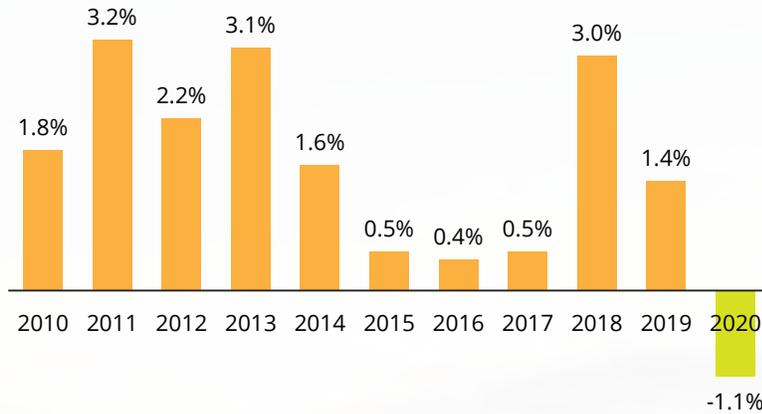


The cost of living in Alaska

Prices rebound in 2021 after pandemic's deflation in 2020

Pandemic brought historic deflation in 2020 ...



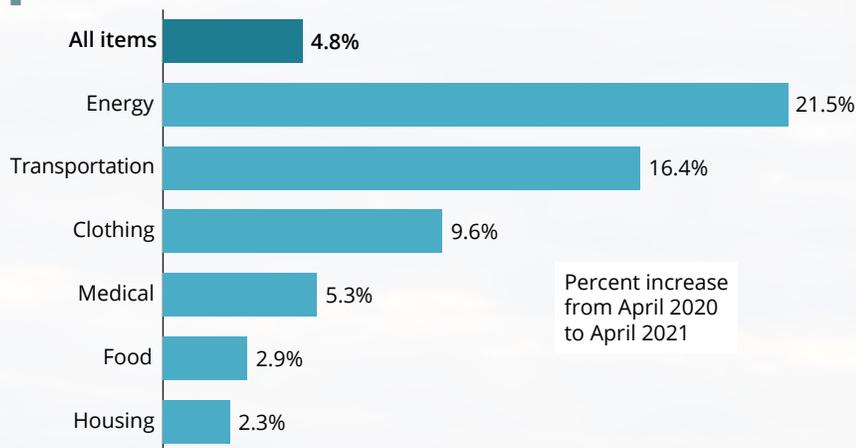
Source: U.S. Bureau of Labor Statistics

By NEAL FRIED

Given what COVID-19 did to the economy last year, the historic deflation it caused wasn't a surprise. Because the pandemic manifested so rapidly and its economic damage ran so deep, demand for many goods and services lapsed in 2020 and price fell in concert.

Costs reversed course in 2021, and while some increases signal a return to normal, others reflect lingering disruptions and supply chain problems that will take time to resolve.

... but April CPI shows no repeat in 2021



Source: U.S. Bureau of Labor Statistics

Pandemic-caused drop in oil prices drove 2020's deflation

Prices fell around the country after the pandemic hit last spring, but Alaska's consumer price index, the CPI for Urban Alaska, was the only index in the country to register deflation for the whole year. Alaska's CPI, which draws mainly from Anchorage and the Matanuska-Susitna Borough, showed overall costs fell 1.1 percent.

Oil prices collapsed in 2020, pushing energy prices down 10.6 percent, and that decline seeped into other categories. Transportation costs fell 6.8 percent, not just with falling oil prices but because air travel demand lapsed, resulting in cheap plane tickets.

Two ways to measure the cost of living

1. In one place over time (inflation)

Alaska has a single measure to track inflation, or how much prices have changed: the Consumer Price Index for Urban Alaska.

Although there's a national consumer price index and CPIs for 31 cities and larger areas around the country, these only track costs over time in one area and can't be used to compare costs between places. For example, 2020's index for Alaska was 226.153, and the national index was 258.80. That doesn't mean the cost of living in the U.S. was higher; it just means prices have increased a bit faster nationally since the early 1980s than they have in Alaska cities.

The U.S. Bureau of Labor Statistics produces the CPI through elaborate surveys of consumer spending habits. These surveys cover a "market basket" of common items, to which BLS assigns location-specific "weights" to determine how people spend their money.

The categories include housing, food, transportation, medical care, and entertainment. In most categories, Alaska's weights resemble the national values, but recreation is a small exception. The average American spends less than 6 percent on recreation, and the average Alaskan spends over 7 percent.

The inflation rate is also used to adjust the value of the dollar over time. Workers, unions, and employers watch the CPI because bargaining agreements and other wage rate negotiations often incorporate an adjustment for inflation. The CPI also plays a role in long-term real estate rental contracts, annual adjustments to the state's minimum wage, child support payments, and budgeting. The Alaska Permanent

Fund Corporation uses the CPI to inflation-proof the fund. Senior citizens are affected nearly every year because Social Security payments are adjusted using the CPI.

The bureau produces the CPI for Urban Alaska bi-monthly (in February, April, June, August, October, and December) as well as annually and semiannually.

2. In different places at the same time

The other way to assess the cost of living is to compare costs between two or more places, such as Alaska with other states and cities and Alaska communities with each other. These types of comparisons, which begin on page 8, play a role in relocation decisions and adjusting salaries and stipends by area.

While measuring inflation has a single source, a range of sources are available for cost comparisons between areas. Their reliability varies and they have different methods, so it's important to take their strengths and weaknesses into account. Some rely on random private individuals to enter prices for various goods and services in their communities, then automatically generate a cost-of-living index. Others use rigorous, broad-based, and transparent statistical methods. A good solution is to use multiple sources and look for patterns.

Other sources not marketed as cost-of-living measures can shed light on price differences, too. One is the U.S. Census Bureau's annual American Community Survey, which includes the median value of a home and median gross rental cost data for every community in the country. Because of the small sample sizes and large margins of error for many places, the five-year average is recommended when using the ACS.

The drop in energy costs also meant lower gasoline prices, which saved the average driver a significant amount of cash at the pump.

Other categories dropped too, but not all

Alaska's housing costs dipped 1.9 percent in 2020. Rising rental vacancies put a check on rents and low interest rates had a similar effect on the buyer's market, making housing more affordable than it's been in many years.

Apparel is a small category but worth mentioning because of its unusual circumstances. While clothing costs had also dropped the previous year, the 6.1 percent decline in 2020 came as so many

people were unemployed or staying home for work or school. Few consumers wanted new clothes.

A few expenditures didn't escape inflationary pressures, though. Food and beverage prices increased 4.4 percent, and medical costs continued their long historical rise, jumping 5.2 percent.

Costs are rising in 2021, and pandemic's influence lingers

.....
This year won't be a repeat. Energy prices, a significant contributor to last year's deflation, have already climbed well past those lows. Travel demand

Urban Alaska and national metro inflation by category, 2010 to 2020

ALL ITEMS			ALL ITEMS MINUS HOUSING		
Year	Urban AK % chg from previous yr	U.S. % chg from previous yr	Year	Urban AK % chg from previous yr	U.S. % chg from previous yr
2010	1.8%	1.6%	2010	1.5%	2.6%
2011	3.2%	3.2%	2011	3.4%	4.0%
2012	2.2%	2.1%	2012	1.7%	2.0%
2013	3.1%	1.5%	2013	3.0%	1.1%
2014	1.6%	1.6%	2014	1.0%	1.1%
2015	0.5%	0.1%	2015	-0.3%	-1.3%
2016	0.4%	1.3%	2016	0.3%	0.2%
2017	0.5%	2.1%	2017	1.1%	1.5%
2018	3.0%	2.4%	2018	3.7%	2.0%
2019	1.4%	1.8%	2019	1.9%	1.0%
2020	-1.1%	1.2%	2020	-0.4%	0.6%

HOUSING			TRANSPORTATION		
Year	Urban AK % chg from previous yr	U.S. % chg from previous yr	Year	Urban AK % chg from previous yr	U.S. % chg from previous yr
2010	0.9%	-0.4%	2010	4.4%	7.9%
2011	2.9%	1.3%	2011	4.7%	9.8%
2012	2.7%	1.6%	2012	2.0%	2.3%
2013	3.1%	2.1%	2013	7.0%	-
2014	2.7%	2.6%	2014	-0.6%	-0.7%
2015	2.4%	2.1%	2015	-6.8%	-7.8%
2016	0.9%	2.5%	2016	-1.7%	-2.1%
2017	0.3%	2.9%	2017	2.4%	3.4%
2018	1.8%	2.9%	2018	7.0%	4.5%
2019	1.2%	2.9%	2019	0.2%	-0.3%
2020	-1.9%	2.2%	2020	-6.8%	-4.2%

FOOD AND BEVERAGES			MEDICAL CARE		
Year	Urban AK % chg from previous yr	U.S. % chg from previous yr	Year	Urban AK % chg from previous yr	U.S. % chg from previous yr
2010	-0.2%	0.8%	2010	5.7%	3.4%
2011	3.6%	3.6%	2011	5.3%	3.0%
2012	2.4%	2.5%	2012	4.3%	3.7%
2013	0.4%	1.4%	2013	3.2%	2.5%
2014	1.3%	2.3%	2014	3.2%	2.4%
2015	1.7%	1.8%	2015	3.3%	2.6%
2016	-0.7%	0.3%	2016	4.5%	3.8%
2017	0%	0.9%	2017	1.5%	2.5%
2018	0.5%	1.4%	2018	7.6%	2.0%
2019	2.7%	1.8%	2019	6.6%	2.8%
2020	4.4%	3.3%	2020	5.2%	4.1%

CLOTHING			ENERGY		
Year	Urban AK % chg from previous yr	U.S. % chg from previous yr	Year	Urban AK % chg from previous yr	U.S. % chg from previous yr
2010	3.0%	-0.5%	2010	3.5%	9.5%
2011	2.2%	2.2%	2011	10.8%	15.4%
2012	4.3%	3.4%	2012	1.1%	0.9%
2013	4.8%	0.9%	2013	-2.7%	-0.7%
2014	1.5%	0.1%	2014	2.4%	-0.3%
2015	0.5%	-1.3%	2015	-10.3%	-16.7%
2016	2.6%	0.1%	2016	-5.8%	-6.6%
2017	0.3%	-0.3%	2017	12.3%	7.9%
2018	2.0%	0.03%	2018	8.0%	7.5%
2019	-8.3%	-1.3%	2019	1.5%	-2.1%
2020	-6.1%	-4.8%	2020	-10.6%	-8.5%

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

April's index shows used car prices shot up 23% as demand eclipsed a sparse supply.

has grown and will accelerate as 2021 progresses, which will boost transportation prices further. And as the national and local economies rebound, prices will rise with the increasing demand for a wider variety of goods and services.

The two bimonthly consumer price indexes released so far, February and April, provided a window into 2021. February's index showed 1.3 percent inflation from the previous February, and April's inflation was a whopping 4.8 percent — the biggest annual jump since 1991. (A close second was 2008, at 4.6 percent.)

National economic observers disagree on where inflation will end up for 2021 overall. Some economists predict inflationary forces will slow as the supply chain problems caused by the pandemic resolve. Others predict a prolonged period of higher inflation.

Calculating price change

Index changes in an index are usually expressed as percentages rather than index points, because points are affected by the level of the index in relation to its base period. Here's how to compute both types of change:

Index point change

CPI for Urban Alaska 2020.....226.153
 Minus CPI for 2019.....228.676
 Equals index point change.....-2.5

Percent change

Index point difference.....-2.5
 Divided by 2019 index.....226.153
 Times 100 equals % chg.....-1.1%

COVID-19 complicated an already imprecise measure

All cost-of-living measures have their shortcomings. Even the most comprehensive index or survey can't account for everything when approximating how most households spend their income.

No two people or households spend money exactly alike, and habits also vary geographically. Expenditures by the average household in Dillingham differ from those in Fairbanks and even more from families in Los Angeles. Spending habits also change constantly with advancing technology and fluctuating tastes and prices.

Last year, on top of all that, we had COVID-19.

People altered their buying habits dramatically last spring. When the pandemic hit, they spent less at restaurants and bars and more at grocery stores. Those who weren't commuting to work or school anymore drove less. Americans bought more household goods, gardening supplies, and internet bandwidth, but less

professional clothing and virtually no concert and sporting event tickets.

Because these changes in habits happened quickly and were assumed temporary, many cost-of-living indexes didn't adjust for them.

Despite these difficulties and weaknesses, most cost-of-living measures mimic the average consumer as much as possible. This involves tracking a sample of typical goods and services, called a market basket, which includes essentials and the things we know most people purchase. (See the sidebar on page 6 for more.)

Some of these indexes go to great lengths to create their market baskets while others keep them simple, so when evaluating a source, it helps to know what's in the market basket and which consumers' buying habits it's trying to imitate. In general, it works best to examine multiple cost-of-living measures and look for patterns.

Car prices, shortages in early 2021

Energy prices have been the biggest driver of 2021's cost increases so far, bumping up already rising transportation costs. The uptick in travel as more people got vaccinated and economies re-opened prompted costlier plane tickets and higher rental car rates.

Cars are the most extreme example of pandemic-linked price increases so far this year, however, and used cars in particular. Vehicle prices jumped 13.3 percent overall from April 2020 to April 2021, and prices for used cars alone skyrocketed 22.7 percent.

Supply chain disruptions for new cars, the upside-down car rental market, stimulus checks, and low interest rates continue to drive demand for used cars. Fewer new cars hit the market last year, and especially the more affordable models, which made people less likely to trade in their cars or

end their leases on new cars. This made used cars harder to come by.

Car rental companies, which thinned their fleets last year because they had so little business, found themselves short-handed this year as demand grew for their services. As a result, rental companies are hanging on to the cars they have rather than regularly moving inventory into the used car market, as they usually do, exacerbating the shortage.

Other categories' costs are also on the rise

Housing costs rose modestly this spring, but it was still a reversal of 2020's declines. And although clothing has only a minor influence on the overall index, its near-double-digit rise was a surprise. Workplaces and schools opening have, for now, increased demand for new clothes again.

Neal Fried is an economist in Anchorage. Reach him at (907) 269-4861 or neal.fried@alaska.gov.

How Alaska's costs stack up nationally

When comparing costs between places, one of the most-used sources is the cost-of-living index published quarterly and annually by the Council for Community and Economic Research, or C2ER. It's based on detailed surveys in more than 250 cities and includes four in Alaska: Anchorage, Fairbanks, Juneau, and Kodiak. Kodiak was absent from the survey for several years but returned in the first quarter of 2021.

The survey covers 57 specific items in categories such as groceries, housing, utilities, transportation, and health care, and assumes a consumption pattern based on a professional and executive household in the top income quintile.

Although consumption patterns vary around the country, C2ER doesn't take this into account. It also doesn't measure taxation, where Alaska has a clear cost advantage.

During the first quarter of 2021, the survey found the costs of living in all four Alaska communities were well above the national average. Anchorage's cost index weighed in at 124.6 — or 24.6 percent above the U.S. average. Fairbanks registered at 126.6, Juneau at 127.0, and Kodiak at 124.8.

While housing in Alaska drives overall costs up considerably, the survey found expenditures in all categories were higher than the national average.

Most expensive cities, Q1 2021

City	Index
U.S. average	100.0
1 New York (Manhattan), NY	240.6
2 San Francisco, CA	188.0
3 Honolulu, HI	187.6
4 New York (Brooklyn), NY	174.6
5 Washington, DC	154.7
6 Seattle, WA	151.8
7 Boston, MA	151.8
8 Orange County, CA	151.0
9 Oakland, CA	150.3
10 New York (Queens), NY	148.1
11 Los Angeles-Long Beach, CA	146.6
12 Arlington, VA	144.2
13 San Diego, CA	142.5
14 Bethesda-Gaithersburg-Frederick, MD	141.5
15 Alexandria, VA	135.7
16 Stamford, CT	135.4
17 Portland, OR	131.6
18 Juneau, AK	127.0
19 Fairbanks, AK	126.6
20 Kodiak, AK	124.8
21 Anchorage, AK	124.6
22 Chicago, IL	123.9

Source: The Council for Community and Economic Research

Health care costs are particularly high in Alaska, and the four Alaska cities ranked as the highest

Continued on page 13

Seattle, Anchorage costs continue to diverge



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

How Alaska cities compared to other U.S. cities in early 2021*

	Total Index	Groceries	Housing	Utilities	Transportation	Health care	Misc
Category's weight in total index	100.0%	14.16%	27.87%	9.30%	8.87%	4.69%	35.11%
U.S. average	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Region and city							
West							
Anchorage, AK	124.6	125.3	135.9	133.5	104.7	149.5	114.7
Fairbanks, AK	126.6	120.2	110.2	227.1	113.1	157.2	114.9
Juneau, AK	127.0	140.6	144.0	135.8	116.5	154.8	104.5
Kodiak, AK	124.8	144.7	116.2	131.6	109.6	161.5	120.8
Portland, OR	131.6	109.0	178.1	90.1	125.3	115.7	118.5
Honolulu, HI	187.6	157.9	313.1	169.2	141.1	112.3	126.7
San Francisco, CA	188.0	130.4	342.3	137.2	145.0	122.2	121.9
Los Angeles-Long Beach, CA	146.6	112.6	225.5	108.6	132.9	110.1	116.2
Las Vegas, NV	104.0	112.4	108.0	93.3	111.0	97.1	99.5
Seattle, WA	151.8	131.4	214.7	108.6	140.4	122.8	128.3
Spokane, WA	105.5	98.8	100.8	100.8	106.4	121.0	111.0
Boise, ID	99.0	91.6	105.5	82.8	98.6	101.7	100.9
Bozeman, MT	109.5	99.0	136.7	87.8	97.9	95.4	102.6
Casper, WY	95.7	103.5	81.7	87.4	94.5	100.2	105.5
Salt Lake City, UT	100.5	101.4	102.4	90.6	103.3	95.8	101.2
Southwest/Mountain							
Phoenix, AZ	101.2	95.9	113.0	106.0	102.0	88.9	94.0
Denver, CO	114.7	94.9	136.7	83.1	105.4	103.7	117.4
Colorado Springs, CO	106.8	99.5	113.2	97.7	101.9	102.5	108.8
Dallas, TX	102.5	97.7	104.8	109.8	86.7	113.1	103.2
Houston, TX	94.9	96.7	81.6	108.3	96.0	93.7	101.2
Midland, TX	94.6	94.3	75.8	96.1	95.2	103.0	107.9
Tulsa, OK	86.6	95.3	63.7	94.4	88.3	105.1	96.2
Oklahoma City, OK	86.7	94.3	70.9	94.8	92.5	95.7	91.4
Midwest							
Cleveland, OH	95.9	103.7	83.1	98.6	98.7	105.7	100.1
Chicago, IL	123.9	104.8	161.7	91.5	118.1	97.6	115.1
Minneapolis, MN	104.7	101.9	100.7	96.2	105.6	100.8	111.6
Des Moines, IA	86.3	98.5	73.1	85.6	94.1	92.3	89.2
Kalamazoo, MI	76.3	77.9	50.5	97.8	93.4	97.9	83.2
Southeast							
Washington-Arlington-Alexandria DC	154.7	112.7	257.4	108.0	110.0	91.4	122.3
Fort Lauderdale, FL	119.0	121.5	150.5	101.8	101.3	104.5	104.0
Miami, FL	115.6	123.3	138.0	101.8	97.6	104.4	104.4
Birmingham, AL	94.3	97.8	78.7	102.0	92.2	93.8	103.9
Atlanta, GA	102.6	99.5	107.8	84.0	99.6	104.6	105.0
New Orleans, LA	110.9	99.0	138.5	76.0	95.3	117.2	106.2
Atlantic/New England							
New York City (Manhattan), NY	240.6	147.4	527.9	102.5	129.2	110.3	132.4
Boston, MA	151.8	116.3	229.5	124.8	110.0	119.5	126.6
Pittsburgh, PA	104.4	108.5	102.3	118.7	111.9	94.7	99.9
Hartford, CT	109.2	102.3	106.1	127.8	98.3	108.5	112.5

LOWEST →

→ HIGHEST

*Based on professional households with earnings in the top quintile, first quarter 2021

Source: The Council for Community and Economic Research

Prices for select goods and services in the first quarter of 2021

MOVIE AT THE THEATER

\$16.41, San Francisco, CA

AVERAGE: \$10.91

\$5.00, Texarkana, TX/AR

Anchorage: \$12.27
Fairbanks: \$13.45
Juneau: \$12.25
Kodiak: \$8.00

VETERINARIAN EXAM FOR DOG

\$95.00, Plano, TX

AVERAGE: \$53.61

\$32.50, Muskogee, OK

Anchorage: \$72.50
Fairbanks: \$50.80
Juneau: \$53.50
Kodiak: \$75.00

ROUTINE EXAM AT DOCTOR

\$229.95, Kodiak, AK

AVERAGE: \$117.25

\$60.00, Tupelo, MS

Anchorage: \$209.00
Fairbanks: \$217.67
Juneau: \$221.00
Kodiak: \$229.95

POUND OF BANANAS

\$1.21, Kodiak, AK

AVERAGE: \$0.57

\$0.31, Temple, TX

Anchorage: \$0.89
Fairbanks: \$0.88
Juneau: \$0.89
Kodiak: \$1.21

Alaska's prices for a Quarter Pounder With Cheese continue to fall down the rankings

For a long time, Alaska cities ranked among the most expensive for a McDonald's Quarter Pounder With Cheese — but an increasing number of U.S. cities' sandwiches cost more than ours every year. Even five years ago, burgers in all four Alaska cities — Anchorage, Juneau, Fairbanks, and Kodiak — still ranked among the 10 most expensive out of 265 cities surveyed that year. In early 2021, Kodiak ranked 19th, Fairbanks and Juneau ranked 31st, and Anchorage dropped way down to 74th.

The price of a Quarter Pounder With Cheese continues to rise, however. For example, in 2017, it cost \$4.13 on average nationwide. In early 2021, it was \$4.64.



HAIRCUT AND STYLE AT SALON

\$82.00, Long Beach, CA

AVERAGE: \$40.22

\$18.27, Kalamazoo, MI

Anchorage: \$49.75
Fairbanks: \$46.58
Juneau: \$44.59
Kodiak: \$40.83

MED THIN CRUST CHEESE PIZZA

\$16.99, Sacramento, CA

AVERAGE: \$10.74

\$6.66, Fayetteville, AR

Anchorage: \$11.49
Fairbanks: \$11.99
Juneau: \$11.99
Kodiak: \$11.82

WASHING MACHINE SERVICE CALL

\$117.50, Casper, WY

AVERAGE: \$78.68

\$35.00, Manhattan, KS

Anchorage: \$88.49
Fairbanks: \$100.00
Juneau: \$55.00
Kodiak: \$97.83

HALF-GALLON OF MILK

\$4.42, Honolulu, HI

AVERAGE: \$2.17

\$1.09, Louisville, KY

Anchorage: \$3.00
Fairbanks: \$2.57
Juneau: \$2.99
Kodiak: \$2.61

Source: The Council for Community and Economic Research, 1st quarter 2021 data published in May 2021

Comparing costs among Alaska towns

Rural fuel costs, Jan 2021

Community	Home heating fuel No. 1, gal	Gasoline, gal regular
Akiak	\$4.69	\$4.92
Angoon	\$4.62	\$4.42
Arctic Village	\$12.00	\$8.00
Atka	\$7.50	\$8.35
Bethel	\$4.03	\$3.86
Chenega Bay	\$5.04	\$5.95
Chignik	\$3.94	\$3.83
Circle	\$3.15	\$3.20
Deering	\$4.38	\$4.38
Dillingham	\$3.52	\$4.57
Eagle	\$3.50	\$3.75
Emmonak	\$5.16	\$5.41
Fairbanks	\$2.74	\$2.75
Galena	\$5.18	\$6.00
Gambell	\$4.58	\$6.70
Glennallen	\$2.09	\$2.95
Golovin	\$3.10	\$3.60
Holy Cross	\$6.05	\$6.27
Homer	\$2.55	\$2.57
Hooper Bay	\$5.30	\$5.41
Huslia	\$6.25	\$6.00
Juneau	\$2.53	\$2.88
King Cove	\$3.04	\$4.13
Kodiak	\$2.74	\$2.69
Kokhanok	\$7.00	\$7.00
Kotzebue	\$5.89	\$5.89
Mountain Village	\$6.18	\$6.11
Nenana	\$2.58	\$3.42
Noorvik	\$5.64	\$5.20
Nuiqsut	\$2.30	\$5.00
Nulato	\$4.00	\$5.00
Pelican	\$3.64	\$3.83
Pilot Station	\$6.25	\$6.05
Port Lions	\$3.35	\$3.41
Ruby	\$4.75	\$4.75
Sand Point	\$4.65	\$3.74
Shishmaref	\$3.11	\$3.71
Unalaska	\$2.93	\$3.89
Wales	\$4.64	\$4.89
Wrangell	\$2.91	\$3.32

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

Source: Alaska Department of Commerce, Community, and Economic Development, *Current Community Conditions: Fuel Prices Across Alaska, January 2021 update*

Within Alaska, a big range in fuel costs

Because rising fuel prices have a disproportionate effect on the state's rural communities, the Alaska Department of Commerce, Community, and Economic Development conducts a semiannual survey of fuel prices in 100 places around the state.

As other surveys have shown, communities with the highest prices were those that depend on flights for their supplies. With few exceptions, the smaller and more remote communities paid significantly more than the state's larger, more urban areas.

For example, a gallon of gasoline that cost \$2.75 in Fairbanks and \$2.88 in Juneau in early 2021 cost \$8.35 in Atka (in the Aleutian Islands) and \$8.00 in Arctic Village.

Housing can reflect overall living costs

Because housing eats up about 40 percent of a household's income, it can be a good proxy for an area's overall cost of living.

Median adjusted rents by area in 2021



Notes: Adjusted rent is rent plus the cost of all utilities, whether they're included in rent payments or paid separately by renters. Rents are for all unit types.

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

The Alaska Housing Finance Corporation contracts with the Alaska Department of Labor and Workforce Development to collect housing data for apartments and houses around the state each year.

Like food and other items, the cost of housing varies dramatically by area in Alaska. It's influenced by the supply, quality, and mix of housing types; vacancy rates; building costs; area demographics; and the health of the local economy.

In the first quarter of 2021, apartment rents ranged from \$950 a month in Wrangell/Petersburg to \$1,323 a month in Sitka. The average house sold for a low of \$308,627 in the Fairbanks North Star Borough to a high of \$455,778 in the Bethel Census Area.

Average house prices* in the first quarter of 2021



*Single-family, three-bedroom house

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

How the military ranked Alaska cities' costs in 2021

City	Index
U.S. average	100
Anchorage (includes Eagle River)	126
Bethel	150
Clear Air Force Station	130
College	128
Cordova	148
Delta Junction	132
Eielson Air Force Base (Fairbanks)	132
Fort Wainwright (Fairbanks)	128
Homer (includes Anchor Point)	138
Juneau	142
Kenai (includes Soldotna)	138
Ketchikan	138
King Salmon (incl Bristol Bay Borough)	138
Kodiak	136
Nome	144
Petersburg	144
Seward	142
Sitka	144
Spuce Cape	142
Tok	132
Unalaska	142
Utqiagvik	144
Valdez	146
Wainwright	144
Wasilla	122

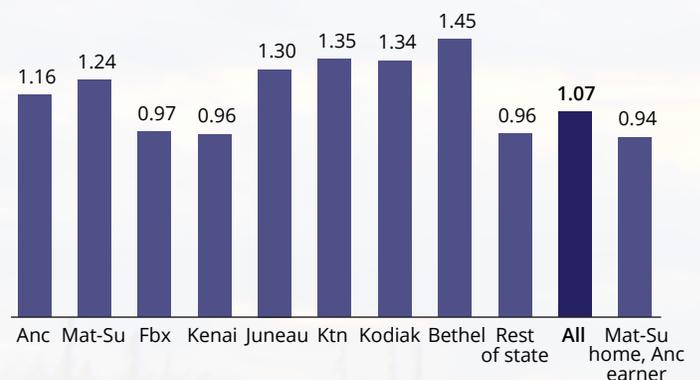
Source: OCONUS, effective June 1, 2021

Homes most affordable since '92

Because an area's average wages can change how affordable its housing is, we create an index that takes wages into account. The index calculates how many average earners in an area it takes to afford a typical single-family home there.

Low interest rates and wage increases made housing in Alaska more affordable in 2020 than it's been since at least 1992. (For more on affordability, see the May issue of *Trends*.)

Earners needed to afford an average home in the second half of 2020



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

While housing was more affordable everywhere, an Anchorage worker purchasing a home in the adjacent Matanuska-Susitna Borough remained the most affordable arrangement. Because Mat-Su's average home is cheaper and Anchorage's average earnings are higher, that mortgage would require less than a single person's monthly earnings, making the commute worthwhile for many.

Military index tells a similar story

The U.S. Department of Defense produces a cost-of-living index called OCONUS for all its "overseas" locations, including Alaska and Hawaii. The military pays allowances to service members stationed in high-cost areas that help them maintain purchasing power

similar to what they'd have in lower-cost areas.

This cost-of-living adjustment is only calculated on spendable income, not total income, so it excludes housing (which the military handles separately), taxes, savings, life insurance, gifts, and contributions.

This index's strength is its broad geographic coverage, as it includes a long list of small Alaska communities. Its results mostly line up with other sources in this article. In 2021, the costliest communities were Bethel at 150 percent of the average and Cordova at 148 percent. The lowest costs were in Wasilla and Anchorage at 122 and 126, respectively.

Neal Fried is an economist in Anchorage. Reach him at (907) 269-4861 or neal.fried@alaska.gov.

ALASKA AND U.S. CITIES

Continued from page 8

four in the country. Costs ranged from 50 percent above the national average in Anchorage to 62 percent higher in Kodiak.

Still, an increasing number of U.S. cities are eclipsing Alaska's costs, and mainly because of housing. In 2000, only five cities came in above Alaska, but 2021 recorded 17. The closest geographically was Seattle at 151.8.

Nearly all of the more costly cities were large metropolitan areas with populations larger than the entire state of Alaska. Manhattan topped the list at 240.6. In contrast, the lowest-cost city was Kalamazoo, Michigan, at 76.3.

Neal Fried is an economist in Anchorage. Reach him at (907) 269-4861 or neal.fried@alaska.gov.

Highest public health care premiums, 2021

State	Premium
1 Wyoming	\$785
2 Alaska	\$673
3 Vermont	\$666
4 Nebraska	\$645
5 West Virginia	\$635
6 South Dakota	\$609
7 New York	\$588
8 Alabama	\$549
9 Connecticut	\$523
10 Delaware	\$522

Note: Lowest monthly premium for a 40-year-old applicant, silver tier of Affordable Care Act coverage

Source: The Henry J. Kaiser Family Foundation