

The Cost of Living in Alaska

Inflation rose modestly in 2012



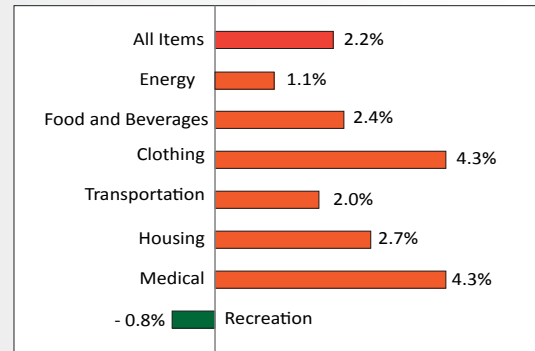
The overall cost of living in Anchorage rose a modest 2.2 percent between 2011 and 2012. This inflation rate was a full percentage point below the prior year's rate and the third-lowest in a decade.

The 10-year average was 2.7 percent, putting 2012's rate in the typical range. (See Exhibit 1.)

The Anchorage Consumer Price Index, which measures inflation and the changes in a variety of costs in the city, is probably the state's most important cost-of-living measure. It provides a long-term record of local price changes and a window into how the average consumer spends his or her money, known as the "market basket." (See exhibits 2 through 4.)

The Anchorage CPI is also the only cost-of-living index in Alaska, so it's often used as the de facto statewide inflation measure. In most cases, price changes in Anchorage don't differ radically from

2 Most Costs Increase Anchorage CPI, 2012



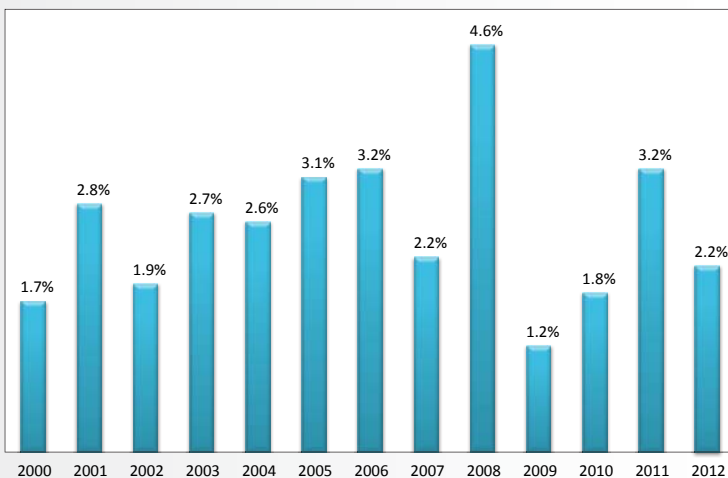
Source: U.S. Dept. of Labor, Bureau of Labor Statistics

other communities in the state.

Other cost-of-living measures provide a closer look at other Alaska communities, however, allowing comparisons between places and giving a more complete picture of what it costs to live in the state. (See the sidebar on page 5.)

1 Inflation in Anchorage

Change in consumer price index, 2000 to 2012



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

Energy adds volatility to the mix

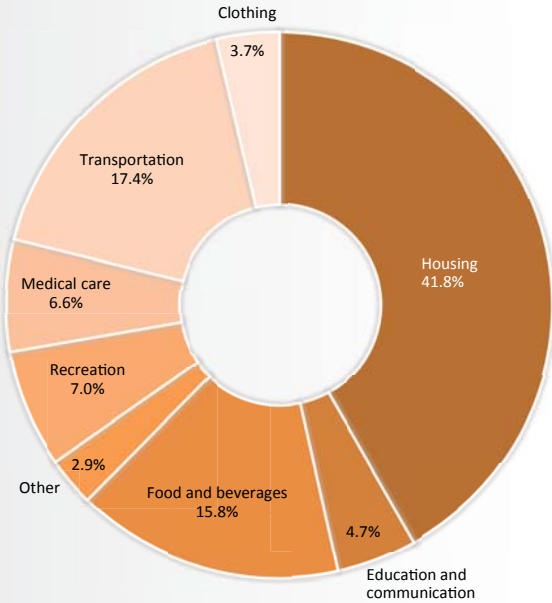
Energy prices are typically responsible for the CPI's volatility from year to year, including in 2012, when energy costs rose just 1.1 percent after a 10.8 percent jump the year before. (See Exhibit 5.)

Over the past decade, Anchorage energy prices increased 108 percent compared to the roughly 30 percent rise in the overall index. Four of these years logged double-digit increases.

An interesting side note to the cost of energy in Anchorage is that most residents heat their homes with natural gas, unlike most Alaskans outside

3 Housing the Major Expense

Anchorage CPI, 2012



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

Southcentral. The index tracks changes in natural gas prices, labeled “utility-piped gas services,” as a subcategory of housing. Prices Anchorage consumers pay for natural gas are more complex than the costs of heating oil and gasoline, which track closely with the changes in the price of crude oil.

Like many utilities, the price of natural gas is regulated by the state and prices are indexed to natural gas prices in the Lower 48; some of the price is also indexed to oil prices. Other costs are also built into the price of natural gas, including seasonality and storage costs. Long-term and short-term contracts as well as spot purchases from gas suppliers add further complexity to the cost. As a result, the price for natural gas can change and sometimes dramatically, but the time frame can be quite different from oil.

Medical care’s meteoric rise

Although medical care as an expense is not large enough to push the overall index around much, its rise in Anchorage over time is hard to overlook. (See Exhibit 6.)

Two ways to measure cost of living

1. In a specific place over time

Anchorage is one of 26 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 often treated as the de facto statewide measure of inflation. Although there is a CPI for the U.S. and for a number of communities around the country, 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, and BLS gives them location-specific weights. The 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. The market basket typically includes housing, food, transportation, medical care, and entertainment.

The inflation rate is used to adjust the value of the dollar over time. Workers, unions, employers, and many others also pay 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, 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 in 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.

Looking at ‘the average consumer’

All cost-of-living measures have their shortcomings. 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 Costs in Anchorage and U.S.

Consumer Price Index, select expenses, 2000 to 2012 annual averages

ALL ITEMS				
Year	Anchorage average	% chg from previous yr	U.S. average	% chg from previous yr
2000	150.9	1.7%	172.2	3.4%
2001	155.2	2.8%	177.1	2.8%
2002	158.2	1.9%	179.9	1.6%
2003	162.5	2.7%	184	2.3%
2004	166.7	2.6%	188.9	2.7%
2005	171.8	3.1%	195.3	3.4%
2006	177.3	3.2%	201.6	3.2%
2007	181.2	2.2%	207.3	2.8%
2008	189.5	4.6%	215.3	3.8%
2009	191.7	1.2%	214.5	-0.4%
2010	195.1	1.8%	218.1	1.6%
2011	201.4	3.2%	224.9	3.2%
2012	205.9	2.2%	229.6	2.1%

ALL ITEMS MINUS HOUSING				
Year	Anchorage average	% chg from previous yr	U.S. average	% chg from previous yr
2000	156.1	1.7%	165.7	3.4%
2001	160.6	2.9%	169.7	2.4%
2002	162.2	1.0%	170.8	0.6%
2003	166.5	2.7%	174.6	2.2%
2004	171.7	3.1%	179.3	2.7%
2005	177.5	3.4%	186.1	3.8%
2006	182.9	3.0%	191.9	3.1%
2007	187.7	2.6%	196.6	2.5%
2008	198.0	5.5%	205.5	4.5%
2009	199.2	0.6%	203.3	-1.0%
2010	202.2	1.5%	208.6	2.6%
2011	209.2	3.4%	217.0	4.0%
2012	212.8	1.7%	221.4	2.0%

HOUSING				
Year	Anchorage average	% chg from previous yr	U.S. average	% chg from previous yr
2000	134.2	1.1%	169.6	3.5%
2001	139.0	3.6%	176.4	4.0%
2002	143.5	3.2%	180.3	2.2%
2003	146.8	2.3%	184.8	2.5%
2004	149.1	1.6%	189.5	2.5%
2005	153.1	2.7%	195.7	3.3%
2006	159.2	4.0%	203.2	3.8%
2007	163.5	2.7%	209.6	3.1%
2008	167.6	2.5%	216.3	2.2%
2009	173.7	3.7%	217.1	0.4%
2010	175.2	0.9%	216.3	-0.4%
2011	180.4	2.9%	219.1	1.3%
2012	185.2	2.7%	222.7	1.6%

TRANSPORTATION				
Year	Anchorage average	% chg from previous yr	U.S. average	% chg from previous yr
2000	150.5	4.7%	153.3	6.2%
2001	153.0	1.7%	154.3	0.7%
2002	151.5	-1.0%	152.9	-1.0%
2003	158.3	4.5%	157.6	3.1%
2004	162.7	2.8%	163.1	3.5%
2005	171.7	5.5%	173.9	6.6%
2006	178.6	4.0%	180.9	4.0%
2007	180.7	1.2%	184.7	2.1%
2008	199.7	10.5%	195.5	5.9%
2009	190.2	-4.8%	179.3	-8.3%
2010	198.6	4.4%	193.4	7.9%
2011	207.9	4.7%	212.4	9.8%
2012	212.1	2.0%	217.3	2.3%

FOOD AND BEVERAGES				
Year	Anchorage average	% chg from previous yr	U.S. average	% chg from previous yr
2000	151.7	2.2%	168.4	2.3%
2001	156.4	3.1%	173.6	3.1%
2002	157.9	1.0%	176.8	1.8%
2003	161.8	2.5%	180.5	2.1%
2004	168.9	4.4%	186.6	3.4%
2005	173.1	2.5%	191.2	2.5%
2006	176.2	1.8%	195.7	2.4%
2007	184.2	4.6%	203.3	3.9%
2008	192.3	4.4%	214.2	5.4%
2009	191.8	-0.2%	218.2	1.9%
2010	191.4	-0.2%	220.0	0.8%
2011	198.3	3.6%	227.9	3.6%
2012	203.1	2.4%	233.8	2.6%

MEDICAL CARE*				
Year	Anchorage average	% chg from previous yr	U.S. average	% chg from previous yr
2000	272.1	4.3%	260.8	4.1%
2001	282.9	4.0%	272.8	4.6%
2002	—	—	285.6	4.7%
2003	—	—	297.1	4.0%
2004	—	—	310.1	4.4%
2005	344.2	—	323.2	4.2%
2006	356.1	3.5%	336.2	4.0%
2007	367	3.0%	351.1	4.4%
2008	380.6	3.7%	364.1	3.7%
2009	397.0	4.3%	375.6	3.2%
2010	419.7	5.7%	388.4	3.4%
2011	442.0	5.3%	400.3	3.0%
2012	461.3	4.3%	414.9	3.6%

CLOTHING				
Year	Anchorage average	% chg from previous yr	U.S. average	% chg from previous yr
2000	124.5	-1.0%	129.6	-1.3%
2001	131.1	5.3%	127.3	-1.8%
2002	126.7	-3.4%	124.0	-2.6%
2003	123.2	-2.8%	120.9	-2.5%
2004	123.9	0.6%	120.4	-0.4%
2005	121.3	-2.1%	119.5	-0.1%
2006	126.9	4.6%	119.5	0
2007	123.4	-2.8%	119.0	-0.4%
2008	130.9	6.1%	118.9	-0.1%
2009	135.6	3.6%	120.1	1.0%
2010	139.7	3.0%	119.5	-0.5%
2011	142.8	2.2%	122.1	2.2%
2012	149.0	4.3%	126.3	3.4%

ENERGY				
Year	Anchorage average	% chg from previous yr	U.S. average	% chg from previous yr
2000	131	12.7%	124.6	16.9%
2001	143.2	9.3%	129.3	3.8%
2002	140.1	-2.2%	121.7	-5.9%
2003	149.9	7.0%	136.5	12.2%
2004	164.4	9.7%	151.4	10.9%
2005	185.4	12.8%	177.1	17.0%
2006	211.2	13.9%	196.9	11.2%
2007	232.2	9.9%	207.7	5.5%
2008	272.9	17.5%	236.7	13.9%
2009	251.5	-7.8%	193.1	-18.4%
2010	260.3	3.5%	211.4	9.5%
2011	288.5	10.8%	243.9	15.4%
2012	291.5	1.1%	246.1	0.9%

*No index was created for Anchorage medical care costs between 2002 and 2004.
Source: U.S. Department of Labor, Bureau of Labor Statistics

Few other components of the CPI come close to matching the increases in health care prices. Since 2000, medical care costs in Anchorage have grown by 70 percent — nearly double the growth rate for the overall index.

For comparison, only energy prices are remotely in the same league as medical costs for their rate of increase, though by a distant second. Food and beverage prices have increased over the long term at about the same rate as the overall index, and housing costs have risen slower. (See Exhibit 6.)

Housing is the heavyweight

Housing is usually a household’s largest expense, as shown in Exhibit 3, and has the largest weight in the CPI. That means housing has a powerful influence on the overall index — it’s also the only component that can sharply diverge from national trends and give an area’s index a local flavor.

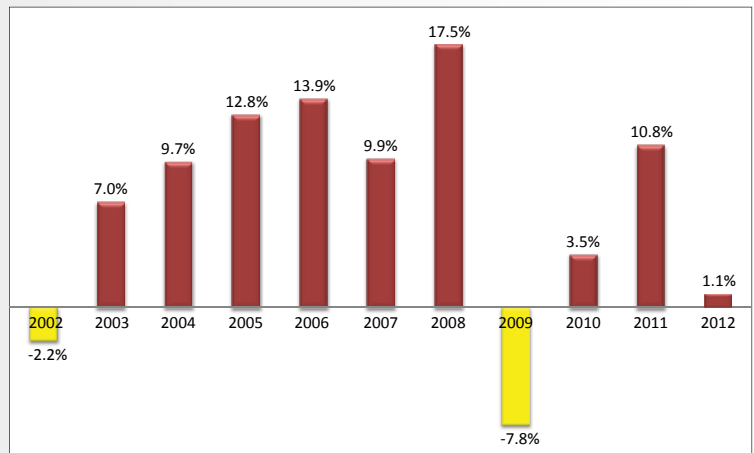
Most other goods and services that fill the CPI market basket are largely dictated by national or international trends. For example, price changes for gasoline, food, clothing, insurance, transportation, health care, and recreation are responses to national and global market conditions.

Between 2007 and 2012, Anchorage housing costs increased by 13.2 percent while the nation’s rose 6.3 percent. In 2010, the nation’s housing costs fell while Anchorage’s increased by nearly 1 percent. These numbers reflect the difference between the tough national housing market of the past five years and Anchorage’s relatively healthy market. In future years, this is likely to change as the U.S. housing market continues to recover.

Because of the strong weight housing carries, it is important to know its primary shortcoming. The CPI uses a housing cost configuration called “rental equivalency” that calculates ownership costs based on the current rental value of the same home on the open market. A housing market in flux can complicate this method, because rapidly changing housing prices or rentals can exaggerate the housing portion of the CPI. This is because many homeowners have long-term fixed interest rate mortgages, which reflect past housing market conditions. When a local housing market becomes

5 Energy Costs On a Wild Ride

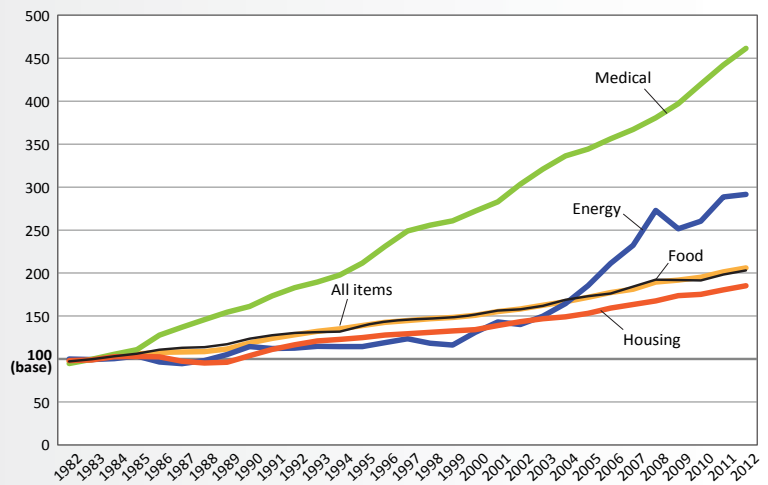
Anchorage CPI, 2002 to 2012



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

6 Food Tracks With Overall Index

Basic living costs, Anchorage CPI, 2012



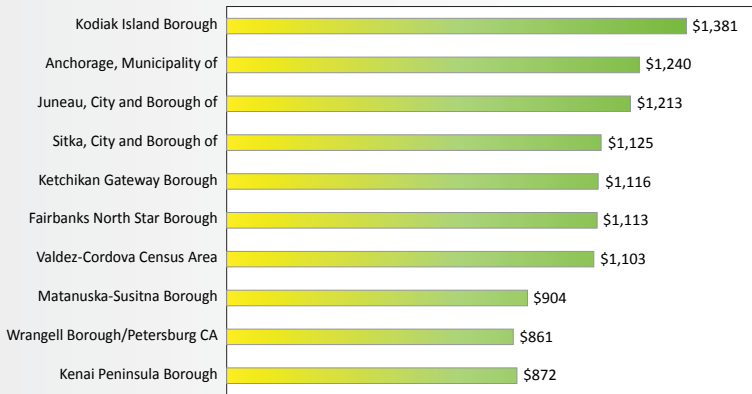
Source: U.S. Department of Labor, Bureau of Labor Statistics

overheated and prices rise rapidly, property owners with these fixed-rate mortgages are not affected, so the rate of inflation in such an environment would be overstated. In a down market, the reverse is also true.

To eliminate the influence of a fluctuating housing market on the CPI, the bureau produces an index that excludes housing: “CPI All Items Less Shelter.” (See Exhibit 4.) Using the Less Shelter index

7 Rent Highest in Kodiak, Anchorage

Two-bedroom apartments, 2012



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing and Finance Corporation, 2012 Rental Market Survey

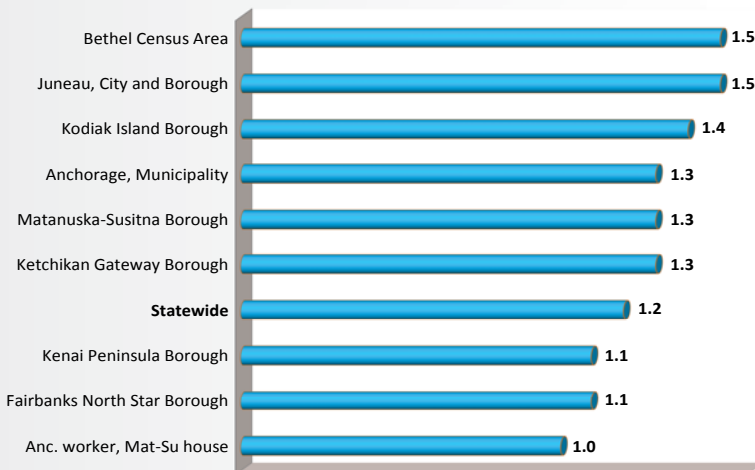
to compare Anchorage to the nation shows less difference between the two over the years.

Housing most expensive in Juneau, Anchorage, and Kodiak

Although the CPI is only produced for Anchorage, a variety of other surveys and studies measure the cost of living in other Alaska communities and make it possible to compare costs between areas.

9 Bethel, Juneau Homes Least Affordable

Paychecks needed to buy average house, 2012



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

8 Average House Prices

Single-family by area, 2012

Juneau, City and Borough	\$342,738
Anchorage, Municipality	\$340,053
Kodiak Island Borough	\$313,506
Statewide	\$295,362
Bethel	\$285,792
Ketchikan Gateway Borough	\$280,980
Matanuska-Susitna Borough	\$248,812
Kenai Peninsula Borough	\$243,474
Fairbanks North Star Borough	\$237,695

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

However, they can't be compared to the Anchorage CPI. (See the sidebar on page 5 for an explanation of these sources.)

Because housing gobbles up such a large slice of a household's income, it tends to be a reliable indicator of an area's cost of living. Housing costs vary dramatically based on supply, vacancy rates, quality, the local economy, building costs, and demographics.

The Alaska Housing Finance Corporation contracts with the Alaska Department of Labor and Workforce Development each year to collect housing data for a number of communities around the state, shown in exhibits 7 and 8. As in past years, the surveys show rental rates and home prices are most expensive in Juneau, Anchorage, and Kodiak.

Rental costs vary considerably by area, the types of rentals available, and number of bedrooms. These details are available at the Alaska Housing Finance Corporation Web site: www.ahfc.us.

Housing affordability also takes earnings into account

The Alaska Housing Finance Corporation and the department also create an index that measures housing affordability in eight areas. Affordability takes earnings into account instead of just housing prices, as higher earnings can help offset higher housing costs.

10

Alaska Cities Expensive for Professional Households

Council for Community and Economic Research index,* first quarter 2013

Region and city	Total index	Groceries	Housing	Utilities	Transport.	Medical	Misc.
Alaska							
Anchorage	126.5	124.1	151.1	104.0	102.6	135.3	123.2
Fairbanks	135.4	130.0	135.3	221.0	109.6	144.0	119.1
Juneau	133.8	123.4	161.5	172.8	112.1	146.9	109.0
Kodiak	135.1	144.2	127.7	168.4	135.9	134.9	126.6
West							
Portland, OR	116.9	110.8	138.0	102.3	111.5	113.6	109.1
Honolulu, HI	171.0	158.0	262.6	157.2	125.7	112.4	129.5
San Francisco, CA	168.6	122.6	310.0	95.8	120.1	114.7	118.7
Los Angeles-Long Beach	130.5	104.9	197.5	106.4	108.9	110.2	104.0
Las Vegas, NV	99.4	108.4	97.1	85.6	94.3	102.4	103.6
Reno, NV	89.7	98.9	84.9	72.3	101.6	93.9	90.3
Seattle, WA	121.5	113.1	145.7	97.4	121.7	113.2	113.5
Spokane, WA	94.4	94.1	86.9	94.9	93.9	106.6	99.2
Tacoma, WA	106.5	99.6	96.6	108.4	110.3	110.0	115.1
Boise, ID	92.3	91.7	85.6	87.4	95.3	104.5	96.7
Bozeman, MT	100.9	102.7	107.0	88.5	87.9	104.6	103.5
Cheyenne, WY	94.5	107.8	88.4	101.0	84.2	93.6	96.2
Southwest/Mountain							
Salt Lake, UT	92.7	95.5	84.1	86.3	92.7	96.5	100.3
Phoenix, AZ	94.0	98.3	92.9	97.4	91.1	90.2	93.8
Denver, CO	103.2	99.9	113.4	99.8	89.2	102.5	102.6
Dallas, TX	94.9	99.4	78.7	108.6	100.7	94.7	100.1
Houston, TX	99.8	87.6	108.0	98.7	97.2	100.3	99.2
Midwest							
Cleveland, OH	102.2	109.3	95.7	100.8	102.7	100.8	105.0
Chicago, IL	114.8	106.3	129.3	97.4	130.9	90.2	109.0
Southeast							
Orlando, FL	110.8	106.0	134.6	97.6	11.5	93.4	99.7
Mobile, AL	92.9	105.9	77.9	111.7	95.1	84.3	94.2
Atlanta, GA	96.6	100.3	87.8	91.6	103.4	105.2	100.3
Atlantic/New England							
New York City / Manhattan, NY	227.1	146.4	461.7	131.6	131.8	105.1	148.6
Boston, MA	140.5	125.2	176.7	147.2	108.6	125.0	129.0
Philadelphia, PA	121.9	122.2	140.5	126.5	106.5	98.1	114.0

*The average is represented by an index value of 100. Index numbers are a comparison to the average for all cities for which volunteers collected data.

Source: The Council For Community And Economic Research

11 Beer and a Steak Highest in Kodiak

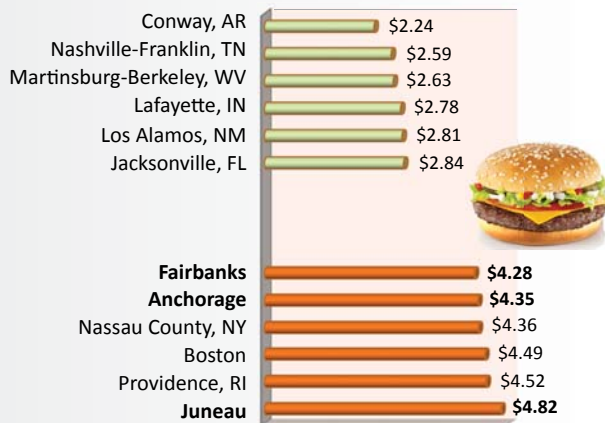
Select items, first quarter 2013

	T-bone steak, 1 lb.	Dentist visit	Haircut	Veterinary exam, annual	6-pack, Heineken
Anchorage	\$11.79	\$125.40	\$18.00	\$59.40	\$10.39
Fairbanks	\$11.99	\$141.40	\$13.24	\$45.19	\$10.75
Juneau	\$10.49	\$151.25	\$19.00	\$70.00	\$9.49
Kodiak	\$12.15	\$130.00	\$27.00	\$71.00	\$10.49
Average, U.S. Cities	\$10.19	\$84.68	\$13.87	\$46.69	\$8.52
High U.S. City	\$14.74	\$151.25	\$27.00	\$100.00	\$13.39
Low U.S. City	\$7.72	\$54.25	\$7.00	\$26.67	\$6.74

Source: The Council For Community And Economic Research

12 The Quarter Pounder Index

Spendiest in Juneau, 2013



Sources: The Council for Community and Economic Research; and Nerd Wallet, May 12, 2013

The resulting number represents how many average monthly paychecks it would take to qualify for a 30-year mortgage with an average interest rate and a 15 percent down payment. (See Exhibit 9.)

A single family home in the Matanuska-Susitna Borough purchased by Anchorage workers continues to be the most affordable, requiring just shy of one person's paycheck to qualify. This helps explain the huge daily flow of commuter traffic between the Mat-Su Borough and Anchorage.

Juneau, on the other hand, has high earnings but not high enough to offset its home prices, making Juneau's housing among the least affordable of the eight areas.

Alaska's cities are high cost

The Council for Community and Economic Research publishes detailed cost-of-living surveys in more than 300 U.S. cities each quarter and yearly. This index tracks costs for 59 specific items and classifies results in categories such as groceries, housing, utilities, transportation, health care, and miscellaneous goods and services. The average is set at 100.

The index's consumption pattern is styled after a professional or executive household in the top income quartile, with average expenditures of 14 percent on food, 27 percent for housing, 10 percent for utilities, 12 percent for transportation, 5 percent for health care, and 32 percent for miscellaneous goods and services.

As expected, the 2013 survey showed that costs of living in Anchorage, Fairbanks, Juneau, and Kodiak were well above the national average. (See Exhibit 10.)

Anchorage's cost index weighed in at 126.5, or 26.5 percent above the national average. The Fairbanks index registered 135.4, Juneau at 133.8, and Kodiak at 135.1.

Housing in Alaska cities wasn't the only component to drive up overall costs. Expenditures in most categories were above the U.S. city average, with Anchorage's utility costs as the single exception. Natural gas continues to contain costs for Anchorage consumers.

The biggest cost differentials in Alaska's marketplace were utilities, housing, and health care. Fairbanks registered the largest utilities index of all 307 cities at a whopping 221. Another standout was Juneau, with a housing index of 161.5.

High costs of living distinguish Alaska cities from most other places in the nation. Only eight other surveyed U.S. cities' costs trumped Alaska, and these were concentrated in California, New York, Boston, and Stamford, Conn. The most expensive place overall was Manhattan, topping the list at 221.5. The least expensive place to live was Harlingen, Texas, at 80.6.

Alaska's expensive burgers

Digging deeper into the Council for Community and Economic Research's raw data makes it possible to compare how much 59 individual items would cost in various places.

These items, which have very little weight in the overall index, include things such as a haircut, a visit to the dentist, a t-bone steak, and a six-pack of Heineken beer. (See Exhibit 11.) For example, it costs more to buy a t-bone steak and a six-pack in Alaska than it would in the Lower 48, but not much more. Dental visits, on the other hand, are considerably more expensive in Alaska.

The organization Nerd Wallet, a personal financial Web site, recently received considerable national attention when they used this data set to publish the Quarter Pounder Index, which compares prices around the nation for the McDonald's staple. (See Exhibit 12.) Three of Alaska's cities ranked near the top of the list of the nation's most

13 The Cost of Food and Other Select Items

By area, March 2013

Community	Food at home for a week*	Percent of Anchorage	Electricity 1,000 kwh	Heating oil (#1)/gallon	Unleaded gas/gallon	Propane per gallon	Lumber 2"X4"X8'
Anchorage	\$170.64	100%	\$145.35	\$3.79	\$3.86	\$3.83	\$3.43
Bethel	\$325.76	191%	\$379.15	\$6.80	\$7.13	\$10.12	\$6.11
Cordova	\$180.73	106%	\$326.41	\$4.69	\$4.68	\$4.30	\$5.72
Fairbanks	\$163.70	96%	\$224.82	\$4.10	\$3.94	\$3.94	\$3.78
Haines	\$217.31	127%	\$204.22	\$4.36	\$4.59	n/a	\$4.19
Homer	\$186.89	110%	\$199.69	\$3.87	\$4.25	\$4.50	\$3.99
Juneau	\$182.18	107%	\$128.18	\$4.32	\$3.96	\$4.15	\$3.39
Kenai-Soldotna	\$173.95	102%	\$196.90	\$3.62	\$4.15	\$4.13	\$3.06
Ketchikan	\$182.78	107%	\$112.80	\$4.32	\$4.19	\$3.71	\$3.58
Nome	\$308.53	181%	\$293.73	\$6.25	\$6.19	\$7.53	\$6.49
Palmer-Wasilla	\$163.10	96%	\$155.12	\$4.22	\$3.95	\$4.25	\$3.45
Portland, OR	\$146.03	86%	\$100.00	\$4.15	\$3.54	\$2.83	\$2.75
Sitka	\$208.46	122%	\$99.75	\$4.16	\$4.34	\$3.31	\$3.59
Tok	\$222.75	131%	\$328.20	\$4.45	\$4.25	\$3.47	\$4.55
Unalaska/Dutch Harbor	\$235.27	138%	\$334.27	\$4.49	\$4.80	\$5.91	\$6.64
Valdez	\$213.20	125%	\$290.50	\$4.25	\$4.51	\$3.87	\$4.82

*Weekly cost for a family of four with children ages 6-11.

Source: University of Alaska Fairbanks, Cooperative Extension Service

expensive Quarter Pounders, with the spendiest sandwich in Juneau at \$4.82.

Food costs the most in Bethel

Four times a year, the University of Alaska Fairbanks' Cooperative Extension Service surveys communities around the state to determine the cost of food at home for one week for a family of four with children between ages 6 and 11, based on a market basket of items with a minimum level of nutrition. (See Exhibit 13.) The survey also

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

Anchorage CPI, 2012.....205.9
Less CPI for previous period, Anchorage 2011.....201.4
Equals index point change.....4.5

Percent Change

Index point difference.....4.5
Divided by the previous index.....201.4
Equals.....0.022

Results multiplied by 100.....0.022 x 100
Equals percent change, Anchorage CPI 2011.....2.2

How much would \$1,000 in 2000 buy in 2012?

The Anchorage CPI 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.

2012 Anchorage CPI (most recent, Exhibit 5).....205.9
Divided by 2000 Anchorage CPI (also in Exhibit 5).....150.9
Equals.....1.364
Then multiply 1.364 (\$1,000 in the year 2000 dollars) = \$1,364
in current or 2012 dollars.

See labor.alaska.gov/research/cpi/inflationcalc.htm for an inflation calculator. The calculator can also deflate dollars to an earlier year's value.

14 Rural Fuel Costs High

Price survey, January 2013

Community ¹	Heat. fuel #1, residential	Gasoline, regular	Method of transportation
Anvik	\$6.00	\$6.00	Barge
Arctic Village	\$10.00	\$10.00	Air
Atkasuk ²	\$1.40	\$4.10	Barge/Air
Barrow ³	–	\$6.20	Barge
Chenega Bay	\$7.26	\$7.33	Barge
Cordova	\$4.31	\$4.64	Barge
Delta Junction	\$4.19	\$4.09	Truck
Dillingham	\$7.04	\$6.84	Barge
Emmonak	\$6.34	\$6.65	Barge
Fairbanks	\$4.12	\$3.65	Refinery/Truck
Glennallen	\$4.29	\$4.22	Truck
Gambell	\$7.01	\$7.58	Barge
Homer	\$3.97	\$3.80	Barge/Truck
Hoonah	\$4.63	\$4.20	Barge
Hooper Bay	\$7.09	\$6.98	Barge
Hughes	\$9.00	\$8.25	Air
Huslia	\$7.00	\$7.00	Barge
Juneau	\$4.27	\$3.63	Barge
Kodiak	\$4.09	\$3.60	Barge
Kotzebue	\$6.07	\$6.29	Barge
Nelson Lagoon	\$5.50	\$5.65	Barge
Nenana	\$4.18	\$4.18	Truck
Nondalton	\$6.55	\$7.27	Air
Pelican	\$5.24	\$5.09	Barge
Petersburg	\$4.13	\$3.67	Barge
Port Lions	\$5.56	\$5.35	Barge
Russian Mission	\$5.75	\$6.20	Barge
Unalaska	\$4.54	\$4.35	Barge
Valdez	\$4.25	\$4.26	Refinery/Barge

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

²The North Slope Borough subsidizes heating fuel.

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 2013 Update*

tracks costs of fuel, utilities, and lumber.

The 2013 results show the most expensive groceries by far were in Bethel, at \$325.76 per week. The cheapest groceries in Alaska were in Palmer-Wasilla at \$163.10 per week, followed closely by Fairbanks and Anchorage. For comparison, the same market basket would have been \$146.03 in Portland.

The survey's strength is its geographic coverage; few others in the state cover so many communities. Its primary weakness is its limitation to food and a couple of other items, making it just a partial measurement of the cost of living. Another drawback is that the market basket items are identical everywhere, though buying habits can vary considerably by town.

According to the March 2013 study, a family of four would find the lowest food costs in urban Alaska: Palmer-Wasilla, Fairbanks, Anchorage, and Kenai-Soldotna. The highest food costs were in remote communities serviced mostly by air. The mid-range areas tended to be small places on a major transportation system such as the highways or the Alaska Marine Highway. These towns included Valdez, Tok, and Sitka.

Location isn't everything, though. The size of the market, the level of competition, and the relative closeness to larger urban areas are other determinants in the cost of food.

15 Geographic Cost Differentials

By community or area, 2008

Community / area	Community / area
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
Anchorage (base area)	1.00
Fairbanks	1.03
Parks/Elliott/Steese Highways	1.00
Glennallen Region	0.97
Delta Junction/Tok Region	1.04
Roadless Interior	1.31
Juneau	1.11
Ketchikan/Sitka	1.09
Southeast Mid-Size Communities	1.05
Southeast Small Communities	1.02
Mat-Su	0.95
Kenai Peninsula	1.01
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: The McDowell Group for the State of Alaska

Heating fuel tops \$10 a gallon in Arctic Village

In January of 2013, the average price for heating oil in Alaska was \$5.86, compared to \$3.98 for the nation.

The Alaska Department of Commerce, Community, and Economic Development conducts a detailed semiannual survey of heating fuel and gasoline prices in 100 communities around the state. (See Exhibit 14.)

Between January of 2012 and January of 2013, overall heating fuel prices rose 3 percent and gasoline prices rose 2 percent. The highest price for fuel oil was \$10 per gallon in Arctic

16 Military Index

Cost of living, 2013

Location	Index
Anchorage	128
Barrow	156
Bethel	156
Clear Air Station	130
College	130
Cordova	138
Delta Junction	132
Fairbanks	130
Homer	136
Juneau	134
Kenai (includes Soldotna)	136
Ketchikan	142
King Salmon (incl Bristol Bay Borough)	136
Kodiak	138
Nome	156
Petersburg	142
Seward	132
Sitka	140
Spuce Cape	136
Tok	132
Unalaska	136
Valdez	138
Wainwright	156
Wasilla	124
Other	156

Note: The U.S. average is set at 100.

Source: Department of Defense, OCONUS, effective January 2013

17 State Adjustment Factors

Corps of Engineers civil works projects, 2013

South Carolina	0.83	Indiana	1.00
Oklahoma	0.85	Maryland	1.00
Arkansas	0.87	Maine	1.02
North Carolina	0.87	Ohio	1.03
Louisiana	0.88	West Virginia	1.03
South Dakota	0.88	Michigan	1.04
Texas	0.88	Missouri	1.04
Georgia	0.89	New Hampshire	1.05
Alabama	0.89	Washington D.C.	1.05
Mississippi	0.90	Washington	1.06
Tennessee	0.90	Wisconsin	1.06
Wyoming	0.91	Nevada	1.07
North Dakota	0.92	Oregon	1.07
Florida	0.93	Pennsylvania	1.08
Kansas	0.94	Delaware	1.11
New Mexico	0.94	Minnesota	1.14
Utah	0.94	Illinois	1.15
Arizona	0.95	New York	1.15
Idaho	0.95	Rhode Island	1.15
Virginia	0.95	Hawaii	1.17
Nebraska	0.97	California	1.18
Iowa	0.98	Alaska	1.19
Montana	0.98	Connecticut	1.19
Vermont	0.98	Massachusetts	1.19
Colorado	0.99	New Jersey	1.19
Kentucky	0.99		

Note: The national average is set at 1.00.

Source: U.S. Army Corps of Engineers, March 2013

Village, and the lowest was \$3.85 in Akutan.

A dated but thorough study

In 2009, the state released the 2008 Alaska Geographic Differential Study, which was primarily conducted to adjust state workers' salary levels by area. (See Exhibit 15.)

Although the study is somewhat dated, it remains the most comprehensive intrastate cost-of-living study and will likely remain in that position for a long time due to its detailed and broad coverage.

Unlike other surveys, this one created market baskets and weights for each community, making it useful for looking at the overall difference in cost of living between places as well as comparing items within specific categories.

Military has its own index

Another index with broad coverage is the Depart-

ment of Defense's index, called OCONUS, for all its overseas locations including Alaska and Hawaii. OCONUS, which is updated frequently, covered 25 areas in 2013. (See Exhibit 16.)

For the most part, the OCONUS results line up with other cost-of-living data in this article, but the major difference is its exclusion of housing.

Corps of Engineers tracks construction costs

The U.S. Army Corps of Engineers' involvement in civil works projects around the nation allows them to assemble a range of data on construction costs at the state level. The Corps has used these numbers to adjust construction costs on a state-by-state basis. (See Exhibit 17.)

Not surprisingly, construction is expensive in Alaska. Alaska shared the top place on the list with three other states and fell in closely with a number of other states.