

Measuring Alaska's Cost of Living

By John Boucher

The current cost of living in Alaska, and the way the cost has changed over time, are two of the most frequently requested pieces of information available from the Alaska Department of Labor's Research and Analysis section. This article explains some of the cost of living measurements available for Alaska, their uses and their limitations.

A measure of inflation or cost differences by area?

Two types of cost of living measurements are available for Alaska. If you are interested in how prices have changed in one place over a period of time—commonly referred to as the inflation rate—the Consumer Price Index is the cost of living measurement you need. If you're interested in cost differences between two places—couched in questions like: Is it more expensive to live in Fairbanks than Seattle?—then a cost of living measurement like the ACCRA index or the Runzheimer International studies best suits your needs.

Be aware of the method and the "Market Basket"

Since it is prohibitively expensive to price every item consumers purchase, cost of living surveys track price changes of a sample of items from various expenditure categories (such as housing expenses, medical expenses, food expenses, etc.). This sample of items is called the survey's market basket.

When you choose a cost of living survey, it's a good idea to know what the survey's market basket is, and what population's buying habits the survey is trying to simulate. All surveys either give a listing of the items which make up the market basket, or define the type of household which the market basket was designed to represent. For example, the Runzhe-

imer data presented in this article assumes a family of four whose income level would be \$32,000 in the average cost city of those surveyed.

The Consumer Price Index—the nation's inflation measure

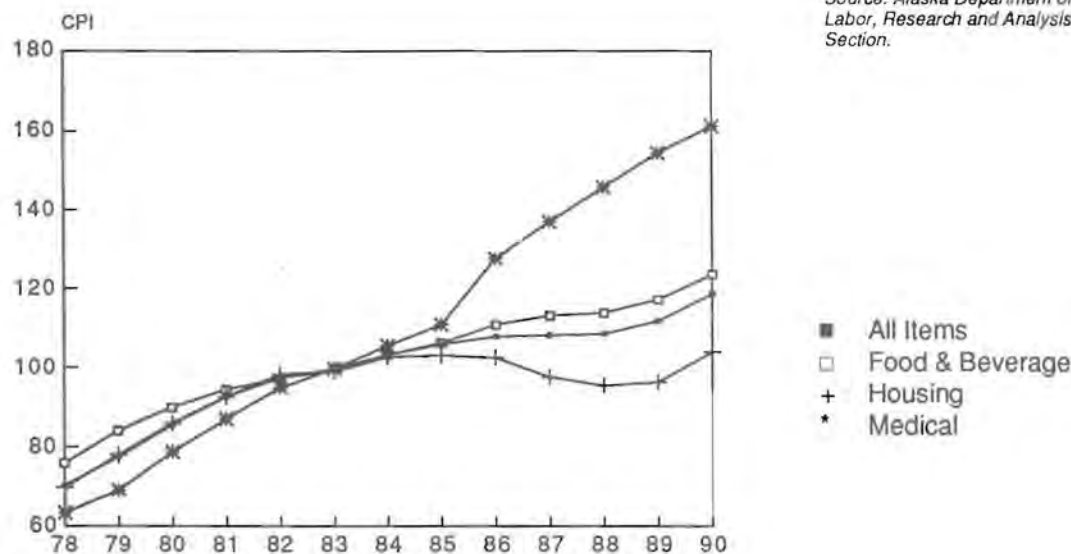
The majority of requests about Alaska's cost of living relate to the rate of inflation. The Consumer Price Index (CPI) is a national survey designed to answer questions about price changes. CPI information is often used to adjust rents, wages or other monetary payments for the effects of inflation.

To produce the CPI, the U.S. Department of Labor's Bureau of Labor Statistics gathers prices in 85 metropolitan areas throughout the country. In Alaska, only Anchorage prices are surveyed, and consequently the Anchorage CPI is the only "Alaskan" inflation measure. One shortcoming of having only Anchorage prices tracked is that the inflation rate in Anchorage may not be suitable in rural or even far removed urban areas of the state. Generally, Anchorage price trends reflect changes in the cost of living for most Alaskans. If you feel that the Anchorage CPI doesn't adequately measure inflation in

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Figure • 1

Consumer Price Index – Anchorage All Items and Selected Items



Source: Alaska Department of Labor, Research and Analysis Section.

Table 1

**Consumer Price Index – Urban Consumers
U.S. and Alaska, All Items and Selected Components**

Year	ALL ITEMS				ALL ITEMS LESS SHELTER				HOUSING		MEDICAL		FOOD & BEVERAGE	
	U.S. Average	Annual Percent Change	Anchorage Average	Annual Percent Change	U.S. Average	Annual Percent Change	Anchorage Average	Annual Percent Change	U.S. Average	Anchorage Average	U.S. Average	Anchorage Average	U.S. Average	Anchorage Average
1960	29.6		34.4											
1965	31.5	1.3	35.3	0.5										
1970	38.8	4.3	41.1	3.1										
1975	53.8	6.8	57.1	6.8										
1976	56.9	5.8	61.5	7.7	59.3		62.1		53.8	62.6	52.0	52.6	62.1	64.2
1977	60.6	6.5	65.6	6.7	63.1	6.4	66.6	7.2	57.4	65.5	57.0	57.9	65.8	68.9
1978	65.2	7.6	70.2	7.0	67.4	6.8	71.0	6.6	62.4	69.7	61.8	63.4	72.2	75.9
1979	72.6	11.3	77.6	10.5	74.2	10.1	77.0	8.5	70.1	78.0	67.5	69.1	79.9	84.0
1980	82.4	13.5	85.5	10.2	82.9	11.7	84.7	10.0	81.1	85.9	74.9	78.8	86.7	89.7
1981	90.9	10.3	92.4	8.1	91.0	9.8	92.0	8.6	90.4	92.5	82.9	86.9	93.5	94.3
1982	96.5	6.2	97.4	5.4	96.2	5.7	96.3	4.7	96.9	98.2	92.5	94.8	97.3	97.2
1983	99.6	3.2	99.2	1.8	99.8	3.7	99.9	3.7	99.5	99.0	100.6	99.7	99.5	99.7
1984	103.9	4.3	103.3	4.1	103.9	4.1	103.8	3.9	103.6	102.7	106.8	105.5	103.2	103.2
1985	107.6	3.6	105.8	2.4	107.0	3.0	107.5	3.6	107.7	103.0	113.5	110.9	105.6	106.2
1986	109.6	1.9	107.8	1.9	108.0	0.9	111.2	3.4	110.9	102.6	122.0	127.8	109.1	110.8
1987	113.6	3.6	108.2	0.4	111.6	3.3	115.1	3.5	114.2	97.5	130.1	137.0	113.5	113.1
1988	118.3	4.1	108.6	0.4	115.9	3.9	117.8	2.3	118.5	95.4	138.6	145.8	118.2	113.8
1989	124.0	4.8	111.7	2.9	121.6	4.9	122.3	3.8	123.0	96.3	149.3	154.4	124.9	117.2
1990	130.7	5.4	118.6	6.2			128.0	4.7		103.9		161.2		123.7
1st half 1988	116.8		108.4		114.4		117.0		117.2	95.8	136.5	143.0	116.5	113.5
1st half 1989	122.7	5.1	110.9	2.3	120.4	5.2	121.4	3.8	121.7	95.8	146.3	153.1	123.6	116.4
1st half 1990	128.7	4.9	116.9	5.4	126.2	4.8	126.5	4.2	126.8	102.2	159.1	160.1	131.0	122.5
1st half 1991	135.2	5.1	123.3	5.5		-100.0	132.0	4.3		109.5		170.1		128.2

Note: The most current Consumer Price Index data for Alaska is for the first half of 1991. For comparability, data for the first half of 1988, 1989 and 1990 are given to show the percentage change over the year.

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

your area there are alternate measurements available. For example, the Bureau of Labor Statistics recommends that the national CPI data be used when adjusting for the effects of inflation. As a matter of practice though, most Alaskan users are more comfortable using the Anchorage CPI rather than the national CPI.

Housing component kept Anchorage inflation down during recession

By analyzing the different rates of inflation among expenditure categories, one can see how the different parts of your budget are affecting the overall CPI. (See Table 1 and Figure 1.) For example, health care costs have increased at a much more rapid rate than has the overall Anchorage CPI, while housing costs have lagged behind.

Each commodity group is given a weight—its contribution to the overall cost of living. While health care costs

have shot up in recent years, they account for only about 5% of the total cost of living. Housing costs, on the other hand, account for 38.5% of the Anchorage CPI.

The strong influence that housing costs have on the overall movement of the Anchorage CPI has been particularly noticeable the last several years. From 1986 to 1988, falling housing costs offset increases in the other components of the CPI, and the result was that the Anchorage CPI rose only slightly during these three years. The recent increase in inflation in Anchorage can be largely accounted for by the change in the housing market. When the housing component jumped from a 1.0% increase in 1989 to a 7.8% increase in 1990, the overall Anchorage CPI followed suit going from a 2.8% to a 6.2% increase in the overall rate of inflation.

The housing cost component is unique in the CPI especially in regard to home ownership costs. The CPI data assumes a consumer has just purchased or rented a

Cost of Food for a Week in Various Alaskan Communities – June 1991

Community	Cost of Food, 1 Week	Ratio of Food Cost to Anchorage Average (percent)
Anchorage	\$102.84	n/a
Bethel	152.49	148
Cordova	160.13	156
Delta	135.59	132
Dillingham	176.51	172
Fairbanks	114.65	111
Galena	181.15	176
Glenallen	149.12	145
Homer	122.07	119
Juneau	104.21	101
Kenai	112.10	109
Ketchikan	99.89	97
Kodiak	127.96	124
Little Diomed 2/	216.23	210
MatSu 1/	110.51	107
McGrath	160.59	156
Nome	150.29	146
Petersburg	113.66	111
Sand Point 2/	172.31	168
Sitka	116.11	113
Tok	143.45	139

Costs are for a family of four with elementary school children. Sales tax included in food and utility cost.

- 1/ Mat-Su area's 2% tax is the rate for Palmer and is not used in tabulating costs.
- 2/ These communities were estimated because not all food items were available.

Comparing the cost of living between communities in Alaska is made difficult by several factors. Many goods and services available in larger cities are not readily available in rural areas. The buying habits of urban residents vary from people in rural communities. Different consumption patterns in urban and rural areas complicate comparisons in the cost of living. Subsistence contributions to some households also make cost of living comparisons more difficult. The Cost of Food survey assumes that all goods are purchased in the local community—none are acquired through subsistence means or from merchants outside of the community.

Source: "Cost of Food at Home for a Week," June 1991
University of Alaska
Cooperative Extension Service
U.S. Dept. of Agriculture and
SEA Grant Cooperating

home. To gauge housing expenditures this method can have some shortcomings. Many homeowners have a long-term fixed-rate mortgage and their monthly house payment does not vary to the extent that house prices and rents do. For this reason, the overall CPI figures tend to understate the inflation rate for homeowners during periods of rapidly declining house prices. The opposite is true during a period of rapidly increasing house prices and rents. To measure the inflation rate without the housing component BLS publishes a special index which excludes the housing-related costs— it's referred to as the All Items Less Shelter Index.

CPI measures inflation—not living costs between locations

CPI users should be aware of a common misinterpretation of the CPI index. It most often occurs when users compare CPI numbers among areas. For example, at 118.6 the annual average Anchorage CPI for 1990 is lower than the United States' average of 130.7. This does not mean that Anchorage has a lower cost of living than the average in the United States. The CPI measures inflation, not costs. The fact that the 1990 Anchorage CPI number is smaller than the overall U.S. index means that Anchorage prices have not risen as quickly as they have in the rest of the U.S. since the early 80s. (The base period, or when the two indexes equaled 100, is 1982-84.)

Three place-to-place comparisons—each with different results

There are several different indices which compare living costs between places. Each of these cost of living indices show a different result when you compare living costs between locations. One reason for this is the method that is used to measure cost of living differences. For example, the Cost of Food at Home for a Week survey, done quarterly by the University of Alaska's Cooperative Extension Service, only measures the cost of food. This represents a significant portion of a consumer's budget, but it is not intended to be a comprehensive measurement of the cost of living.

The Cost of Food at Home study measures the cost to feed various size families in different locations in Alaska. The report also contains comparative information on some utility and fuel costs. One of its strengths is its wide geographic coverage. It provides comparative measures for locations not covered by any other cost index, in particular rural Alaska.

Table • 3

Cost of Food at Home for a Week 1978-1991

Month/Year	Anch.	Fbks.	Percent of Anch.		Percent of Anch.		Percent of Anch.		Percent of Anch.		Percent of Anch.		Percent of Anch.		
			Avg.	Juneau	Avg.	Bethel	Avg.	Nome	Avg.	Kodiak	Avg.	Kenai	Avg.	Tok	Avg.
9/78	\$76.67	\$84.15	109.8	\$73.72	96.2	\$114.05	148.8	\$118.85	155.0	-	-	\$82.48	107.6	-	-
12/79	85.80	91.92	107.1	77.55	90.4	120.44	140.4	124.62	145.2	-	-	100.41	117.0	-	-
9/80	88.44	90.54	102.4	85.92	97.2	130.87	148.0	131.14	148.3	\$99.42	112.4	120.84	136.6	\$108.82	123.0
9/81	86.69	98.47	113.6	93.95	108.4	138.66	159.9	150.27	173.3	-	-	-	-	114.80	132.4
9/82	77.30	92.09	119.1	99.98	129.3	125.50	162.4	149.04	192.8	-	-	-	-	-	-
9/83	81.66	83.79	102.6	88.62	108.5	128.30	157.1	130.14	159.4	104.94	128.5	86.98	106.5	-	-
9/84	84.22	91.26	108.4	91.66	108.8	136.54	162.1	142.07	168.7	115.97	137.7	87.97	104.5	121.66	144.5
9/85	89.06	90.08	101.1	106.61	119.7	138.13	155.1	152.41	171.1	108.17	121.5	91.47	102.7	116.19	130.5
9/86	87.25	90.61	103.9	87.65	100.5	137.96	158.1	142.04	162.8	105.49	120.9	92.78	106.3	124.18	142.3
9/87	88.90	85.12	95.7	88.24	99.3	140.81	158.4	147.96	166.4	104.39	117.4	96.95	109.1	117.51	132.2
9/88	90.99	94.74	104.1	92.95	102.2	137.57	151.2	147.69	162.3	116.68	128.2	95.53	105.0	119.69	131.5
9/89	93.80	94.33	100.6	96.73	103.1	140.65	149.9	-	-	124.61	132.8	104.20	111.1	139.43	148.6
9/90	98.73	103.49	104.8	100.86	102.2	146.92	148.8	155.48	157.5	154.55	156.5	103.21	104.5	131.03	132.7
6/91	102.84	114.65	111.5	104.21	101.3	152.49	148.3	150.29	146.1	127.96	124.4	111.88	111.0	143.45	139.5

Notes: Family of four with elementary school children. Sales tax included in food prices. June 1991 data for Kenai was not available so March 1991 data was substituted

- Data unavailable

Source: "Cost of Food at Home for a Week," September 1978 to June 1991, University of Alaska Cooperative Extension Service U.S. Dept. of Agriculture and SEA Grant Cooperating

Food costs are higher in rural Alaska

Table 2 shows the cost of food for a week for a family of four with elementary school children for 20 Alaska communities. The June 1991 figures show that Anchorage has the lowest costs of the areas surveyed. Larger cities in Alaska have food costs which are fairly comparable to those in Anchorage.

The Cost of Food survey has consistently shown that the most expensive cities are the smaller and more isolated communities. This continues to be true. In places such as Bethel and Dillingham food costs are 50 to 70% higher than in Anchorage. The Cost of Food study shows an interesting contrast between Alaska and other areas of the United States. In the lower 48, larger urban areas tend to have higher costs of living than less populated areas. The opposite is true for Alaska. The cost of food and other basics such as fuel are higher in rural Alaskan communities than in the state's urban centers.

Another interesting point about this survey is that the basic relationship of higher food costs in Alaska's rural areas has not changed much during the last 14 years. Table 3 shows the difference in the cost of food between Anchorage and other Alaskan communities. It also

shows the changes in costs over time within each community in the study.

ACCRA Index places Alaskan cities among most expensive

Another place-to-place cost of living measure is provided by the American Chamber of Commerce Researchers Association (ACCRA). The ACCRA cost of living study compares costs for roughly 290 cities in the United States. The ACCRA study can be used to compare some costs among a few of Alaska's cities and other cities across the nation. In the ACCRA study, a standardized list of 59 items is priced during a fixed period of time. The items priced are intended to reflect the spending patterns of a mid-management executive household.

Although state and local taxes are a part of the cost of living, the ACCRA index does not take them into account. Because of the limited number of items priced, a difference of less than three in the ACCRA cost of living index (such as 129 vs. 131) is considered statistically insignificant. A difference in the index greater than three is considered to show a cost of living difference.

Five Alaskan cities are included in the quarterly ACCRA study—Anchorage, Fairbanks, Juneau, Ketchi-

ACCRA Cost of Living Index First Quarter 1991 – 20 High Cost Urban Areas

kan, and Kodiak. The 1st Quarter 1991 ACCRA data show that the Alaskan cities are among the 10 highest cost areas surveyed (See Table 4). Fairbanks has the lowest index of the five Alaskan cities in the ACCRA study. According to the index Anchorage has a cost of living roughly 35% higher than the all cities' average. Some cities known to have a high cost of living, such as Boston, New York, and Washington D.C. are not included in the current data.

The Alaska cities in the ACCRA study have the highest costs for several of the six major components of the ACCRA index (Table 4). Kodiak had the highest index for groceries. Ketchikan was tops in the health care and miscellaneous categories. Alaska's five cities had the five highest index numbers for health care costs and five out of the top six for groceries.

ACCRA points to a smaller difference in housing costs

Housing costs have always been thought of as exceptionally high in Alaska. Although they may be high, the ACCRA housing index shows that some areas in the nation have comparable housing costs. Generally the lowest rankings for Alaska's cities were in the ACCRA housing cost index. The Anchorage utilities index was lower than about one-quarter of the cities in the ACCRA study.

Comparative figures for Alaskan cities and other cities around the nation are presented in Tables 5 and 6. Table 5 shows the ACCRA cost of living indexes while Table 6 contains prices for some of the goods and services in the ACCRA study.

City	Total Index	Grocery	Housing	Util.	Transp.	Health	Misc.
Nassau-Suffolk, NY	152.1	118.9	207.4	217.6	129.0	134.4	120.5
KODIAK, AK	147.9	154.1	158.8	209.6	116.0	184.8	119.0
KETCHIKAN, AK	147.1	135.5	158.1	173.1	122.0	196.1	135.6
JUNEAU, AK	137.4	127.8	140.4	157.4	132.8	192.7	122.3
Hilo, HI	135.4	144.7	170.4	113.6	123.3	120.6	121.0
ANCHORAGE, AK	135.0	128.9	155.6	114.2	119.3	172.9	128.8
FAIRBANKS, AK	133.7	132.9	112.9	169.4	123.1	191.9	127.3
San Diego, CA	131.4	103.5	211.7	71.4	127.8	135.4	111.1
Schaumburg, IL	128.7	109.8	198.1	111.0	109.2	110.9	107.6
Philadelphia, PA	127.6	113.4	139.3	178.5	111.7	134.4	113.6
Anaheim-Santa Ana, CA	125.9	104.9	203.6	71.7	113.9	142.8	101.9
Oxnard-Ventura, CA	124.6	104.9	202.5	64.9	114.3	136.1	102.4
Los Angeles-Long Beach, CA	120.9	104.9	185.3	73.7	108.8	129.0	103.4
Palm Springs, CA	119.4	106.7	146.4	100.4	120.9	129.3	110.9
Ithaca, NY	118.5	101.9	142.5	132.6	119.9	100.1	108.7
Springfield, MA	117.9	106.4	149.0	130.2	109.4	110.1	102.7
Bakersfield, CA	117.1	108.5	116.1	103.1	114.9	141.4	123.2
Boca Raton, FL	116.5	96.7	138.8	121.5	109.4	112.1	113.5
Merced County, CA	116.4	107.6	128.7	110.6	115.8	141.3	109.0
West Palm Beach, FL	115.6	99.9	137.2	127.6	96.9	130.3	108.9

Ranking of Alaska Cities by Category

Anchorage, AK	6	5	10	56	17	5	2
Fairbanks, AK	7	4	56	5	6	3	3
Juneau, AK	4	6	18	6	1	2	5
Ketchikan, AK	3	3	9	4	7	1	1
Kodiak, AK	2	1	8	2	14	4	9

The ACCRA cost of living study is designed around spending patterns found in major American urban centers. The data collected in the pricing survey is an attempt to match the items found in the larger areas. This process tends to ignore the living costs found in atypical areas. For example, the transportation costs in the ACCRA study include items such as bus fare, the price of a gallon of gasoline, and automobile wheel balancing.

For many areas in Alaska, such as Juneau, Ketchikan, and Kodiak, a typical living cost may include expensive transportation just to leave town. Air fare, which may be a luxury or just one option for travel elsewhere, is a necessity in many areas of Alaska. This example

Source: American Chamber of Commerce Researchers Association, Urban Area Index Data, 1st Quarter 1991 (291 Urban Areas Surveyed)

Table • 5

ACCRA Cost of Living Index First Quarter 1991

City	Total Index	Grocery	Housing	Util.	Transp.	Health	Misc.
West							
ANCHORAGE, AK	135.0	128.9	155.6	114.2	119.3	172.9	128.8
FAIRBANKS, AK	133.7	132.9	112.9	169.4	123.1	191.9	127.3
JUNEAU, AK	137.4	127.8	140.4	157.4	132.8	192.7	122.3
KETCHIKAN, AK	147.1	135.5	158.1	173.1	122.0	196.1	135.6
KODIAK, AK	147.9	154.1	158.8	209.6	116.0	184.8	119.0
Portland, OR	109.2	104.8	131.0	71.7	109.6	132.2	103.8
Salt Lake City, UT	92.1	90.1	80.2	89.5	104.1	85.9	99.2
San Diego, CA	131.4	103.5	211.7	71.4	127.8	135.4	111.1
Seattle, WA	115.1	117.9	144.9	62.2	119.1	140.9	103.4
Southwest							
Albuquerque, NM	101.7	94.3	103.9	95.4	101.9	111.8	104.3
Dallas, TX	103.7	100.1	102.2	116.9	106.4	108.4	99.8
Phoenix, AZ	102.0	95.8	98.0	101.9	108.4	116.9	102.3
Midwest							
Minneapolis, MN	98.8	87.4	99.7	97.1	104.1	111.3	100.0
Omaha, NE	90.4	94.9	84.3	91.6	103.4	82.7	87.9
St. Louis, MO	97.8	97.6	99.1	107.2	98.6	101.0	92.5
Southeast							
Atlanta, GA	100.9	98.9	101.4	115.1	102.1	112.3	93.2
Birmingham, AL	100.4	96.1	97.7	111.7	97.3	93.8	103.4
Louisville, KY	96.2	96.7	93.9	78.8	99.2	88.4	104.5
Atlantic/New England							
Philadelphia, PA	127.6	113.4	139.3	178.5	111.7	134.4	113.6
Springfield, MA	117.9	106.4	149.0	130.2	109.4	110.1	102.7
Wilmington, DE	112.8	112.0	124.3	96.1	108.1	119.7	111.4

For this study, a "base" family was created—two parents, two children, living in a 1,500 square foot home with 3 bedrooms and 1.5 baths, driving two automobiles. This family had an income of \$32,000 in Standard City, a fictitious city which had costs close to the median of all the cities in the survey. The standard of living attainable in Standard City was then priced in each of the surveyed areas.

The October 1990 Runzheimer survey shows that the three Alaskan cities studied, Anchorage, Fairbanks and Juneau, have quite moderate costs compared to the other areas surveyed. In this survey, costs were only 1.3% to 4.3% above Standard City. (See Table 7.)

One assumption critical to the results of the survey was the duration of home ownership. Like the Consumer Price Index and ACCRA surveys, the guidelines in the Runzheimer survey assume a recent home purchase. The volatility of the Alaska housing market greatly impact-

Source: American Chamber of Commerce Researchers Association, Urban Area Index Data, 1st Quarter 1991 (291 Urban Areas surveyed)

illustrates that the ACCRA index may very much understate the true differences between some of Alaska's cities and the all cities' average.

Runzheimer study shows smaller cost of living differential

A slightly different approach to calculating the differences among cities is taken in a study commissioned by the Alaska Department of Labor. Runzheimer International, a private research firm, looked at the comparative incomes necessary to maintain a certain standard of living in 253 different areas of the country. This income approach takes into account certain elements left out of the ACCRA cost of living measure, such as an area's tax rates.

ed the cost of housing in the results. Mortgage payments accounted for 26% of the family's total living costs in Standard City. Anchorage was only slightly higher than 26%, while Juneau and Fairbanks were between 22% and 25% of total living costs going towards mortgage payments.

Several years ago, when Alaska's real estate prices were at their highest, a larger share of total income went towards housing costs. Some of the higher cost areas of the country see the greatest difference in the housing cost component—in Los Angeles over 40% of total living costs go towards mortgage payments. Those persons who bought a home during the mid-80s are paying off higher mortgages than those reported in the

ACCRA Inter-City Cost of Living Index 1st Quarter 1989

City	1 lb Ground Beef	1/2 gal Whole Milk	1 doz Grade A Lg. Eggs	1 lb Coffee	House Purchase Price	Total Energy Cost	1 gal Gas	Hospital Room	Office Visit Doctor
West									
ANCHORAGE, AK	\$1.77	\$1.76	\$1.40	\$3.18	158,805	\$130.88	\$1.43	\$467.50	\$61.00
FAIRBANKS, AK	1.81	1.79	1.64	3.04	110,667	198.23	1.57	372.00	57.80
JUNEAU, AK	1.80	1.88	1.06	3.09	134,700	183.26	1.79	380.00	46.20
KETCHIKAN, AK	1.62	2.04	1.52	3.58	164,333	205.53	1.76	425.00	63.00
KODIAK, AK	1.86	2.10	1.62	3.59	161,667	242.30	1.82	359.00	42.93
Portland, OR	1.69	1.34	1.26	3.26	137,820	74.04	1.38	398.10	34.80
Salt Lake City, UT	1.03	1.42	1.09	2.79	82,650	97.38	1.34	272.00	24.40
San Diego, CA	1.76	1.31	1.60	2.43	233,000	78.86	1.31	447.75	42.60
Seattle, WA	1.57	1.45	1.11	2.93	159,600	64.12	1.34	443.80	41.80
Southwest									
Albuquerque, NM	1.35	1.49	1.18	2.57	107,398	105.46	1.03	273.00	31.00
Dallas, TX	1.43	1.51	1.14	2.00	104,470	130.70	1.18	293.00	39.86
Phoenix, AZ	1.34	1.20	1.17	2.26	97,713	114.46	1.29	311.68	37.62
Midwest									
Minneapolis, MN	0.98	1.21	0.96	2.41	103,800	103.70	1.20	441.40	31.60
Omaha, NE	1.56	1.19	1.07	2.37	86,787	96.78	1.25	233.00	29.20
St. Louis, MO	1.52	1.27	1.15	2.22	101,096	119.38	1.08	291.50	34.70
Southeast									
Atlanta, GA	1.82	1.59	1.01	2.37	103,200	128.44	1.14	252.80	37.00
Birmingham, AL	1.60	1.36	1.07	2.51	105,000	119.89	1.14	288.40	32.33
Louisville, KY	1.70	1.53	0.96	2.32	99,350	80.09	1.17	303.68	29.83
Atlantic/New England									
Philadelphia, PA	1.61	1.17	1.19	3.09	144,980	209.10	1.32	429.00	46.00
Springfield, MA	1.86	1.31	1.27	2.26	163,470	147.69	1.29	298.50	35.67
Wilmington, DE	1.75	1.29	1.25	2.51	134,164	107.71	1.26	410.00	32.00
ALL CITIES MEAN	1.59	1.37	1.15	2.53	106,067	109.88	1.23	274.52	31.62

Runzheimer report. As Alaska's housing market recovers, mortgage costs will again rise, increasing total living costs.

Lower taxes contribute to lower living costs

If you examine the component indexes of the Runzheimer study, most range from five to ten percent above the average cost of living except the taxation component. The Runzheimer study indicates that the portion of income that goes to taxes in Alaska is anywhere from 10

to 15 percent below the average of the areas studied. This is a significant reason why the Runzheimer index does not show living costs to be higher in Anchorage, Fairbanks and Juneau than elsewhere in the country. Another factor to remember is that Runzheimer does not take into account a program like Alaska's Permanent Fund Dividend. If every member of the fictitious Runzheimer family received an Alaska Permanent Fund check, that would add about \$3,700 to the household's income. This amounts to a significant reduction in the overall tax burden on Alaskans.

Note: All cities mean is the arithmetic mean price of all 291 cities in the 1st quarter 1991 survey.

Source: American Chamber of Commerce Researchers Association, Cost of Living Index, Average Price Data, (291 Urban Areas surveyed) 1st Quarter 1991.

Table • 7

Runzheimer International Living Cost Standards – October 1990

City	Total Costs	% of Standard City	Taxation ^{1/}	% of Standard City	Transportation	% of Standard City	Housing ^{2/}	% of Standard City	Misc. Goods & Services, Other ^{3/}	% of Standard City
Anchorage, AK	\$33,380	104.3	\$6,640	90.9	\$4,540	112.8	\$12,572	107.1	\$10,412	108.4
Fairbanks, AK	32,426	101.3	6,289	86.1	4,481	111.3	11,457	97.6	10,533	109.7
Juneau, AK	33,255	103.9	6,535	89.5	4,327	107.5	12,158	103.6	10,569	110.1
STANDARD CITY	32,000	—	7,301	—	4,025	—	11,736	—	9,601	—
Albuquerque, NM	31,050	97.0	7,106	97.3	4,047	100.5	11,379	97.0	8,852	92.2
Atlanta, GA	32,944	103.0	7,769	106.4	4,458	110.8	11,793	100.5	9,268	96.5
Augusta, ME	32,379	101.2	7,511	102.9	3,856	95.8	12,133	103.4	9,213	96.0
Birmingham, AL	29,589	92.5	7,309	100.1	3,777	93.8	9,874	84.1	8,963	93.4
Boston, MA	40,723	127.3	7,372	101.0	5,043	125.3	19,261	164.1	9,381	97.7
Chicago, IL	36,293	113.4	7,756	106.2	4,329	107.6	15,098	128.6	9,444	98.4
Dallas, TX	30,926	96.6	7,075	96.9	4,580	113.8	10,129	86.3	9,476	98.7
Denver, CO	30,690	95.9	7,243	99.2	4,468	111.0	10,320	87.9	8,993	93.7
Detroit, MI	35,527	111.0	8,217	112.5	4,642	115.3	13,805	117.6	9,197	95.8
Honolulu, HI	42,535	132.9	4,771	65.3	4,841	120.3	21,879	186.4	11,377	118.5
Indianapolis, IN	30,834	96.4	7,570	103.7	4,173	103.7	10,549	89.9	8,876	92.4
Jacksonville, FL	30,081	94.0	6,604	90.5	4,041	100.4	10,560	90.0	9,210	95.9
Los Angeles, CA	43,823	136.9	6,218	85.2	5,527	137.3	22,874	194.9	9,538	99.3
Milwaukee, WI	32,629	102.0	8,806	120.6	3,969	98.6	11,294	96.2	8,894	92.6
New York, NY	43,804	136.9	7,874	107.8	7,165	178.0	19,176	163.4	9,923	103.4
Philadelphia, PA	37,440	117.0	8,261	113.1	5,004	124.3	15,165	129.2	10,165	105.9
Portland, OR	32,629	102.0	8,248	113.0	4,174	103.7	11,209	95.5	9,332	97.2
San Francisco, CA	48,948	153.0	6,157	84.3	5,065	125.8	28,334	241.4	9,726	101.3
Seattle, WA	34,332	107.3	6,464	88.5	4,521	112.3	14,384	122.6	9,297	96.8
St. Louis, MO	32,207	100.6	7,677	105.1	3,984	99.0	11,804	100.6	9,076	94.5
Washington, D.C.	38,942	121.7	6,724	92.1	4,432	110.1	18,220	155.2	9,900	103.1

1/ Sales tax (if applicable) and general real estate taxes added into federal, state, local and FICA taxes.

2/ General real estate taxes subtracted from housing component.

3/ Sales tax (if applicable) subtracted from misc. goods and services components.

Source: Runzheimer's Living Cost Index, October, 1990

Summary

The first question one must answer when looking for cost of living information is what type of comparison needs to be made. Is one interested in how costs changed over time, or how costs differ between places? Answering this question narrows the field of appropriate cost of living surveys.

Next a decision must be made on the suitability of different surveys—some surveys look at subsets of the total cost of living package, such as the Cost of Food at Home survey. Some surveys might look at a population unlike the one being studied. The ACCRA survey's mid-management family might not reflect the cost of living for poverty income level families.

In Alaska, particularly in smaller communities, survey choices are few. Only the Cost of Food at Home and the ACCRA Cost of Living Index include more than the three largest Alaska cities. These surveys have limitations in the scope of goods priced. For this reason, a data user might be forced to use an index which only approximates cost of living differences.

Given their limitations, all cost of living indexes involve some sort of compromise answer. Still, the indexes mentioned in this article provide some baseline information to help answer these questions. When used with proper care, the information can help one compare how far their dollar will go.

Summary of Cost of Living Indexes

Survey **Consumer Price Index**

- Population** All urban consumers (CPI-U) or urban wage and clerical workers (CPI-W).
- Strength** Measures costs in one location over time; the only available inflation measure.
- Weakness** Can only compare the change in the cost-of-living for specific locations; only one Alaskan area surveyed: Anchorage.

Survey **ACCRA Cost of Living Index**

- Population** Midmanagement level family
- Strength** Compares many locations to a national average.
- Weakness** No tracking of changes over time; lacks consistency in price collection.

Survey **Cost of Food at Home Study**

- Population** Lower income individuals or families
- Strength** Compares minimum food costs for smaller Alaskan communities excluded from other studies.
- Weakness** No good comparison of national data; only looks at food costs, not entire cost of living.

Survey **Runzheimer's Living Cost Index**

- Population** Family with \$32,000 in income, living in average cost city
- Strength** Considers income needed to maintain a specific standard of living in different cities; includes taxes.
- Weakness** Market basket may not reflect local consumption patterns.