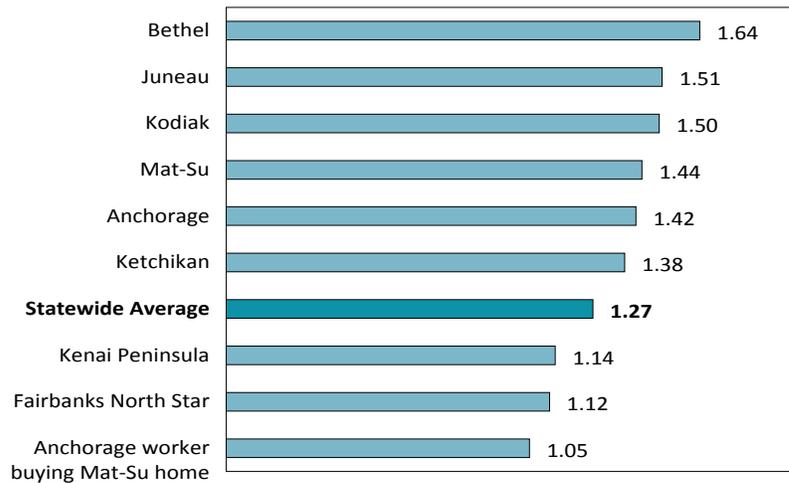
|                          |                  |
|--------------------------|------------------|
| Anchorage                | \$360,965        |
| Juneau                   | \$352,614        |
| <b>Statewide Average</b> | <b>\$306,042</b> |
| Kodiak Island            | \$292,713        |
| Bethel                   | \$281,324        |
| Ketchikan Gateway        | \$277,326        |
| Mat-Su                   | \$256,295        |
| Rest of State            | \$254,187        |
| Kenai Peninsula          | \$246,948        |
| Fairbanks North Star     | \$245,657        |

Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation

# 11

## Bethel Housing the Least Affordable

PAYCHECKS NECESSARY TO BUY AVERAGE HOUSE, 2014



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

# 12

## The Cost of Buying, Shipping Supplies

HOME CONSTRUCTION, 2015

| Ship supplies from Seattle |          | Buy supplies locally |          |
|----------------------------|----------|----------------------|----------|
| Kodiak                     | \$35,659 | Kodiak               | \$30,826 |
| Fairbanks                  | \$35,226 | Ketchikan            | \$29,218 |
| Kenai                      | \$35,124 | Kenai                | \$29,018 |
| Wasilla                    | \$34,047 | Juneau               | \$27,766 |
| Anchorage                  | \$33,433 | Wasilla              | \$27,604 |
| Sitka                      | \$33,125 | Fairbanks            | \$26,971 |
| Juneau                     | \$29,403 | Sitka                | \$26,235 |
| Ketchikan                  | \$27,502 | Anchorage            | \$23,405 |

Notes: These prices are for a sample of about 30 percent of the supplies needed to build the average home.

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

Though goods might be cheaper in Seattle, shipping them to farther north communities makes it more cost-effective to buy locally, even though the local supplies cost more. On the other hand, for Ketchikan, Alaska's closest community to Seattle, it's more affordable to have supplies shipped in.

## Our health insurance premiums the highest in U.S.

Exhibit 13 compares health care costs among states, and shows that in 2013, the most recent year available, the premium for family coverage in Alaska was 29 percent above the national average. This put Alaska in the top spot by a large margin. The state with the second-highest premiums, New York, came in at 1.09.

Alaska was No. 1 due to its higher hospital costs and margins, much higher physician reimbursements, and the higher costs of doing business in Alaska.

## Rural areas usually pay more for groceries and fuel

The Alaska Department of Commerce, Community, and Economic Development's semiannual Alaska Fuel Price Report compares energy costs in 100 communities. The areas with the highest fuel prices were wholly dependent on air transportation for supplies. (See Exhibit 14.) With few exceptions, the smaller and more remote

# 13 Alaska Health Insurance Premiums Highest

BY STATE, 2013

| U.S. Average = 1.00 |             |               |      |
|---------------------|-------------|---------------|------|
| <b>Alaska</b>       | <b>1.29</b> | Vermont       | 1.02 |
| New York            | 1.09        | Delaware      | 1.00 |
| Massachusetts       | 1.09        | Rhode Island  | 1.00 |
| New Jersey          | 1.09        | Florida       | 1.00 |
| Washington, D.C.    | 1.08        | Texas         | 1.00 |
| Wyoming             | 1.07        | United States | 1.00 |
| West Virginia       | 1.07        | Pennsylvania  | 1.00 |
| New Hampshire       | 1.06        | Ohio          | 1.00 |
| Illinois            | 1.06        | Virginia      | 0.99 |
| Connecticut         | 1.05        | Oregon        | 0.99 |
| California          | 1.04        | Maryland      | 0.99 |
| Wisconsin           | 1.04        |               |      |
| Colorado            | 1.04        |               |      |
| Maine               | 1.02        |               |      |

Source: Kaiser Family Foundation

towns pay significantly more for energy than more urban areas.

The cost of groceries for rural areas shows a similar pattern. Four times a year, the University of Alaska Fairbanks' Cooperative Extension Service publishes the results of its food cost surveys, which ask about the cost of food at home for a week for a family of four with children between the ages of 6 and 11. Its market basket includes items with minimum levels of nutrition at the lowest possible cost.

Dillingham and Nome topped the list for 2015, with grocery costs 198 percent and 160 percent higher than Anchorage, respectively. (See Exhibit 15.)

## An older study is still the most comprehensive

Although the 2008 Alaska Geographic Differential Study that was released in 2009 seems dated, it remains the most comprehensive intrastate cost-of-living study in recent years and is likely to remain useful for many years to come, as it covers all areas of the state in detail and is still used to geographically adjust salary levels for state workers.

The entire report is available on the Department of Administration's Web site: <http://doa.alaska.gov/dop/gds/home.html>.

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# 14 Fuel Costs Per Gallon

RURAL AREAS HIGHEST, JAN 2015

|                | Heating Fuel,<br>#1 Residential | Gasoline,<br>Regular |
|----------------|---------------------------------|----------------------|
| Arctic Village | \$11.00                         | \$10.00              |
| Wales          | \$6.49                          | \$7.75               |
| Galena         | \$6.60                          | \$7.60               |
| Alatna         | \$7.00                          | \$7.50               |
| Pilot Station  | \$7.34                          | \$7.47               |
| Holy Cross     | \$7.15                          | \$7.35               |
| Ruby           | \$6.00                          | \$7.00               |
| Deering        | \$6.96                          | \$6.96               |
| Hooper Bay     | \$6.79                          | \$6.95               |
| Dillingham     | \$5.61                          | \$6.69               |
| Bethel         | \$6.68                          | \$6.68               |
| Kotzebue       | \$6.52                          | \$6.61               |
| Nulato         | \$5.55                          | \$6.10               |
| Golovin        | \$6.00                          | \$6.00               |
| Huslia         | \$7.00                          | \$6.00               |
| Huslia         | \$7.00                          | \$6.00               |
| Chignik        | \$4.39                          | \$5.22               |
| Pelican        | \$5.14                          | \$5.01               |
| Eagle          | \$5.00                          | \$5.00               |
| Nuiqsut        | Natural Gas                     | \$5.00               |
| Angoon         | \$5.10                          | \$4.99               |
| Port Lions     | \$5.05                          | \$4.85               |
| Unalaska       | \$4.68                          | \$4.80               |
| Circle         | \$3.69                          | \$4.75               |
| King Cove      | \$3.68                          | \$4.26               |
| Juneau         | \$4.05                          | \$3.88               |
| Nenana         | \$4.06                          | \$3.59               |
| Homer          | \$3.20                          | \$3.29               |
| Fairbanks      | \$3.05                          | \$3.07               |

Note: This is a partial list of the 100 communities surveyed.

Source: Department of Commerce, Community, and Economic Development, Current Community Conditions: Fuel Prices Across Alaska, January 2015 Update

# 15 Weekly Grocery Cost

FAMILY OF FOUR, BY TOWN, 2015

|                  | Groceries<br>for a week | Percent of<br>Anchorage |
|------------------|-------------------------|-------------------------|
| Dillingham       | \$355.14                | 198%                    |
| Nome             | \$287.85                | 160%                    |
| Sitka            | \$272.15                | 152%                    |
| Cordova          | \$258.06                | 144%                    |
| Haines           | \$226.54                | 126%                    |
| Delta            | \$218.46                | 122%                    |
| Homer            | \$217.31                | 121%                    |
| Kenai-Soldotna   | \$199.93                | 111%                    |
| Ketchikan        | \$194.15                | 108%                    |
| <b>Anchorage</b> | <b>\$179.39</b>         | <b>100%</b>             |
| Fairbanks        | \$174.93                | 98%                     |
| Mat-Su           | \$174.66                | 97%                     |
| Portland, OR     | \$166.40                | 93%                     |

Source: University of Alaska Fairbanks, Cooperative Extension Service

See "This Month in Trends History" on the next page for grocery prices in 1980 and 2000.