

The Cost of Living in Alaska

by John Boucher
Labor Economist

Each measure has its own methods, focus, and results

How expensive is it to live in Alaska? What is the rate of inflation in Alaska? These are two of the questions most frequently asked of the Alaska Department of Labor and Workforce Development's Research and Analysis Section. In answer to these questions, this article provides some of the latest cost-of-living measurements available for Alaska and explains the uses and limitations of these data.

A measure of inflation or cost differentials?

Two types of cost-of-living measurements are available for Alaska. If you are interested in how prices have changed in a particular place, commonly referred to as the inflation rate, you should use the Consumer Price Index (CPI). If you're interested in cost differences between two places—"Is it more expensive to live in Fairbanks than Seattle?"—then a cost-of-living measurement like the American Chamber of Commerce Researchers Association (ACCRA) index or the Runzheimer International study would best suit your needs.

Be aware of the method and the market basket

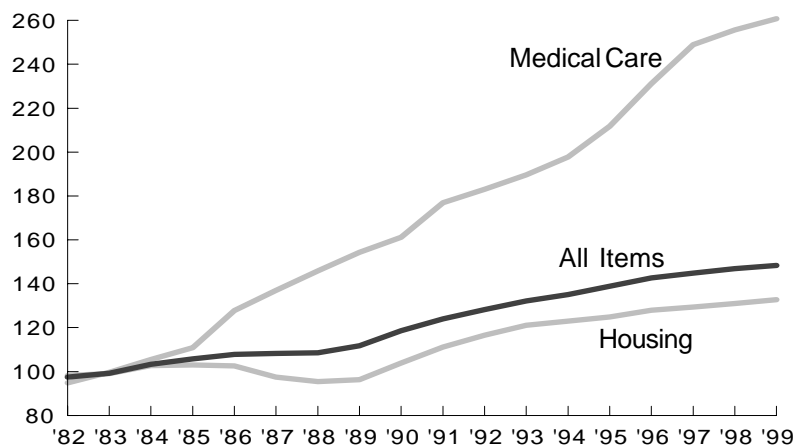
Since it is too expensive to monitor the price of every item available to purchase, cost-of-living surveys track prices of a sample of items from common expenditure categories (such as housing expenses, medical expenses, food expenses,

etc.). This sample of items is called the survey's market basket. Most surveys gear their market baskets toward a "typical" consumer.

When using a cost-of-living survey, it is advisable to know what the survey's market basket contains and whose buying habits the survey simulates. All surveys give a list of the items in the market basket and define the type of consumer(s) the market basket represents. For example, the Consumer Price Index for All Urban Consumers (CPI-U) is designed to represent about 87 percent of the total U.S. population, based on the 1990 Census. The other surveys in this article have a narrower focus.

Medical Costs Soar But housing holds down inflation

Anchorage CPI-U for selected components 1982-present



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

2 Consumer Price Index U.S. City and Anchorage

All items annual averages

Year	U.S. City Average	Percent Change from Prev. Yr.	Anchorage Average	Percent Change from Prev. Yr.
1960	29.6		34.0	
1961	29.9	1.0	34.5	1.5
1962	30.2	1.0	34.7	0.6
1963	30.6	1.3	34.8	0.3
1964	31.0	1.3	35.0	0.6
1965	31.5	1.6	35.3	0.9
1966	32.4	2.9	36.3	2.8
1967	33.4	3.1	37.2	2.5
1968	34.8	4.2	38.1	2.4
1969	36.7	5.5	39.6	3.9
1970	38.8	5.7	41.1	3.8
1971	40.5	4.4	42.3	2.9
1972	41.8	3.2	43.4	2.6
1973	44.4	6.2	45.3	4.4
1974	49.3	11.0	50.2	10.8
1975	53.8	9.1	57.1	13.7
1976	56.9	5.8	61.5	7.7
1977	60.6	6.5	65.6	6.7
1978	65.2	7.6	70.2	7.0
1979	72.6	11.3	77.6	10.5
1980	82.4	13.5	85.5	10.2
1981	90.9	10.3	92.4	8.1
1982	96.5	6.2	97.4	5.4
1983	99.6	3.2	99.2	1.8
1984	103.9	4.3	103.3	4.1
1985	107.6	3.6	105.8	2.4
1986	109.6	1.9	107.8	1.9
1987	113.6	3.6	108.2	0.4
1988	118.3	4.1	108.6	0.4
1989	124.0	4.8	111.7	2.9
1990	130.7	5.4	118.6	6.2
1991	136.2	4.2	124.0	4.6
1992	140.3	3.0	128.2	3.4
1993	144.5	3.0	132.2	3.1
1994	148.2	2.6	135.0	2.1
1995	152.4	2.8	138.9	2.9
1996	156.9	3.0	142.7	2.7
1997	160.5	2.3	144.8	1.5
1998	163.0	1.6	146.9	1.5
1999	166.6	2.2	148.4	1.0
2nd half '90	132.6	5.8	120.4	7.0
2nd half '91	137.2	3.5	124.7	3.6
2nd half '92	141.4	3.1	129.1	3.5
2nd half '93	145.3	2.8	132.8	2.9
2nd half '94	149.3	2.8	135.8	2.3
2nd half '95	153.3	2.7	139.5	2.7
2nd half '96	157.9	3.0	143.7	3.0
2nd half '97	161.2	2.1	145.4	1.2
2nd half '98	163.7	1.6	147.0	1.1
2nd half '99	167.8	2.5	148.3	0.9

1982-1984=100

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

The CPI—the nation's inflation measure

The majority of requests for Alaska's cost of living ask about the inflation rate. The Consumer Price Index is a national survey designed to answer questions about price changes. CPI information often is 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 (BLS) gathers prices in 87 urban areas throughout the country. Because Anchorage is the only city in Alaska surveyed, the Anchorage CPI is the only "Alaska" inflation measure. Unfortunately, it may not reflect price changes in every area of the state. In general, however, Anchorage price trends reflect changes in the cost of living for most Alaskans. If the Anchorage CPI doesn't adequately measure inflation in your area, you can choose a different area to measure inflation. Some users prefer to use Seattle's CPI, for example. But as a matter of practice, most Alaska users prefer to use the Anchorage CPI rather than another area's CPI.

From an official standpoint, the U.S. Department of Labor, BLS, recommends using the national CPI-U (U.S. City Average) to adjust for the effects of inflation. BLS recommends this because the smaller size of the local area samples makes them more prone to measurement errors. When the Anchorage and the U.S. City CPIs since 1960 are compared, inflation has been significantly lower in Anchorage than in the rest of the nation. (See Exhibit 2.) This is predominately due to the difference in the rate of inflation for housing costs in Anchorage compared to the other areas in the CPI survey.

Housing key to Anchorage inflation rate

Analyzing inflation rates among expenditure categories can help clarify how different parts of the market basket affect the overall CPI. For example, since the early 1980s, medical care costs have risen more rapidly than the overall Anchorage CPI, while housing costs have tended to lag behind the overall rate of inflation. (See Exhibit 1.)

While medical care costs have shot up in recent years, overall inflation has not followed. That's because the average consumer spends a much smaller amount on medical care than on housing. When the CPI is

calculated, each commodity group is given a weight, or measure of its contribution to the overall cost of living. Medical care costs, for example, accounted for 5.7% of the total cost of living in the December 1998 index. Housing costs, on the other hand, accounted for 41.4% of the Anchorage CPI during the same period. (See Exhibit 3.)

The strong influence that housing costs have on the overall Anchorage CPI has been particularly noticeable during the last 15 years. From 1986 to 1988, falling housing costs offset increases in other components of the CPI, resulting in low inflation during these three years. The increase in inflation in Anchorage during the early 1990s was largely due to a tightening housing market. When the housing component jumped from a 0.9% increase in 1989 to a 7.9% increase in 1990, Anchorage inflation followed suit, going from a 2.9% to a 6.2% increase. From 1990 to 1993, a tighter housing market propelled Anchorage's inflation rate above the rest of the nation's. Recently, Anchorage's housing market has cooled off and so has inflation.

The housing component is unique in the CPI, especially in regard to home ownership costs. The CPI uses a method called rental equivalency. This method assumes that a homeowner's shelter costs equal what it would cost to rent their house on the open market. This method has some shortcomings. In areas where housing prices and/or rents are changing rapidly, the inflation rate for the housing portion of the CPI could be exaggerated for homeowners who have a long-term, fixed-rate mortgage. During periods of rapidly declining rents and/or house prices homeowners with fixed rate mortgages do not experience lower housing costs, and their other costs may continue to increase. The overall CPI can understate inflation for them. To measure inflation without the housing component, BLS publishes a special index, which excludes housing-related costs—the All Items less Shelter Index. (See Exhibit 4.) When comparing the national All Items Less Shelter Index to the Anchorage All Items Less Shelter Index, there is a much smaller difference in the rate of inflation for Anchorage consumers over the long term than is indicated by comparing the All Items indexes.

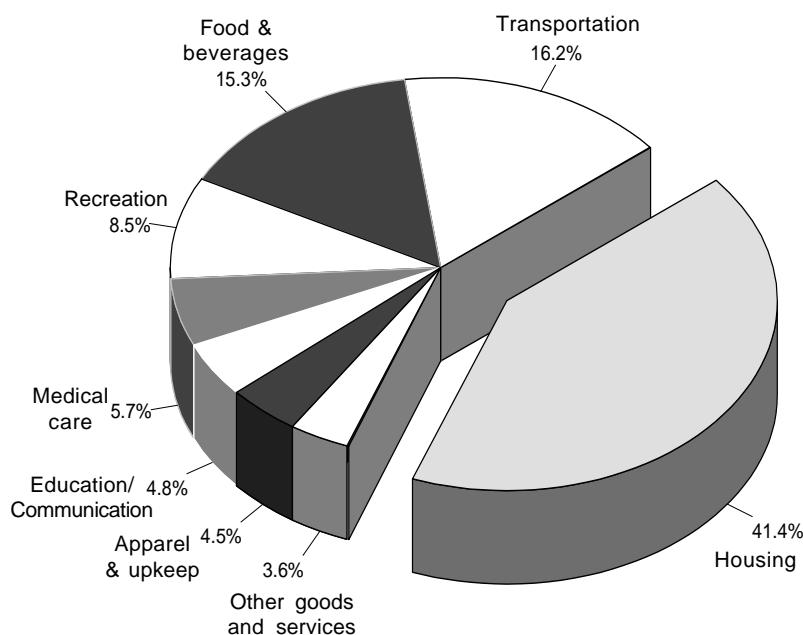
CPI measures inflation, not costs between locations

Users of the CPI should be aware of a common misinterpretation of this index. It occurs when users compare CPI numbers among areas. For example, at 148.4, the annual average Anchorage CPI for 1999 is lower than that of the United States as a whole at an annual average of 166.6. This does not mean that Anchorage has a lower cost of living than the rest of the U.S. The CPI measures inflation, not costs. The lower Anchorage CPI for 1999 means that Anchorage prices have not risen as quickly as prices in the rest of the U.S. since the early 1980s. (The base period, or when the two indexes equaled 100, is 1982-84.)

Major CPI revision program under way

To maintain the accuracy of the CPI, a revision of the index occurs approximately every 10 years. The U.S. Department of Labor, Bureau of

Housing is 41% of CPI-U Anchorage—December 1998 3



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

Labor Statistics, is currently implementing a multi-year program to update the nation's inflation measure. The latest revision of the U.S. CPI was first published with the release of the January 1998 data. The first published CPI for Anchorage using the revised method was released with the CPI for the first half of 1998. The biggest change in the CPI was the introduction of a new market basket of goods and services. This process updated the market basket using Consumer Expenditure Survey data from 1993-1995. One result was a reweighting of the expenditure categories that comprise the All Items CPI. In that process, some of the component indexes changed significantly. Entertainment, for example, is now called Recreation, and one new major item grouping, Education and Communication, was added.

In addition to the market basket revision, new urban areas replaced 36 of the 87 areas where data are collected. The new geographic distribution of CPI sample areas represents the

population distribution in 1990, replacing a sample that represented the population distribution as of the 1980 Census. The change did not impact the Anchorage CPI, since Anchorage and Honolulu are considered statistical outliers because of their geographical separation from the contiguous United States.

Other changes were implemented as a result of the 1998 CPI revision. Some occurred immediately; others will be phased in over several years. Changes include the introduction of a new sample and item structure for hospital services; a new method of collecting housing data; rebasing the CPI to the 1993-95 period; and numerous technical enhancements related to data collection. Some of these changes took effect with the Anchorage CPI for the first half of 1998; others will be incorporated over time. (For a detailed account of the changes occurring to the CPI, refer to December 1996 issue of the *Monthly Labor Review*.)

4 Selected Components of CPI-U: Anchorage and U.S. City annual averages—1983-1999

Year	ALL ITEMS LESS SHELTER				HOUSING				FOOD & BEVERAGES			
	U.S. Average		Anch. Avg.		U.S. Average		Anch. Avg.		U.S. Avg.		Anch. Avg.	
	Percent Change from Prev. Yr.	Percent Change from Prev. Yr.	Percent Change from Prev. Yr.	Percent Change from Prev. Yr.	Percent Change from Prev. Yr.	Percent Change from Prev. Yr.	Percent Change from Prev. Yr.	Percent Change from Prev. Yr.	Percent Change from Prev. Yr.	Percent Change from Prev. Yr.	Percent Change from Prev. Yr.	
1983	99.8	3.7	99.9	3.7	99.5	2.7	99.0	0.8	99.5	2.3	99.7	2.6
1984	103.9	4.1	103.8	3.9	103.6	4.1	102.7	3.7	103.2	3.7	103.2	3.5
1985	107.0	3.0	107.5	3.6	107.7	4.0	103.0	0.3	105.6	2.3	106.2	2.9
1986	108.0	0.9	111.2	3.4	110.9	3.0	102.6	-0.4	109.1	3.3	110.8	4.3
1987	111.6	3.3	115.1	3.5	114.2	3.0	97.5	-5.0	113.5	4.0	113.1	2.1
1988	115.9	3.9	117.8	2.3	118.5	3.8	95.4	-2.2	118.2	4.1	113.8	0.6
1989	121.6	4.9	122.3	3.8	123.0	3.8	96.3	0.9	124.9	5.7	117.2	3.0
1990	128.2	5.4	128.0	4.7	128.5	4.5	103.9	7.9	132.1	5.8	123.7	5.5
1991	133.5	4.1	131.9	3.0	133.6	4.0	111.2	7.0	136.8	3.6	127.7	3.2
1992	137.3	2.8	134.6	2.0	137.5	2.9	116.6	4.9	138.7	1.4	130.3	2.0
1993	141.4	3.0	137.9	2.5	141.2	2.7	121.1	3.9	141.6	2.1	131.2	0.7
1994	144.8	2.4	140.3	1.7	144.8	2.5	122.9	1.5	144.9	2.3	131.9	0.5
1995	148.6	2.6	144.6	3.1	148.5	2.6	124.9	1.6	148.9	2.8	138.5	5.0
1996	152.8	2.8	148.4	2.6	152.8	2.9	127.9	2.4	153.7	3.2	143.4	3.5
1997	155.9	2.0	150.6	1.5	156.8	2.6	129.4	1.2	157.7	2.6	145.8	1.7
1998	157.2	0.8	152.6	1.3	160.4	2.3	131.0	1.2	161.1	2.2	147.3	1.0
1999	160.2	1.9	153.5	0.6	163.9	2.2	132.7	1.3	164.6	2.2	148.4	0.7

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

New formula lowers CPI changes

Effective with the CPI data for January 1999, the Bureau of Labor Statistics adopted a new method of calculating the CPI, lowering the rate of change. The change adopted a new formula for calculating weights of a select group of CPI components. A 1996 report from the Advisory Commission to Study the Consumer Price Index pointed out that the old CPI methodology did not account for the substitution behavior of consumers. (Substitution behavior can't be totally explained here, but it relates to the tendency of consumers to substitute one product for another when prices change.) In response, the Bureau of Labor Statistics adopted methods that better account for this behavior. Both the commission and the Bureau of Labor Statistics estimate this change will reduce the annual rate of change in the CPI by approximately 0.2 percentage points per year. (For a detailed account of the incorporation of a geometric mean into the CPI, refer to the October 1998 issue of the *Monthly Labor Review*. In the June 1999 *Monthly Labor*

Review there is a discussion of how method changes implemented since 1978 have affected the calculation of the CPI.)

Food cost survey provides some Alaska comparisons

There are different studies available to compare living costs among places. Due primarily to methodology differences, each survey shows a different result when comparing living costs among locations.

One cost-of-living measurement is the University of Alaska's *Cost of Food at Home* study. It measures the cost to feed various size families in different locations in Alaska. The food basket provides a minimum level of nutrition to an individual or family at the lowest possible cost. The report also contains comparative information on some utility and fuel costs. One of its strengths is wide geographic coverage of Alaska over a relatively long period of time. For many years,

Selected Components CPI-U: Anchorage and U.S. City annual averages—1983-1999 (continued)

4

Year	TRANSPORTATION				MEDICAL CARE				APPAREL & UPKEEP			
	U.S. Average	Percent Change	Anch. Avg.	Percent Change	U.S. Avg.	Percent Change	Anch. Avg.	Percent Change	U.S. Avg.	Percent Change	Anch. Avg.	Percent Change
		from Prev. Yr.		from Prev. Yr.		from Prev. Yr.		from Prev. Yr.		from Prev. Yr.		from Prev. Yr.
1983	99.3	2.4	98.5	1.8	100.6	8.8	99.7	5.2	100.2	2.5	101.6	5.2
1984	103.7	4.4	104.6	6.2	106.8	6.2	105.5	5.8	102.1	1.9	101.7	0.1
1985	106.4	2.6	108.2	3.4	113.5	6.3	110.9	5.1	105.0	2.8	105.8	4.0
1986	102.3	-3.9	107.8	-0.4	122.0	7.5	127.8	15.2	105.9	0.9	109.0	3.0
1987	105.4	3.0	111.3	3.2	130.1	6.6	137.0	7.2	110.6	4.4	116.6	7.0
1988	108.7	3.1	113.0	1.5	138.6	6.5	145.8	6.4	115.4	4.3	119.1	2.1
1989	114.1	5.0	116.7	3.3	149.3	7.7	154.4	5.9	118.6	2.8	125.0	5.0
1990	120.5	5.6	120.7	3.4	162.8	9.0	161.2	4.4	124.1	4.6	127.7	2.2
1991	123.8	2.7	121.7	0.8	177.0	8.7	173.5	7.6	128.7	3.7	126.6	-0.9
1992	126.5	2.2	123.3	1.3	190.1	7.4	183.0	5.5	131.9	2.5	130.2	2.8
1993	130.4	3.1	128.8	4.5	201.4	5.9	189.6	3.6	133.7	1.4	131.2	0.8
1994	134.3	3.0	136.9	6.3	211.0	4.8	197.8	4.3	133.4	-0.2	128.9	-1.8
1995	139.1	3.6	143.8	5.0	220.5	4.5	211.6	7.0	132.0	-1.0	130.0	0.9
1996	143.0	2.8	147.2	2.4	228.2	3.5	231.1	9.2	131.7	-0.2	128.7	-1.0
1997	144.3	0.9	147.0	-0.1	234.6	2.8	248.9	7.7	132.9	0.9	127.0	-1.3
1998	141.6	-1.9	144.9	-1.4	242.1	3.2	255.7	2.7	133.0	0.1	125.6	-1.1
1999	144.4	2.0	143.7	-0.8	250.6	3.5	260.8	2.0	131.3	-1.3	125.8	0.2

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

the *Cost of Food at Home* study has provided a comparative measure for Alaska locations that no other cost survey covers. Its primary weakness is that it measures only a limited number of food items and some utility costs. Food and utility costs alone can't provide a complete measurement of cost-of-living differences.

Comparing living costs among Alaska communities is complicated by several factors. Some goods and services available in urban areas are not readily available in rural areas. The buying habits of urban residents can vary dramatically from those of rural residents, which can confuse cost-of-living comparisons. The *Cost of Food at Home* survey assumes that all foods are purchased in the

local community. In rural Alaska, food is commonly acquired through subsistence means or from merchants outside of the community. These factors play a significant role in an area's cost-of-living.

Food costs are higher in rural Alaska

Exhibit 5 shows weekly food costs in 20 communities for a family of four with elementary school-aged children. The December 1999 figures showed that Fairbanks had the lowest food costs of the areas surveyed, followed by Anchorage, Juneau, Ketchikan, and Kenai. The survey has consistently shown that larger cities in Alaska have food costs fairly comparable to those in Anchorage.

5 Cost of Food for a Week in 20 Alaska communities—December 1999

Family of four with elementary school-age children

Community	Cost of Food, One Week	Percent of Anchorage
Anchorage	\$99.17	100
Bethel	159.33	161
Cordova	139.47	141
Craig/Klawock	130.46	132
Delta	113.69	115
Dillingham	170.38	172
Fairbanks	97.37	98
Greater Copper River Valley	123.77	125
Homer	157.34	159
Juneau	101.85	103
Kenai-Soldotna	107.81	109
Ketchikan	103.83	105
Kodiak	124.78	126
Matanuska-Susitna	115.59	117
Nome	159.43	161
Sitka	113.41	114
Thorne Bay	133.71	135
Tok	139.39	141
Valdez	114.28	115
Wrangell	114.68	116

Sales tax included in food cost.

Source: Cost of Food at Home for a Week, December 1999. University of Alaska Cooperative Extension Service, U.S. Dept. of Agriculture and SEA Grant cooperating

6 Cost of Food for a Week in Eight Alaska Cities

Family of four with elementary school-age children

Mo./Yr.	Anchorage	Fairbanks	Pct. of Anch.	Juneau	Pct. of Anch.
9/78	\$76.67	\$84.15	110	\$73.72	96
9/79	82.18	89.39	109	74.88	91
9/80	88.44	90.54	102	85.92	97
9/81	86.69	98.47	114	93.95	108
9/82	77.30	92.09	119	99.98	129
9/83	81.66	83.79	103	88.62	109
9/84	84.22	91.26	108	91.66	109
9/85	89.06	90.08	101	106.61	120
9/86	87.25	90.61	104	87.65	100
9/87	88.90	85.12	96	88.24	99
9/88	90.99	94.74	104	92.95	102
9/89	93.80	94.33	101	96.73	103
9/90	98.73	103.49	105	100.86	102
9/91	102.84	114.65	111	104.21	101
9/92	100.46	92.31	92	102.62	102
9/93	97.89	93.42	95	103.70	106
9/94	91.32	94.96	104	104.09	114
9/95	89.30	93.26	104	99.38	111
9/96	101.43	96.65	95	96.93	96
9/97	96.57	97.73	101	98.89	102
9/98	98.74	98.35	100	103.08	104
9/99	99.87	98.52	99	104.45	105

(continued page 9)

Overall, food costs tend to have three tiers in Alaska. The largest urban areas have the lowest food costs. Smaller communities on a major distribution system, like a road or the Alaska Marine Highway, tend to have slightly higher costs than the urban areas. The *Cost of Food at Home* study has consistently shown that the highest food costs are found in isolated communities supplied primarily by air. In places such as Bethel, Dillingham, and Nome, food costs are 50 to 75 percent higher than in Anchorage. Although the *Cost of Food at Home* study does not extensively survey remote villages, these areas tend to have even higher costs than the regional centers that are serviced primarily by air.

The urban/rural cost differential in the *Cost of Food at Home* study presents an interesting contrast between Alaska and other areas of the United States. Other surveys show that in the Lower 48, large urban areas tend to have higher living costs, including food costs, than do less populated areas. The opposite is true in Alaska. The cost of food and other basics such as fuel is higher in rural Alaska communities than in the state's urban centers.

Another interesting point about this survey is that the multi-tiered structure of food costs in Alaska has changed little since the late 1970s. Exhibit 6 shows the difference in the cost of food between Anchorage and other Alaska communities. It also shows the changes in costs over time within several communities in the study.

Cost of Food for a Week in Eight Alaska Cities 1978-1999

Family of four with elementary school-age children

6

Bethel	Pct. of Anch.	Nome	Pct. of Anch.	Kodiak	Pct. of Anch.	Kenai	Pct. of Anch.	Tok	Pct. of Anch.
\$114.05	149	\$118.85	155	-	-	\$82.48	108	-	-
129.16	157	128.67	157	-	-	100.41	122	-	-
130.87	148	131.14	148	99.42	112	120.84	137	108.82	123%
138.66	160	150.27	173	-	-	-	-	114.80	132
125.50	162	149.04	193	-	-	-	-	-	-
128.30	157	130.14	159	104.94	129	86.98	107	-	-
136.54	162	142.07	169	115.97	138	87.97	104	121.66	144
138.13	155	152.41	171	108.17	121	91.47	103	116.19	130
137.96	158	142.04	163	105.49	121	92.78	106	124.18	142
140.81	158	147.96	166	104.39	117	96.95	109	117.51	132
137.57	151	147.69	162	116.68	128	95.53	105	119.69	132
140.65	150	-	-	124.61	133	104.20	111	139.43	149
146.92	149	155.48	157	154.55	157	103.21	105	131.03	133
152.49	148	150.29	146	127.96	124	111.88	109	143.45	139
142.51	142	158.08	157	124.61	124	109.60	109	132.94	132
147.84	151	145.94	149	125.19	128	111.61	114	136.96	140
133.47	146	140.22	154	123.99	136	105.51	116	140.78	154
140.68	158	148.55	166	123.04	138	102.48	115	122.89	138
148.70	147	162.61	160	125.71	124	105.01	104	142.46	140
150.42	156	-	-	123.92	128	104.87	109	-	-
155.24	157	174.27	176	130.04	132	104.13	105	144.67	147
163.11	163	155.29	155	143.81	144	109.58	110	132.61	133

Source: Cost of Food at Home for a Week, Sept. 1978 to Sept. 1999. University of Alaska Cooperative Extension Service, U.S. Dept. of Agriculture and SEA Grant cooperating

AHFC data provide insight on housing costs

Under the auspices of the Alaska Housing Finance Corporation (AHFC), the Alaska Department of Labor and Workforce Development conducts a survey of the rental housing market in 10 areas of the state. Since housing is a large portion of most consumer budgets, this information can help gauge the cost of this expenditure, and go a long way in determining an area's overall cost of living. The complete results of the AHFC survey can be found in the Spring 1999 *Alaska Housing Market*

Indicators publication. Exhibits 7 and 8 display the monthly rental costs of two-bedroom apartments and three-bedroom single family residences for various locations.

Not surprisingly, there is a wide variance in rental housing costs in Alaska. The local economy, demographic and income trends, available housing stock and vacancy rates are all factors that drive housing costs in an area. The AHFC data show that rentals of two-bedroom apartments are most expensive in Juneau, Kodiak and Valdez, and least expensive in the Kenai-Soldotna area and Wrangell. The market for three-bedroom single family residences is only slightly different. Juneau, Anchorage and Kodiak are the most expensive places to rent these units while the Kenai-Soldotna area and Wrangell are among the least expensive. The displayed rents represent the contract rent plus an adjustment to include the value of utilities included as part of the rental contract.

7 Two-Bedroom Apartments Most expensive in Juneau and Kodiak

Median adjusted monthly rent

Anchorage	\$739
Fairbanks	\$722
Homer	\$726
Juneau	\$967
Kenai	\$585
Ketchikan	\$821
Kodiak	\$967
Palmer	\$673
Petersburg	\$788
Seward	\$750
Sitka	\$828
Soldotna	\$577
Valdez	\$888
Wasilla	\$668
Wrangell	\$600

ACCRA places Alaska cities among most expensive

The American Chamber of Commerce Researchers Association (ACCRA) provides another cost-of-living measure. The ACCRA cost-of-living study compares costs for roughly 300 cities in the United States, including several in Alaska. The ACCRA study is intended to replicate the consumption patterns of a mid-management executive's household.

In the ACCRA study, a standardized list of 59 items is priced during a fixed period of time. The average price data for each urban area are then converted into an index number for each expenditure category. Because of the limited number of items priced, percentage differences between areas should not be treated as exact measures. Small differences should not be construed as significant, or even as a correct indication of which area is the more expensive. Another limitation is that the ACCRA index does

Sources: *Alaska Housing Market Indicators, Spring 1999, Alaska Housing Finance Corporation; Alaska Department of Labor and Workforce Development, Research and Analysis Section*

not take state and local taxes into account. This is in part due to the difficulty in reliably measuring an area's tax burden.

Four Alaska cities were included in the fourth quarter 1999 ACCRA study. They were Anchorage, Fairbanks, Juneau, and Kodiak. The fourth quarter 1999 ACCRA data show that the Alaska cities are among the 10 highest cost areas surveyed. (See Exhibit 9.) Anchorage had the lowest index of the Alaska cities in the ACCRA study; however, the difference between Anchorage and Fairbanks was relatively small. According to the index, Anchorage and Fairbanks have a cost of living roughly 20-25 percent higher than the all-cities' average. Juneau and Kodiak were 30-35 percent higher than the all-cities' average.

The four Alaska cities in the ACCRA study were among the highest cost cities surveyed for several of the six major components of the ACCRA index. All four cities were in the top 10 in at least half of the categories.

ACCRA indicates a smaller difference in housing costs

Housing costs have always been thought of as exceptionally high in Alaska. Although they can be high, the ACCRA housing index shows that some areas in the nation, particularly large urban areas, have housing costs that are comparable or much higher. Generally, the lowest rankings for Alaska's cities were in the ACCRA transportation index. The Anchorage utility index was lower than two-thirds of the cities in the ACCRA study.

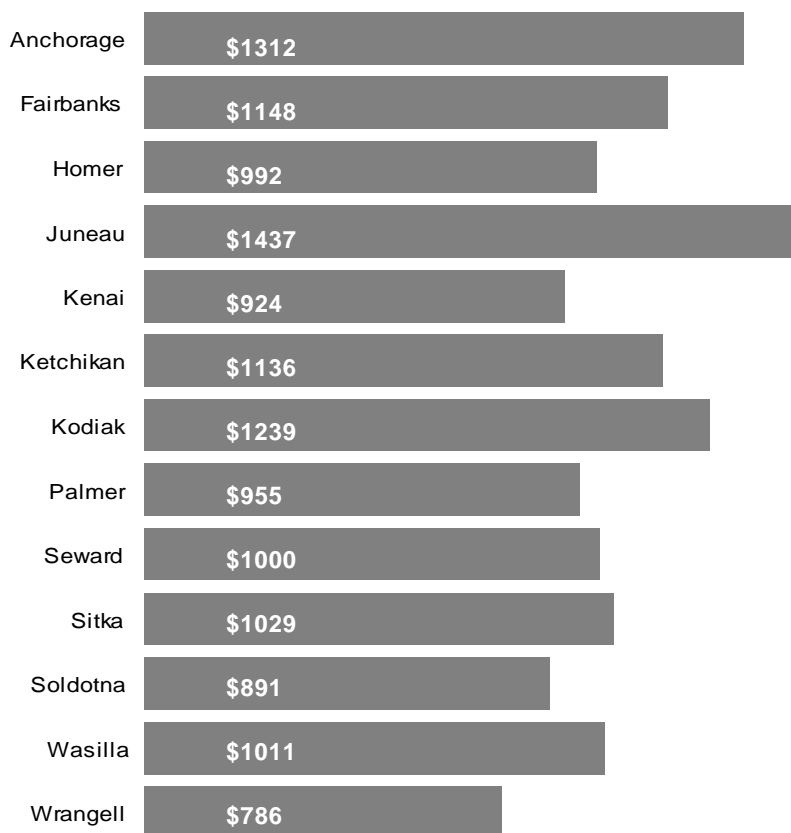
Comparative figures for Alaska cities and other cities around the nation are presented in Exhibits 10 and 11. Exhibit 10 shows the ACCRA cost of living indexes, while Exhibit 11 contains prices for some of the goods and services in the ACCRA study.

The ACCRA cost-of-living study is designed for spending patterns found in major American urban centers. The data collected in the pricing survey attempt to match the items found in urban areas. This process tends to ignore spending patterns 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. This method is problematic for Alaska communities where air transportation is a more common, and generally more expensive, mode of travel.

Single Family Homes

Most costly in Juneau, Anchorage

Median adjusted monthly rent, three-bedroom residences



Sources: Alaska Housing Market Indicators, Spring 1999, Alaska Housing Finance Corporation; Alaska Department of Labor and Workforce Development, Research and Analysis Section

Runzheimer study shows smaller cost-of-living differential

A different approach to calculating living cost differences between cities is reflected in the Runzheimer Living Cost Standards survey. Runzheimer International, a private research firm contracted by the Alaska Department of Labor and Workforce Development's Workers' Compensation Division, looked at the comparative income necessary to maintain a certain standard of living in different areas of the country as of December 1999. Runzheimer's approach takes into account certain elements left out of the ACCRA cost-of-living measure, such as an area's tax rate.

In the Runzheimer study, a "base" family was created consisting of two parents and two children. They own their home, a recently purchased 1,500-square-foot, single-family home with three bedrooms and 1.5 baths. They drive one automobile, a 1996 Ford Contour, approximately 16,000 miles annually. This family has an income of \$32,000 in Standard City, a fictitious city that has 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 Runzheimer survey shows that Anchorage and Fairbanks have a slightly higher cost of living than the other areas surveyed, while Juneau's

9 20 Highest Cost Urban Areas ACCRA Cost of Living Index—Fourth Quarter 1999

City	All Items Index	Grocery Items	Housing	Utilities	Transportation	Health Care	Misc. Goods & Services
New York, NY	240.1	148.4	486.3	173.3	120.9	185.1	136.2
Boston, MA	136.9	114.5	185.9	134.5	120.1	127.0	113.3
Kodiak, AK	136.2	139.3	137.2	168.6	111.1	156.3	130.5
Washington, DC	131.6	101.3	181.2	94.5	129.8	118.3	115.9
Juneau, AK	130.3	127.2	132.8	148.5	127.6	153.4	122.6
San Diego, CA	126.7	126.2	161.3	101.2	128.0	120.2	104.5
New Haven, CT	125.0	113.9	147.6	167.6	104.7	122.0	107.4
Fairbanks, AK	123.4	113.9	124.6	162.4	113.0	164.1	114.5
Los Angeles-Long Beach, CA	123.0	115.8	152.1	116.8	109.8	113.5	108.6
Anchorage, AK	122.9	124.3	137.1	87.6	102.7	162.8	118.7
Springfield, MA	120.3	118.0	129.5	149.9	111.6	119.9	109.2
Los Alamos, NM	119.5	102.5	164.4	85.9	107.9	110.1	102.6
Hartford, CT	118.8	113.4	128.7	142.6	113.0	136.5	106.4
Homewood, IL	117.9	108.1	129.6	110.7	127.3	124.2	110.8
Pittsburgh, PA	117.3	104.6	135.5	134.8	105.7	107.2	108.7
Palm Springs, CA	116.4	113.6	112.9	147.5	110.9	139.1	111.3
Glenwood Springs, CO	116.3	107.6	143.5	95.3	113.3	110.7	104.2
Philadelphia, PA	116.2	105.1	133.6	130.0	109.2	97.7	108.4
Burlington/Chittendon Co., VT	115.1	106.2	127.7	132.9	100.5	114.0	108.9
Reno-Sparks, NV	113.7	111.3	124.5	93.9	117.3	124.6	107.7

Source: American Chamber of Commerce Researchers Association (ACCRA) Urban Area Index Data, Fourth Quarter 1999 (311 urban areas surveyed.)

cost-of-living index was more than 18 percent higher. The cost of living in these three Alaska locations ranges from 4.3% to 18.4% above Standard City. (See Exhibit 12.) For comparison purposes, many of the cities appearing in the ACCRA data in Exhibits 10 and 11 are included in the Runzheimer data in Exhibit 12.

Lower taxes contribute to lower living costs

The component indexes of the Alaska cities in the Runzheimer study are generally 6 to 10 percent above the average cost of living, except for Juneau housing component which is 48 percent above the average. The one notable exception in all Alaska locations is the taxation component. The

Cost of Living for Selected Cities 10 ACCRA Index—Fourth Quarter 1999

	All Items Index	All			Transpor- tation	Health Care	Misc. Goods & Services
		Grocery Items	Housing	Utilities			
West							
Anchorage, AK	122.9	124.3	137.1	87.6	102.7	162.8	118.7
Fairbanks, AK	123.4	113.9	124.6	162.4	113.0	164.1	114.5
Juneau, AK	130.3	127.2	132.8	148.5	127.6	153.4	122.6
Kodiak, AK	136.2	139.3	137.2	168.6	111.1	156.3	130.5
Las Vegas, NV	106.4	117.1	102.2	87.6	123.2	124.1	101.6
Portland, OR	111.7	102.4	124.6	80.3	114.7	123.7	110.2
San Diego, CA	126.7	126.2	161.3	101.2	128.0	120.2	104.5
Southwest/Mountain							
Boise, ID	96.7	97.2	93.9	83.5	105.2	107.4	97.8
Dallas, TX	100.3	98.5	96.1	106.5	106.3	104.2	100.9
Denver, CO	110.3	108.9	126.8	84.7	111.4	119.8	101.5
Phoenix, AZ	102.4	101.7	100.9	102.4	108.7	115.7	100.0
Midwest							
Columbia, MO	97.5	96.0	94.9	92.8	98.6	96.9	101.1
Dayton, OH	98.8	91.4	103.5	101.6	101.8	96.3	97.2
Oklahoma City, OK	92.8	95.5	77.7	96.5	97.2	96.3	101.4
Southeast							
Knoxville, TN	94.3	94.7	85.8	94.2	97.7	95.5	100.1
Orlando, FL	98.9	103.4	98.9	98.9	97.8	112.0	95.2
Raleigh, NC	103.6	104.5	109.6	106.6	96.9	103.8	99.2
Atlantic/New England							
Baltimore, MD	96.0	94.0	92.6	105.6	98.7	94.0	96.9
Boston, MA	136.9	114.5	185.9	134.5	120.1	127.0	113.3
Philadelphia, PA	116.2	105.1	133.6	130.0	109.2	97.7	108.4
Washington, DC	131.6	101.3	181.2	94.5	129.8	118.3	115.9

Source: American Chamber of Commerce Researchers Association (ACCRA) Urban Area Index Data, Fourth Quarter 1999 (311 urban areas surveyed.)

1 1 Average Price for Select Goods and Services In selected U.S. cities—Fourth Quarter 1999—ACCRA

	1 lb. Ground Beef	1/2 gal. Whole Milk	1 doz. Grade A Lg. Eggs	13 oz Coffee (canned)	2 BR Apt. Rent Unfurn. no utils.	House Purchase Price	Total Monthly Energy Cost	1 gal. Gas	Hospital Room/day Semi- private	McDonald's Office Visit Doctor	Quarter pounder w/cheese	Mens' Levi's 501/505
West												
Anchorage, AK	\$1.92	\$2.19	\$1.39	\$3.42	\$791	\$199,352	\$90	\$1.26	\$801	\$83	\$2.76	\$35
Fairbanks, AK	1.65	2.08	1.37	3.24	762	177,000	175	1.38	735	85	2.89	29
Juneau, AK	1.64	2.21	1.32	3.49	864	186,345	160	1.57	550	84	2.93	36
Kodiak, AK	1.49	2.30	1.49	3.39	862	196,667	178	1.63	618	70	2.89	40
Las Vegas, NV	1.74	1.54	1.58	3.37	787	140,112	90	1.35	353	78	2.20	34
Portland, OR	1.53	1.95	1.09	3.43	719	182,509	76	1.42	537	63	2.22	35
San Diego, CA	1.68	2.43	2.07	3.50	975	246,855	104	1.49	777	51	2.36	33
Southwest/Mountain												
Boise, ID	1.69	1.69	0.63	2.83	692	131,300	79	1.49	500	56	2.09	28
Dallas, TX	1.54	1.53	0.85	2.75	811	128,961	111	1.24	560	52	2.12	36
Denver, CO	1.49	2.31	0.89	3.60	788	185,737	82	1.27	574	63	2.03	36
Phoenix, AZ	1.36	1.74	0.71	3.28	662	143,216	103	1.23	605	60	2.21	31
Midwest												
Columbia, MO	1.32	1.70	0.72	2.64	484	142,500	96	1.17	493	46	2.05	33
Dayton, OH	1.45	1.45	0.77	2.74	562	151,266	102	1.16	525	49	2.09	30
Oklahoma City, OK	1.28	1.67	0.77	2.65	550	109,204	96	1.19	326	52	1.81	36
Southeast												
Knoxville, TN	1.45	1.69	0.64	2.65	574	122,333	94	1.17	404	56	2.07	30
Orlando, FL	1.51	1.90	0.97	2.62	662	143,262	98	1.25	562	64	0.99	30
Raleigh, NC	1.81	2.05	0.82	2.46	764	153,000	110	1.16	320	64	2.05	31
Atlantic/New England												
Baltimore, MD	1.46	1.75	0.91	2.87	547	137,878	105	1.25	525	51	2.09	31
Boston, MA	1.48	1.85	1.33	2.93	1,288	256,875	138	1.33	694	70	2.38	35
Philadelphia, PA	1.82	1.47	1.22	2.22	744	202,249	137	1.27	460	50	2.16	33
Washington, DC	1.67	1.58	0.89	2.48	1,248	258,555	93	1.36	480	75	1.99	36
ALL CITIES MEAN*	1.45	1.74	0.85	2.81	618	144,820	100	1.25	447	55	2.08	33

* All cities mean is the arithmetic mean price of all 311 cities in the fourth quarter 1999 survey.

Source: American Chamber of Commerce Researchers Association (ACCRA) Urban Area Index Data, Fourth Quarter 1999

Runzheimer International Living Cost Standards

December 1999

12

December 1999	Total Costs	Percent of Standard City	Taxation	Percent of Standard City	Trans- portation	Percent of Standard City	Housing	Percent of Standard City	Misc. Goods & Services, Other	Percent of Standard City
West										
State of Alaska composite	\$34,912	109.1	\$5,252	89.6	\$4,392	106.0	\$14,324	121.3	\$10,944	107.4
Anchorage, AK	33,464	104.6	5,319	90.8	4,504	108.7	12,917	109.4	10,724	105.3
Fairbanks, AK	33,375	104.3	5,342	91.2	4,404	106.3	12,547	106.2	11,082	108.8
Juneau, AK	37,899	118.4	5,096	87.0	4,267	103.0	17,509	148.2	11,027	108.2
Las Vegas, NV	31,452	98.3	5,406	92.3	5,049	121.9	11,040	93.5	9,957	97.7
Portland, OR	34,843	108.9	5,482	93.6	4,084	98.6	14,453	122.4	10,824	106.2
San Diego, CA	40,050	125.2	5,647	96.4	4,509	108.9	19,211	162.7	10,683	104.9
Southwest/Mountain										
Boise, ID	32,027	100.1	5,383	91.9	4,045	97.7	12,826	108.6	9,773	95.9
Dallas, TX	29,414	91.9	6,032	103.0	4,452	107.5	9,036	76.5	9,894	97.1
Denver, CO	34,237	107.0	4,730	80.7	4,665	112.6	14,686	124.3	10,156	99.7
Phoenix, AZ	31,739	99.2	5,394	92.1	4,685	113.1	11,639	98.5	10,021	98.4
Midwest										
Columbia, MO	29,121	91.0	5,906	100.8	3,891	93.9	9,953	84.3	9,371	92.0
Dayton, OH	31,481	98.4	6,671	113.9	3,769	91.0	11,018	93.3	10,023	98.4
Oklahoma City, OK	29,301	91.6	5,964	101.8	4,177	100.8	9,182	77.7	9,978	97.9
Southeast										
Knoxville, TN	29,011	90.7	5,366	91.6	3,845	92.8	9,889	83.7	9,911	97.3
Orlando, FL	29,565	92.4	5,227	89.2	4,109	99.2	10,260	86.9	9,969	97.9
Raleigh, NC	31,399	98.1	6,291	107.4	4,016	97.0	11,506	97.4	9,586	94.1
Atlantic/New England										
Baltimore, MD	33,744	105.5	6,029	102.9	4,334	104.6	12,929	109.5	10,452	102.6
Washington, DC	35,966	112.4	5,809	99.1	4,363	105.3	15,330	129.8	10,464	102.7
STANDARD CITY, USA	32,000	--	5,859	--	4,142	--	11,811	--	10,188	--

Source: Runzheimer's Living Cost Index, December 1999

Runzheimer study indicates that the portion of income that goes to taxes in Alaska is about 10 to 13 percent below the average in Standard City. This is the main reason the Runzheimer index does not show Anchorage's, Fairbanks' and Juneau's living costs as high as the cost of purchasing goods and services would indicate. 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 more than \$7,000 to the household's pre-tax income. This amounts to a significant boost in the overall income in this fictional Alaska household.

Construction costs somewhat follow other surveys

In early 1999, the Alaska Department of Labor and Workforce Development's Research and Analysis Section conducted the seventh annual survey of the cost of a market basket of construction materials. The survey, commissioned by the Alaska Housing Finance Corporation (AHFC), measures the cost of acquiring building materials necessary to construct a single-family residence at various locations in Alaska. The construction

materials priced represent approximately 30 percent of the total dollar value of a materials list for constructing a model single-family residence.

Construction material costs at 10 Alaska locations were measured, with some of the same patterns evident in other surveys showing in the results. (See Exhibit 13.) Like the other surveys, rural locations tended to have the highest costs. One notable difference about this survey is that Juneau had the lowest construction material costs. No other survey showed Juneau among the lowest costs for any items priced.

Summary: No one answer to cost-of-living question

When looking at cost-of-living information, first decide what type of comparison needs to be made. Are you interested in how prices have changed over time, or how costs differ between places? The answer narrows the field of appropriate cost-of-living surveys.

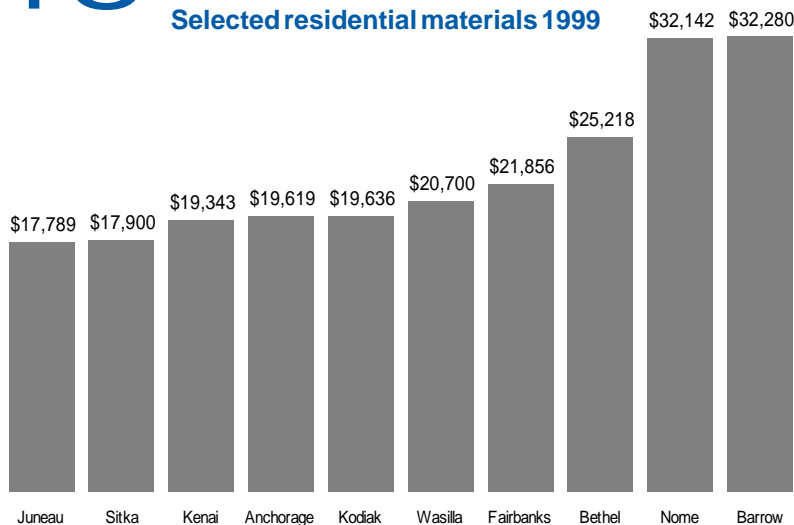
Next, decide on the suitability of different surveys. Some surveys look at subsets of the total cost-of-living package, such as the *Cost of Food at Home* study or the AHFC rental costs or construction costs surveys. Some surveys might look at a population unlike the one being studied. The ACCRA survey's mid-management family does not reflect the cost-of-living for poverty income families.

In Alaska, particularly in smaller communities, survey choices are few. Only the *Cost of Food at Home* and surveys conducted for AHFC include more than the largest Alaska cities. These surveys have their limitations in the scope or appropriateness of the goods priced. For this reason, users might be forced to use an index that only approximates cost-of-living differences.

Given their limitations, most cost-of-living indexes involve a compromise answer. Still, the information in this article provides baseline data to help answer these questions. When used with care, the information can help you compare how far your dollar will go.

13 Construction Materials Cost More in rural Alaska

Selected residential materials 1999



Sources: Alaska Housing Market Indicators, Fall 1998, Alaska Housing Finance Corporation; Alaska Department of Labor and Workforce Development, Research and Analysis Section

Alaska Cost-of-Living Information on the World Wide Web

If you need cost-of-living comparisons, particularly if you're contemplating a move to Alaska, there are a number of resources available on the World Wide Web. Here are some sites that have cost-of-living information as well as a wealth of other information about Alaska.

<http://www.labor.state.ak.us/research/relocate/relocmap.htm>

The Alaska Department of Labor and Workforce Development's relocation site offers cost-of-living information, general information about Alaska, information on employment opportunities, and information about traveling to Alaska.

http://www.excite.com/travel/countries/united_states/alaska/

Excite Travel's Alaska web site is a rich source of Alaska information. Relocation data are available as well as a variety of other information including links to Alaska city home pages, weather information, businesses, arts, and leisure activities.

<http://www.homefair.com/calc/citysnap.html>

The Homefair City Reports give you a side-by-side comparison of two cities' cost of living, climate, demographics, and other vital information from a database that is kept current with quarterly updates. Homefair City Reports offers one complimentary report with up to two destinations.

<http://www.datamasters.com/cgi-bin/col.pl>

DataMasters Inc., like Homefair City Reports, allows you to compare the level of income needed to maintain the purchasing power you currently have. Not surprisingly, results from the Homefair Reports and DataMasters sites can differ, suggesting that multiple sources and a thorough investigation are your best allies when researching cost-of-living information.

<http://www.virtualrelocation.com>

The Virtual Relocation site is a valuable resource for people considering a move. The Virtual Relocation site provides city cost-of-living comparisons and community profiles. The site also uses ReloSmart software to provide a customized relocation analysis that calculates the effects of a proposed move on salary, housing costs, and taxes.

<http://mazerrecruiters.com/job.htm>

The Maze Recruiters & Associates web site provides a cost-of-living index that incorporates the impact of taxes. The index merges federal, state and local taxes with American Chamber of Commerce Researchers Association (ACCRA) cost of goods and services data to provide a comprehensive cost-of-living index.