

Measuring Alaska's Cost of Living

by John Boucher

How much does it cost to live in Alaska? How much has Alaska's cost of living increased? These are two of the most frequently asked questions of the Alaska Department of Labor'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 price 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's a good idea to know what the survey's market basket is, 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 consumption patterns of 80 percent of all urban consumers in the nation. The other surveys in this article have a narrower focus.

The CPI—the nation's inflation measure

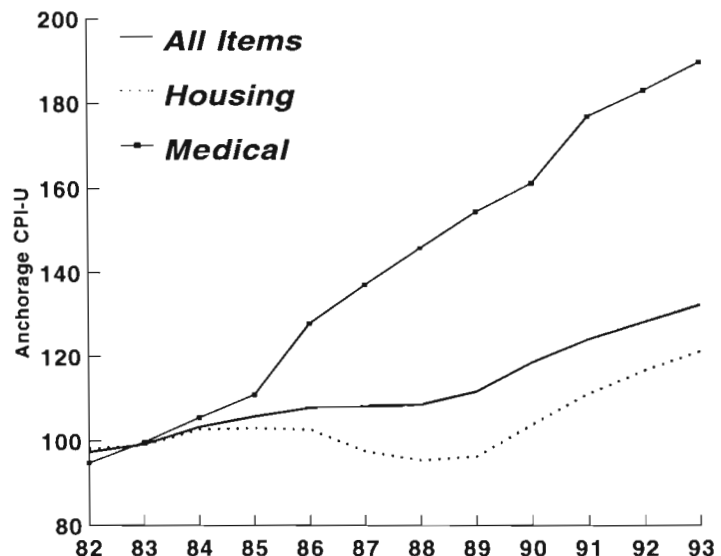
The majority of requests for Alaska's cost of living ask about the inflation rate. The Consumer Price Index (CPI) is a national survey designed to answer questions about price changes. CPI information is often used to adjust rents, wages or other monetary payments for the effects of inflation.

To produce the CPI, the U.S. Department of Labor's Bureau of Labor Statistics (BLS) gathers prices in 85 metropolitan areas throughout the country. Anchorage is the only city in Alaska surveyed; consequently, the Anchorage CPI is the only "Alaskan"

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Figure • 1

Anchorage Medical Costs Outpace Housing Costs



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

Table • 1

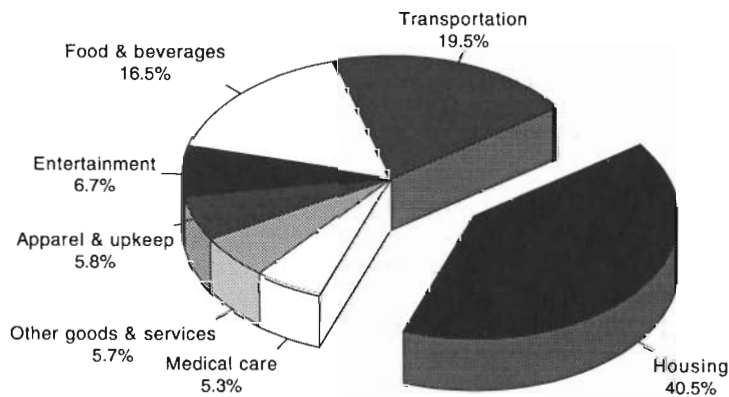
**Consumer Price Index—All Urban Consumers (CPI-U) U.S. City Average—
All Items & Anchorage, Alaska—All Items Annual Averages, 1960-1993**

Year	U.S. Average	Pct. Change from Prev. Yr.	Anch. Average	Pct. Change from Prev. Yr.	Year	U.S. Average	Pct. Change from Prev. Yr.	Anch. Average	Pct. Change from Prev. Yr.
1960	29.6		34.0		1981	90.9	10.3	92.4	8.1
1961	29.9	1.0	34.5	1.5	1982	96.5	6.2	97.4	5.4
1962	30.2	1.0	34.7	0.6	1983	99.6	3.2	99.2	1.8
1963	30.6	1.3	34.8	0.3	1984	103.9	4.3	103.3	4.1
1964	31.0	1.3	35.0	0.6	1985	107.6	3.6	105.8	2.4
1965	31.5	1.6	35.3	0.9	1986	109.6	1.9	107.8	1.9
1966	32.4	2.9	36.3	2.8	1987	113.6	3.6	108.2	0.4
1967	33.4	3.1	37.2	2.5	1988	118.3	4.1	108.6	0.4
1968	34.8	4.2	38.1	2.4	1989	124.0	4.8	111.7	2.9
1969	36.7	5.5	39.6	3.9	1990	130.7	5.4	118.6	6.2
1970	38.8	5.7	41.1	3.8	1991	136.2	4.2	124.0	4.6
1971	40.5	4.4	42.3	2.9	1992	140.3	3.0	128.2	3.4
1972	41.8	3.2	43.4	2.6	1993	144.5	3.0	132.2	3.1
1973	44.4	6.2	45.3	4.4					
1974	49.3	11.0	50.2	10.8	2nd half '89	125.3	4.7	112.5	3.3
1975	53.8	9.1	57.1	13.7	2nd half '90	132.6	5.8	120.4	7.0
1976	56.9	5.8	61.5	7.7	2nd half '91	137.2	3.5	124.7	3.6
1977	60.6	6.5	65.6	6.7	2nd half '92	141.4	3.1	129.1	3.5
1978	65.2	7.6	70.2	7.0	2nd half '93	145.3	2.8	132.8	2.9
1979	72.6	11.3	77.6	10.5					
1980	82.4	13.5	85.5	10.2					

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

Figure • 2

**Housing Is 40% of Anchorage CPI-U
Relative Importance of the Components, December 1993**



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

inflation measure. Unfortunately, Anchorage's inflation rate 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 Alaskan users prefer to use the Anchorage CPI rather than another area's CPI.

From an official standpoint, the Bureau of Labor Statistics 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 make them more prone to measurement errors. When you compare the Anchorage and the U.S. City CPIs since 1960, inflation has been significantly lower in Anchorage during the last 30 years than it has been in the rest of the nation. (See Table 1.) This is predominantly 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. (See Figure 1.) For example, since the early 1980s health care costs have risen more rapidly than has the overall Anchorage CPI, while housing costs lagged behind until recently. (See Table 2.)

While health care costs have shot up in recent years, overall inflation has not followed. That's because of the relative weight health care expenditures are given in the consumer's overall budget. Each commodity group is given a weight—its contribution to the overall cost of living. Health care costs, for example, accounted for 5.3% of the total cost of living in the December 1993 index. Housing costs, on the other hand, accounted for 40.5% of the Anchorage CPI during the same period. (See Figure 2.)

Selected Components of the CPI-U, U.S. City Average & Anchorage, Alaska—1983-1993 Annual Averages

Year	ALL ITEMS LESS SHELTER				HOUSING			
	U.S. Average	Pct. Chg from Prev. Yr.	Anch. Average	Pct. Chg from Prev. Yr.	U.S. Average	Pct. Chg from Prev. Yr.	Anch. Average	Pct. Chg from Prev. Yr.
1983	99.8	3.7	99.9	3.7	99.5	2.7	99.0	0.8
1984	103.9	4.1	103.8	3.9	103.6	4.1	102.7	3.7
1985	107.0	3.0	107.5	3.6	107.7	4.0	103.0	0.3
1986	108.0	0.9	111.2	3.4	110.9	3.0	102.6	-0.4
1987	111.6	3.3	115.1	3.5	114.2	3.0	97.5	-5.0
1988	115.9	3.9	117.8	2.3	118.5	3.8	95.4	-2.2
1989	121.6	4.9	122.3	3.8	123.0	3.8	96.3	0.9
1990	128.2	5.4	128.0	4.7	128.5	4.5	103.9	7.9
1991	133.5	4.1	131.9	3.0	133.6	4.0	111.2	7.0
1992	137.3	2.8	134.6	2.0	137.5	2.9	116.6	4.9
1993	141.4	3.0	137.9	2.5	141.2	2.7	121.1	3.9

Year	TRANSPORTATION				FOOD & BEVERAGES			
	U.S. Average	Pct. Chg from Prev. Yr.	Anch. Average	Pct. Chg from Prev. Yr.	U.S. Average	Pct. Chg from Prev. Yr.	Anch. Average	Pct. Chg from Prev. Yr.
1983	99.3	2.4	98.5	1.8	99.5	2.3	99.7	2.6
1984	103.7	4.4	104.6	6.2	103.2	3.7	103.2	3.5
1985	106.4	2.6	108.2	3.4	105.6	2.3	106.2	2.9
1986	102.3	-3.9	107.8	-0.4	109.1	3.3	110.8	4.3
1987	105.4	3.0	111.3	3.2	113.5	4.0	113.1	2.1
1988	108.7	3.1	113.0	1.5	118.2	4.1	113.8	0.6
1989	114.1	5.0	116.7	3.3	124.9	5.7	117.2	3.0
1990	120.5	5.6	120.7	3.4	132.1	5.8	123.7	5.5
1991	123.8	2.7	121.7	0.8	136.8	3.6	127.7	3.2
1992	126.5	2.2	123.3	1.3	138.7	1.4	130.3	2.0
1993	130.4	3.1	128.8	4.5	141.6	2.1	131.2	0.7

Year	MEDICAL CARE				APPAREL & UPKEEP			
	U.S. Average	Pct. Chg from Prev. Yr.	Anch. Average	Pct. Chg from Prev. Yr.	U.S. Average	Pct. Chg from Prev. Yr.	Anch. Average	Pct. Chg from Prev. Yr.
1983	100.6	8.8	99.7	5.2	100.2	2.5	101.6	5.2
1984	106.8	6.2	105.5	5.8	102.1	1.9	101.7	0.1
1985	113.5	6.3	110.9	5.1	105.0	2.8	105.8	4.0
1986	122.0	7.5	127.8	15.2	105.9	0.9	109.0	3.0
1987	130.1	6.6	137.0	7.2	110.6	4.4	116.6	7.0
1988	138.6	6.5	145.8	6.4	115.4	4.3	119.1	2.1
1989	149.3	7.7	154.4	5.9	118.6	2.8	125.0	5.0
1990	162.8	9.0	161.2	4.4	124.1	4.6	127.7	2.2
1991	177.0	8.7	173.5	7.6	128.7	3.7	126.6	-0.9
1992	190.1	7.4	183.0	5.5	131.9	2.5	130.2	2.8
1993	201.4	5.9	189.6	3.6	133.7	1.4	131.2	0.8

The strong influence that housing costs have on the overall Anchorage CPI was particularly noticeable the last several years. From 1986 to 1988, falling housing costs offset increases in other components of the CPI, resulting in very low inflation during these three years. The recent increase in inflation in Anchorage is largely due to the change in

the 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. Since 1990, Anchorage's tighter housing market is the primary reason for its inflation rate being higher than the rest of the nation's.

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

T a b l e • 3

**Cost of Food for a Week in 21
Alaskan Communities—December 1993**

Community	Cost of Food, 1 Week	Pct. of Anch.
Anchorage	\$88.31	100
Barrow	189.00	214
Bethel	142.92	162
Cordova	140.70	159
Delta	115.25	131
Dillingham	156.66	177
Dutch Harbor	166.92	189
Fairbanks	92.59	105
Galena	160.51	182
Homer	109.82	124
Juneau	100.03	113
Kenai	107.90	122
Ketchikan	99.23	112
Kodiak	123.91	140
MatSu	114.46	130
Nome	147.23	167
Petersburg	109.31	124
Sitka	115.51	131
Tanana	200.52	227
Tok	136.84	155
Unalakleet	175.59	199

Notes: Costs are for a family of four with elementary school children.

Sales tax included in food cost.

Source: "Cost of Food for a Week," December 1993. University of Alaska Cooperative Extension Service, U.S. Department of Agriculture and SEA Grant Cooperating.

The housing component is unique in the CPI, especially in regard to homeownership costs. The CPI uses a method called *rental equivalency* which assumes that the consumer has just purchased or rented a home. To gauge housing expenditures, this method can have 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. This is because their monthly house payments tend not to fluctuate to the extent that house prices and rents do. For this reason, the overall CPI figures can understate the inflation rate for homeowners during periods of rapidly declining house prices. The opposite is true during a period of rapidly increasing house prices and rents. To measure inflation without the housing component, BLS publishes a special index which excludes housing-related costs—the All Items Less Shelter Index. (See Table 2.) 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**

CPI users should be aware of a common misinterpretation of the CPI index. It occurs when users compare CPI numbers among areas. For example, at 132.2 the annual average Anchorage CPI for 1993 is lower than the United States' average of 144.5. This does not mean that Anchorage has a lower cost of living than the rest of the United States. The CPI measures inflation, not costs. The lower Anchorage CPI for 1993 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.)

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

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

One available 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. It provides comparative measures for Alaskan locations no other cost survey covers. Its primary weakness is that it only measures food and some utility costs. While important components of any consumer budget, food and utility costs alone don't provide a complete cost of living differential measurement.

Comparing living costs between Alaskan communities is complicated by several factors. Some goods and services available in larger cities are not readily available in

Cost of Food at Home for a Week in Eight Alaskan Cities, 1978-1993

Mo/ Yr	Anch.	Fbks.	Pct. of Anch.	Juneau	Pct. of Anch.	Bethel	Pct. of Anch.	Nome	Pct. of Anch.	Kodiak	Pct. of Anch.	Kenai	Pct. of Anch.	Tok	Pct. of Anch.
9/78	\$76.67	\$84.15	109.8	\$73.72	96.2	\$114.05	148.8	\$118.85	155.0	-	-	\$82.48	107.6	-	-
9/79	82.18	89.39	108.8	74.88	91.1	129.16	157.2	128.67	156.6	-	-	100.41	122.2	-	-
9/80	88.44	90.54	102.4	85.92	97.2	130.87	148.0	131.14	148.3	\$99.42	112.4	120.84	136.6	\$108.82	123.0
9/81	86.69	98.47	113.6	93.95	108.4	138.66	159.9	150.27	173.3	-	-	-	-	114.80	132.4
9/82	77.30	92.09	119.1	99.98	129.3	125.50	162.4	149.04	192.8	-	-	-	-	-	-
9/83	81.66	83.79	102.6	88.62	108.5	128.30	157.1	130.14	159.4	104.94	128.5	86.98	106.5	-	-
9/84	84.22	91.26	108.4	91.66	108.8	136.54	162.1	142.07	168.7	115.97	137.7	87.97	104.5	121.66	144.5
9/85	89.06	90.08	101.1	106.61	119.7	138.13	155.1	152.41	171.1	108.17	121.5	91.47	102.7	116.19	130.5
9/86	87.25	90.61	103.9	87.65	100.5	137.96	158.1	142.04	162.8	105.49	120.9	92.78	106.3	124.18	142.3
9/87	88.90	85.12	95.7	88.24	99.3	140.81	158.4	147.96	166.4	104.39	117.4	96.95	109.1	117.51	132.2
9/88	90.99	94.74	104.1	92.95	102.2	137.57	151.2	147.69	162.3	116.68	128.2	95.53	105.0	119.69	131.5
9/89	93.80	94.33	100.6	96.73	103.1	140.65	149.9	-	-	124.61	132.8	104.20	111.1	139.43	148.6
9/90	98.73	103.49	104.8	100.86	102.2	146.92	148.8	155.48	157.5	154.55	156.5	103.21	104.5	131.03	132.7
9/91	102.84	114.65	111.5	104.21	101.3	152.49	148.3	150.29	146.1	127.96	124.4	111.88	111.0	143.45	139.5
9/92	100.46	92.31	91.9	102.62	102.2	142.51	141.9	158.08	157.4	124.61	124.0	109.60	108.8	132.94	132.3
9/93	97.89	93.42	95.4	103.70	105.9	147.84	151.0	145.94	149.1	125.19	127.9	111.61	110.8	136.96	139.9

rural areas. The buying habits of urban residents can vary dramatically from rural residents, which can confuse cost of living comparisons. The contributions of subsistence to a household food budget can also complicate cost of living comparisons. The Cost of Food survey assumes that all foods are purchased in the local community—none is acquired through subsistence means or from merchants outside of the community.

Food costs are higher in rural Alaska

Table 3 shows the cost of food for a week for a family of four with elementary school children for 21 communities. The December 1993 figures show that Anchorage had the lowest food costs of the areas surveyed. The survey has consistently shown that larger cities in Alaska have food costs which are fairly comparable to those in Anchorage.

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 survey has consistently shown that the highest food costs are found in isolated communities supplied primarily by air. In places such as Bethel and Nome, food costs are 50 to 75 percent higher than in Anchorage.

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 less populated areas. The opposite is true in Alaska. The cost of food and other basics such as fuel are higher in rural Alaskan communities than in the state's urban centers.

Another interesting point about this survey is that the three-tier structure of food costs in Alaska has not changed much during the last 15 years. Table 4 shows the difference in the cost of food between Anchorage and other Alaskan communities. It also shows the changes in costs over time within several communities in the study.

Notes: Family of four with elementary school children. Sales tax included in food prices. September 1979 data for Kenai not available. December 1979 data substituted.

- Data unavailable.

Source: "Cost of Food at Home for a Week," September 1978 to September 1993. University of Alaska Cooperative Extension Service, U.S. Department of Agriculture and SEA Grant Cooperating.

**ACCRA Cost of Living Index
20 Highest Cost Urban Areas—4th Quarter 1993**

City	All Items Index	Grocery Items	Housing	Utilities	Transportation	Health Care	Misc. Goods & Services
Ketchikan, AK	155.6	134.7	182.4	160.0	140.5	197.0	139.1
Kodiak, AK	151.5	161.2	163.9	189.1	111.8	177.7	135.8
Boston, MA	137.1	119.1	171.9	180.6	117.9	150.9	108.4
Juneau, AK	136.6	136.4	147.5	151.8	122.1	169.4	123.6
Anchorage, AK	131.4	134.9	143.4	103.2	118.1	174.4	125.4
Los Angeles- Long Beach, CA	128.5	117.4	175.5	72.8	137.5	134.1	106.1
Fairbanks, AK	128.5	128.4	130.3	136.4	113.5	186.8	121.0
San Diego, CA	128.5	116.0	165.4	93.5	112.3	129.1	117.3
Philadelphia, PA	128.4	116.1	148.8	175.9	110.9	111.0	111.8
Seattle, WA	119.7	116.7	146.2	54.2	115.3	157.4	112.3
Boulder, CO	115.4	106.7	154.7	90.2	102.4	101.1	99.4
Santa Fe, NM	115.2	101.0	138.0	95.5	113.3	111.6	108.4
Washington, DC (Prince William, VA)	115.0	100.0	142.0	116.4	110.1	105.5	101.4
Buffalo, NY	114.5	116.2	116.8	133.2	113.4	104.4	108.9
Boca Raton, FL	114.5	100.5	125.0	117.9	116.8	108.4	110.7
Chicago, IL (Wheaton)	114.4	114.3	126.3	112.6	117.3	120.1	103.7
Manchester, NH	114.0	101.1	119.8	148.0	105.1	119.5	107.3
Visalia, CA	112.8	107.6	115.3	120.6	104.9	109.2	113.6
Wilmington, DE	112.5	120.2	116.8	118.3	97.5	121.8	107.8
Rochester, NY	112.4	117.9	115.4	119.7	116.1	117.5	104.2

Ranking of Alaska Cities by Category

Anchorage, AK	5	3	11	118	6	4	3
Fairbanks, AK	6	5	17	8	24	2	5
Juneau, AK	4	2	9	5	4	5	4
Ketchikan, AK	1	4	1	4	1	1	1
Kodiak, AK	2	1	5	1	32	3	2

Source: American Chamber of Commerce Researchers Association, *Urban Area Index Data, 4th Quarter 1993* (302 urban areas surveyed).

ACCRA places Alaskan cities among most expensive

Another cost of living measure is provided by the American Chamber of Commerce Researchers Association (ACCRA). The ACCRA cost of living study compares costs for roughly 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 every 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. Aside from the limited number of items priced, the ACCRA index also does not take state and local taxes into account. This is in part due to the difficulty in reliably measuring an area's tax burden.

Five Alaskan cities are included in the most recently published ACCRA study (4th quarter 1993)—Anchorage, Fairbanks, Juneau, Ketchikan and Kodiak. The 4th Quarter 1993 ACCRA data show that the Alaskan cities are among the seven highest cost areas surveyed. (See

Table 5.) Fairbanks has the lowest index of the five Alaskan cities in the ACCRA study; however, the differences between Anchorage, Fairbanks and Juneau were relatively small. According to the index, all three of these communities have a cost of living roughly 30 percent higher than the all cities' average.

The five Alaska cities in the ACCRA study were among the highest cost cities surveyed for several of the six major components of the ACCRA index. Kodiak had the highest index for groceries and utilities. Ketchikan had the highest housing, transportation, health care and other miscellaneous goods and services costs.

ACCRA points to a smaller difference in housing costs

Housing costs have always been thought of as exceptionally high in Alaska. Although they are high, the ACCRA housing index shows that some areas in the nation have comparable housing costs. Generally, the lowest rankings for Alaskan cities were in the ACCRA housing or transportation cost indexes. The Anchorage utilities index was lower than one-third of the cities in the ACCRA study.

Comparative figures for Alaskan cities and other cities around the nation are presented in Tables 6 and 7. Table 6 shows the ACCRA cost of living indexes while Table 7 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 is problematic for Alaskan communities because air transportation is a more common, and more expensive, mode of travel.

ACCRA Cost of Living Index for Selected Cities—4th Quarter 1993

City	All Items Index	Grocery Items	Housing	Utilities	Transportation	Health Care	Misc. Goods & Services
West							
Anchorage, AK	131.4	134.9	143.4	103.2	118.1	174.4	125.4
Fairbanks, AK	128.5	128.4	130.3	136.4	113.5	186.8	121.0
Juneau, AK	136.6	136.4	147.5	151.8	122.1	169.4	123.6
Ketchikan, AK	155.6	134.7	182.4	160.0	140.5	197.0	139.1
Kodiak, AK	151.5	161.2	163.9	189.1	111.8	177.7	135.8
Boise, ID	105.8	97.8	120.7	75.3	102.5	115.9	104.2
Las Vegas, NV	108.8	102.0	114.8	83.5	116.0	135.9	107.0
Portland, OR	108.3	102.2	124.0	68.6	108.3	127.5	105.5
San Diego, CA	128.5	117.4	175.5	72.8	137.5	134.1	106.1
Seattle, WA	119.7	116.7	146.2	54.2	115.3	157.4	112.3
Southwest/Mountain							
Dallas, TX	105.2	100.3	101.0	119.8	104.6	115.7	105.4
Denver, CO	105.1	97.9	120.2	90.3	107.0	126.2	96.0
Phoenix, AZ	103.6	101.3	96.3	103.1	116.8	121.9	104.0
Salt Lake City, UT	96.7	102.1	92.3	81.9	96.5	102.7	101.1
Santa Fe, NM	115.2	101.0	138.0	95.5	113.3	111.6	108.4
Midwest							
Columbus, OH	108.2	98.9	113.9	113.5	107.2	102.2	107.0
Lafayette, IN	101.9	109.2	100.7	108.2	89.7	96.2	102.7
Omaha, NE	92.9	94.8	86.6	101.3	106.6	86.3	92.1
Wichita, KS	96.3	84.6	95.7	97.2	99.5	106.0	98.7
Southeast							
Atlanta, GA	101.5	96.9	105.4	110.6	99.7	112.0	96.8
Baton Rouge, LA	100.7	95.0	96.6	127.1	104.5	94.1	99.2
Birmingham, AL	101.7	97.0	100.9	117.8	97.3	103.0	101.1
Miami, FL	110.4	94.9	110.5	125.3	114.8	127.4	108.7
Raleigh, NC	98.7	95.5	99.8	105.8	93.1	103.2	98.2
Atlantic/New England							
Boston, MA	137.1	119.1	171.9	180.6	117.9	150.9	108.4
Buffalo, NY	114.5	116.2	116.8	133.2	113.4	104.4	108.9
Manchester, NH	114.0	101.1	119.8	148.0	105.1	119.5	107.3
Philadelphia, PA	128.4	116.1	148.8	175.9	110.9	111.0	111.8

Runzheimer study shows smaller cost of living differential

A slightly different approach to calculating living-cost differences between cities is taken in the Runzheimer Living Cost Standards survey. Runzheimer International, a private research firm contracted by the Alaska Department of Labor's Workers' Compensation Division, looked at the comparative income necessary to maintain a certain standard of living in different areas of the coun-

Source: American Chamber of Commerce Researchers Association, Urban Area Index Data, 4th Quarter 1993 (302 urban areas surveyed).

T a b l e • 7

Average Price for Selected Goods & Services in Selected U.S. Cities

Region/City	1 lb. Ground Beef	1/2 gal. Whole Milk	1 doz. Grade A Lg. Eggs	1 lb. Coffee	2 BR Apt. Rent (Unfurn. ex. utils.)	House Purchase Price	Total Energy Cost	1 gal. Gas	Hospital Room	Office Visit Doctor	McDonald's Quarter pounder w/ cheese	Mens' Levi's 501/505
West												
Anchorage, AK	\$1.50	\$2.18	\$1.48	\$2.39	\$745	\$166,061	\$118	\$1.14	\$557	\$68.60	\$2.45	\$29.56
Fairbanks, AK	1.80	2.01	1.42	2.51	736	143,600	159	1.24	426	68.00	2.30	35.99
Juneau, AK	1.87	1.93	1.01	2.86	800	166,995	180	1.63	390	49.60	2.55	28.48
Ketchikan, AK	1.68	2.10	0.98	2.76	-	212,167	191	1.58	478	86.75	2.30	35.77
Kodiak, AK	2.09	2.39	1.52	3.69	752	187,500	221	1.54	518	52.67	2.59	36.41
Boise, ID	1.56	1.45	0.87	2.27	698	130,917	83	1.22	378	44.00	1.94	30.17
Las Vegas, NV	1.25	1.38	1.11	1.94	564	137,000	97	1.30	316	62.80	1.92	31.19
Portland, OR	1.83	1.46	0.94	2.43	650	142,500	72	1.30	462	48.65	1.94	26.77
San Diego, CA	1.48	1.51	1.74	2.07	884	207,500	83	1.25	566	49.11	1.95	24.69
Seattle, WA	1.76	1.60	1.12	2.59	595	181,596	55	1.20	516	57.88	2.08	26.32
Southwest/Mountain												
Dallas, TX	1.63	1.57	1.01	1.87	618	108,713	138	1.12	379	46.80	1.86	32.65
Denver, CO	1.32	1.58	0.78	1.99	644	136,604	99	1.14	432	53.80	2.02	27.77
Phoenix, AZ	1.51	1.46	0.74	2.00	537	107,863	117	1.21	395	49.12	1.97	33.15
Salt Lake City, UT	1.40	1.72	0.87	2.37	577	98,755	91	1.06	388	39.19	1.99	29.37
Santa Fe, NM	1.02	1.77	0.80	2.18	734	157,125	105	1.37	305	43.61	1.99	29.96
Midwest												
Columbus, OH	1.54	1.25	0.71	2.03	596	128,888	128	1.09	283	42.20	1.80	38.79
Lafayette, IN	1.71	1.51	0.82	2.28	480	117,517	119	1.02	358	38.60	1.73	38.99
Omaha, NE	1.36	1.36	0.78	1.85	460	98,620	111	1.16	275	32.20	1.79	28.19
Wichita, KS	0.99	1.24	0.71	1.81	446	114,258	110	1.06	413	39.95	1.83	27.42
Southeast												
Atlanta, GA	1.91	1.42	0.73	2.22	590	116,620	124	0.95	302	49.00	2.06	29.17
Baton Rouge, LA	1.40	1.30	0.86	1.94	482	112,650	144	1.12	340	39.00	1.75	27.97
Birmingham, AL	1.60	1.45	0.80	2.09	473	122,200	130	1.07	388	42.17	1.29	34.48
Miami, FL	1.82	1.46	0.83	1.75	645	121,829	142	1.19	439	60.00	1.94	33.75
Raleigh, NC	1.45	1.47	0.96	1.77	488	120,880	119	1.06	276	46.50	1.81	28.72
Northeast/Atlantic												
Boston, MA	1.67	1.40	1.24	2.41	730	214,232	211	1.17	581	62.00	2.13	30.59
Buffalo, NY	2.39	1.25	0.90	2.29	468	146,925	145	1.22	314	37.00	1.99	32.79
Manchester, NH	1.65	1.16	0.93	2.22	618	137,500	171	1.09	436	47.40	1.99	34.99
Philadelphia, PA	1.84	1.23	1.02	2.43	706	179,084	209	1.11	427	40.00	1.90	31.50
ALL CITIES MEAN ^{1/}	1.53	1.40	0.85	2.08	494	116,831	112	1.11	328	39.47	1.86	30.97

- Data not available.

^{1/} All cities mean is the arithmetic mean price of all 302 cities in the 4th Quarter 1993 survey.

Source: American Chamber of Commerce Researchers Association, Cost of Living Index, Average Price Data, 4th Quarter 1993 (302 urban areas surveyed).

try. Runzheimer's approach takes into account certain elements left out of the ACCRA cost of living measure, such as an area's tax rates.

In the Runzheimer study, a "base" family was created—two parents and two children. They own their home, a 1,500 square foot single-family home with 3 bedrooms and 1.5 baths. They drive one automobile, a late model Ford Tempo, approximately 16,000 miles annually. This family has an income of

\$32,000 in Standard City, a fictitious city which 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, Fairbanks and Juneau have a moderately higher cost of living than the other areas surveyed. The cost of living in these three Alaska locations ranges from 4.8% to 12.0% above Standard City. (See Table 8.)

Runzheimer International Living Cost Standards December 1993

Region/City	Total Costs	Pct. of Std. City	Taxation	Pct. of Std. City	Transportation	Pct. of Std. City	Housing	Pct. of Std. City	Misc. Goods & Services, Other	Pct. of Std. City
West										
State of Alaska, Composite	\$34,517	107.9	\$6,530	89.4	\$3,586	115.0	\$11,675	114.2	\$12,726	112.0
Anchorage, AK	34,157	106.7	6,485	88.8	3,653	117.1	11,434	111.9	12,585	110.8
Fairbanks, AK	33,545	104.8	6,474	88.7	3,610	115.7	10,670	104.4	12,791	112.6
Juneau, AK	35,846	112.0	6,630	90.8	3,495	112.1	12,919	126.4	12,802	112.7
Boise, ID	29,387	91.8	7,337	100.5	2,968	95.2	8,219	80.4	10,863	95.6
Las Vegas, NV	32,294	100.9	6,231	85.3	3,782	121.3	11,068	108.3	11,213	98.7
Portland, OR	33,751	105.5	7,831	107.3	3,208	102.9	11,403	111.6	11,309	99.6
San Diego, CA	39,007	121.9	6,930	94.9	3,499	112.2	16,855	164.9	11,723	103.2
Seattle, WA	34,984	109.3	6,861	94.0	3,408	109.3	13,399	131.1	11,316	99.6
Southwest/Mountain										
Dallas, TX	30,869	96.5	7,378	101.1	3,447	110.5	8,802	86.1	11,242	99.0
Denver, CO	31,906	99.7	6,881	94.2	3,533	113.3	10,268	100.5	11,224	98.8
Phoenix, AZ	30,204	94.4	6,914	94.7	3,621	116.1	8,591	84.1	11,078	97.5
Salt Lake City, UT	31,070	97.1	7,654	104.8	3,183	102.1	9,611	94.0	10,622	93.5
Santa Fe, NM	33,246	103.9	6,313	86.5	3,241	103.9	12,501	122.3	11,191	98.5
Midwest										
Columbus, OH	32,563	101.8	8,193	112.2	2,949	94.5	10,165	99.5	11,256	99.1
Lafayette, IN	30,073	94.0	7,516	102.9	2,981	95.6	8,748	85.6	10,828	95.3
Omaha, NE	31,333	97.9	7,894	108.1	3,029	97.1	9,522	93.2	10,888	95.9
Wichita, KS	29,698	92.8	7,183	98.4	3,009	96.5	8,659	84.7	10,847	95.5
Southeast										
Atlanta, GA	32,063	100.2	7,574	103.7	3,237	103.8	9,874	96.6	11,378	100.2
Baton Rouge, LA	28,655	89.5	6,364	87.2	3,539	113.5	7,983	78.1	10,769	94.8
Birmingham, AL	30,264	94.6	7,125	97.6	2,978	95.5	9,309	91.1	10,852	95.5
Miami, FL	33,216	103.8	7,129	97.6	3,778	121.1	11,249	110.1	11,060	97.4
Raleigh, NC	32,112	100.4	7,898	108.2	2,896	92.9	10,471	102.4	10,847	95.5
Atlantic/New England										
Concord, NH	33,867	105.8	8,136	111.4	3,011	96.5	11,647	114.0	11,073	97.5
Norfolk, VA	31,900	99.7	7,490	102.6	2,985	95.7	10,213	99.9	11,212	98.7
Portland, ME	32,423	101.3	7,569	103.7	2,996	96.1	10,676	104.5	11,182	98.4
STANDARD CITY, USA	32,000	—	7,301	—	3,119	—	10,221	—	11,359	—

For comparison purposes, many of the cities which appear in the ACCRA data in Tables 6 and 7 are included in the Runzheimer data in Table 8.

Lower taxes contribute to lower living costs

The component indexes of the Alaskan cities in the Runzheimer study range from 10 to 20 percent above the average cost of living except the taxation component. The Run-

zheimer study indicates that the portion of income that goes to taxes in Alaska is about 10 to 12 percent below the average of the areas studied. This is the main reason why 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 re-

Source: Runzheimer's Living Cost Index, December 1993.

ceived an Alaska Permanent Fund check, that would add about \$3,700 to the household's pre-tax income. This amounts to a significant reduction in the overall tax burden on Alaskans.

Summary

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 survey. 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 the ACCRA Cost of Living Index include more than the three largest Alaska cities. These surveys have limitations in the scope of goods priced. For this reason, a data user might be forced to use an index which only approximates cost of living differences.

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