

Measuring Alaska's Cost of Living

By John Boucher

How expensive is it 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.

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.

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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 in 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.

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. The CPI information is often used to adjust rents, wages or other monetary payments for the effects of inflation.

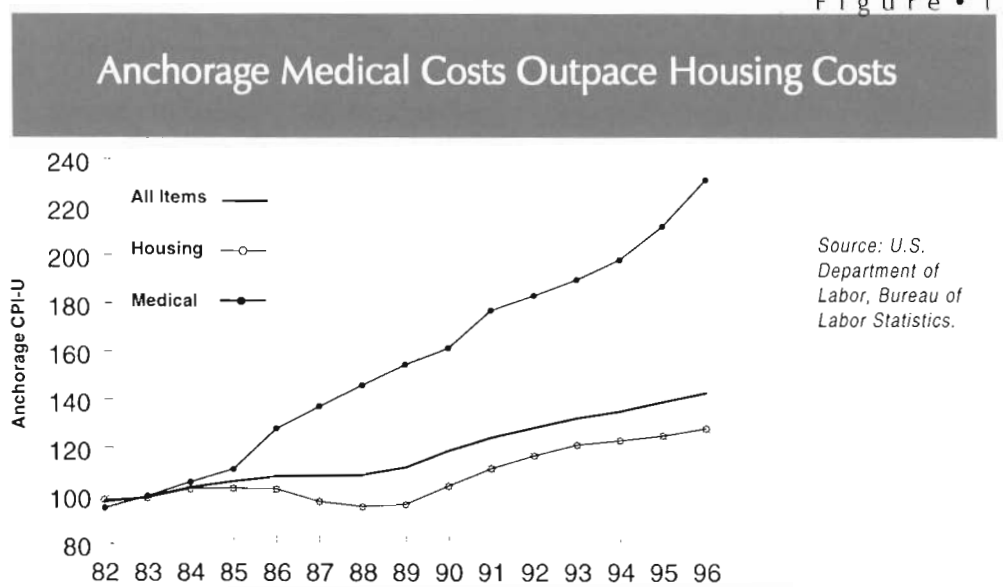
To produce the CPI, the U.S. Department of Labor's Bureau of Labor Statistics (BLS) gathers prices in 85 metropolitan areas throughout the country. Because Anchorage is the only city in Alaska surveyed, the Anchorage CPI is the only "Alaskan" inflation measure. Unfortunately, Anchorage's inflation rate may not reflect price changes in every area of the state. In general, however,

Be aware of the method and the market basket

Since pricing every item available to purchase is too expensive, cost-of-living surveys track prices of a sample of items from common expenditure categories, such as housing expenses, medical expenses, and food expenses. 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

Figure • 1



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

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 BLS recommends using the national CPI-U (U.S. City Average) to adjust for the effects of inflation. The BLS recommends this because the smaller size of the local area samples makes 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 Table 2.) 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 Figure 1.)

Figure • 2

Housing Nearly 40% of Anchorage CPI-U

Relative Importance of the Components of the Anchorage CPI-U, December 1995

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

Subtotals may not add due to rounding.

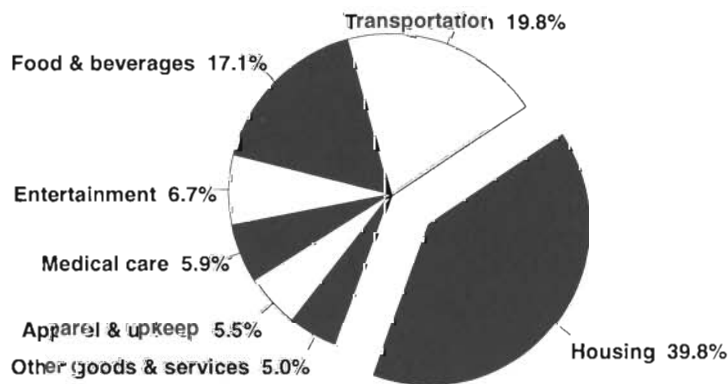
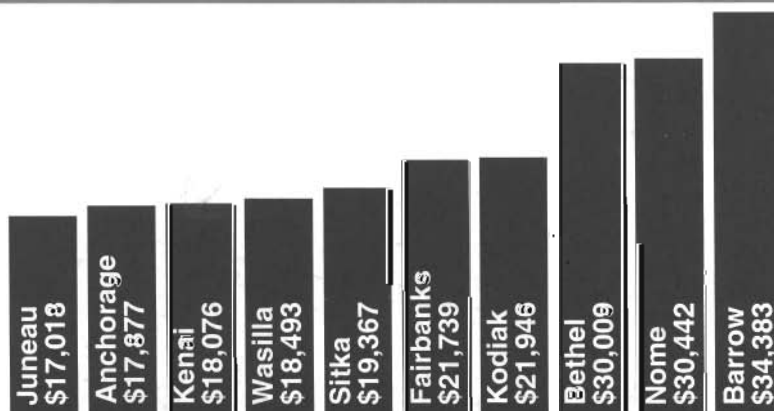


Figure • 3

Construction Materials Cost More In Rural Alaska

Urban & Rural Residential Construction Materials Costs, 1997

Source: Alaska Housing Indicators, Spring 1997, Alaska Housing Finance Cooperation, Alaska Department of Labor, Research and Analysis Section.



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 its contribution to the overall cost of living. Medical care costs, for example, accounted for 5.9% of the total cost of living in the December 1995 index. Housing costs, on the other hand, accounted for 39.8% of the Anchorage CPI during the same period. (See Figure 2.)

The strong influence that housing costs have on the overall Anchorage CPI has been particularly noticeable during the last 10 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 An-

chorage 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 inflation has followed suit.

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 inflation 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

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 142.7, the annual average Anchorage CPI for 1996 is lower than the United States average of 156.9. 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 1996 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.)

Debate rages over upward bias in the CPI

In federal fiscal year 1996, each one-percent increase in the CPI was estimated to have resulted in a \$5.7 billion increase in federal expenditures and a \$2.5 billion decline in revenues. Because of its role in influencing federal revenues and expenditures, the methodology that the CPI uses to measure inflation has come under an increasing amount of public scrutiny. In 1995, the U.S. Senate Finance Committee appointed an advisory commission, the Boskin commission, to study recommendations for making methodological improvements to the CPI.

In December of 1996, the Senate Finance Committee received the report, and one of the topics that generated the most discussion was whether or not a significant upward bias was present in the current method used for calculating the CPI. The commission's report suggested that there was as much as a 1.1% per year overall upward bias in the CPI methodology. The report claimed that four-tenths (0.4) of the bias was due to the way that the CPI treats consumers' substitution of goods and services. The balance of the bias, seven-tenths (0.7), was deemed to be due to how the CPI methodology accounts for the change in the quality of goods and services that consumers buy, changes in how and where those goods and services are sold, and the emergence of new goods and services.

While the subject of bias in the CPI is much too involved to discuss here, several things are worth noting that could affect expectations for the future performance of the CPI. There appears to be consensus that a revision to the CPI will likely occur. The revision will result in a lower rate of increase in the CPI than the current methodology would otherwise produce. However, the extent and necessity of the various potential adjustments to the CPI are far from being decided.

Table • 1

**Consumer Price Index - All Urban Consumers* (CPI-U)
U.S. City Average- All Items & Anchorage, Alaska-
All Items , 1960-1996 Annual Averages**

Year	U.S. Average	Percent Change from Previous Year	Anchorage Average	Percent Change from Previous Year
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
<i>*not seasonally adjusted</i>				
Source:	2nd half '90	5.8	120.4	7.0
U.S. Department of	2nd half '91	3.5	124.7	3.6
Labor, Bureau of	2nd half '92	3.1	129.1	3.5
Labor Statistics.	2nd half '93	2.8	132.8	2.9
	2nd half '94	2.8	135.8	2.3
	2nd half '95	2.7	139.5	2.7
	2nd half '96	3.0	143.7	3.0

1982-84=100

On another note, the BLS is in the process of doing its decennial revision of the CPI methodology, and some of the changes that were suggested by the Boskin commission will be incorporated into what is being referred to as the 1998 revision of the CPI methodology.

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

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

One available cost-of-living measurement is the University of Alaska's Cost of Food at Home for a Week study. It measures the cost to feed various-sized 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, the Cost of Food at Home study has provided a comparative measure for Alaskan locations that no other cost survey covers. Its primary weakness is that it only measures a limited number of food items and some utility costs. Food and utility costs alone can't provide a complete cost-of-living differential measurement.

Selected Components of the CPI-U, U.S. City Average & Anchorage, Alaska 1983-1995 Annual Averages

Year	All Items Less Shelter				Housing			
	U.S. Average	Percent Change from Previous Year	Anchorage Average	Percent Change from Previous Year	U.S. Average	Percent Change from Previous Year	Anchorage Average	Percent Change from Previous Year
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
1994	144.8	2.4	140.3	1.7	144.8	2.5	122.9	1.5
1995	148.6	2.6	144.6	3.1	148.5	2.6	124.9	1.6
1996	152.8	2.8	148.4	2.6	152.8	2.9	127.9	2.4
	Transportation				Food & Beverages			
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
1994	134.3	3.0	136.9	6.3	144.9	2.3	131.9	0.5
1995	139.1	3.6	143.8	5.0	148.9	2.8	138.5	5.0
1996	143.0	2.8	147.2	2.4	153.7	3.2	143.4	3.5
	Medical Care				Apparel & Upkeep			
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
1994	211.0	4.8	197.8	4.3	133.4	-0.2	128.9	-1.8
1995	220.5	4.5	211.6	7.0	132.0	-1.0	130.0	0.9
1996	228.2	3.5	231.1	9.2	131.7	-0.2	128.7	-1.0

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

Table • 3

Cost of Food for a Week in 19 Alaskan Communities -December 1996

Community	Cost of Food, One Week	Percent of Anchorage
Anchorage	\$98.05	100
Bethel	144.14	147
Cordova	137.95	141
Delta	111.25	113
Dillingham	164.18	167
Fairbanks	101.92	104
Homer	114.20	116
Juneau	100.58	103
Kenai-Soldotna	109.84	112
Ketchikan	104.08	106
Kodiak	121.26	124
MatSu	106.54	109
Nome	175.49	179
Petersburg	105.45	108
Sitka	114.01	116
St. George	215.79	220
Tok	125.87	128
Unalaska	140.46	143
Wrangell	115.11	117

Comparing living costs among Alaskan 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 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 food costs for a week for a family of four with elementary school children for 19 communities. The December 1996 figures showed that Anchorage had the lowest food costs of the areas surveyed, followed by Juneau, Fairbanks, and Ketchikan. 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

Table • 4

Cost of Food at Home for a Week in Eight Alaskan Cities 1978-1996

Mo./Yr.	Anchorage	Fairbanks	% of Anch.	Juneau	% of Anch.	Bethel	% of Anch.
9/78	\$76.67	\$84.15	109.8	\$73.72	96.2	\$114.05	148.8
9/79	82.18	89.39	108.8	74.88	91.1	129.16	157.2
9/80	88.44	90.54	102.4	85.92	97.2	130.87	148.0
9/81	86.69	98.47	113.6	93.95	108.4	138.66	159.9
9/82	77.30	92.09	119.1	99.98	129.3	125.50	162.4
9/83	81.66	83.79	102.6	88.62	108.5	128.30	157.1
9/84	84.22	91.26	108.4	91.66	108.8	136.54	162.1
9/85	89.06	90.08	101.1	106.61	119.7	138.13	155.1
9/86	87.25	90.61	103.9	87.65	100.5	137.96	158.1
9/87	88.90	85.12	95.7	88.24	99.3	140.81	158.4
9/88	90.99	94.74	104.1	92.95	102.2	137.57	151.2
9/89	93.80	94.33	100.6	96.73	103.1	140.65	149.9
9/90	98.73	103.49	104.8	100.86	102.2	146.92	148.8
9/91	102.84	114.65	111.5	104.21	101.3	152.49	148.3
9/92	100.46	92.31	91.9	102.62	102.2	142.51	141.9
9/93	97.89	93.42	95.4	103.70	105.9	147.84	151.0
9/94	91.32	94.96	104.0	104.09	114.0	133.47	146.2
9/95	89.30	93.26	104.4	99.38	111.3	140.68	157.5
9/96	101.43	96.65	95.3	96.93	95.6	148.70	146.6

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, Dillingham and Nome, food costs are 50 to 75 percent higher than in Anchorage. Although the Cost of Food at Home survey does not extensively survey remote villages, they tend to have even higher costs than the regional centers that are only serviced 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 less populated areas. The opposite is true in Alaska. The cost of food and other basics such as fuel is higher in rural Alaskan 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 not changed much since the late 1970s. 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. One interesting point is that many areas of the state that experienced a substantial increase in retail capacity are seeing their food costs decrease. Anchorage, Fairbanks, Juneau, Kenai and Tok all saw the cost of food at home decrease from 1991 to 1995.

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 among areas should not be treated as exact measures. Small

Table • 4

Cost of Food at Home for a Week in Eight Alaskan Cities 1978-1996 (continued)

Mo./Yr.	Nome	% of Anch.	Kodiak	% of Anch.	Kenai	% of Anch.	Tok	% of Anch.
9/78	\$118.85	155.0	-	-	\$82.48	107.6	-	-
9/79	128.67	156.6	-	-	100.41	122.2	-	-
9/80	131.14	148.3	\$99.42	112.4	120.84	136.6	\$108.82	123.0
9/81	150.27	173.3	-	-	-	-	114.80	132.4
9/82	149.04	192.8	-	-	-	-	-	-
9/83	130.14	159.4	104.94	128.5	86.98	106.5	-	-
9/84	142.07	168.7	115.97	137.7	87.97	104.5	121.66	144.5
9/85	152.41	171.1	108.17	121.5	91.47	102.7	116.19	130.5
9/86	142.04	162.8	105.49	120.9	92.78	106.3	124.18	142.3
9/87	147.96	166.4	104.39	117.4	96.95	109.1	117.51	132.2
9/88	147.69	162.3	116.68	128.2	95.53	105.0	119.69	131.5
9/89	-	-	124.61	132.8	104.20	111.1	139.43	148.6
9/90	155.48	157.5	154.55	156.5	103.21	104.5	131.03	132.7
9/91	150.29	146.1	127.96	124.4	111.88	108.8	143.45	139.5
9/92	158.08	157.4	124.61	124.0	109.60	109.1	132.94	132.3
9/93	145.94	149.1	125.19	127.9	111.61	114.0	136.96	139.9
9/94	140.22	153.5	123.99	135.8	105.51	115.5	140.78	154.2
9/95	148.55	166.3	123.04	137.8	102.48	114.8	122.89	137.6
9/96	162.61	160.3	125.71	123.9	105.01	103.5	142.46	140.5

Table • 5

ACCRA Cost-of-Living Index 3rd Quarter 1996 20 Highest Cost Urban Areas

Source: American Chamber of Commerce Researchers Association, Urban Area Index Data, 3rd Quarter 1996 (325 Urban Areas surveyed).

City	All Items Index	Grocery Items	Housing	Utilities	Transportation	Health Care	Misc. Goods & Services
New York, NY	234.5	144.6	465.5	173.4	123.6	206.9	132.2
Kodiak, AK	147.0	144.7	156.4	181.7	119.9	161.4	136.4
Salinas-Monterey, CA	143.6	112.8	212.7	100.4	128.6	160.6	111.5
Boston, MA	142.5	115.0	206.6	137.2	120.3	136.2	110.0
Juneau, AK	137.8	120.8	156.6	168.7	112.4	161.5	125.1
Fairbanks, AK	129.7	122.1	138.2	156.0	117.7	166.9	116.4
Philadelphia, PA	125.5	112.7	140.1	199.9	117.4	99.3	108.3
Washington, DC	125.4	109.0	158.7	94.2	125.3	120.9	113.5
Anchorage, AK	124.8	121.9	133.8	84.0	109.7	173.5	123.6
New Haven, CT	123.0	128.0	133.1	159.6	107.4	128.2	106.5
San Diego, CA	121.9	113.4	152.2	100.9	131.0	120.0	103.4
Los Angeles-Long Beach, CA	119.7	117.1	132.0	116.0	116.2	137.5	109.1
Burlington/Chittenden Co., VT	118.2	107.5	135.2	128.9	101.6	119.9	110.5
Providence, RI	116.0	101.5	134.9	134.3	109.7	118.6	103.9
Hilton Head Island, SC	115.4	98.6	142.9	92.9	97.1	102.9	113.0
Seattle, WA	115.0	110.6	124.6	78.4	112.8	147.1	112.6
Glenwood Springs, CO	115.0	107.8	143.7	85.1	111.4	108.1	103.6
Los Alamos, NM	114.7	99.1	144.2	84.6	114.6	113.5	104.8
Chapel Hill, NC	114.5	98.1	137.9	112.3	101.4	111.2	107.3
Oakland County, MI	113.4	110.6	137.5	86.2	102.2	118.8	103.1

Ranking of Alaska Cities by Category

Anchorage, AK	9	5	21	260	37	2	4
Fairbanks, AK	6	3	12	6	12	3	5
Juneau, AK	5	4	5	4	26	4	3
Kodiak, AK	2	1	6	2	8	5	1

differences should not be construed as significant, or even as a correct indication of which area is the most 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.

Four Alaska cities were included in the most recently published ACCRA study (Third Quarter 1996)—Anchorage, Fairbanks, Juneau and Kodiak. The Third Quarter 1996 ACCRA data show that the Alaskan cities are among the 10 highest cost areas surveyed. (See Table 5.) Anchorage had the lowest index of the Alaskan cities in the ACCRA study; however, the difference between Anchorage and Fairbanks was relatively small. According to the index, Anchorage, Fairbanks and Juneau all have a cost of living roughly 25-35 percent higher

than the all-cities' average. Kodiak was nearly 50 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. Kodiak had the highest index for miscellaneous goods and services costs and for groceries; it was the second highest cost area for utilities.

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, particularly large urban areas, have comparable or much higher housing costs. Generally, the lowest rankings for Alaska's cities

ACCRA Cost-of-Living Index for Selected Cities- 3rd Quarter 1996

Region City	All Items Index	Grocery Items	Housing	Utilities	Transportation	Health Care	Misc. Goods & Services
West							
Anchorage, AK	124.8	121.9	133.8	84.0	109.7	173.5	123.6
Fairbanks, AK	129.7	122.1	138.2	156.0	117.7	166.9	116.4
Juneau, AK	137.8	120.8	156.6	168.7	112.4	161.5	125.1
Kodiak, AK	147.0	144.7	156.4	181.7	119.9	161.4	136.4
Boise, ID	103.1	101.4	108.6	67.5	100.0	116.6	106.3
Las Vegas, NV	104.7	110.9	106.8	75.7	116.9	119.2	101.1
Portland, OR	109.1	99.7	121.7	89.2	112.8	124.0	104.1
San Diego, CA	121.9	113.4	152.2	100.9	131.0	120.0	103.4
Seattle, WA	115.0	110.6	124.6	78.4	112.8	147.1	112.6
Southwest/Mountain							
Dallas, TX	98.9	96.7	94.9	99.9	105.0	107.9	99.8
Denver, CO	103.4	97.6	117.4	77.5	107.5	120.7	96.5
Phoenix, AZ	103.3	104.5	97.9	106.6	118.3	117.7	99.7
Santa Fe, NM	107.4	99.5	125.8	86.8	104.3	111.8	100.7
Midwest							
Milwaukee, WI	105.4	102.1	120.8	82.5	104.3	102.1	100.3
Oklahoma City, OK	90.0	89.6	77.1	92.7	92.4	94.5	98.9
Omaha, NE	92.0	92.9	92.0	86.7	102.7	88.9	90.6
Southeast							
Atlanta, GA	99.2	101.6	95.0	105.3	98.2	109.6	98.4
Nashville, TN	94.2	97.1	91.3	91.1	96.8	95.1	95.1
Birmingham, AL	98.4	97.3	98.5	98.6	96.3	99.5	99.3
Miami, FL	107.7	103.6	111.5	107.1	114.1	123.4	101.9
Raleigh, NC	103.0	100.9	108.2	112.3	93.7	104.7	99.5
Atlantic/New England							
Boston, MA	142.5	115.0	206.6	137.2	120.3	136.2	110.0
New York, NY	234.5	144.6	465.5	173.4	123.6	206.9	132.2
Philadelphia, PA	127.4	115.5	144.6	193.7	118.8	99.1	110.0

Source: American Chamber of Commerce Researchers Association, *Urban Area Index Data, 3rd Quarter 1996* (325 Urban Areas surveyed).

were in the ACCRA transportation index. 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 transpor-

tation 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.

Runzheimer study shows smaller cost-of-living differential

A slightly different approach to calculating living cost differences among cities is taken in the Runzheimer Living Cost Standards survey. Runzheimer International, a private research firm contracted by the Alaska Department of Labor's (AK-DOL) Workers' Compensation Division, looked at

Table • 7

Average Price for Selected Goods & Services in Selected U.S. Cities 3rd Quarter 1996

<i>n/a - Not available</i>		1 lb. Ground Beef	1/2 gal. Whole Milk	1 doz. Grade A Lg. Eggs	1 lb. Coffee	2 BR Apt. Rent (Unfurn. & excl. utils)	House Purchase Price	Total Energy Cost	1 gal. Gas
<i>1/ All cities mean is the arithmetic mean price of all 325 cities in the 3rd quarter 1996 survey.</i>	West								
	Anchorage, AK	\$1.42	\$2.21	\$1.49	\$3.19	\$774	\$175,059	\$88	\$1.34
	Fairbanks, AK	1.03	1.90	1.48	3.19	786	178,699	170	1.41
	Juneau, AK	1.37	1.98	1.19	3.26	984	199,425	188	1.44
	Kodiak, AK	1.68	2.39	1.70	3.67	1,050	195,000	197	1.69
	Boise, ID	1.21	1.31	0.93	3.06	724	135,666	66	1.35
	Las Vegas, NV	1.56	1.55	1.58	2.95	716	133,833	81	1.45
	Portland, OR	1.15	1.43	1.01	3.38	642	164,100	85	1.47
	San Diego, CA	1.45	1.94	1.95	3.07	770	206,864	107	1.50
	Seattle, WA	1.41	1.71	1.19	2.91	663	170,784	80	1.45
<i>Source: American Chamber of Commerce Researchers Association, Cost of Living Index, Average Price Data. (325 Urban Areas surveyed.) 3rd quarter 1996.</i>	Southwest/Mountain								
	Dallas, TX	1.42	1.64	0.94	2.67	720	114,321	105	1.23
	Denver, CO	1.15	1.58	0.88	3.07	703	154,460	75	1.19
	Phoenix, AZ	1.24	1.67	0.98	3.07	628	124,909	111	1.40
	Santa Fe, NM	1.19	1.38	0.89	2.81	700	166,625	86	1.34
Midwest									
Milwaukee, WI	1.57	1.50	0.83	2.58	680	157,290	85	1.28	
Oklahoma City, OK	0.95	1.43	0.87	2.70	506	98,620	93	1.10	
Omaha, NE	1.04	1.52	0.93	2.55	482	123,567	85	1.25	
Southeast									
Atlanta, GA	1.82	1.46	0.93	2.76	567	128,400	93	1.10	
Nashville, TN	1.21	1.48	0.94	2.55	544	118,799	93	1.23	
Birmingham, AL	1.37	1.72	0.90	2.21	565	129,900	99	1.17	
Miami, FL	1.61	1.75	0.95	2.33	753	140,000	114	1.29	
Raleigh, NC	1.71	1.69	1.11	2.47	626	142,308	116	1.20	
Northeast/Atlantic									
Boston, MA	1.59	1.40	1.16	3.11	1,016	272,592	144	1.32	
New York, NY	2.19	1.79	1.54	3.99	2,940	592,000	186	1.39	
Philadelphia, PA	1.89	1.32	1.16	3.40	721	192,490	223	1.32	
ALL CITIES MEAN 1/	1.34	1.53	1.00	2.71	556	131,626	103	1.25	

the comparative income necessary to maintain a certain standard of living in different areas of the country as of December 1996. 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 AKDOL Runzheimer study, a "base" family was created—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 automo-

bile, a 1993 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 AKDOL 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

taxation component. The Runzheimer study indicates that the portion of income that goes to taxes in Alaska is about 12 to 13 percent below the average in Standard City. 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 (PFD). If every member of the fictitious Runzheimer family received an Alaska PFD check, that would add about \$4,000 to the household's pre-tax income. This would amount to a significant boost in the overall income in this fictional Alaskan household.

Construction costs somewhat follow other surveys

In early 1997, the Alaska Department of Labor's Research and Analysis Section conducted the fifth annual survey of the cost of a market basket of construction materials. The survey, commissioned by the Alaska Housing Finance Corporation (AHFC), was intended to measure 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 materials costs at 10 Alaskan locations were measured, with some of the same patterns evident in other surveys showing in the results. (See Figure 3.) Like the other surveys, rural locations tended to have the highest costs. One notable difference about this survey is that Juneau showed the lowest cost for construction materials. No other survey showed Juneau to have 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

Region City	Hospital Room	Office Visit Doctor	McDonald's Quarter pounder w/cheese	Mens' Levi's 501/505
West				
Anchorage, AK	\$684	\$81.33	\$2.53	\$36.79
Fairbanks, AK	503	78.33	2.30	37.33
Juneau, AK	390	67.60	2.60	38.66
Kodiak, AK	400	65.00	2.80	32.29
Boise, ID	448	53.20	1.99	31.39
Las Vegas, NV	339	51.00	2.00	30.79
Portland, OR	485	55.80	1.97	29.99
San Diego, CA	632	47.50	1.98	31.59
Seattle, WA	569	60.91	2.09	43.99
Southwest/Mountain				
Dallas, TX	436	48.20	1.98	32.22
Denver, CO	493	58.80	2.06	31.66
Phoenix, AZ	472	55.20	2.00	33.49
Santa Fe, NM	305	49.20	2.09	36.25
Midwest				
Milwaukee, WI	390	53.20	1.85	31.79
Oklahoma City, OK	275	45.30	1.79	30.88
Omaha, NE	290	39.60	1.93	30.66
Southeast				
Atlanta, GA	319	55.33	1.99	31.79
Nashville, TN	260	53.13	1.89	33.00
Birmingham, AL	450	45.50	1.89	30.79
Miami, FL	571	62.00	2.07	30.09
Raleigh, NC	323	54.22	1.94	32.41
Northeast/Atlantic				
Boston, MA	631	64.60	2.13	37.39
New York, NY	1,324	96.00	2.85	37.78
Philadelphia, PA	445	40.00	1.96	34.50
ALL CITIES MEAN 1/	381	46.47	1.97	32.92

locations ranges from 4.3% to 16.7% above Standard City. (See Table 8.) 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 for the

Table • 8

Runzheimer International Living Cost Standards December 1996

Region City	Total Costs	% of Standard City	Taxation	% of Standard City	Trans- portation	% of Standard City	Housing	% of Standard City	Misc Goods & Services, Other	% of Standard City
West										
State of Alaska, Composite	\$34,825	108.8	\$6,291	88.8	\$4,021	110.2	\$13,185	119.7	\$11,328	110.4
Anchorage, AK	33,385	104.3	6,499	91.8	4,112	112.7	11,695	106.2	11,079	108.0
Fairbanks, AK	33,756	105.5	6,197	87.5	4,036	110.6	11,955	108.6	11,568	112.8
Juneau, AK	37,331	116.7	6,175	87.2	3,914	107.3	15,904	144.4	11,338	110.5
Boise, ID	30,777	96.2	6,750	95.3	3,446	94.5	10,831	98.4	9,750	95.0
Las Vegas, NV	31,096	97.2	6,100	86.1	4,319	118.4	10,623	96.5	10,054	98.0
Portland, OR	32,313	101.0	6,986	98.6	2,681	73.5	12,362	112.3	10,284	100.3
San Diego, CA	36,933	115.4	6,671	94.2	3,944	108.1	15,716	142.7	10,602	103.4
Seattle, WA	34,551	108.0	6,680	94.3	3,994	109.5	13,675	124.2	10,202	99.5
Southwest/Mountain										
Dallas, TX	29,697	92.8	7,288	102.9	3,891	106.7	8,304	75.4	10,214	99.6
Denver, CO	31,634	98.9	6,309	89.1	4,109	112.6	11,095	100.8	10,121	98.7
Phoenix, AZ	30,741	96.1	6,506	91.9	4,171	114.3	9,940	90.3	10,124	98.7
Santa Fe, NM	34,210	106.9	5,625	79.4	3,672	100.7	15,134	137.4	9,779	95.3
Midwest										
Milwaukee, WI	34,191	106.8	8,648	122.1	3,522	96.5	12,189	110.7	9,832	95.8
Oklahoma City, OK	29,101	90.9	7,122	100.6	3,589	98.4	8,353	75.9	10,037	97.8
Omaha, NE	31,402	98.1	7,900	111.5	3,524	96.6	10,271	93.3	9,707	94.6
Southeast										
Birmingham, AL	32,288	100.9	6,957	98.2	3,372	92.4	12,056	109.5	9,903	96.5
Miami, FL	30,281	94.6	6,827	96.4	4,102	112.4	9,406	85.4	9,946	97.0
Nashville, TN	29,652	92.7	6,298	88.9	3,249	89.1	10,215	92.8	9,890	96.4
Raleigh, NC	31,463	98.3	7,723	109.0	2,975	81.6	10,412	94.6	10,353	100.9
Atlantic/New England										
Boston, MA	38,576	120.6	7,753	109.5	4,704	128.9	15,541	141.1	10,578	103.1
New York, NY	41,035	128.2	7,091	100.1	4,309	118.1	17,893	162.5	11,742	114.5
Philadelphia, PA	36,564	114.3	8,748	123.5	4,214	115.5	12,770	116.0	10,832	105.6
STANDARD CITY, USA	32,000	—	7,083	—	3,648	—	11,011	—	10,258	—

Source:
Runzheimer's Living
Cost Index,
December 1996.

overtime, 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 or the AHFC construction cost 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 construction costs surveys conduct-

ed for the Alaska Housing Finance Corporation include much more than the three 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 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.