The Cost of Living in Alaska

by Neal Fried and
Brigitta Windisch-Cole
Labor Economists

It's an Alaska obsession

Ever since the first gold strike, Alaska's higher cost of living has been a major topic of conversation. A body of lore and myth surrounds the idea of how much things cost in Alaska versus the rest of the nation. Although these cost-of-living differences have narrowed over the past 20 years, they are still of intense interest. In fact, cost-of-living economic series rank among the most-requested information. Answers to questions about the cost of living in Alaska are provided in this article.

There are two cost-of-living measures

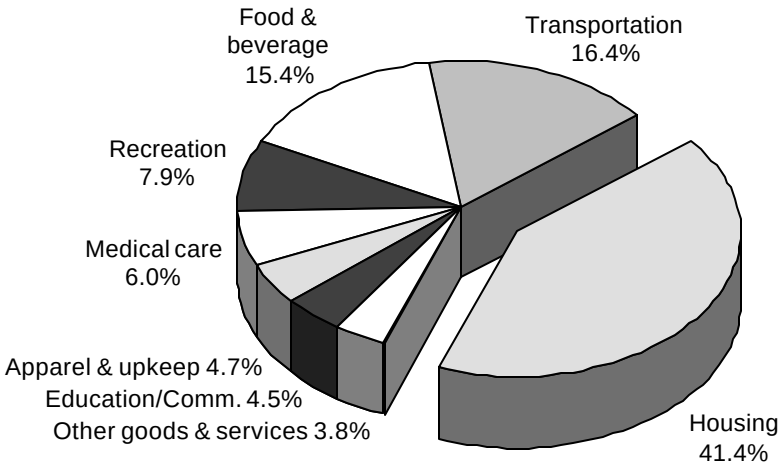
Cost-of-living has two very different types of measures. The Consumer Price Index (CPI) observes the change in the cost of living over time in a specific place, popularly referred to as the inflation rate. Labor unions, employers, workers, and others pay close attention to this measure of inflation. Bargaining agreements and other wage rate negotiations often incorporate an adjustment for inflation. The rate also plays a role in long-term rental contracts and child support payments, and each year the Permanent Fund Corporation uses it to "inflation proof" the fund. If change over time is the key element in cost of living discussions, then the CPI must be used.

A second cost-of-living measure develops from the investigation of basic consumer costs in various geographic locations. In these indexes, the cost of living is compared among different communities in Alaska and other places in the country. These studies assume a certain consumption pattern and investigate how much more or less it might cost to uphold a specific standard of living in the different areas. These comparisons play a big role in relocation activity. A variety of such measures is available. They include the Runzheimer International Index, the U.S. Department of Agriculture's *Cost of Food at Home* study, the American Chamber of Commerce Researchers Association (ACCRA) index, information from the Alaska Housing Finance Corporation, and any of the web based indexes included at the end of this article.

Anchorage CPI-U, December 2000

Consumers spent most on housing

1



Source: U.S. Department of Labor, Bureau of Labor Statistics
Anchorage Consumer Price Index-Urban

2 Consumer Price Index
U.S. City and Anchorage

All items annual averages

Year	U.S. City Average	Percent Change from Prev. Yr.	Anchorage Average	Percent Change from Prev. Yr.
1960	29.6		34.0	
1961	29.9	1.0	34.5	1.5
1962	30.2	1.0	34.7	0.6
1963	30.6	1.3	34.8	0.3
1964	31.0	1.3	35.0	0.6
1965	31.5	1.6	35.3	0.9
1966	32.4	2.9	36.3	2.8
1967	33.4	3.1	37.2	2.5
1968	34.8	4.2	38.1	2.4
1969	36.7	5.5	39.6	3.9
1970	38.8	5.7	41.1	3.8
1971	40.5	4.4	42.3	2.9
1972	41.8	3.2	43.4	2.6
1973	44.4	6.2	45.3	4.4
1974	49.3	11.0	50.2	10.8
1975	53.8	9.1	57.1	13.7
1976	56.9	5.8	61.5	7.7
1977	60.6	6.5	65.6	6.7
1978	65.2	7.6	70.2	7.0
1979	72.6	11.3	77.6	10.5
1980	82.4	13.5	85.5	10.2
1981	90.9	10.3	92.4	8.1
1982	96.5	6.2	97.4	5.4
1983	99.6	3.2	99.2	1.8
1984	103.9	4.3	103.3	4.1
1985	107.6	3.6	105.8	2.4
1986	109.6	1.9	107.8	1.9
1987	113.6	3.6	108.2	0.4
1988	118.3	4.1	108.6	0.4
1989	124.0	4.8	111.7	2.9
1990	130.7	5.4	118.6	6.2
1991	136.2	4.2	124.0	4.6
1992	140.3	3.0	128.2	3.4
1993	144.5	3.0	132.2	3.1
1994	148.2	2.6	135.0	2.1
1995	152.4	2.8	138.9	2.9
1996	156.9	3.0	142.7	2.7
1997	160.5	2.3	144.8	1.5
1998	163.0	1.6	146.9	1.5
1999	166.6	2.2	148.4	1.0
2000	172.2	3.4	150.9	1.7

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

Indexes require caution

Each cost-of-living measure has its shortcomings. Because no two consumers spend their money alike, no index accurately captures all of the differences. For example, the average household in Barrow may spend income quite differently than the average household in Fairbanks. Because those differences can stack up dramatically against a household in San Francisco, such comparisons are not easy to make. People's spending habits are also continuously in flux. Technology keeps changing, tastes change, and people react differently to changes in consumer prices. In spite of these variables, most of the cost-of-living indexes measure prices from a sample of goods and services that they believe best mimic the "average consumer" or a specific group of consumers. Items such as housing, food, transportation, medical care, and entertainment are included in these surveys. This list of items is often referred to as the "market basket." Some market baskets are quite complex and others are very simple. Understanding the contents of the market basket and which consumer buying habits it attempts to imitate, are important to deciding which cost-of-living index to use.

How much are prices rising? The Anchorage Consumer Price Index

The Anchorage Consumer Price Index (CPI) is probably the most important cost-of-living index in Alaska. Anchorage is the only community in the state where the U.S. Department of Labor's Bureau of Labor Statistics (BLS) produces such an index, and it is often treated as the de facto statewide inflation measure. Anchorage is one of 87 urban communities in the country where the bureau tracks changes in consumer prices. In most cases, price changes in Anchorage probably do not differ radically from other communities in the state. However, some people prefer to use the national or Seattle CPI.

The U.S. Department of Labor goes to great length and expense to produce the CPI. Intermittently, BLS conducts elaborate surveys of Anchorage consumer spending habits to examine the market basket of goods and determine the location-specific weights of the goods. The results are published in the BLS consumer expenditure survey. (See Exhibit 1.) To measure the price changes the bureau collects prices for goods and services in the market basket on a regular basis. The Anchorage CPI is produced on a

semi-annual basis, for the periods January to June and July to December. After the July-December index is released in February of the following year, the annual average index, which is the most-observed measure, can be calculated. (See Exhibit 2.)

Two different indexes are produced—the Consumer Price Index for All Urban Consumers (CPI-U) and the Consumer Price Index for Wage and Clerical Workers (CPI-W). The CPI-U is the most prominent measure and is used more frequently than any other inflation measure. The CPI-W index is derived from a significantly smaller consumer group. The rest of the references in this article to the CPI will refer to the CPI-U.

Although a national CPI is produced along with indexes for many communities around the country, these indexes cannot be used to compare costs between different locations. The CPI measures only changes in prices in a particular location. For example, the annual average index for Anchorage in 2000 was 150.9 compared to the national index of 172.2. This does not mean that the nation's average cost of living was higher than in Anchorage. The evidence one can glean from other indexes described in this article is quite the contrary. What the index numbers do mean is that prices or inflation since the early 1980s have increased faster in the rest of the nation than they have in Anchorage. The reason for this is explained below. The base period for these indexes, (where they both equal 100) is 1982-84.

Low inflation has been the norm in recent years

Inflation in Anchorage has not crested the three-percent mark on an annual average basis for the past seven years. (See Exhibit 3.) During the last four years it has not even reached two percent for any one year. Moderate increases in housing costs and relatively small increases in most of the other categories have kept larger increases at bay.

Housing gives the index its local flavor

Calculating Consumer Price Index (CPI) Changes

Index movements from one time period to another are usually expressed as percent changes rather than changes in index points, because index point changes are affected by the level of the index with respect to its base period, while percent changes are not. The example below illustrates the computation of index points and percent changes.

Index Point Change

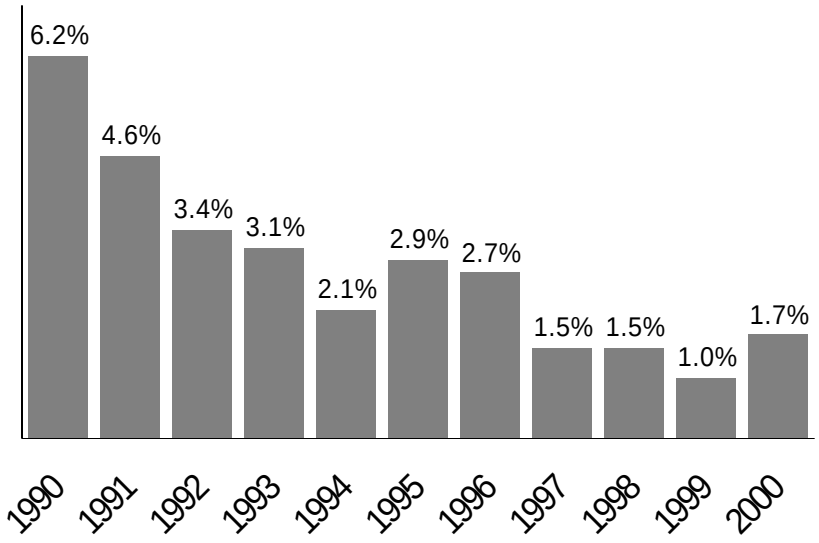
CPI-Anchorage 2000	150.9
Less CPI for previous period (Anchorage 1999)	148.4
Equals index point change	2.5

Percent Change

Index point difference	2.5
Divided by the previous index	148.4
Equals	0.017
Results multiplied by 100	0.017 x 100
Equals percent change-Anchorage CPI 2000	1.7

Anchorage Consumer Price Increases Below 2% since 1997 3

Consumer Price Index for All Urban Consumers (CPI-U)



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

Housing lends local character to the CPI for a number of reasons. Exhibit 1 shows the different weights that are assigned to the CPI. Housing represents the single largest component, because it takes the largest share of the average consumer's spending dollar. Therefore, housing has a powerful influence on the overall index. For example, during the mid-to-late 1980s when Anchorage's real estate market crashed, the overall Anchorage CPI recorded nearly zero inflation because the cost of housing took such a beating. During the same period the national housing market was robust, so the national index moved considerably ahead of Anchorage. Through the mid-1990s the Anchorage and national housing markets were similar and the overall annual rates of change were comparable. In recent years the national housing market heated up considerably compared to Anchorage's more modest gains, causing inflation in the rest of the nation to outstrip Anchorage.

The other reason housing flavors the overall Anchorage CPI is that costs of most of the other goods and services that fill the CPI market basket are largely dictated by national or international trends. For example, price changes for gasoline, food, clothing, insurance, transportation, health care, recreation, and most other goods and services are responses to national and global market conditions.

Because housing carries such strong weight, be aware that the Bureau's housing cost measures have shortcomings. The CPI uses a housing cost configuration called rental equivalency. It equates the costs for home ownership to the current rental value of the same home on the open market. A potential problem with this methodology develops

4 Selected Components of CPI-U:
Anchorage and U.S. City annual averages 1983-2000

	ALL ITEMS LESS SHELTER				HOUSING				FOOD & BEVERAGES			
Year	U.S. Average	Percent Change from Prev. Yr.	Anch. Avg.	Percent Change from Prev. Yr.	U.S. Average	Percent Change from Prev. Yr.	Anch. Avg.	Percent Change from Prev. Yr.	U.S. Avg.	Percent Change from Prev. Yr.	Anch. Avg.	Percent Change from Prev. Yr.
1983	99.8	3.7	99.9	3.7	99.5	2.7	99.0	0.8	99.5	2.3	99.7	2.6
1984	103.9	4.1	103.8	3.9	103.6	4.1	102.7	3.7	103.2	3.7	103.2	3.5
1985	107.0	3.0	107.5	3.6	107.7	4.0	103.0	0.3	105.6	2.3	106.2	2.9
1986	108.0	0.9	111.2	3.4	110.9	3.0	102.6	-0.4	109.1	3.3	110.8	4.3
1987	111.6	3.3	115.1	3.5	114.2	3.0	97.5	-5.0	113.5	4.0	113.1	2.1
1988	115.9	3.9	117.8	2.3	118.5	3.8	95.4	-2.2	118.2	4.1	113.8	0.6
1989	121.6	4.9	122.3	3.8	123.0	3.8	96.3	0.9	124.9	5.7	117.2	3.0
1990	128.2	5.4	128.0	4.7	128.5	4.5	103.9	7.9	132.1	5.8	123.7	5.5
1991	133.5	4.1	131.9	3.0	133.6	4.0	111.2	7.0	136.8	3.6	127.7	3.2
1992	137.3	2.8	134.6	2.0	137.5	2.9	116.6	4.9	138.7	1.4	130.3	2.0
1993	141.4	3.0	137.9	2.5	141.2	2.7	121.1	3.9	141.6	2.1	131.2	0.7
1994	144.8	2.4	140.3	1.7	144.8	2.5	122.9	1.5	144.9	2.3	131.9	0.5
1995	148.6	2.6	144.6	3.1	148.5	2.6	124.9	1.6	148.9	2.8	138.5	5.0
1996	152.8	2.8	148.4	2.6	152.8	2.9	127.9	2.4	153.7	3.2	143.4	3.5
1997	155.9	2.0	150.6	1.5	156.8	2.6	129.4	1.2	157.7	2.6	145.8	1.7
1998	157.2	0.8	152.6	1.3	160.4	2.3	131.0	1.2	161.1	2.2	147.3	1.0
1999	160.2	1.9	153.5	0.6	163.9	2.2	132.7	1.3	164.6	2.2	148.4	0.7
2000	165.7	3.4	156.1	1.7	169.6	3.5	134.2	1.1	168.4	2.3	151.7	2.2

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

when the housing market is in flux. When rental or housing prices are changing fast, the inflation rate for the housing portion of the CPI may be exaggerated. This occurs because many homeowners have long-term fixed interest rate mortgages, which reflect past housing market conditions. So in times when the local housing market became overheated and prices rose rapidly, property owners with fixed rate mortgages were not affected. In such an environment, the rate of inflation would be overstated. The opposite scenario develops in a down market.

To evaluate the influence of the housing market on the CPI, the bureau produces an index that excludes housing. It is referred to as the CPI-U All Items Less Shelter component. (See Exhibit 4.) Using the All Items Less Shelter index for comparison between Anchorage and the nation shows that the difference of the indexes over the years is much smaller.

Medical care costs rose the fastest

Although medical care costs are a fairly small component of the CPI and are unable to push the overall index around very much, their meteoric rise in Anchorage over time has caught people's attention. (See Exhibit 5.) No other component of the CPI has come close to matching the increases in health care prices. The national experience has been similar to Anchorage's. During the past decade medical care costs in Anchorage have grown by 68.8%, much faster than the overall index, which increased by 27.2%. In 1998 and 1999 health care cost increases fell below three percent, but in 2000 this index regained its former momentum. As the state and national population continues to age and the need for health care expands, ever-rising costs will continue to challenge affordability for these services.

Selected Components CPI-U Anchorage and U.S. City Annual Averages 1983-2000 (continued) 4

	TRANSPORTATION				MEDICAL CARE				APPAREL & UPKEEP			
Year	U.S. Avg.	Percent Change from Prev. Yr.	Anch. Avg.	Percent Change from Prev. Yr.	U.S. Avg.	Percent Change from Prev. Yr.	Anch. Avg.	Percent Change from Prev. Yr.	U.S. Avg.	Percent Change from Prev. Yr.	Anch. Avg.	Percent Change from Prev. Yr.
1983	99.3	2.4	98.5	1.8	100.6	8.8	99.7	5.2	100.2	2.5	101.6	5.2
1984	103.7	4.4	104.6	6.2	106.8	6.2	105.5	5.8	102.1	1.9	101.7	0.1
1985	106.4	2.6	108.2	3.4	113.5	6.3	110.9	5.1	105.0	2.8	105.8	4.0
1986	102.3	-3.9	107.8	-0.4	122.0	7.5	127.8	15.2	105.9	0.9	109.0	3.0
1987	105.4	3.0	111.3	3.2	130.1	6.6	137.0	7.2	110.6	4.4	116.6	7.0
1988	108.7	3.1	113.0	1.5	138.6	6.5	145.8	6.4	115.4	4.3	119.1	2.1
1989	114.1	5.0	116.7	3.3	149.3	7.7	154.4	5.9	118.6	2.8	125.0	5.0
1990	120.5	5.6	120.7	3.4	162.8	9.0	161.2	4.4	124.1	4.6	127.7	2.2
1991	123.8	2.7	121.7	0.8	177.0	8.7	173.5	7.6	128.7	3.7	126.6	-0.9
1992	126.5	2.2	123.3	1.3	190.1	7.4	183.0	5.5	131.9	2.5	130.2	2.8
1993	130.4	3.1	128.8	4.5	201.4	5.9	189.6	3.6	133.7	1.4	131.2	0.8
1994	134.3	3.0	136.9	6.3	211.0	4.8	197.8	4.3	133.4	-0.2	128.9	-1.8
1995	139.1	3.6	143.8	5.0	220.5	4.5	211.6	7.0	132.0	-1.0	130.0	0.9
1996	143.0	2.8	147.2	2.4	228.2	3.5	231.1	9.2	131.7	-0.2	128.7	-1.0
1997	144.3	0.9	147.0	-0.1	234.6	2.8	248.9	7.7	132.9	0.9	127.0	-1.3
1998	141.6	-1.9	144.9	-1.4	242.1	3.2	255.7	2.7	133.0	0.1	125.6	-1.1
1999	144.4	2.0	143.7	-0.8	250.6	3.5	260.8	2.0	131.3	-1.3	125.8	0.2
2000	153.3	6.2	150.5	4.7	260.8	4.1	272.1	4.3	129.6	-1.3	124.5	-1.0

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

Food costs around the state

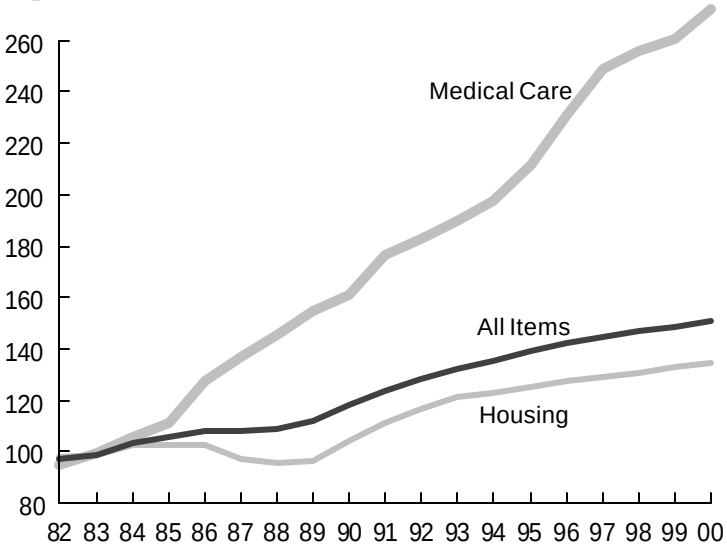
Four times a year, the University of Alaska Fairbanks Cooperative Extension Service posts results from its *Cost of Food at Home* survey for 20 communities around the state. (See Exhibit 6.) This food basket assembles items that contain minimum levels of nutrition for an individual or family at the lowest possible cost. In addition, the survey includes information on utility and fuel costs. The geographic coverage of the study is its biggest strength. No other survey in the state covers as many communities. Another strength is that it has been produced consistently for many years. The survey's biggest weakness is that it is largely limited to food, which is only a small component in the cost-of-living picture.

Other problems surface with the food cost study because many items that can be purchased in urban Alaska are not available in rural communities. The study also assumes that the market basket consists of identical items in all of the communities even though the buying habits of residents in the different places may vary dramatically. Recently the study included cost calculations of the widespread rural habit of ordering grocery items via mail from urban merchants; but other items entering the rural areas by barter or imported as baggage or private cargo are not included. Moreover, the local grocery list of base nutritional items also ignores the substitution of subsistence-harvested meats, fowl, fish, berries, and other foods for store-bought items.

According to the December 2000 *Cost of Food at Home* study, a family of four in Alaska enjoyed the lowest food costs in urban areas such as Anchorage, Fairbanks, and Juneau. The highest costs tended to be in remotely situated communities which are serviced by air and where the marketplace is small. Dillingham and Bethel belong in this category. Other high cost areas also exist in small places that lie on a major transportation system such as highways or the Alaska Marine Highway System. Grocery prices in these places often fall between the urban and remote-rural price ranges. Examples of such places are Petersburg, Tok, Delta, and Homer. But location is not everything. The size of the market, the level of competition, and the relative proximity to a larger urban area are other major determinants of food costs.

5 Medical Costs Increase Most

Anchorage CPI-U for selected components 1982-2000



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

Rents are high in Juneau and Kodiak

Because housing gobbles up such a large slice of household income it often is a good proxy for an area's cost of living. The Alaska Housing Finance Corporation contracts with the Alaska Department of Labor and Workforce Development to collect rental housing data for 10 communities around the state. Exhibits 7 and 8 display monthly rental costs for two-bedroom apartments and three-bedroom single-family homes.

Like food and other items, the cost of housing varies dramatically among areas. The supply of housing, vacancy rates, quality of housing, condition of the local economy, building costs, and local demographics are factors that help

explain some of the differences. Apartment and single-family home rental cost data show strong similarities but also point out differences. Rental costs of apartments and houses are most expensive in Juneau and Kodiak. But rental costs for single family houses in Anchorage are the third highest in the state whereas rent for apartments ranked sixth place.

The Alaska Housing Finance Corporation also establishes a housing affordability index for a number of areas in the state. (See Exhibit 9.) This index takes into account not only the cost of housing but also the degree to which buyers can afford it. The affordability question is measured by the average annual wage of the area and how many of these wage earners are needed to afford the "average" home. Combining these two factors yields some interesting results. For example, the Mat-Su Borough has some of the lowest housing costs, but because the average wage in the area is relatively low, 1.7 Mat-Su wage earners are required to afford the "average" home. The wrinkle in this figure, however, is that many Mat-Su residents work in Anchorage or elsewhere where the average wage is significantly higher, making the housing market in Mat-Su very affordable for them. In Ketchikan and Juneau, where wages are above average, housing is less affordable because of the high purchase price of homes in both places. And it is not surprising that affordability of housing in Bethel is in an altogether

Cost of Food at Home for a Week in Eight Alaska Cities 6

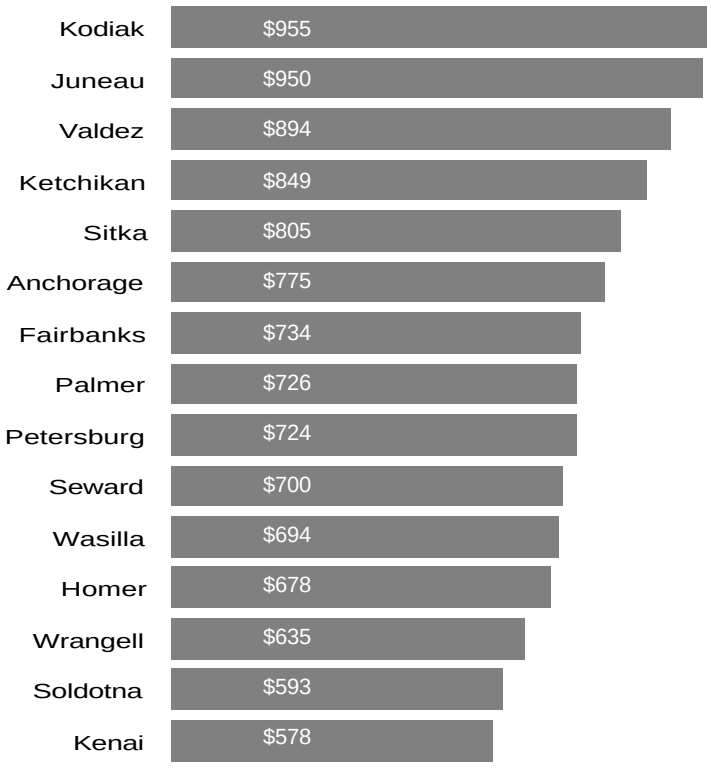
Family of four with elementary school age children, 1978-2000

Month/ Year	Anch-orage	Fair-banks	% of Anch.	Juneau	% of Anch.	Bethel	% of Anch.	Nome	% of Anch.	Kodiak	% of Anch.	Kenai	% of Anch.	Tok	% of Anch.
9/78	$76.67	$84.15	110	$73.72	96	$114.05	149	$118.85	155	-	-	82.48	108	-	-
9/79	82.18	89.39	109	74.88	91	129.16	157	128.67	157	-	-	100.41	122	-	-
9/80	88.44	90.54	102	85.92	97	130.87	148	131.14	148	99.42	112	120.84	137	108.82	123%
9/81	86.69	98.47	114	93.95	108	138.66	160	150.27	173	-	-	-	-	114.80	132
9/82	77.30	92.09	119	99.98	129	125.50	162	149.04	193	-	-	-	-	-	-
9/83	81.66	83.79	103	88.62	109	128.30	157	130.14	159	104.94	129	86.98	107	-	-
9/84	84.22	91.26	108	91.66	109	136.54	162	142.07	169	115.97	138	87.97	104	121.66	144
9/85	89.06	90.08	101	106.61	120	138.13	155	152.41	171	108.17	121	91.47	103	116.19	130
9/86	87.2	90.61	104	87.65	100	137.96	158	142.04	163	105.49	121	92.78	106	124.18	142
9/87	88.90	85.12	96	88.24	99	140.81	158	147.96	166	104.39	117	96.95	109	117.51	132
9/88	90.99	94.74	104	92.95	102	137.57	151	147.69	162	116.68	128	95.53	105	119.69	132
9/89	93.80	94.33	101	96.73	103	140.65	150	-	-	124.61	133	104.20	111	139.43	149
9/90	98.73	103.49	105	100.86	102	146.92	149	155.48	157	154.55	157	103.21	105	131.03	133
9/91	102.84	114.65	111	104.21	101	152.49	148	150.29	146	127.96	124	111.88	109	143.45	139
9/92	100.46	92.31	92	102.62	102	142.51	142	158.08	157	124.61	124	109.60	109	132.94	132
9/93	97.89	93.42	95	103.70	106	147.84	151	145.94	149	125.19	128	111.61	114	136.96	140
9/94	91.32	94.96	104	104.09	114	133.47	146	140.22	154	123.99	136	105.51	116	140.78	154
9/95	89.30	93.26	104	99.38	111	140.68	158	148.55	166	123.04	138	102.48	115	122.89	138
9/96	101.43	96.65	95	96.93	96	148.70	147	162.61	160	125.71	124	105.01	104	142.46	140
9/97	96.57	97.73	101	98.89	102	150.42	156	-	-	123.92	128	104.87	109	-	-
9/98	98.74	98.35	100	103.08	104	155.24	157	174.27	176	130.04	132	104.13	105	144.67	147
9/99	99.87	98.52	99	104.45	105	163.11	163	155.29	155	143.81	144	109.58	110	132.61	133
9/00	100.89	100.63	100	104.55	104	162.63	161	157.40	156	133.89	133	112.01	111	139.31	138

- Data unavailable
9/79 data for Kenai not available. 12/79 data substituted.
Sales tax included in food prices.

Source: University of Alaska Cooperative Extension Service, U.S. Department of Agriculture and SEA Grant cooperating

7 Two-Bedroom Apartments Cost Most in Kodiak and Juneau



Source: Alaska Housing Market Indicators, Quarters III/IV 2000, Alaska Housing Finance Corp.: Alaska Department of Labor and Workforce Development, Research and Analysis Section

8 Single Family Homes
Median adjusted rent of 3-bedroom home

Source: Alaska Housing Market Indicators, Quarters III/IV 2000, Alaska Housing Finance Corp.: Alaska Department of Labor and Workforce Development, Research and Analysis Section

different league.

Is housing really more affordable in Anchorage than in most U.S. cities?

A comparison of the affordability of home ownership in Anchorage to other metropolitan places in the nation reveals that owning a home in Anchorage is not just a dream for most residents. In fact, the index shows that an Anchorage family with a median annual income of $59,300 could afford to purchase 79.4% of all homes sold. (See Exhibit 10.) This puts Anchorage in the upper quartile of affordable home ownership for the areas surveyed. It ranked as the twentieth most affordable place among 180 metropolitan places in the nation. During the fourth quarter of 2000, it became the most affordable housing market in western United States. The average sales price of $135,000 came in 10 percent below the average for 180 metropolitan cities. Anchorage's average family income was 15 percent above the metro average, and this helped Anchorage's affordability index land in such a favorable spot.

ACCRA identifies Alaska's cities as high-cost locations

The American Chamber of Commerce Researchers Association (ACCRA) publishes quarterly results of a detailed cost-of-living survey conducted in more than 300 U.S. cities. The study examines costs for 59 specific consumer items and classifies survey results in cost categories such as groceries, housing, utilities, transportation, health care and miscellaneous goods and services. Average composite costs for all U.S. cities and the individual cost categories, all indexed at 100, are developed from this sample. ACCRA designed a consumption pattern that is styled after a professional and executive household in the top income quartile. ACCRA weighs consumer expenditures and infers that this household's market basket spends 16% on food items, 28% for housing, 8% for utilities, 10% for transportation, 5% for healthcare, and 33% on miscellaneous goods and services.

As expected, the fourth quarter 2000 ACCRA survey confirmed that the cost of living in Anchorage, Fairbanks, and Kodiak was well above the national average. Anchorage's cost index weighed in at 22.9% above the national average, Fairbanks 20.1% higher, and Kodiak's was 29.1% above the national average. (See Exhibit 11.) In 1999, Kodiak's cost differential was 36.2% higher. In 2000, Kodiak's consumer cost gap narrowed in the housing, utilities, and goods and services categories. The change was most dramatic in goods and services, where the drop was 20.6%. Undoubtedly, the new Wal-Mart store helped to lower costs in Kodiak for a variety of typical consumer items.

Housing was not the only component to drive up overall local consumer costs in Alaska cities. Consumer expenditures in all categories except one were above the U.S. city standard. Utility costs in Anchorage, a component that carries just moderate weight in a consumer's expenditure pattern, were contained by low natural gas costs. The biggest cost differentials in Alaska's marketplace were in grocery prices, health care, and miscellaneous goods and services. In each of these categories, the three Alaska cities ranked among the five costliest places among the 303 locations tested in the current survey. (See Exhibit 12.) Doctor visits, for example, are nearly as expensive in Fairbanks as those in New York's Manhattan Borough. (See Exhibit 13.)

According to ACCRA, high costs of living distinguish Alaska cities from most other places in the nation. Only eleven other U.S. cities surveyed by ACCRA had costs above the 20 percent mark. (See Exhibit 11.) ACCRA identified New York-Manhattan as the most expensive place in the nation, where costs of living exceed the national average by a magnificent 135%, followed by San Francisco, where typical consumer costs were nearly double the national standard. The study identified other "spendy" places as Nassau County, N.Y.; Boston and Framingham-Natick, both in Massachusetts; New Haven, Connecticut; Philadelphia, Pennsylvania; Glenwood Springs, Colorado; Los Alamos, New Mexico; Los Angeles-Long Beach and San Diego, both in California. The cost differentials in these places varied between 21 to 44 percent over the national index. The ACCRA numbers, however, do not address taxation.

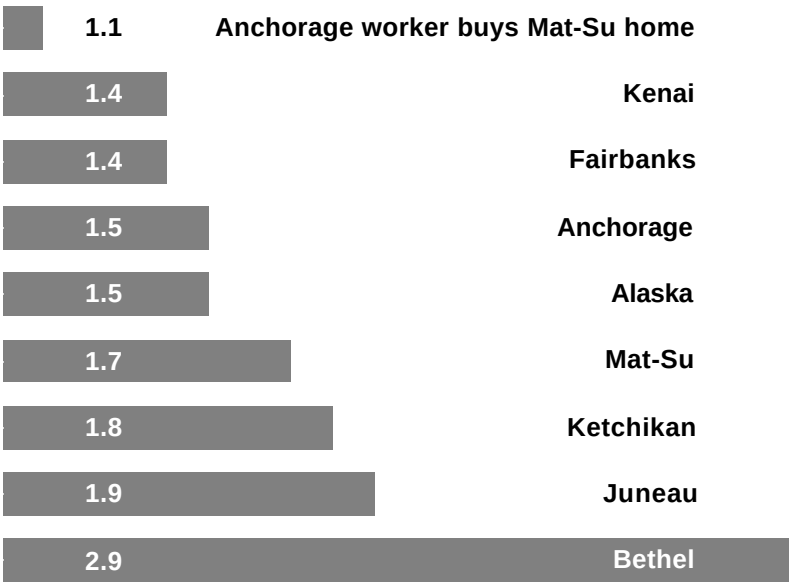
The cost-of-living studies differ

The Runzheimer Living Cost Standards survey differs from ACCRA in many ways. While ACCRA represents consumer expenditures for an upper income professional family, the Runzheimer research group studies the consumption of families with a specific income and disregards the occupational status of the prime income earner. In 2000, the Alaska Department of Labor and Workforce Development commissioned Runzheimer International to explore the differentials in costs of living for a family of four. Unlike the ACCRA survey, the Runzheimer study recognizes the tax burden in consumer spending.

Runzheimer survey shows smaller cost-

Number of Wage Earners Needed to buy average house

9



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

of-living differential

Runzheimer is a private sector research firm that specializes in national and international cost of living comparisons. The studies compare the cost of living among cities with reference to a U.S. city standard. Because earnings fluctuate widely among family households in any given city, Runzheimer established a base income to identify a specific consumer group to compare typical expenditures among various geographic locations. The comparison shows how much more or less income is required in different locations to support this family's standard of living. (See Exhibit 14.)

The Runzheimer study categorizes consumer costs into four major groups: taxation, transportation, housing costs, and expenses for goods and services. Taxation data represent location-specific federal, state, and local taxes. Tax profiles of the various locations reflect the amounts reported on itemized tax deduction forms submitted to the Internal Revenue Service. Alaska's Permanent Fund Dividend distribution is not taken into consideration in the Runzheimer study.

The transportation cost model assumes a 240-day workplace commute via public transportation or in a personal car. In all, miles driven for workplace commute and personal travel accumulate to a 16,000 per year standard. The automobile type used by the surveyed consumer group in the year 2000 resembles a 1997 Ford Contour GL.

10 Anchorage is one of Most Affordable Housing Markets in the nation, fourth quarter 2000

Rank by Affordability	Area	State	Percent of Homes Affordable for Median Income	Median Income Year 2000	Median Sales Price 4th Qtr 2000
1	Des Moines	IA	88.9%	$60,000	$107,000
2	Springfield	IL	88.5	59,100	93,000
3	Kokomo	IN	88.3	55,700	99,000
4	Rockford	IL	87.8	55,300	90,000
5	Elkhart - Goshen	IN	87.3	54,000	111,000
6	Davenport - Moline - Rock Island	IA, IL	87.1	51,800	71,000
7	Wilmington - Newark	DE, MD	86.9	69,000	135,000
8	Vineland - Millville - Bridgeton	NJ	86.0	47,200	85,000
9	Dayton - Springfield	OH	85.1	55,900	95,000
10	Melbourne - Titusville - Palm Bay	FL	82.6	49,700	93,000
11	Peoria - Pekin	IL	82.1	53,200	88,000
12	Hagerstown	MD	81.0	49,000	110,000
13	South Bend	IN	81.0	51,300	98,000
14	Kansas City	MO, KS	80.7	57,700	107,000
15	Tallahassee	FL	80.7	51,600	111,000
16	Syracuse	NY	80.5	47,000	79,000
17	Glens Falls	NY	80.4	43,200	76,000
18	Lafayette	IN	79.9	54,700	125,000
19	Youngstown - Warren	OH	79.6	44,300	80,000
20	**Anchorage**	**AK**	**79.4**	**59,300**	**136,000**
	NATIONAL AVERAGE		**59.3**	**50,200**	**151,000**

Source: National Association of Home Builders, Housing Opportunity Index, Fourth Quarter 2000

Operational expenses such as gasoline, maintenance, license, taxes, insurance, depreciation and interest are part of the transportation cost model.

Housing costs include mortgage payments stretched over 30 years, assumed after a 20 percent down payment and applied to the value of a 1,500 square foot 3-bedroom home with 1.5 bathrooms. Real estate taxes, insurance, utilities and maintenance are also included in housing costs.

The goods, services and other category describes typical household costs such as groceries, restaurant dining, furnishings, personal care items, health care, recreation, and miscellaneous services and items that are typically purchased by a family with the standard $32,000 income. Sales taxes are included in the prices of goods and services whenever applicable.

The 2000 Runzheimer study showed combined consumer expenditures in Anchorage to be nearly five percent above the national average. In Fairbanks this gap widened to nearly eight percent; and in Juneau the differential rose to 19 percent. (See Exhibit 14.) With the exception of taxation, family expenditures in all three Alaska locations in all other categories were above the

The 20 Highest Cost Urban Areas 11
ACCRA Cost of Living Index, 4th Quarter 2000

City	All Items Index	Grocery Items	Housing	Utilities	Transpor-tation	Health Care	Misc. Goods & Services
New York, NY	235.2	143.5	475.2	166.1	117.4	179.4	136.9
San Francisco, CA	199.2	123.4	392.8	133.0	130.6	165.2	113.8
Los Angeles-Long Beach, CA	144.7	113.6	230.5	105.4	113.3	121.1	109.6
Nassau County, NY	140.0	125.2	175.2	149.3	110.3	144.2	123.3
Framingham-Natick, MA	135.2	108.7	193.6	124.9	114.5	136.4	107.0
Boston, MA	133.1	117.0	170.8	126.4	119.8	131.1	114.9
Kodiak, AK	**129.1**	**139.4**	**128.4**	**152.6**	**114.3**	**153.3**	**119.9**
San Diego, CA	127.3	125.8	157.7	125.4	124.2	131.4	102.9
Los Alamos, NM	123.8	109.1	162.6	98.5	107.0	116.3	110.5
New Haven, CT	123.8	106.1	144.8	160.2	110.6	115.0	111.2
Anchorage, AK	**122.9**	**124.9**	**132.0**	**82.8**	**109.1**	**160.4**	**122.3**
Glenwood Springs, CO	122.0	110.2	164.8	93.7	112.6	122.4	101.0
Philadelphia, PA	120.9	105.0	145.6	120.2	116.5	101.8	112.2
Fairbanks, AK	**120.1**	**118.4**	**109.2**	**154.1**	**113.7**	**166.8**	**116.8**
Sacramento, CA	118.8	117.0	130.5	118.1	120.1	160.7	103.1
Scottsdale, AZ	117.7	106.2	155.3	99.3	108.0	127.7	97.2
Santa Fe, NM	116.5	103.9	146.0	91.7	112.7	129.5	102.7
Palm Springs, CA	113.6	114.9	104.7	118.9	117.5	151.1	112.3
Prescott Valley, AZ	113.6	122.2	133.8	95	104.4	115.7	104.1
Washington, DC	112.9	110.0	124.2	91.7	112.7	121.4	108.6

Source: American Chamber of Commerce Researchers Association (ACCRA) Urban Area Index Data, Fourth Quarter 2000 (303 urban areas surveyed)

U.S. city standard. Only one differential was extreme. Housing costs in Juneau were 46 percent above the U.S. base.

The national comparison revealed that costs of living in cities in coastal states in the West and Northeast were above those of places in the Midwest or Southwest/Mountain regions. Living expenses were lower in Southeastern cities. In general, all city locations with high population densities and/or restricted land availability had high housing costs. Housing costs carry by far the most weight in family household spending in all locations, and also vary most from place to place.

12 Cost of Living for Selected Cities
ACCRA Index–December 2000

	All Items Index	Grocery Items	Housing	Utilities	Transportation	Health Care	Misc. Goods & Services
Anchorage, AK	**122.9**	**124.9**	**132.0**	**82..8**	**109.1**	**160.4**	**122.3**
Fairbanks, AK	**120.1**	**118.4**	**109.2**	**154.1**	**113.7**	**166.8**	**116.8**
Kodiak, AK	**129.1**	**139.4**	**128.4**	**152.6**	**114.3**	**153.3**	**119.9**
West							
Las Vegas, NV	108.9	113.9	112.2	87.4	117.6	118.3	104.8
Portland, OR	105.3	102.8	101.5	93.0	117.5	124.9	106.1
Sacramento, CA	118.8	117.0	130.5	118.1	120.1	160.7	103.1
Salt Lake, UT	99.3	111.7	94.6	74.1	99.9	98.7	103.4
San Diego, CA	127.3	125.8	157.7	125.4	124.2	131.4	102.9
Spokane, WA	101.1	103.6	98.9	75.8	103.4	119.2	104.6
Southwest/Mountain							
Boise, ID	98.9	95.7	100.6	84.6	102.6	112.6	99.2
Dallas, TX	99.5	96.2	96.6	99.0	104.4	102.2	101.7
Denver, CO	107.1	109.5	119.9	79.5	106.6	130.0	98.5
Phoenix, AZ	102.5	104.9	100.9	101.2	109.1	118.8	98.6
Midwest							
Columbia, MO	97.2	95.2	97.3	85.7	98.5	97.7	100.3
Dayton, OH	95.4	95.4	85.4	113.6	93.8	100.6	99.3
Oklahoma City, OK	93.5	88.2	85.7	99.7	96.3	97.3	99.8
Southeast							
Augusta, GA	94.2	104.5	82.5	92.5	95.5	98.4	98.5
Orlando, FL	99.7	105.7	94.7	106.3	95.8	111.1	98.9
Raleigh, NC	104.6	101.8	108.2	99.6	97.0	111.1	105.5
Atlantic/New England							
New York City - Manhattan	235.2	143.5	475.2	166.1	117.4	179.4	136.9
Washington, DC	112.9	110.0	124.2	91.7	112.7	121.4	108.6

Source: American Chamber of Commerce Researchers Association (ACCRA) Urban Area Index Data, Fourth Quarter 2000 (303 urban areas surveyed)

Average Price for Select Goods and Services in selected U.S. cities–December 2000–ACCRA 13

	1 lb. T-bone Steak	1/2 gal. Whole Milk	1 doz. Grade A Lg. Eggs	13 oz Coffee (canned)	2 BR Apt. Rent Unfurn. no utils.	House Purchase Price	Total Monthly Energy Cost	1 gal. Gas	Hospital Room/day semi-private	Office Visit Doctor	McDonald's quarter pounder w/cheese	Mens' Dockers no wrinkle khakis
Anchorage, AK	**$6.85**	**$2.29**	**$1.53**	**$3.76**	**$923**	**$264,393**	**$95.24**	**$1.65**	**$800.50**	**$87.43**	**$2.87**	**$48.00**
Fairbanks, AK	**6.83**	**2.28**	**1.47**	**3.69**	**771**	**216,600**	**185.89**	**1.67**	**888.00**	**91.67**	**2.89**	**40.66**
Kodiak, AK	**7.49**	**2.27**	**1.69**	**3.79**	**925**	**255,000**	**179.25**	**1.96**	**649.00**	**75.00**	**2.89**	**31.49**
West												
Las Vegas, NV	5.99	1.92	1.76	3.83	730	234,250	102.49	1.79	438.80	65.00	2.19	40.19
Portland, OR	6.79	2.02	1.15	3.88	748	210,000	103.57	1.73	573.80	70.56	2.21	32.59
Sacramento, CA	7.39	2.05	1.64	3.66	631	286,040	139.22	1.89	1,520.40	67.60	2.15	43.40
Salt Lake, UT	7.59	1.97	1.07	3.45	813	183,627	78.67	1.57	543.00	52.60	2.19	36.04
San Diego, CA	8.83	2.09	1.98	3.90	1,243	325,379	148.95	1.91	956.17	59.83	2.33	32.13
Spokane, WA	6.39	1.96	1.11	2.77	624	206,581	82.34	1.66	575.50	56.00	2.25	34.59
Southwest/Mountain												
Boise, ID	5.92	1.43	0.84	2.78	738	202,000	90.27	1.69	572.00	64.00	2.19	35.50
Dallas, TX	5.37	1.46	0.92	2.51	833	188,500	115.22	1.46	561.11	55.00	2.22	33.33
Denver, CO	6.32	1.92	1.06	3.76	870	243,112	85.55	1.52	692.67	71.20	2.01	36.59
Phoenix, AZ	6.03	1.83	1.15	2.99	668	207,092	114.79	1.55	694.24	64.73	2.22	33.66
Midwest												
Columbia, MO	6.34	1.43	0.90	2.37	520	209,856	99.22	1.44	557.67	49.20	2.16	37.66
Dayton , OH	7.16	1.65	0.81	2.75	590	173,785	130.61	1.32	553.80	56.87	2.09	37.19
Oklahoma City, OK	5.66	1.52	0.89	2.48	554	177,168	112.22	1.36	396.22	55.45	1.85	37.66
Southeast												
Augusta, GA	7.63	2.03	1.07	2.63	583	168,570	102.09	1.29	391.80	64.87	1.99	36.20
Orlando, FL	7.19	1.83	0.93	2.97	691	193,656	121.49	1.44	754.30	58.50	2.29	35.74
Raleigh, NC	7.72	1.94	0.92	2.45	651	237,477	115.17	1.47	428.50	70.00	2.14	42.20
Atlantic/New England												
New York-Manhattan	9.99	1.70	1.59	4.03	$4,040	910,000	196.01	1.67	1,616.00	93.00	2.99	50.24
Washington, DC	8.39	1.53	0.95	3.05	1,090	246,723	100.79	1.60	550.15	71.50	2.24	40.39
ALL CITIES MEAN*	6.43	1.68	0.98	2.80	656	207,713	112.70	1.52	493.42	56.54	2.12	37.82

* All cities mean is the arithmetic mean price of all 303 cities in the fourth quarter 2000 survey.

Source: American Chamber of Commerce Researchers Association, Urban Area Index Data, Fourth Quarter 2000

14 Runzheimer International Living Cost Standards
December 2000

	Total Costs	Percent of Standard City	Taxation	Percent of Standard City	Trans-portation	Percent of Standard City	Housing	Percent of Standard City	Misc. Goods & Services, Other	Percent of Standard City
State of Alaska composite	**$35,331**	**110.4**	**$2,756**	**77.9**	**$4,807**	**105.2**	**$17,469**	**124.6**	**$10,028**	**104.4**
Anchorage, AK	**33,518**	**104.7**	**2,892**	**81.8**	**4,918**	**107.6**	**15,656**	**111.7**	**9,781**	**101.9**
Fairbanks, AK	**34,398**	**107.5**	**2,927**	**82.8**	**4,825**	**105.6**	**16,325**	**116.4**	**10,050**	**104.7**
Juneau, AK	**38,076**	**119.0**	**2,448**	**69.2**	**4,678**	**102.4**	**20,426**	**145.7**	**10,253**	**106.8**
West										
Eugene, OR	33,368	104.3	3,703	104.7	4,351	95.2	15,697	111.9	9,346	97.3
Las Vegas, NV	32,518	101.6	3,144	88.9	5,416	118.5	13,708	97.8	9,979	103.9
Los Angeles, CA S4	33,756	105.5	2,997	84.8	5,300	116.0	14,907	106.3	10,281	107.1
Portland, OR	35,014	109.4	3,480	98.4	4,544	99.4	16,819	119.9	9,900	103.1
Sacramento, CA	34,017	106.3	2,895	81.9	5,002	109.5	15,713	112.1	10,136	105.6
Salt Lake, UT	35,262	110.2	3,111	88.0	4,631	101.3	17,457	124.5	9,792	102.0
San Diego, CA	39,618	123.8	2,448	69.2	4,965	108.6	21,621	154.2	10,313	107.4
Seattle, WA S1	39,433	123.2	2,448	69.2	5,023	109.9	21,076	150.3	10,615	110.6
Spokane, WA	34,062	106.4	2,899	82.0	4,807	105.2	15,514	110.6	10,571	110.1
Southwest/Mountain										
Boise, ID	32,142	100.4	3,281	92.8	4,351	95.2	14,949	106.6	9,290	96.8
Dallas, TX	30,117	94.1	3,344	94.6	4,702	102.9	12,365	88.2	9,435	98.3
Denver, CO	38,270	119.6	2,734	77.3	5,065	110.8	20,515	146.3	9,685	100.9
Phoenix, AZ	31,749	99.2	3,612	102.1	5,066	110.9	13,188	94.1	9,612	100.1
Midwest										
Columbia, MO	29,004	90.6	3,935	111.3	4,252	93.0	11,516	82.1	9,030	94.1
Dayton , OH	30,971	96.8	4,533	128.2	4,176	91.4	12,454	88.8	9,537	99.3
Oklahoma City, OK	29,221	91.3	4,272	120.8	4,494	98.3	10,397	74.1	9,787	101.9
Southeast										
Augusta, GA	27,303	85.3	4,248	120.1	4,585	100.3	8,638	61.6	9,561	99.6
Orlando, FL	29,523	92.3	3,361	95.1	4,445	97.3	11,674	83.3	9,772	101.8
Raleigh, NC	31,029	97.0	3,837	108.5	4,281	93.7	13,250	94.5	9,390	97.8
Atlantic/New England										
Baltimore, MD	33,828	105.7	3,649	103.2	4,663	102.0	15,585	111.1	9,660	100.6
Washington, DC	37,231	116.3	3,033	85.8	4,724	103.4	19,176	136.8	10,027	104.4

Source: Runzheimer's Living Cost Index, December 2000

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

In addition to the information in this article, five web sites provide quick cost-of-living comparisons. Most of these sites provide little detail, but can be a handy quick reference.

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

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

http://stats.bls.gov/cpihome.htm

The U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index site provides CPI data for Anchorage and many other areas. It also provides general, technical, and research information on the CPI, and an inflation calculator.

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

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

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

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

http://mazerecruiters.com/job.htm

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