



The Cost of Living in Alaska

How it's measured, and how we compare

Cost of living information is one of the most requested and most discussed pieces of economic data — especially in Alaska. From longtime residents to people pondering a move north, people are always interested in how prices are changing and how communities compare.

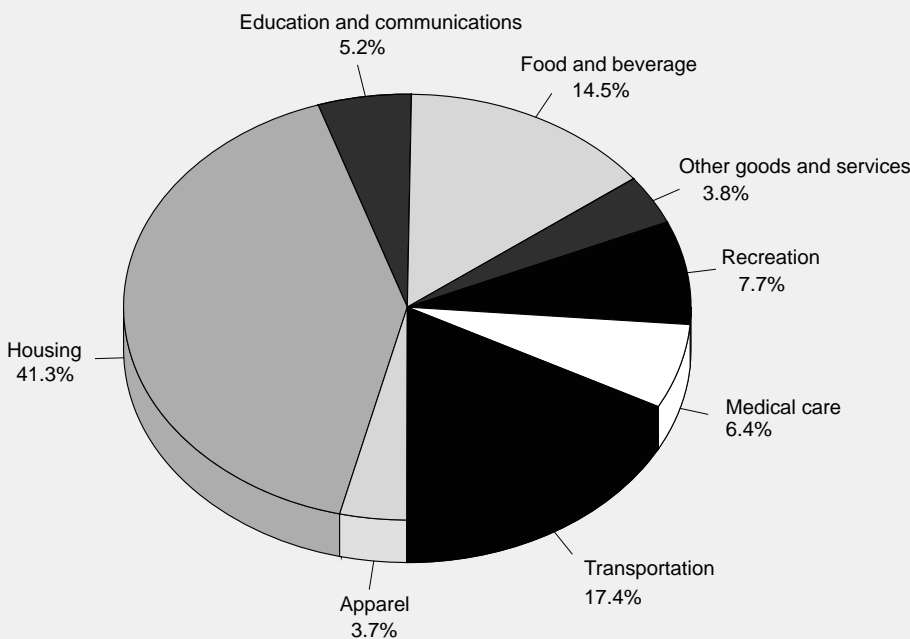
Two distinct ways to measure

There are two main ways to measure the cost of living. One is its change from year to year in a specific place. For example, in 2010, prices in Anchorage increased by 1.8 percent. This is the CPI, or consumer price index, and it is more popularly known as the inflation rate.

The Anchorage Consumer Price Index is the only measure of CPI for Alaska.

Unions, employers, and workers pay close attention to these numbers, because bargaining agreements and other wage rate negotiations often incorporate an adjustment for inflation. This rate also plays a role in budget planning, rental contracts, and child support payments. Each year, the Permanent Fund Corporation uses the CPI to “inflation-proof” the fund. If change is the key element in a cost-of-living discussion, then the CPI is the proper gauge.

1 Housing Takes Biggest Slice in Anchorage Consumer Price Index weighting, December 2010



Source: U.S. Department of Labor, Bureau of Labor Statistics

The other method measures cost differences between two or more geographic areas. It might compare the costs of living among different communities in Alaska or other places in the country or the world. For instance, according to the AC-CRA¹ index in Exhibit 12, it was 28.6 percent more expensive to live in Kodiak in 2010 than in the average American city.

This measure assumes a certain consumption pattern, and investigates how much more or less it might cost to maintain a specific standard of living in one place compared to another. These data help calculate geographic pay differentials, relocation decisions, and the allocation of funds. For example, the State of Alaska uses one of these measures to adjust salary schedules and allocate educational funding.

¹American Chamber of Commerce Research Association

Measures' shortcomings

All cost-of-living measures have their shortcomings. Because no two consumers spend their money alike, no index accurately captures all the differences. For example, the average household in Emmonak may spend quite differently than the average household in Soldotna. Moreover, how those differences stack up against a household in New York City could be dramatic.

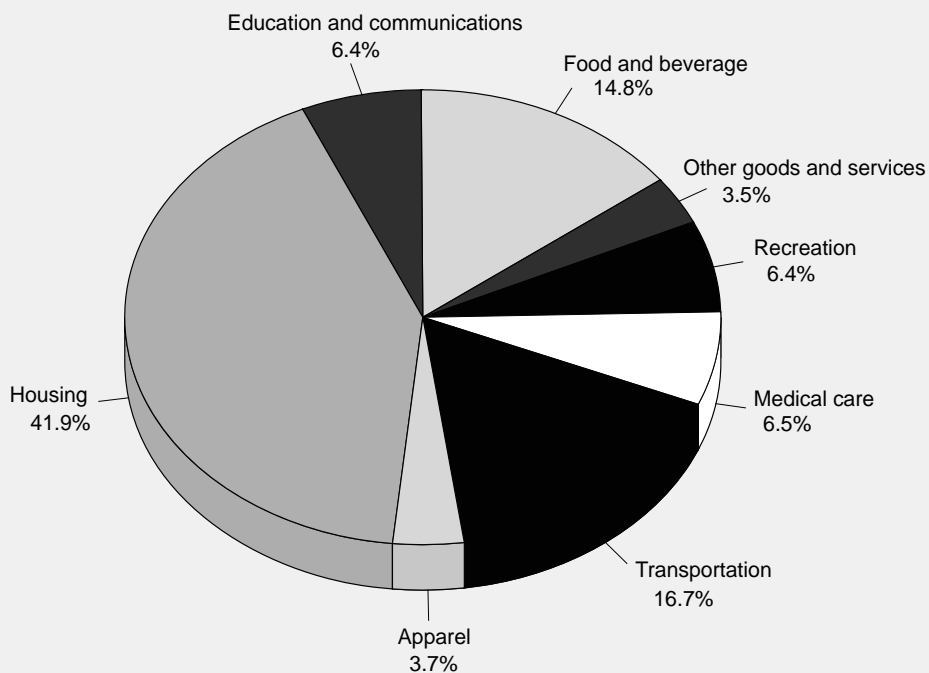
Even within one geographic area, it is highly unlikely that two consumers spend their money the same way. For example, according to national data, households of those 65 and older spend twice the share of their money on health care compared to the overall population.

Spending habits are also continuously in flux. Technology and tastes change, and people react differently to changes in consumer prices. Despite these difficulties, most cost-of-living indexes measure prices from a sample of goods and services that they believe best mimic the "average consumer" or specific group of consumers. This sample list is called the "market basket," and it includes items such as housing, food, transportation, medicine, and entertainment.

Nation's Spending Patterns Similar to Alaska

United States CPI weights, December 2010

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Source: U.S. Department of Labor, Bureau of Labor Statistics

Some of these indexes go to great lengths to construct these market baskets, and others are simple. It is important to understand the contents of the market basket, and which consumers' buying habits it is meant to imitate.

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 illustrates the computation of index points and percent changes.

Index Point Change

CPI Anchorage, 2010.....	195.144
Less CPI for previous period, Anchorage, 2009.....	191.744
Equals index point change.....	3.4

Percent Change

Index point difference.....	3.4
Divided by the previous index.....	191.744
Equals.....	0.018
Results multiplied by 100.....	0.018 x 100
Equals percent change, Anchorage CPI 2010.....	1.8

How much would \$1,000 in 2000 buy in 2010?

The Anchorage CPI-U can answer the often-asked question, "How can I take a dollar amount from some earlier year and make it current with today's dollar value?" Use the simple equation below.

2010 Anchorage CPI (most recent, Exhibit 3).....	195.144
Divided by 2000 Anchorage CPI-U (also in Exhibit 3).....	150.9
Equals.....	1.293
Then multiply 1.293 (\$1000 in the year 2000 dollars) =	\$1,293
in current or 2010 dollars.	

Any dollar amount or time frame can be used as long as the CPI being used fits the desired time frame. Moreover, the formula can be reversed if you want to deflate current dollars to some earlier year. Inflation calculators are also available on many Web sites, including ours at <http://labor.alaska.gov/research/cpi/inflationcalc.htm>. All that's needed are the years and the dollar amount, and the calculator will do the work.

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Anchorage vs. U.S. City Averages, Part 1

Select CPI components, 1983 to 2010 annual averages

Year	ALL ITEMS				ALL ITEMS LESS SHELTER*			
	Anchorage average	% chg. from prev. yr.	U.S. average	% chg. from prev. yr.	Anchorage average	% chg. from prev. yr.	U.S. average	% chg. from prev. yr.
1983	99.2	1.8%	99.6	3.2%	99.9	3.7%	99.8	3.7%
1984	103.3	4.1%	10.4	4.3%	103.8	3.9%	103.9	4.1%
1985	105.8	2.4%	107.6	3.6%	107.5	3.6%	107.0	3.0%
1986	107.8	1.9%	109.6	1.9%	111.2	3.4%	108.0	0.9%
1987	108.2	0.4%	113.6	3.6%	115.1	3.5%	111.6	3.3%
1988	108.6	0.4%	118.3	4.1%	117.8	2.3%	115.9	3.9%
1989	111.7	2.9%	124.0	4.8%	122.3	3.8%	121.6	4.9%
1990	118.6	6.2%	130.7	5.4%	128.0	4.7%	128.2	5.4%
1991	124.0	4.6%	136.2	4.2%	131.9	3.0%	133.5	4.1%
1992	128.2	3.4%	140.3	3.0%	134.6	2.0%	137.3	2.8%
1993	132.2	3.1%	144.5	3.0%	137.9	2.5%	141.4	3.0%
1994	135.0	2.1%	148.2	2.6%	140.3	1.7%	144.8	2.4%
1995	138.9	2.9%	152.4	2.8%	144.6	3.1%	148.6	2.6%
1996	142.7	2.7%	156.9	3.0%	148.4	2.6%	152.8	2.8%
1997	144.8	1.5%	160.5	2.3%	150.6	1.5%	155.9	2.0%
1998	146.9	1.5%	163.0	1.6%	152.6	1.3%	157.2	0.8%
1999	148.4	1.0%	166.6	2.2%	153.5	0.6%	160.2	1.9%
2000	150.9	1.7%	172.2	3.4%	156.1	1.7%	165.7	3.4%
2001	155.2	2.8%	177.1	2.8%	160.6	2.9%	169.7	2.4%
2002	158.2	1.9%	179.9	1.6%	162.2	1.0%	170.8	0.6%
2003	162.5	2.7%	184.0	2.3%	166.5	2.7%	174.6	2.2%
2004	166.7	2.6%	188.9	2.7%	171.7	3.1%	179.3	2.7%
2005	171.8	3.1%	195.3	3.4%	177.5	3.4%	186.1	3.8%
2006	177.3	3.2%	201.6	3.2%	182.9	3.0%	191.9	3.1%
2007	181.2	2.2%	207.3	2.8%	187.7	2.6%	196.6	2.5%
2008	189.5	4.6%	215.3	3.8%	198.0	5.5%	205.5	4.5%
2009	191.7	1.2%	214.5	-0.4%	199.2	0.6%	203.3	-1.0%
2010	195.1	1.8%	218.1	1.6%	202.2	1.5%	208.6	2.6%

Year	HOUSING				TRANSPORTATION			
	Anchorage average	% chg. from prev. yr.	U.S. average	% chg. from prev. yr.	Anchorage average	% chg. from prev. yr.	U.S. average	% chg. from prev. yr.
1983	99.0	0.8%	99.5	2.7%	98.5	1.8%	99.3	2.4%
1984	102.7	3.7%	103.6	4.1%	104.6	6.2%	103.7	4.4%
1985	103.0	0.3%	107.7	4.0%	108.2	3.4%	106.4	2.6%
1986	102.6	-0.4%	110.9	3.0%	107.8	-0.4%	102.3	-3.9%
1987	97.5	-5.0%	114.2	3.0%	111.3	3.2%	105.4	3.0%
1988	95.4	-2.2%	118.5	3.8%	113.0	1.5%	108.7	3.1%
1989	96.3	0.9%	123.0	3.8%	116.7	3.3%	114.1	5.0%
1990	103.9	7.9%	128.5	4.5%	120.7	3.4%	120.5	5.6%
1991	111.2	7.0%	133.6	4.0%	121.7	0.8%	123.8	2.7%
1992	116.6	4.9%	137.5	2.9%	123.3	1.3%	126.5	2.2%
1993	121.1	3.9%	141.2	2.7%	128.8	4.5%	130.4	3.1%
1994	122.9	1.5%	144.8	2.5%	136.9	6.3%	134.3	3.0%
1995	124.9	1.6%	148.5	2.6%	143.8	5.0%	139.1	3.6%
1996	127.9	2.4%	152.8	2.9%	147.2	2.4%	143.0	2.8%
1997	129.4	1.2%	156.8	2.6%	147.0	-0.1%	144.3	0.9%
1998	131.0	1.2%	160.4	2.3%	144.9	-1.4%	141.6	-1.9%
1999	132.7	1.3%	163.9	2.2%	143.7	-0.8%	144.4	2.0%
2000	134.2	1.1%	169.6	3.5%	150.5	4.7%	153.3	6.2%
2001	139.0	3.6%	176.4	4.0%	153.0	1.7%	154.3	0.7%
2002	143.5	3.2%	180.3	2.2%	151.5	-1.0%	152.9	-1.0%
2003	146.8	2.3%	184.8	2.5%	158.3	4.5%	157.6	3.1%
2004	149.1	1.6%	189.5	2.5%	162.7	2.8%	163.1	3.5%
2005	153.1	2.7%	195.7	3.3%	171.7	5.5%	173.9	6.6%
2006	159.2	4.0%	203.2	3.8%	178.6	4.0%	180.9	4.0%
2007	163.5	2.7%	209.6	3.1%	180.7	1.2%	184.7	2.1%
2008	167.6	2.5%	216.3	2.2%	199.7	10.5%	195.5	5.9%
2009	173.7	3.7%	217.1	0.4%	190.2	-4.8%	179.3	-8.3%
2010	175.2	0.9%	216.3	-0.4%	198.6	4.4%	193.4	7.9%

*"All Items Less Shelter" includes everything except housing.
Source: U.S. Department of Labor, Bureau of Labor Statistics

Anchorage CPI used for Alaska

The Anchorage CPI is probably the most important cost-of-living index in Alaska. Anchorage is the only community in the state where the U.S. Department of Labor's Bureau of Labor Statistics produces such an index, and it is often treated as the de facto statewide inflation measure.

Anchorage is one of 27 urban areas in the country where the BLS tracks changes in consumer prices, and among cities with their own CPIs, Anchorage is the smallest. For the nation and some of the largest metro areas, the index is produced monthly. Others come out every other month, and for the rest — like Anchorage — it's twice yearly.

In most cases, price changes in Anchorage do not differ radically from Alaska's other urban areas, so the Anchorage CPI is probably a decent proxy. However, in the smaller and more remote communities — particularly those off the road system — spending habits may differ greatly from Anchorage. Despite this shortcoming, no good substitute exists.

CPI shows what we buy

The U.S. Department of Labor goes to great lengths and expense to produce the consumer price index. Intermittently, BLS conducts elaborate surveys of consumers' spending habits to examine the market basket of goods and their location-specific weights. The

results are published in the consumer expenditure survey. (See Exhibits 1 and 2.)

Another set called the consumer expenditure data can provide insight into the behavior of the average Anchorage consumer, as well as how that consumer compares with those in the other 26 urban places. The BLS calls these buyers “consumer units.”

In many cases, the differences are relatively small. For example, the average Anchorage consumer spends 19.3 percent of expenditures on transportation, versus 19.2 percent nationally. However, there are also exceptions: the average Anchorage consumer spends 7.7 percent on entertainment versus only 5 percent for the nation. Apparently, this is because Anchorage residents spend significantly more on recreational vehicles and outdoor sports equipment.

Anchorage CPI released twice a year

To measure the price changes, the bureau regularly collects prices for goods and services in the market basket. The Anchorage CPI is produced twice a year, for the periods from January to June, and July to December.

There are two different indexes: the Consumer Price Index for Wage and Clerical Workers, or CPI-W; and the Consumer Price Index for All Urban Consumers, or the CPI-U. The CPI-W is derived from a significantly smaller consumer group. The CPI-U is the most prominent and frequently used nationwide. The

Anchorage vs. U.S. City Averages, Part 2

Select CPI components, 1983 to 2010 annual averages

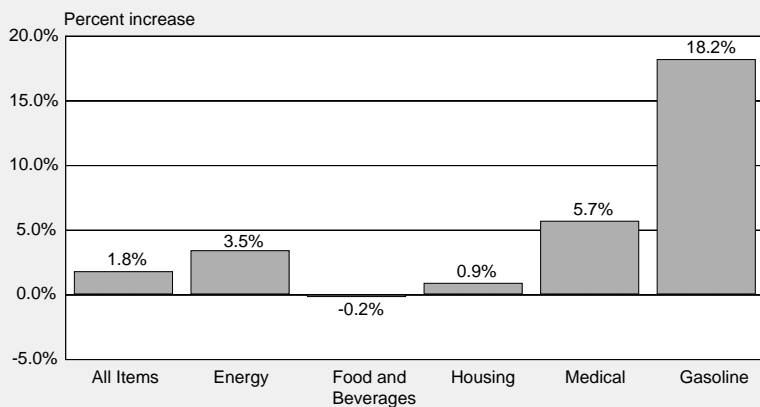
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Year	FOOD				MEDICAL CARE			
	Anchorage average	% chg. from prev. yr.	U.S. average	% chg. from prev. yr.	Anchorage average	% chg. from prev. yr.	U.S. average	% chg. from prev. yr.
1983	99.7	2.6%	99.5	2.3%	99.7	5.2%	100.6	8.8%
1984	103.2	3.5%	103.2	3.7%	105.5	5.8%	106.8	6.2%
1985	106.2	2.9%	105.6	2.3%	110.9	5.1%	113.5	6.3%
1986	110.8	4.3%	109.1	3.3%	127.8	15.2%	122.0	7.5%
1987	113.1	2.1%	113.5	4.0%	137.0	7.2%	130.1	6.6%
1988	113.8	0.6%	118.2	4.1%	145.8	6.4%	138.6	6.5%
1989	117.2	3.0%	124.9	5.7%	154.4	5.9%	149.3	7.7%
1990	123.7	5.5%	132.1	5.8%	161.2	4.4%	162.8	9.0%
1991	127.7	3.2%	136.8	3.6%	173.5	7.6%	177.0	8.7%
1992	130.3	2.0%	138.7	1.4%	183.0	5.5%	190.1	7.4%
1993	131.2	0.7%	141.6	2.1%	189.6	3.6%	201.4	5.9%
1994	131.9	0.5%	144.9	2.3%	197.8	4.3%	211.0	4.8%
1995	138.5	5.0%	148.9	2.8%	211.6	7.0%	220.5	4.5%
1996	143.4	3.5%	153.7	3.2%	231.1	9.2%	228.2	3.5%
1997	145.8	1.7%	157.7	2.6%	248.9	7.7%	234.6	2.8%
1998	147.3	1.0%	161.1	2.2%	255.7	2.7%	242.1	3.2%
1999	148.4	0.7%	164.6	2.2%	260.8	2.0%	250.6	3.5%
2000	151.7	2.2%	168.4	2.3%	272.1	4.3%	260.8	4.1%
2001	156.4	3.1%	173.6	3.1%	282.9	4.0%	272.8	4.6%
2002	157.9	1.0%	176.8	1.8%	–	–	285.6	4.7%
2003	161.8	2.5%	180.5	2.1%	–	–	297.1	4.0%
2004	168.9	4.4%	186.6	3.4%	–	–	310.1	4.4%
2005	173.1	2.5%	191.2	2.5%	344.2	–	323.2	4.2%
2006	176.2	1.8%	195.7	2.4%	356.1	3.5%	336.2	4.0%
2007	184.2	4.6%	203.3	3.9%	367.0	3.0%	351.1	4.4%
2008	192.3	4.4%	214.2	5.4%	380.6	3.7%	364.1	3.7%
2009	191.8	-0.2%	218.2	1.9%	397.0	4.3%	375.6	3.2%
2010	191.4	-0.2%	220.0	0.8%	419.7	5.7%	388.4	3.4%

Year	APPAREL				ENERGY			
	Anchorage average	% chg. from prev. yr.	U.S. average	% chg. from prev. yr.	Anchorage average	% chg. from prev. yr.	U.S. average	% chg. from prev. yr.
1983	101.6	5.2%	100.2	2.5%	99.4	-0.1%	99.9	0.7%
1984	101.7	0.1%	102.1	1.9%	100.5	1.1%	100.9	1.0%
1985	105.8	4.0%	105.0	2.8%	103.4	2.9%	101.6	0.7%
1986	109.0	3.0%	105.9	0.9%	96.6	-6.6%	88.2	-13.2%
1987	116.6	7.0%	110.6	4.4%	94.6	-2.1%	88.6	0.5%
1988	119.1	2.1%	115.4	4.3%	98.2	3.8%	89.3	0.8%
1989	125.0	5.0%	118.6	2.8%	105.2	7.1%	94.3	5.6%
1990	127.7	2.2%	124.1	4.6%	114.5	8.8%	102.1	8.3%
1991	126.6	-0.9%	128.7	3.7%	112.2	-2.0%	102.5	0.4%
1992	130.2	2.8%	131.9	2.5%	112.7	0.4%	103.0	0.5%
1993	131.2	0.8%	133.7	1.4%	114.7	1.8%	104.2	1.2%
1994	128.9	-1.8%	133.4	-0.2%	114.4	-0.3%	104.6	0.4%
1995	130.0	0.9%	132.0	-1.0%	114.4	0.0%	105.2	0.6%
1996	128.7	-1.0%	131.7	-0.2%	119.1	4.1%	110.1	4.7%
1997	127.0	-1.3%	132.9	0.9%	123.5	3.7%	111.5	1.3%
1998	125.6	-1.1%	133.0	0.1%	118.3	-4.2%	102.9	-7.7%
1999	125.8	0.2%	131.3	-1.3%	116.2	-1.8%	106.6	3.6%
2000	124.5	-1.0%	129.6	-1.3%	131.0	12.7%	124.6	16.9%
2001	131.1	5.3%	127.3	-1.8%	143.2	9.3%	129.3	3.8%
2002	126.7	-3.4%	124.0	-2.6%	140.1	-2.2%	121.7	-5.9%
2003	123.2	-2.8%	120.9	-2.5%	149.9	7.0%	136.5	12.2%
2004	123.9	0.6%	120.4	-0.4%	164.4	9.7%	151.4	10.9%
2005	121.3	-2.1%	119.5	-0.1%	185.4	12.8%	177.1	17.0%
2006	126.9	4.6%	119.5	0.0%	211.2	13.9%	196.9	11.2%
2007	123.4	-2.8%	119.0	-0.4%	232.2	9.9%	207.7	5.5%
2008	130.9	6.1%	118.9	-0.1%	272.9	17.5%	236.7	13.9%
2009	135.6	3.6%	120.1	1.0%	251.5	-7.8%	193.1	-18.4%
2010	139.7	3.0%	119.5	-0.5%	260.3	3.5%	211.4	9.5%

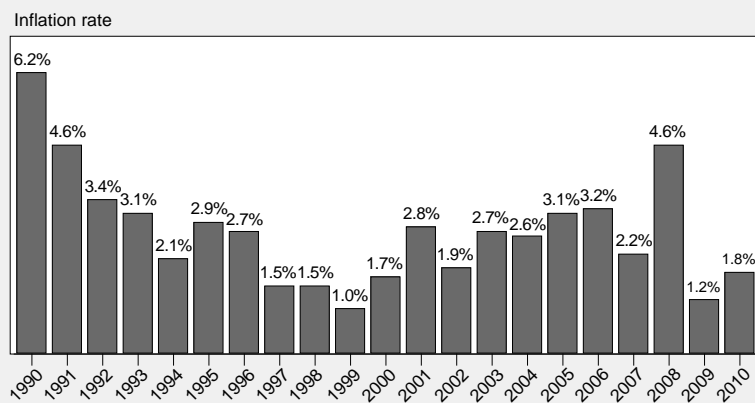
Note: No index was created for medical care in Anchorage for 2002 to 2005.
Source: U.S. Department of Labor, Bureau of Labor Statistics

4 Behind the 1.8 Percent Increase Anchorage CPI, 2009 to 2010



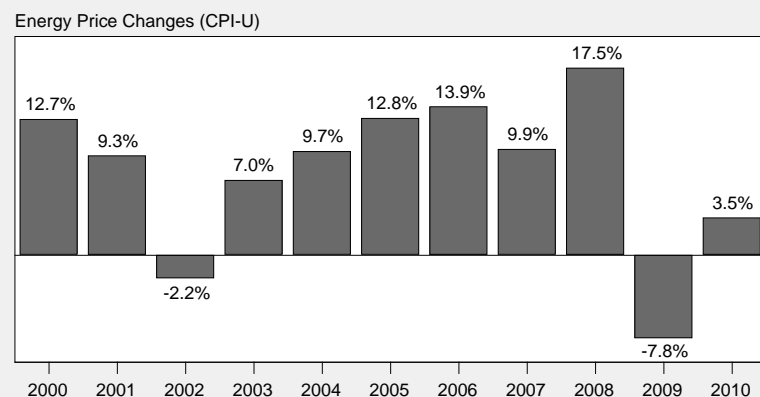
Source: U.S. Department of Labor, Bureau of Labor Statistics

5 Anchorage Consumer Price Index Inflation inched up in 2010



Source: U.S. Department of Labor, Bureau of Labor Statistics

6 Energy Prices in Anchorage Upward but volatile trend, 2000 to 2010



Source: U.S. Department of Labor, Bureau of Labor Statistics

rest of the CPI references in this article refer to the CPI-U.

Although there is a national CPI and one for each of the 27 urban areas, these indexes cannot be used to compare costs between locations. The CPI only measures price changes in one place from a base period; in this case it's an average of the years from 1982 to 1984. In this base period, all areas' index values equaled 100.

For example, in 2010 the annual average index for Anchorage was 195.144, compared to the national index of 218.056. (See Exhibit 3.) This does not suggest that the cost of living is higher in the U.S. than in Anchorage; in fact, it's quite the opposite. It means that over the past 36 years, prices or inflation increased slightly faster in the nation than it did than in Anchorage.

However, it's typically the year-to-year changes that are important. During most years, with only a few exceptions, the Anchorage and national CPIs have diverged little.

Most volatility tied to energy costs

Overall inflation in Anchorage in 2010 was 1.8 percent. (See Exhibit 4.) The annual average for the past decade was 2.6 percent, with a high of 4.6 percent in 2008 and a low of 1.2 percent in 2009. (See Exhibit 5.)

Most of the volatility was tied to changing energy prices. (See Exhibit 6.) In 2008, energy prices jumped 17.5 percent — the largest recorded increase in 28 years — but then fell 7.8 percent in 2009. In March 2011, energy prices began to spike again, so it's possible that 2011 could mimic 2008. But 2011's inflation rate won't become clear until early 2012.

Housing is a heavyweight

Housing tends to give the CPI its local flavor, for several reasons. Exhibit 1 shows the different weights that are assigned to the CPI. Housing represents the single largest weight, because that is where average consumers spend the largest share of their consumption dollars. As a result, housing has a powerful influence on the overall index.

In the mid-to-late 1980s, when the Anchorage real estate market crashed, the housing index showed deflation. (See Exhibit 3.) As a result, the overall index recorded near-zero inflation in 1987 and 1988, because the cost of housing took such a beating. During the same period, the national housing market was robust, so the national index moved ahead of Anchorage considerably.

A similar experience turned the tables recently. As a result of the current U.S. housing crisis, the housing component of the national CPI increased by only 0.4 percent in 2009, and decreased by 0.4 percent in 2010. Anchorage's increases were 3.7 percent and 0.9 percent, respectively. This helps explain why the overall U.S. index increase came in significantly below Anchorage in both of these years.

Most CPI components track national trends

National and international trends dictate most of the other goods and services that fill the CPI market basket. For example, price changes for gasoline, food, clothing, insurance, transportation, health care, and recreation are responses to national and global market conditions.

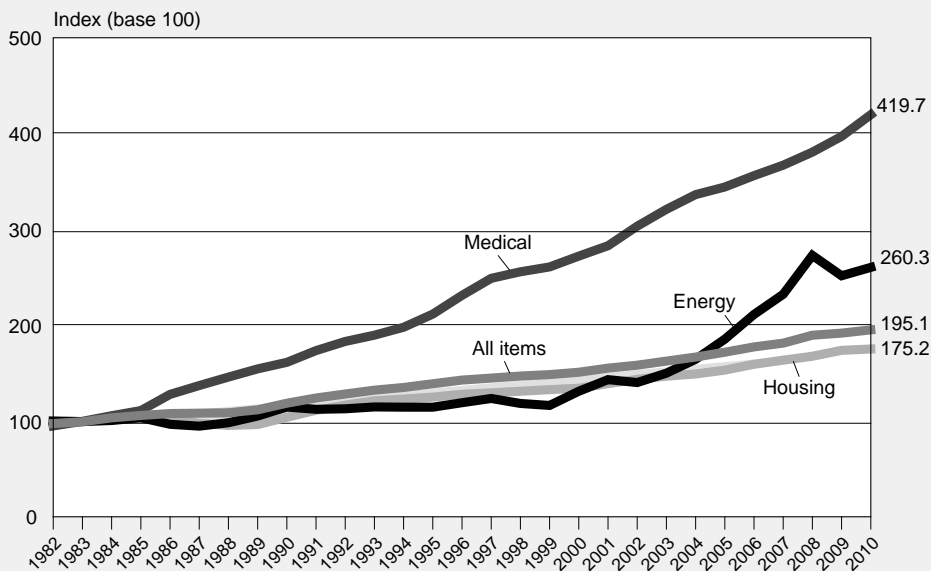
To eliminate the powerful influence that the housing market has on the CPI, the bureau produces an index that excludes housing. This is called the CPI All Items Less Shelter component. (See Exhibit 3.) Using the Less Shelter index for comparison between Anchorage and the nation shows a smaller difference in rate changes over the years.

Medical care rises fastest

Although medical care is not weighted heavily

Housing Rises Slowly, But Medical Costs Soar

Select Anchorage CPI components, 1982 to 2010



Source: U.S. Department of Labor, Bureau of Labor Statistics

The Cost of a Single-Family Home

Highest in Anchorage and lowest in Bethel, 2010



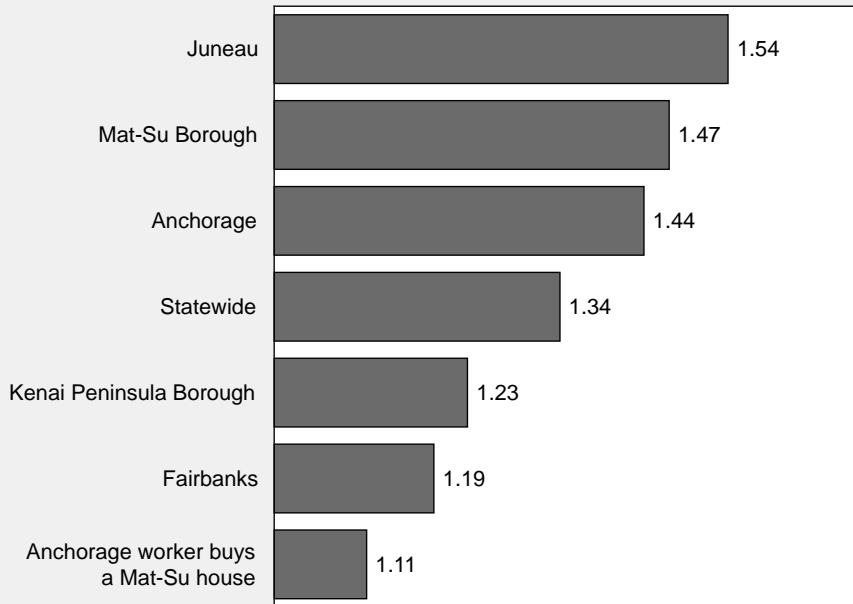
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section; Alaska Housing Finance Corporation, Alaska Quarterly Survey of Mortgage Lending Activity

enough to push the overall index much, its meteoric rise over time has caught people's attention. (See Exhibit 7.) No other component over the long run comes close to matching the increases in health care prices, nationally or in Anchorage.

During the past decade, medical care costs in

9 Buying the Average Home

Wage earners needed,* second half of 2009



*Reflects wage earners required to qualify for an average single-family home with a 30-year mortgage, average interest rate, and 15 percent down payment.
 Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Anchorage increased by 46 percent compared to 27 percent nationwide. Although energy prices increased more overall during the past decade, the steady annual increases in health care make it the long-term, hands-down winner.

High housing costs get even higher

The average sale price of a single family home in Alaska increased from 2009 to 2010 in all mortgage lender survey locations except Bethel, where it decreased slightly. Meanwhile, the Municipality of Anchorage remained the most expensive. (See Exhibit 8.)

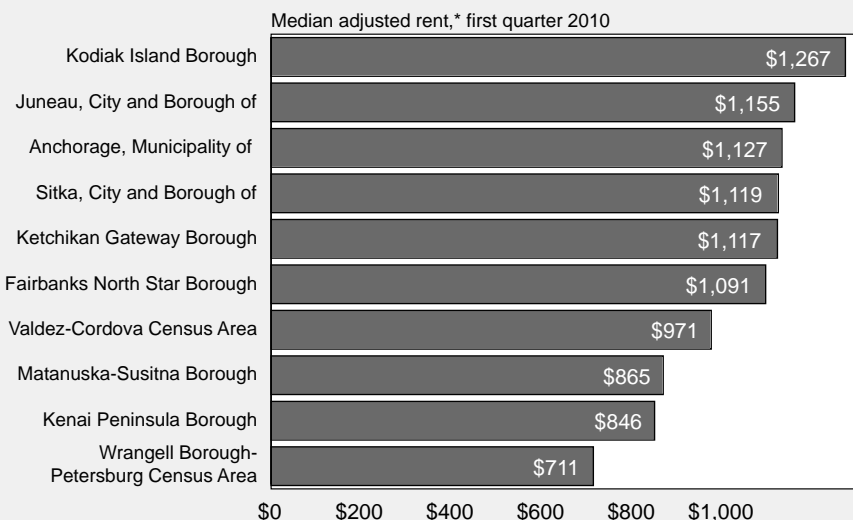
Because higher earnings can sometimes offset higher housing costs, the affordability index also takes into account the average earnings of workers in an area. The result is a number that represents the average number of wage earners required to qualify for a 30-year mortgage with an average interest rate and a 15 percent down payment.

A house in the Matanuska-Susitna Borough purchased by Anchorage workers continues to be the most affordable, needing only 1.11 wage earners to qualify for a 30-year mortgage. Juneau was the least affordable in 2010, requiring 1.54 wage earners. (See Exhibit 9.)

When it comes to renting, a two-bedroom apartment will cost more in Kodiak Island Borough, which was the most expensive area in 2010, at \$1,267 per month. (See Exhibit 10.) The cheapest two-bedroom rent was \$711 per month in the Wrangell-Petersburg area.

10 Rent for a Two-Bedroom Apartment

Alaska, first quarter 2010



*Includes the cost of utilities
 Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section; Alaska Housing Finance Corporation, 2010 Rental Market Survey

Cross-state comparisons

The ACCRA Cost of Living Index, put together by the Council for Community and Economic Research, compares

Food Costs More in Alaska

ACCRA Cost-of-Living Index, select survey foods, 2010

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	price per pound							
	T-bone steak	Ground beef	Bananas	Margarine	Dozen eggs	Half-gallon of milk	Parmesan cheese (8 oz.)	Beer (six-pack)
Anchorage	10.18	3.37	0.82	1.27	2.31	2.43	5.16	10.63
Fairbanks	10.60	3.34	0.83	1.20	2.43	2.30	5.32	10.92
Juneau	10.46	3.38	0.81	1.33	2.08	2.73	5.30	9.54
Kodiak	11.41	4.19	1.23	1.61	3.01	2.73	6.13	10.82
Portland, OR	9.52	2.72	0.57	1.06	1.57	1.68	4.76	8.35
Honolulu, HI	9.49	2.95	1.06	1.06	2.75	3.58	5.67	8.77
San Francisco, CA	10.54	2.08	0.79	1.07	2.08	1.78	4.98	5.73
Reno, NV	9.27	3.01	0.54	1.01	1.58	2.08	4.96	7.82
Seattle, WA	9.35	2.40	0.61	1.04	1.75	2.03	5.51	8.41
Spokane, WA	7.67	2.55	0.53	0.82	1.50	1.84	3.76	8.27
Boise, ID	8.72	2.70	0.56	0.97	1.57	1.76	3.99	7.83
Phoenix, AZ	9.05	2.66	0.58	1.08	1.59	2.05	4.86	8.50
Denver, CO	9.79	2.50	0.49	0.98	1.25	1.74	4.37	5.67
Dallas, TX	8.66	2.60	0.59	0.93	1.40	2.03	3.72	
Chicago, IL	8.69	2.73	0.71	1.38	1.35	2.25	4.97	8.36
Atlanta, GA	9.76	2.44	0.59	0.90	1.29	1.98	3.50	8.85
New York City: Manhattan, NY	13.93	3.59	0.85	1.95	2.67	2.47	5.82	10.70

Source: The Council For Community And Economic Research

costs of goods and services among 318 urban U.S. cities and boroughs. In Alaska these cities include Anchorage, Fairbanks, Juneau, and Kodiak.

When comparing Alaska to other states, our housing unsurprisingly costs more than the average U.S. city, but it wasn't the highest in 2010 according to ACCRA: Manhattan, New York, holds that honor. (See Exhibit 12.) A two-bedroom, one-and-a-half to two-bath, unfurnished apartment in Manhattan rented for \$2,776 per month versus \$1,106 for an equivalent apartment in Anchorage.

Also in 2010, a 2,400 square-foot, four-bedroom, two-bath home on an 8,000 square-foot lot in Manhattan sold for \$1,123,144, on average, versus \$423,830 in Anchorage. Alaska housing costs in 2010 ranged from 27.5 percent higher than the national average in Kodiak to 65.3 percent higher in Juneau.

The Runzheimer Plan of Living Costs Standards, which compares the cost of living for low-income families, also reflects Alaska's housing as more expensive — although by a lesser percentage. (See Exhibit 13.)

Food costs more in Alaska

Two studies look at the cost of food in Alaska: the ACCRA Cost of Living Index, and the University of Alaska Fairbanks' Food Cost Survey. The ACCRA study compares in-state food costs to Outside cities, while the UAF study focuses on costs within the state — Portland is the only non-Alaska city it studies. Neither study makes an adjustment for subsistence-harvested foods.

ACCRA compares prices for a market basket of specific, identical products across the nation. This includes items such as T-bone steak, margarine, bananas, and milk. In several cases, the ACCRA study doesn't just look for the same types of food, but the same brand and size. Not just any grated parmesan cheese will be included; only a Kraft eight-ounce canister qualifies. And not just any beer will do. The ACCRA examines only a Heineken six-pack of 12-ounce containers, excluding deposit.

The survey data show that Kodiak has the most expensive bananas of any of the cities surveyed across the nation, at \$1.23 per pound. Alaska also has some of the highest prices in the nation for

a half-gallon of milk. (See Exhibit 11.) The cost of food in each of the four Alaskan communities was higher than in the average U.S. city; in 2010 it ranged from 27.8 percent higher in Fairbanks to 49.4 percent more in Kodiak. (See Exhibit 12.)

According to ACCRA, Alaska's cities have some of the highest food costs in the nation: similar to New York City's Brooklyn and Queens boroughs, but still cheaper than America's most expensive area: Honolulu, Hawaii. In 2010, Kodiak, Anchorage, and Juneau had the third, fourth, and

fifth highest food costs of all 318 communities surveyed. Fairbanks came in seventh.

The UAF Food Cost Survey looks slightly beyond food. The study, which has been produced consistently for many years, also covers energy costs — heating oil, gasoline, and propane — and lumber. (See Exhibit 14.)

The study assumes the same food purchases, or market basket, in all communities. UAF found that food in all Alaska locations was more expensive than in Portland, where it costs \$106.66 per week to feed a family of four adequate nutrition at the lowest possible cost. Bethel's food costs were highest, at \$272.77 per week, and food was cheapest in Fairbanks at \$129.87 a week.

The high cost of staying warm

The ACCRA and UAF studies both found higher costs of heating oil, propane, and gasoline in nearly all Alaska communities compared to Outside. With the exception of Anchorage, utility costs in the ACCRA cities are 32.2 to 93.6 percent higher than the average U.S. city. In Anchorage, the cost of utilities is actually 5.7 percent less than the average U.S. city due to its affordable natural gas. This may be temporary, though, because natural gas production in Cook Inlet is on the decline.

Among the Alaska cities studied by UAF, Bethel's heating oil and propane were the most expensive, at \$5.02 and \$7.95 per gallon respectively. Sitka had the cheapest heating oil at \$2.69 per gallon. Fairbanks and Ketchikan tied for Alaska's cheapest propane, at \$3.33 a gallon.

12 Alaska Cities Are Spendy for Professionals

ACCRA Cost-of-Living Index, select cities, 2010

Region City	Items index costs	Groceries	Housing	Utilities	Transportation	Health care	Misc. goods and services
Anchorage	128.3	134.4	142.5	94.3	122.0	135.4	124.7
Fairbanks	137.3	127.8	148.2	193.6	118.8	144.6	118.7
Juneau	136.4	133.1	165.3	135.4	121.1	144.1	116.1
Kodiak	128.6	149.4	127.5	132.2	143.4	130.4	115.4
West							
Portland, OR	111.2	105.8	130.4	87.3	105.8	113.4	105.1
Honolulu, HI	165.5	160.1	248.3	146.9	126.2	119.7	117.9
San Francisco, CA	163.8	111.8	280.3	94.8	113.0	116.7	124.3
Reno, NV	101.0	105.4	101.3	91.4	107.3	101.6	100.0
Seattle, WA	121.2	115.0	139.9	85.8	118.8	119.7	119.1
Spokane, WA	93.8	92.4	85.5	89.7	109.1	109.8	96.5
Tacoma, WA	109.4	111.3	116.2	83.3	109.0	114.9	110.2
Bellingham, WA	113.0	114.9	135.7	84.1	113.2	115.1	100.9
Boise, ID	97.1	98.4	83.7	99.7	108.0	106.4	103.2
Bozeman, MT	101.9	107.2	101.5	89.3	101.6	102.2	104.0
Laramie, WY	96.9	105.0	102.0	90.7	91.6	97.3	92.7
Southwest/Mountain							
Cedar City, UT	88.7	102.5	73.7	83.9	97.8	85.4	95.5
Phoenix, AZ	100.6	108.1	90.2	96.8	108.9	108.6	104.6
Denver, CO	103.1	101.0	107.2	102.1	95.4	105.7	102.7
Dallas, TX	91.8	96.2	70.5	105.7	100.9	103.6	100.4
Midland, TX	93.1	89.7	89.0	93.6	95.7	98.5	96.6
Midwest							
Fargo-ND-MN	92.6	99.7	87.1	78.9	95.8	102.2	96.6
Cleveland, OH	101.0	108.0	93.1	109.3	101.5	104.1	102.1
Chicago, IL	116.8	111.2	134.4	117.5	116.5	108.3	104.4
Southeast							
Orlando, FL	97.7	97.8	85.2	108.8	101.8	95.4	104.5
Mobile, AL	92.7	102.6	80.2	104.7	93.0	86.4	96.7
Atlanta, GA	95.5	96.1	90.5	86.5	99.3	103.1	100.3
Atlantic/New England							
New York City: Manhattan, NY	216.4	154.2	385.6	170.0	120.3	129.9	145.7
Boston, MA	132.4	116.7	152.3	138.9	104.5	123.2	128.6
Philadelphia, PA	126.4	124.8	140.9	136.2	105.8	108.0	119.6

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

Source: The Council For Community And Economic Research

Low-Income Alaskans Closer to U.S. Average

Runzheimer Plan of Living Cost Standards, February 2008

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Region City	Total costs	% of standard city	Taxation	% of standard city	Trans- portation	% of standard city	Housing	% of standard city	Misc. goods and services	% of standard city
Alaska composite	39,417	123.2%	2,448	80.5%	4,749	113.6%	24,498	136.7%	7,722	112.6%
Anchorage	41,522	129.8%	2,448	80.5%	4,934	118.0%	26,471	147.7%	7,669	111.8%
Fairbanks	35,112	109.7%	2,448	80.5%	4,714	112.8%	20,351	113.6%	7,599	110.8%
Juneau	41,616	130.1%	2,448	80.5%	4,599	110.0%	26,672	148.9%	7,897	115.1%
West										
Bellingham, WA	35,414	110.7%	2,448	80.5%	4,514	108.0%	20,994	117.2%	7,458	108.7%
Bend, OR	38,237	119.5%	2,723	89.5%	4,205	100.6%	24,635	137.5%	6,674	97.3%
Honolulu, HI	57,071	178.3%	2,448	80.5%	5,240	125.4%	40,689	227.1%	8,694	126.7%
Lancaster, CA	37,149	116.1%	2,448	80.5%	4,865	116.4%	21,686	121.0%	8,150	118.8%
Los Angeles, CA	62,636	195.7%	2,448	80.5%	6,132	146.7%	45,824	255.7%	8,232	120.0%
Reno, NV	37,879	118.4%	2,448	80.5%	4,632	110.8%	23,380	130.5%	7,419	108.1%
Southwest/Mountain										
El Paso, TX	29,894	93.4%	2,448	80.5%	4,377	104.7%	16,443	91.8%	6,626	96.6%
Fort Collins, CO	31,446	98.3%	2,736	89.9%	4,507	107.8%	17,645	98.5%	6,558	95.6%
Lake Havasu City, AZ	34,868	109.0%	2,610	85.8%	4,479	107.2%	20,667	115.3%	7,112	103.7%
Pinehurst, ID	27,367	85.5%	2,674	87.9%	4,182	100.0%	14,356	80.1%	6,155	89.7%
Salt Lake City, UT	32,033	100.1%	2,808	92.3%	4,442	106.3%	18,294	102.1%	6,489	94.6%
Midwest										
Highland, MI	34,043	106.4%	2,448	80.5%	5,394	129.0%	19,118	106.7%	7,083	103.3%
Rapid City, SD	26,398	82.5%	2,448	80.5%	4,182	100.0%	13,607	75.9%	6,161	89.8%
Shawnee, OK	24,988	78.1%	3,181	104.6%	4,414	105.6%	10,960	61.2%	6,433	93.8%
Verndale, MN	30,176	94.3%	2,448	80.5%	4,605	110.2%	16,416	91.6%	6,707	97.8%
Southeast										
Augusta, GA	24,178	75.6%	3,033	99.7%	4,650	111.2%	10,175	56.8%	6,320	92.1%
Columbia, SC	26,042	81.4%	2,625	86.3%	4,280	102.4%	12,747	71.1%	6,390	93.1%
Cape Coral, FL	38,415	120.0%	2,448	80.5%	4,554	108.9%	24,508	136.8%	6,905	100.7%
Hessmer, LA	26,616	83.2%	3,036	99.8%	4,869	116.5%	12,057	67.3%	6,654	97.0%
Atlantic/New England										
Fairfax, VA	44,941	140.4%	2,603	85.6%	4,645	111.1%	30,162	168.3%	7,531	109.8%
New York, NY	55,946	174.8%	2,463	81.0%	5,441	130.2%	39,278	219.2%	8,764	127.8%
Egg Harbor City, NJ	45,423	141.9%	2,743	90.2%	5,272	126.1%	30,547	170.5%	6,861	100.0%

Source: Runzheimer's Living Cost Index, February 2008

Portland's propane is cheaper than in all of the Alaska cities studied, but its heating oil is more expensive — only Bethel, Cordova, and Nome's heating oil costs more. This may be a function of low supply, since only 9.4 percent of Portland homes heat with oil or kerosene, versus 33.8 percent of Alaska homes. (See Exhibit 14.)

Alaska Department of Commerce, Community, and Economic Development produces a yearly fuel price survey called Current Community Conditions: Fuel Prices Across Alaska. This report surveys fuel prices — including heating oil, propane, and gasoline — in 100 communities. In the January 2011 Update of the report, Arctic Village's heating oil cost the most, at \$10 per gallon. (See Exhibit 15.)

Pinched at the pump

All three of the studies comparing Alaska to the Lower 48 agree that transportation costs, which include gasoline, are significantly higher in Alaska than in the average U.S. city. However, not all studies agree on which Alaska community is highest. According to ACCRA, Kodiak tops all 318 urban areas surveyed in 2010, at 43.4 percent higher transportation costs than average and gasoline at \$3.75 per gallon at the time of the survey. In the Runzheimer study, Anchorage was highest.

The state's fuel cost survey, which is the most extensive of the three, again pointed to Arctic Village as the most expensive, with gasoline at \$10 per gallon. (See Exhibit 15.)

14 Rural Alaskans Still Pay More

Food, fuel, and lumber; September 2010

Community	Food at home for a week ¹	One gallon heating oil	One gallon gasoline	One gallon propane	Lumber 2x4x8
Anchorage	\$131.72	\$3.06	\$3.34	\$4.50	\$2.18
Bethel	\$272.77	\$5.02	\$5.27	\$7.95	\$5.51
Cordova	\$199.08	\$3.78	\$4.08	\$4.40	\$4.43
Delta Junction	\$177.83	\$3.20	\$3.47	\$3.65	\$3.15
Fairbanks	\$129.87	\$3.14	\$3.52	\$3.33	\$3.05
Haines	\$180.20	\$3.18	\$3.69	\$3.61	\$3.19
Homer	\$150.64	\$2.90	\$3.70	\$4.33	\$2.73
Juneau	\$141.69	\$3.26	\$3.42	\$3.38	\$2.90
Kenai-Soldotna	\$139.88	\$2.83	\$3.72	\$4.32	\$1.81
Ketchikan	\$158.88	\$3.06	\$3.10	\$3.33	\$2.53
Nome	\$233.70	\$4.38	\$4.42	\$5.77	\$5.99
Palmer-Wasilla	\$141.99	\$3.15	\$3.42	\$3.73	\$2.41
Portland, OR	\$106.66	\$3.63	\$2.82	\$2.85	\$1.83
Seward	\$189.43	\$2.86	\$3.74	\$3.65	\$3.18
Sitka	\$177.87	\$2.69	\$3.16	\$3.50	\$2.58
Unalaska	\$233.00	\$3.44	\$3.58	\$5.65	\$6.50
Valdez	\$172.02	\$3.48	\$3.85	\$3.65	\$4.25

¹The weekly cost for a family of four with children ages 6 to 11.
Source: University of Alaska Fairbanks, Cooperative Extension Service

Doctors and dollars

When it comes to health care, Alaska's cities come in first as the most expensive. In the ACCRA Cost of Living Index, health care costs in Alaska's cities ranged from 30.4 to 44.6 percent spendier than the average U.S. city in 2010. (See Exhibit 12.)

The average cost for a doctor visit in 2010 was \$133.17 in Anchorage, \$149.90 in Fairbanks, \$143.07 in Juneau, and \$122.50 in Kodiak. The cost of an eye exam with an optometrist is even higher.

The prices for veterinary services in Alaska are also high compared to most other surveyed cities. An annual exam for a 4-year-old dog is used as a proxy for veterinary services; this costs

15 Ruralists Pay Fuel Premium

Alaska, January 2011

Selected communities ¹	Heating fuel #1 residential	Gasoline, regular	Method of transportation
Anvik	\$4.50	\$5.00	Barge
Arctic Village	\$10.00	\$10.00	Air
Atkasuk ²	\$1.40	\$4.10	Barge/Air
Barrow ³	–	\$4.25	Barge
Chenega Bay	\$6.16	\$6.56	Barge
Delta Junction	\$3.49	\$3.67	Truck
Dillingham	\$4.67	\$5.03	Barge
Emmonak	\$5.15	\$5.94	Barge
Fairbanks	\$3.45	\$3.68	Refinery/Truck
Gambell	\$7.20	\$7.51	Barge
Homer	\$3.56	\$4.13	Barge/Truck
Hoonah	\$4.39	\$4.29	Barge
Hooper Bay	\$6.26	\$6.61	Barge
Huges	\$8.55	\$8.00	Air
Huslia	\$5.00	\$5.00	Barge
Juneau	\$3.69	\$3.43	Barge
Kodiak	\$3.30	\$3.46	Barge
Kotzebue	\$5.13	\$5.37	Barge
Nelson Lagoon	\$4.48	\$4.90	Barge
Nenana	\$3.58	\$3.84	Truck
Nondolton	\$5.80	\$6.70	Air
Pelican	\$5.09	\$5.18	Barge
Petersburg	\$3.73	\$3.40	Barge
Port Lions	\$4.12	\$4.05	Barge
Russian Mission	\$4.95	\$5.65	Barge
Unalaska	\$3.88	\$3.41	Barge
Valdez	\$3.73	\$3.37	Refinery/Barge

¹This is just a partial list of the 100 communities surveyed.

²The North Slope Borough subsidizes heating fuel prices.

³Barrow uses natural gas as a source of heat.

Source: Department of Commerce, Community, and Economic Development, Current Community Conditions: Fuel Prices Across Alaska, January 2011 Update.

Military COLA* 16

Alaska, 2010

Location	Index
Anchorage	126
Barrow	152
Bethel	152
Clear AFS	128
College	128
Cordova	138
Delta Junction	130
Fairbanks	128
Homer	132
Juneau	130
Kenai (includes Soldotna)	132
Ketchikan	142
King Salmon (includes Bristol Bay Borough)	132
Kodiak	132
Nome	152
Petersburg	142
Seward	130
Sitka	138
Spruce Cape	134
Tok	132
Unalaska	134
Valdez	138
Wainwright	152
Wasilla	124
Other	152

*Overseas cost of living allowance (OCONUS) Index.

Source: Department of Defense, effective date December 2009

\$65.67 in Kodiak, the highest in Alaska. However, it is even more expensive in several U.S. cities. The same exam is \$84.60 in Manhattan; \$70.20 in Manchester, N.H.; and \$73.00 in New Haven, Conn.

Costs highest in rural areas

Living in Alaska involves higher costs no matter where you live, but living in rural Alaska increases those costs even more.

The U.S. Department of Defense produces another cost-of-living index, also known as the OCONUS index, for all overseas locations including Alaska and Hawaii. (See Exhibit 16.)

Its data, last updated in 2009, identify Barrow, Bethel, Nome, and Wainwright as the most expensive of the Alaska communities studied. The index confirms the conclusion of all other in-state cost-of-living studies,

including the Alaska Geographic Differential Study published in 2009: small rural locations have considerably higher costs. (See Exhibit 17.)

The Alaska Geographic Differential Study contains cost information from 18 sample blocks throughout Alaska and covers housing, food, transportation, clothing, and medical care. The study lists cost differentials for expenditure categories in all locations. Kotzebue was the most expensive community, with costs 61 percent higher than in Anchorage, the base community.

The study identified several of the same communities as the OCONUS index as being the most expensive in the state. After Kotzebue, the Geographic Differential Study's most expensive areas were Unalaska/Dutch Harbor, Bethel, and Barrow.

Cost Differentials **17** Alaska, 2008

Barrow	1.50
Bethel	1.53
Cordova	1.13
Dillingham	1.37
Homer	1.01
Ketchikan	1.04
Kotzebue	1.61
Nome	1.39
Petersburg	1.05
Sitka	1.17
Unalaska/Dutch Harbor	1.58
Valdez	1.08
Prince William Sound	1.08
Kodiak	1.12
Arctic Region	1.48
Bethel/Dillingham	1.49
Aleutian Region	1.50
Southwest small communities	1.44

Source: Geographic Differential Survey, The McDowell Group