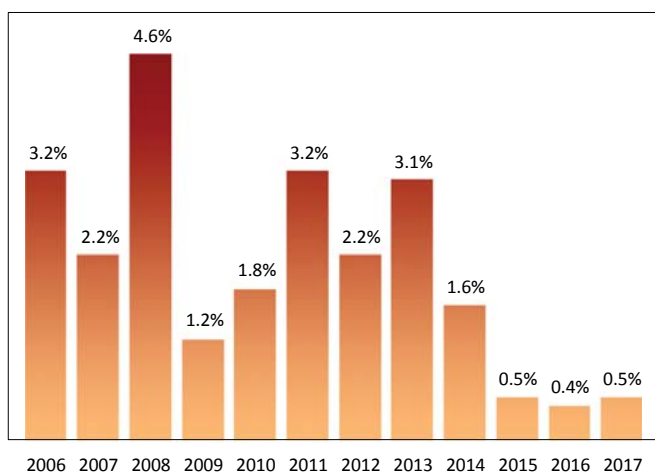


The COST of LIVING IN ALASKA

Inflation near historic low again while nation's inflation rises

1 Third Year of Low Inflation ANCHORAGE CPI, 2006 TO 2017



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

How much would \$1,000 in 2000 be worth in 2017?

About \$1,450. To adjust any year's dollars for inflation, see: <http://live.laborstats.alaska.gov/cpi/calc.cfm>.

By NEAL FRIED

Inflation hovered near a record low for a third straight year in 2017, with the Anchorage Consumer Price Index increasing just 0.5 percent. This is the first time inflation in Alaska hasn't topped half a percentage point for three years in a row. (See Exhibit 1.)

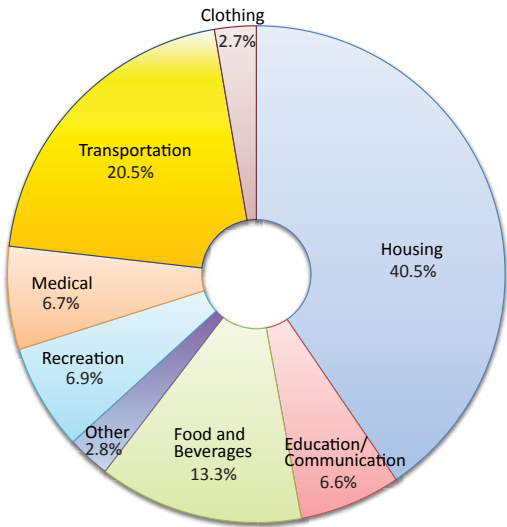
The rate has been lower just four other times since 1960, when the Bureau of Labor Statistics began producing inflation data for Anchorage. The lowest recorded rate was 0.3 percent in 1963. Then, inflation registered just 0.4 percent in 1987 and 1988, during Alaska's earlier recession, and again in 2016.

No other economic indicator has more daily ramifications for people than inflation. It's tied to bargaining agreements, wage negotiations, child support payments, real estate agreements, and — as of 2017 — minimum wage adjustments. Because inflation has been so low, Alaska raised its minimum wage by just a nickel in 2017 and four cents in 2018.

The rate appears to be rising, however. As of 2018, the Anchorage CPI has been renamed the Consumer Price Index for Urban Alaska and will be measured bi-monthly as well as semiannually and annually. Recent measurements show inflation of about 1 percent between December 2017 and April 2018, although that time frame is too short to know whether the increase is a trend. (For more on this index and recent changes, see the sidebars on pages 6 and 7.)

2 How Households Spend Their Income

ANCHORAGE CPI, DEC 2017



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

U.S. inflation is much higher

While inflation is much higher nationally this year than in Anchorage, the two consumer price indexes typically don't diverge much. That's because the prices of most goods and services in the market basket — purchases designed to reflect the average consumer — are dictated by national and international trends. For example, prices for gasoline, food, clothing, insurance, transportation, and health care respond mostly to national and global markets.

Housing is a big exception to that rule. Home prices are subject to local economic conditions, and housing is the largest spending category for the average household at nearly 41 percent of total expenditures. (See Exhibit 2.) As a result, housing has the biggest influence on the overall index.

Alaska has been in a recession for the past few years, and the Anchorage housing market has cooled. The average home price hasn't changed much, and the rental market has softened with vacancies increasing. The nation's economy is robust, however, and its housing market is booming. This means the housing segment of Anchorage's index increased just 0.9 percent in 2016 and 0.3

3 Anchorage and U.S. Metro Inflation

BY TYPE OF EXPENDITURE, 2007 TO 2017

Year	ALL ITEMS		Year	ALL ITEMS MINUS HOUSING	
	Anchorage % chg from previous yr	U.S. % chg from previous yr		Anchorage % chg from previous yr	U.S. % chg from previous yr
2007	2.2%	2.8%	2007	2.6%	2.5%
2008	4.6%	3.8%	2008	5.5%	4.5%
2009	1.2%	-0.4%	2009	0.6%	-1.0%
2010	1.8%	1.6%	2010	1.5%	2.6%
2011	3.2%	3.2%	2011	3.4%	4.0%
2012	2.2%	2.1%	2012	1.7%	2.0%
2013	3.1%	1.5%	2013	3.0%	1.1%
2014	1.6%	1.6%	2014	1.0%	1.1%
2015	0.5%	0.1%	2015	-0.3%	-1.3%
2016	0.4%	1.3%	2016	0.3%	0.2%
2017	0.5%	2.1%	2017	1.1%	1.6%

Year	HOUSING		Year	TRANSPORTATION	
	Anchorage % chg from previous yr	U.S. % chg from previous yr		Anchorage % chg from previous yr	U.S. % chg from previous yr
2007	2.7%	3.1%	2007	1.2%	2.1%
2008	2.5%	2.2%	2008	10.5%	5.9%
2009	3.7%	0.4%	2009	-4.8%	-8.3%
2010	0.9%	-0.4%	2010	4.4%	7.9%
2011	2.9%	1.3%	2011	4.7%	9.8%
2012	2.7%	1.6%	2012	2.0%	2.3%
2013	3.1%	2.1%	2013	7.0%	--
2014	2.7%	2.6%	2014	-0.6%	-0.7%
2015	2.4%	2.1%	2015	-6.8%	-7.8%
2016	0.9%	2.5%	2016	-1.7%	-2.1%
2017	0.3%	2.9%	2017	0.5%	3.5%

Year	FOOD AND BEVERAGES		Year	MEDICAL CARE*	
	Anchorage % chg from previous yr	U.S. % chg from previous yr		Anchorage % chg from previous yr	U.S. % chg from previous yr
2007	4.6%	3.9%	2007	3.0%	4.4%
2008	4.4%	5.4%	2008	3.7%	3.7%
2009	-0.2%	1.9%	2009	4.3%	3.2%
2010	-0.2%	0.8%	2010	5.7%	3.4%
2011	3.6%	3.6%	2011	5.3%	3.0%
2012	2.4%	2.6%	2012	4.3%	3.6%
2013	0.4%	1.4%	2013	3.2%	2.5%
2014	1.3%	2.3%	2014	3.2%	2.4%
2015	1.7%	1.8%	2015	3.3%	2.6%
2016	-0.7%	0.3%	2016	4.5%	3.8%
2017	-0.05%	1.6%	2017	1.5%	1.8%

Year	CLOTHING		Year	ENERGY	
	Anchorage % chg from previous yr	U.S. % chg from previous yr		Anchorage % chg from previous yr	U.S. % chg from previous yr
2007	-2.8%	-0.4%	2007	9.9%	5.5%
2008	6.1%	-0.1%	2008	17.5%	13.9%
2009	3.6%	1.0%	2009	-7.8%	-18.4%
2010	3.0%	-0.5%	2010	3.5%	9.5%
2011	2.2%	2.2%	2011	10.8%	15.4%
2012	4.3%	3.4%	2012	1.1%	0.9%
2013	4.8%	0.9%	2013	-2.7%	-0.7%
2014	1.5%	0.1%	2014	2.4%	-0.3%
2015	0.5%	-1.3%	2015	-10.3%	-16.7%
2016	2.6%	0.1%	2016	-5.8%	-6.6%
2017	0.3%	-1.6%	2017	12.3%	6.9%

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

Alaska burgers no longer the spendiest

Alaska cities typically rank among the most expensive for a McDonald's Quarter Pounder with Cheese, but more U.S. cities have pulled ahead in recent years. According to the Council for Community and Economic Research, Juneau and Fairbanks burgers tied for fourth-most expensive in the first quarter of 2017, and Anchorage and Kodiak fell out of the top 10. This year, Fairbanks and Juneau burger prices ranked eighth and ninth, respectively, and Anchorage was 11th. (Kodiak reported no data for first quarter 2018.)

The average U.S. Quarter Pounder price rose from \$4.13 in early 2017 to \$4.21 in 2018. In 2017, the most expensive burger was \$5.89, in Ithaca, New York.



Source: The Council for Community and Economic Research

percent in 2017 while the nation's grew by 2.5 percent and 2.9 percent, respectively. (See exhibits 3 and 4.)

This has happened before. When Anchorage's real estate market crashed in the 1980s, its housing index showed deflation while the nation's remained strong, so the overall national index moved ahead considerably. The relationship was similar during the U.S. recession of the past decade, but with the roles reversed. In 2009, the national index grew by just 0.4 percent and then turned negative in 2010 while Anchorage's grew by 3.7 percent and then 0.9 percent.

Inflation only measures the change in costs in a single place over time, so it can't be used to compare the costs of living between different places. A range of other sources compare costs between areas, and the rest of this article will focus on those comparisons.

Two ways to measure the cost of living

1. In a single place over time (inflation)

The Anchorage Consumer Price Index, now called the CPI for Urban Alaska, is the only consumer price index in Alaska so it's treated as the de facto statewide measure of inflation. In general, price changes in the Anchorage/Mat-Su area, from where the U.S. Bureau of Labor Statistics now draws samples, don't differ radically from other urban Alaska areas. (For more about the changes BLS made to the index in early 2018, see the sidebar on the next page.)

Urban Alaska is one of 23 places where the U.S. Bureau of Labor Statistics tracks changes in consumer prices, and it's the smallest. Although there's a CPI for the U.S. and for a number of large cities, these indexes cannot be used to compare costs between locations.

BLS goes to great lengths to produce the CPI through elaborate surveys of consumer spending habits. These surveys look at a "market basket" of items, to which BLS assigns location-specific weights. A market basket, used in most cost-of-living indexes, is a sample of goods and services believed to best represent the average consumer or a specific group of consumers. The CPI basket includes housing, food, transportation, medical care, and entertainment.

The inflation rate, or how much prices have gone up in a

year, is used to adjust the value of the dollar over time. Workers, unions, employers, and many others pay close attention to the CPI because bargaining agreements and other wage rate negotiations often incorporate an adjustment for inflation. The CPI also plays a role in long-term real estate rental contracts, annual adjustments to the state's minimum wage, child support payments, and budgeting. The Permanent Fund Corporation uses the CPI to inflation-proof the fund, and nearly all senior citizens are affected when Social Security payments are adjusted each year using the CPI.

BLS now produces the CPI for Urban Alaska bimonthly (in February, April, June, August, October, and December) as well as annually and semiannually.

2. In different places at the same time

The other way to assess the cost of living is to look at cost differences between places. For example, is it more expensive to live in Nome or Delta Junction?

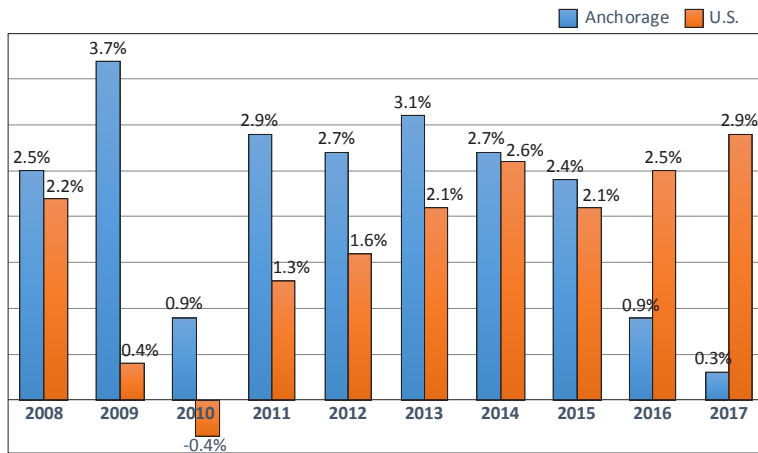
A variety of studies compare the costs of living among Alaska communities and other places around the country. These studies assume a certain consumption pattern and investigate how much more or less it might cost to maintain a specific standard of living elsewhere.

Some of the studies are more comprehensive than others, and because several sources may cover the same areas, it's important to know the strengths and weaknesses of each.

4

National Housing Inflation Far Exceeds Anchorage

2008 TO 2017



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

(See the sidebar on the previous page for more on the two main ways to measure the cost of living.)

Alaska's costs rank seventh among states

The Council for Community and Economic Research, or C2ER, produces a cost of living index for all 50 states and the District of Columbia that shows Alaska's living costs ranked seventh-highest in early 2018, between Massachusetts and Connecticut. (See Exhibit 5.)

In the past we've used the Missouri Economic Research and Information

Alaska's inflation index changed slightly in 2018

For nearly 60 years and with few methodological changes, the Anchorage Consumer Price Index has been the go-to CPI for Alaskans who want to know the change in the cost of living. It has also been the only measure for Alaska, aside from a Fairbanks CPI that lasted just a few years.

The U.S. Bureau of Labor Statistics rebranded Anchorage's CPI as the CPI for Urban Alaska in 2018 and altered its geography slightly. In effect, however, the change is in name only. According to BLS, this new index can be matched with the old to calculate changes in the CPI for any time period and will remain a consistent series.

While in theory the new index represents the Matanuska-Susitna, Fairbanks North Star, Juneau, and Ketchikan boroughs and the Municipality of Anchorage, BLS draws the new sample only from Anchorage and Mat-Su. This represents a relatively small change from the Anchorage CPI because for all practical purposes, the Anchorage/Mat-Su Region is a single economy with similar price changes.

It's important to remember that the CPI only measures change in a single place over time, however, and can't be used to compare costs between places. For more on the two ways to measure the cost of living, see the sidebar on the previous page.

5

Alaska Costs 7th Among States

FIRST QUARTER 2018

State	Index
1 District of Columbia	150.2
2 New York	141.7
3 California	139.0
4 Hawaii	132.3
5 Maryland	126.6
6 Massachusetts	125.9
7 Alaska	123.6
8 Connecticut	123.6
9 New Hampshire	119.6
10 New Jersey	118.2
11 Vermont	117.6
12 Rhode Island	117.3
13 Maine	114.2
14 Washington	112.5
15 Oregon	108.6
16 Illinois	108.4
17 Colorado	105.1
18 Arizona	104.3
19 Nevada	103.9
20 Delaware	103.7
21 Pennsylvania	103.1
22 Virginia	102.5
23 North Dakota	101.2
24 Wyoming	100.6
25 Florida	100.5
U.S. Average	100.0
26 Minnesota	99.8
27 Utah	98.5
28 Montana	96.9
29 South Carolina	96.9
30 New Mexico	96.8
31 Wisconsin	96.7
32 Texas	95.2
33 South Dakota	94.5
34 West Virginia	93.9
35 Nebraska	93.8
36 Louisiana	93.6
37 Georgia	92.7
38 Kansas	92.5
39 Idaho	92.1
40 North Carolina	92.1
41 Iowa	91.9
42 Indiana	91.4
43 Kentucky	91.4
44 Oklahoma	90.5
45 Tennessee	90.5
46 Alabama	90.3
47 Ohio	89.7
48 Michigan	89.6
49 Missouri	89.4
50 Arkansas	88.3
51 Mississippi	84.8

Source: The Council for Community and Economic Research

6

How Alaska Cities' Costs Compare to Other U.S. Cities

1ST QUARTER 2018 INDEX FOR PROFESSIONAL HOUSEHOLDS, U.S. AVERAGE = 100

	Total Index	Groceries	Housing	Utilities	Transportation	Health Care	Misc.
Category's weight in total index	100.0%	13.47%	28.15%	9.90%	8.99%	4.57%	34.92%
U.S. Average	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Region and City							
Anchorage, AK							
	128.4	134.0	139.3	121.8	106.5	145.3	122.7
Fairbanks, AK							
	129.8	125.9	118.2	207.0	122.0	151.5	117.9
Juneau, AK							
	134.5	145.4	150.5	132.1	140.8	153.4	114.0
West							
Portland, OR							
	130.0	111.2	180.8	89.1	113.1	110.8	114.8
Honolulu, HI							
	186.3	168.0	295.8	183.6	139.7	111.8	127.6
San Francisco, CA							
	195.7	129.5	366.0	126.0	127.7	127.1	130.2
Los Angeles/Long Beach, CA							
	147.1	108.6	238.8	111.7	121.6	106.9	110.0
Reno, NV							
	110.3	118.9	111.3	80.3	112.5	111.9	113.9
Seattle, WA							
	153.0	127.8	211.6	110.8	133.2	122.0	136.5
Spokane, WA							
	98.2	94.5	95.0	91.5	106.9	115.2	99.7
Tacoma, WA							
	110.3	106.9	107.6	91.9	97.7	125.4	120.3
Boise, ID							
	95.0	96.6	90.5	87.8	105.7	104.5	96.1
Bozeman, MT							
	103.9	107.4	106.4	88.1	97.9	105.2	106.3
Cheyenne, WY							
	90.0	102.3	79.5	98.1	104.4	91.1	87.7
Southwest/Mountain							
Salt Lake, UT							
	100.6	110.1	97.7	91.0	95.0	99.2	103.7
Phoenix, AZ							
	96.0	99.9	95.0	109.2	95.5	97.7	91.4
Denver, CO							
	111.5	96.0	135.8	85.7	97.9	105.7	109.6
Colorado Springs, CO							
	97.7	93.3	98.6	88.8	106.4	100.1	98.6
Dallas, TX							
	100.4	108.5	88.0	98.7	101.5	106.3	106.6
Houston, TX							
	96.9	84.8	99.9	112.9	97.9	91.5	95.2
Brownsville-Harlingen, TX (lowest)							
	76.3	80.8	63.1	98.1	86.4	88.5	74.9
Oklahoma City, OK							
	84.5	92.1	70.9	93.3	85.9	91.5	88.8
Midwest							
Cleveland, OH							
	98.0	114.0	84.9	99.2	99.2	99.9	101.6
Peoria, IL							
	96.0	95.5	82.4	96.2	100.0	97.7	105.9
Minneapolis, MN							
	105.0	105.8	104.2	96.1	108.1	107.0	106.8
Fargo/Moorehead, ND/MN							
	99.5	109.7	91.8	91.9	97.8	117.9	102.1
Southeast							
Washington, DC							
	161.8	112.4	269.8	116.4	111.9	99.8	127.6
Fort Lauderdale, FL							
	118.7	107.3	162.9	99.9	108.9	96.8	98.2
Miami, FL							
	115.2	107.1	147.0	100.4	104.9	95.3	102.1
Birmingham, AL							
	91.1	93.0	87.3	107.0	88.5	79.6	91.2
Atlanta, GA							
	99.0	97.8	101.2	87.9	97.4	107.3	100.2
New Orleans, LA							
	100.4	103.8	114.2	81.8	107.4	100.8	91.3
Atlantic/New England							
New York City/Manhattan, NY (highest)							
	245.4	137.3	529.0	115.6	131.0	115.7	141.8
Boston, MA							
	146.5	105.9	206.5	120.0	115.3	137.4	130.5
Philadelphia, PA							
	98.4	109.2	91.9	100.6	107.6	90.6	97.4
Hartford, CT							
	118.2	108.8	131.6	97.8	113.4	117.8	118.0

Note: Kodiak reported no data in the first quarter of 2018.
Source: The Council for Community and Economic Research

Center data on cost of living by state, but we replaced it this year because the C2ER index is more comprehensive.

The Missouri index merely averages the indexes for Juneau, Fairbanks, Kodiak, and Anchorage and applies no adjustment for population size. C2ER's state index uses county-level data from the U.S. Bureau of Economic Analysis and includes all 29 boroughs and census areas in Alaska. It also factors in a range of other cost-of-living determinants, such as an area's per capita income and population characteristics.

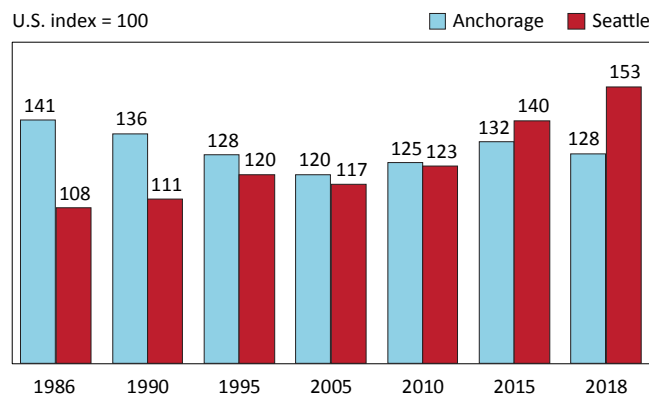
Alaska cities not the most expensive

To compare costs between cities, C2ER gathers pricing data for more than 250 U.S. cities quarterly and annually, including four in Alaska. (See exhibits 6 and 7.) The survey includes prices for 57 specific items in categories such as groceries, housing, utilities, transportation, health care, and miscellaneous goods and services, and sets the national average at 100.

While the city survey is broad, it has a number of drawbacks. The consumption pattern is designed to represent a professional or executive household in the top income quartile, and the survey can't differentiate between consumption patterns by area. It also doesn't include taxation, which is lower in Alaska than in most states.

As it has in the past, the survey showed that costs of living in Anchorage, Juneau, Fairbanks, and Kodiak remain well above the national average and comparable to places like Portland, Oregon.

8 Seattle's Cost of Living Overtakes Anchorage 1985 TO 2018



Source: The Council for Community and Economic Research

7 U.S. Cities With Higher Costs than Urban Alaska

FIRST QUARTER 2018

Community	Index
U.S. Average	100.0
New York (Manhattan), NY	245.4
San Francisco, CA	195.7
Honolulu, HI	186.3
New York (Brooklyn), NY	179.4
Washington, DC	161.8
Seattle, WA	153.0
Oakland, CA	151.3
New York (Queens), NY	149.6
Arlington, VA	148.7
Orange County, CA	148.5
Los Angeles-Long Beach, CA	147.1
Boston, MA	146.5
Alexandria, VA	145.1
San Diego, CA	144.3
Stamford, CT	143.1
Bethesda-Gaithersburg-Frederick, MD	142.9
Juneau	134.5
Kodiak*	130.3
Portland, OR	130.0
Fairbanks	129.8
Anchorage	128.4

*2017 (no data reported for 2018)

Source: The Council for Community and Economic Research

Costs in Alaska's communities have always ranked high, but a growing number of U.S. cities are becoming even more expensive. Seattle is a good example. (See Exhibit 8.) Just six U.S. cities registered higher costs than Alaska's most expensive surveyed city in 2000, which grew to 16 cities in the first quarter of 2018.

Calculating index changes

Changes in an index are usually expressed as percent changes rather than index points because index points are affected by the level of the index in relation to its base period. The following example shows how index points and percent changes are computed.

Index point change

Anchorage CPI, 2017.....218.9
 Less CPI for previous period, Anchorage 2016.....217.8
 Equals index point change.....1.1

Percent change

Index point difference.....1.1
 Divided by the previous index.....217.8
 Equals percent change, Anchorage CPI 2017.....0.5%

What Common Items and Services Cost in Early 2018



CELL SERVICE

Anchorage \$183.90
Fairbanks \$180.90
Juneau \$191.10

Chicago, IL: \$198.06
U.S. Average
\$178.97
Portland, OR: \$164.37

YOGA CLASS

Anchorage \$17.00
Fairbanks \$14.40
Juneau \$13.00

Orange County, CA: \$23.33

U.S. Average
\$14.97

Salina, KS: \$5.00



LB. BANANAS

Anchorage 91¢
Fairbanks 89¢
Juneau 92¢



Jonesboro, AR: \$1.19

U.S. Average
57¢

Richmond, VA: 41¢



DENTAL EXAM

San Marcos, TX: \$155.00

U.S. Average
\$93.80

McAllen, TX: \$62.33

Anchorage \$141.00
Fairbanks \$150.53
Juneau \$147.80

Anchorage \$1.79
Fairbanks \$1.03
Juneau \$1.48

CAN TUNA

Thibodaux-Lafourche, LA: \$1.87

U.S. Average
\$1.09

Hastings, NE: 76¢



DOCTOR VISIT

Anchorage \$188.50
Fairbanks \$190.00
Juneau \$195.00



Juneau, AK: \$195.00

U.S. Average
\$108.53

San Juan, PR: \$31.25

TIRE BALANCING

Manhattan, NY: \$80.16

U.S. Average
\$46.98

Thomasville/
Lexington, NC:
\$16.67



Anchorage \$38.00
Fairbanks \$46.41
Juneau \$61.70

COCA-COLA, 2L

Anchorage \$2.49
Fairbanks \$1.91
Juneau \$2.65



Juneau, AK: \$2.66

U.S. Average
\$1.69

Cedar City, UT: 94¢

BOX of CEREAL

Anchorage \$4.78
Fairbanks \$4.67
Juneau \$4.72



Honolulu, HI: \$6.59

U.S. Average
\$3.56

Kansas City, MO/KS: \$2.04

LB. RIBEYE STEAK

Anchorage \$10.97
Fairbanks \$14.16
Juneau \$14.32



Baltimore, MD: \$14.99

U.S. Average
\$11.22

Pueblo, CO: \$7.94

Source: The Council for Community and Economic Research Cost of Living Index, First Quarter 2018, Published May 2018

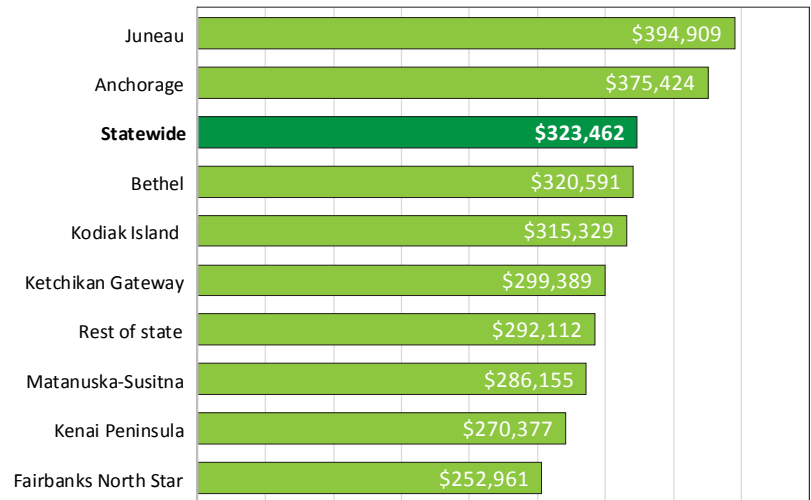
Juneau has the highest average house price

An area's housing market is a good proxy for its overall cost of living because housing makes up such a large slice of a household's expenditures. The supply and quality of housing, vacancy rates, the local economy, building costs, and demographics can all differ considerably by area.

In 2017, Juneau was the most expensive place to buy the average single-family home, a spot that has seesawed between Juneau and Anchorage in recent years. (See Exhibit 9.) The average two-bedroom house in Juneau cost \$394,909 in 2017. In 2016, Anchorage was most expensive on average at \$383,830, but its average price dropped in 2017.

9 Average Home Costs the Most in Juneau

TWO-BEDROOM HOUSES, 2017



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

Areas' earning differences affect home affordability

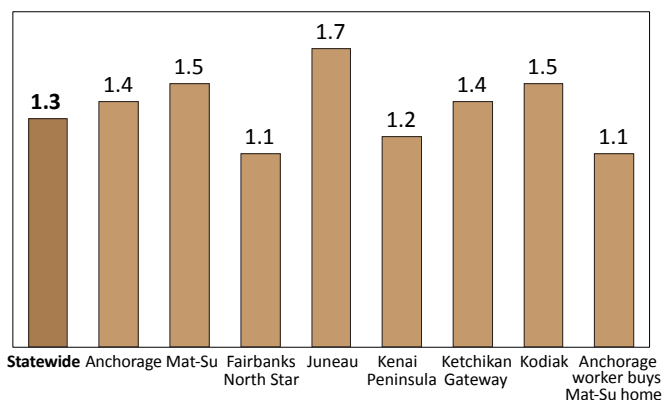
Affordability indexes take housing cost analysis a step further by figuring in an area's average earnings as well as housing prices. The resulting index value represents the number of average paychecks required to qualify for a 30-year mortgage, with an average interest rate and a 15 percent down payment.

Even with its higher earnings, Juneau was least affordable, at 1.7 average paychecks. Fairbanks had the lowest average home price in 2017 and was also the most affordable area at 1.1 paychecks. (See Exhibit 10.)

An Anchorage earner buying a home in the Matanuska-Susitna Borough tied with Fairbanks as most affordable. Anchorage's earnings are higher, which is a major reason commuting between the borough and the city is so popular. It takes 1.5 average paychecks earned in the Matanuska-Susitna Borough to afford the average home there, but buying a Mat-Su home requires just 1.1 average paychecks earned in Anchorage.

10 Paychecks Needed to Buy a House

TWO-BEDROOM HOUSES, 2017



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

Kodiak has highest rent

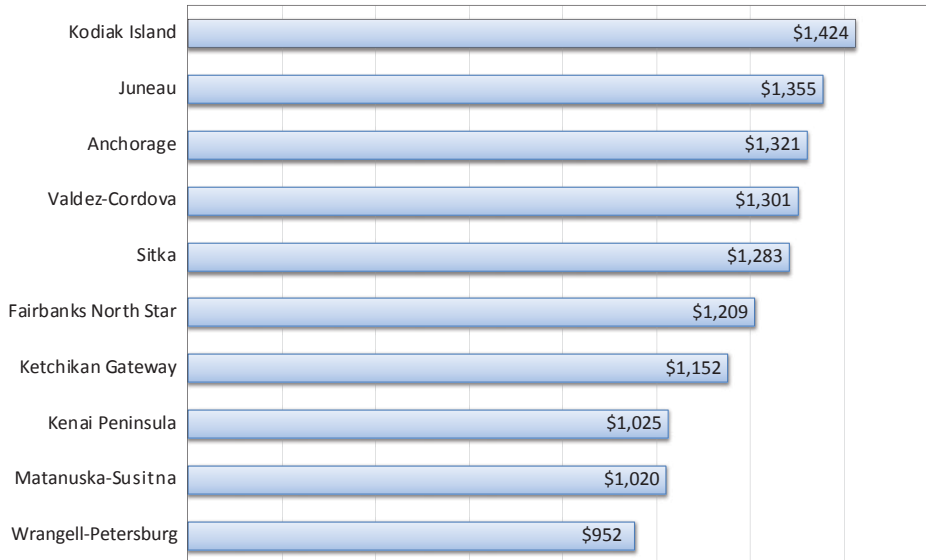
The cost of a home is usually related to an area's rental rates. As exhibits 9 and 11 show, areas with more expensive homes also tend to have higher rents.

Kodiak is an exception and has been for more than six years. It was the most expensive area to rent a two-bedroom apartment in 2017 but not the most expensive place to buy a house — in fact, Kodiak's average home price was well below the statewide average. Kodiak has a large Coast

11

Kodiak Has Highest Rent Plus Utilities

TWO-BEDROOM APARTMENTS, 2017



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section and Alaska Housing and Finance Corporation, 2017 Rental Market Survey

Guard population that receives a generous housing allowance, which in theory puts upward pressure on rents.

Groceries and other staples by area

Four times a year, the University of Alaska Fairbanks' Cooperative Extension Service publishes weekly grocery costs for 16 communities. (See Exhibit 12.) Its market basket includes items that represent the minimum levels of nutrition at the lowest possible cost for a family of four that has two children, ages 6 and 11.

As of December 2017, grocery prices were lowest in urban communities, including Fairbanks, Ketchikan, Palmer/Wasilla, and Anchorage. The highest costs were in areas where most food is flown in, such as Bethel, Nome, and Kotzebue. Kotzebue groceries were more than double the cost for the same items in the urban areas.

Areas with costs that fell between lower urban and high remote-rural prices included small communities that lie on a major transportation system such as a highway or the Alaska Marine Highway system. Cordova and Petersburg are examples. But location isn't everything. The size of the market, level of competition, and proximity to a larger area are other major cost determinants.

Another source for prices in various Alaska communities is the Alaska Department of Commerce, Community and Economic Development, which works with partners throughout the state to produce quarterly surveys for four staples:

12

The Cost of Groceries for One Week

DECEMBER 2017

Area*	Cost**	Percent of AK avg
Alaska	\$274	100%
Anchorage	\$217	79%
Bethel	\$381	139%
Cordova	\$319	116%
Delta Junction	\$258	94%
Fairbanks	\$197	72%
Haines	\$256	93%
Homer	\$228	83%
Juneau	\$221	81%
Kenai/Soldotna	\$228	83%
Ketchikan	\$212	77%
Kotzebue	\$463	169%
Palmer/Wasilla	\$202	74%
Nome	\$360	131%
Petersburg	\$268	98%
Sitka	\$263	96%
Valdez	\$315	115%

*Values interpolated where current data were unavailable

**Cost for a family of four with two children, ages 6 and 11

Source: University of Alaska Fairbanks, Cooperative Extension Service

Text continues on page 18

13 Staples by Community

SEPTEMBER 2017

	Eggs (12)	Milk (1 gal)	Bread (1 loaf)	Gasoline (1 gal)	Total
Average	\$2.69	\$4.78	\$2.86	\$3.52	\$13.85
Anchorage	\$1.99	\$3.79	\$2.49	\$2.84	\$11.11
Juneau	\$1.29	\$3.75	\$2.19	\$3.55	\$10.78
Fairbanks	\$1.99	\$4.38	\$2.99	\$3.04	\$12.40
Kenai	\$1.97	\$3.78	\$2.28	\$3.01	\$11.04
Kodiak	\$2.19	\$4.09	\$2.39	\$3.39	\$12.06
Valdez	\$1.99	\$3.99	\$2.39	\$3.40	\$11.77
Glennallen	\$4.50	\$4.95	\$3.95	\$3.37	\$16.77
Nome	\$3.79	\$6.29	\$4.49	\$4.38	\$18.95
Bethel	\$4.49	\$7.99	\$2.59	\$4.69	\$19.76

Source: Department of Commerce, Community and Economic Development

14 Fuel Prices in Alaska

JANUARY 2018

Selected communities	Heating fuel #1, residential	Gasoline, regular
Statewide average	\$4.41	\$4.95
National average	\$3.08	\$2.64
Akiak	\$4.78	\$5.13
Angoon	\$3.95	\$4.00
Arctic Village	\$11.00	\$10.00
Atka	\$6.85	\$7.35
Utqiagvik (Barrow)	Natural gas	\$5.90
Bethel	\$4.18	\$4.34
Chenega Bay	\$5.94	\$5.95
Chignik	\$3.51	\$4.00
Circle	\$3.45	\$4.20
Deering	\$4.90	\$5.00
Dillingham	\$3.14	\$4.24
Eagle	\$3.95	\$3.95
Emmonak	\$5.55	\$5.77
Fairbanks	\$2.89	\$3.23
Galena	\$3.99	\$5.87
Gambell	\$4.38	\$4.79
Glennallen	\$2.80	\$3.44
Golovin	\$3.70	\$3.70
Holy Cross	\$6.05	\$5.80
Homer	\$2.92	\$3.36
Hooper Bay	\$5.10	\$5.45
Huslia	\$5.70	\$5.50
Juneau	\$2.96	\$2.78
King Cove	\$3.07	\$4.40
Kodiak	\$3.08	\$3.14
Kokhanok	\$5.60	\$6.31
Kotzebue	\$5.52	\$5.69
Mountain Village	\$6.91	\$5.55
Nenana	\$3.75	\$3.49
Noorvik	\$5.42	\$5.83
Nuiqsut (subsidized)	\$2.30	\$5.00
Nulato	\$4.25	\$5.00
Pelican	\$3.65	\$4.04
Pilot Station	\$6.28	\$5.80
Port Lions	\$3.70	\$3.75
Ruby	\$5.25	\$6.00
Sand Point	\$3.60	\$4.03
Shishmaref	\$3.80	\$4.07
Unalaska	\$3.29	\$3.82
Wales	\$6.44	\$6.70
Wrangell	\$3.19	\$3.61

Note: This is a partial list of the 100 communities surveyed. For all communities, see the publication cited below.

Source: Department of Commerce, Community, And Economic Development, Current Community Conditions: Fuel Prices Across Alaska, January 2018 Update

15 Index the Military Uses to Adjust for Local Costs

OCONUS FOR ALASKA, APRIL 2018

Location	Index
U.S. Average	100
Anchorage (inc. Eagle River)	128
Bethel	150
Clear Air Force Base	134
College (UAF area)	122
Cordova	146
Delta Junction	134
Eielson Air Force Base (Fairbanks)	128
Fort Wainwright (Fairbanks)	122
Homer (includes Anchor Point)	130
Juneau	140
Kenai (includes Soldotna)	130
Ketchikan	130
King Salmon (incl Bristol Bay Borough)	130
Kodiak	136
Nome	150
Petersburg	150
Seward	132
Sitka	136
Spuce Cape	130
Tok	132
Unalaska	130
Utqiagvik (Barrow)	150
Valdez	150
Wainwright	150
Wasilla	122
Other	150

Source: U.S. Department of Defense

eggs, milk, bread, and gasoline. (See Exhibit 13 on page 13.)

Like the other surveys, this source showed staples in Alaska’s urban communities, which have more competition and cheaper shipping, often cost less than half of what they would in smaller or remote places.

The department also conducts a semiannual survey of fuel prices in 100 communities, with similar results. With few exceptions, smaller and remote communities pay significantly more for fuel than larger and urban areas, and the highest fuel costs are in places that depend on air transport for supplies.

Arctic Village’s costs were highest by far, with \$10 per gallon gasoline and \$11 heating fuel. Atka was a distant second, with gas at \$7.35 and heating fuel at \$6.85. In contrast, Juneau had the least expensive gasoline at \$2.78 and Glennallen’s heating fuel was lowest at \$2.80. (See Exhibit 14 on page 13.)

Between the last survey in July 2017 and the most recent in January of this year, gasoline and heating prices rose somewhat. The next survey, in July 2018, will likely show an upsurge as oil prices continue to increase.

Examples of military cost adjustments for Alaska

The military produces a couple of notable cost of living indexes. The Department of Defense produces an index called OCONUS to adjust costs for areas outside the contiguous United States, which it considers “overseas.” The military makes adjustments for personnel based on their spendable income, defined as total income minus housing expenses, because it deals with housing through a separate allowance program. (See Exhibit 15 on page 13.)

Based on an average index value of 100, OCONUS values for Alaska in 2018 range from a low of 122 for

16 Corps of Engineers Cost Factors

BY STATE, FY 2017 AND 2018

U.S. Average	1.00		
Alabama	0.84	Montana	1.06
Alaska	2.12	Nebraska	1.00
Arizona	0.97	Nevada	1.18
Arkansas	0.84	New Hampshire	1.04
California	1.23	New Jersey	1.21
Colorado	1.03	New Mexico	0.91
Connecticut	1.15	New York	1.13
Delaware	1.06	North Carolina	0.83
Florida	0.86	North Dakota	1.07
Georgia	0.82	Ohio	0.94
Hawaii	2.32	Oklahoma	0.95
Idaho	1.03	Oregon	1.13
Illinois	1.04	Pennsylvania	1.14
Indiana	0.99	Rhode Island	1.17
Iowa	1.00	South Carolina	0.89
Kansas	0.90	South Dakota	0.93
Kentucky	0.90	Tennessee	0.85
Louisiana	0.87	Texas	0.84
Maine	1.03	Utah	1.04
Maryland	0.97	Vermont	1.02
Massachusetts	1.17	Virginia	0.90
Michigan	1.06	Washington	1.07
Minnesota	1.15	West Virginia	0.97
Mississippi	0.83	Wyoming	0.99
Missouri	1.00	Washington D.C.	1.03

Note: Used for military construction and family housing
Source: U.S. Army Corps of Engineers

Wasilla and Fort Wainwright and the university area in Fairbanks to a high of 150 for Bethel, Nome, Petersburg, Wainwright, Valdez, and Utqiagvik.

The U.S. Army Corps of Engineers also produces area cost factors each year for family housing and military construction projects. The Corps ranks Alaska’s costs as second-highest among states, behind Hawaii, at more than double the U.S. average. (See Exhibit 16.)

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