# The Cost of Living in Alaska

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## Alaska is not as expensive as it used to be, relative to the other states

For years Alaska was correctly considered one of the most expensive places to live in the nation. As recently as 1997, the American Chamber of Commerce Researchers (ACCRA) cost of living survey listed four Alaska cities in the eight most expensive cities in the U.S. By 2003, only Juneau and Kodiak made the top twenty and they were down to 16th and 17th, respectively. Taken as a whole, the ACCRA survey and other cost of living measures reveal that living costs in Alaska are not as high relative to the rest of the country as they once were. The state's population has grown and technology has brought advances both in the ability of the state to supply more of its own goods and services and also to obtain goods from national and international markets.

This article looks at the most recent data from a variety of cost of living surveys.

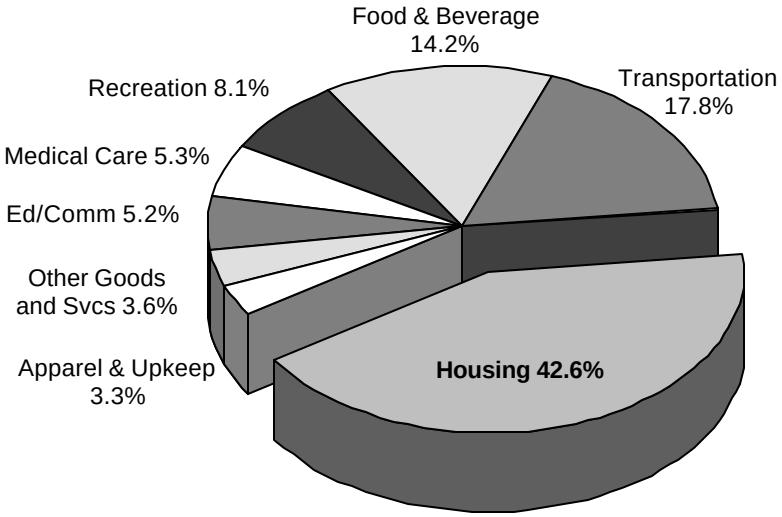
## Cost of living measures are of two kinds

Cost of living measures come in two different types. The first indicates the change in the cost of living over time. The Consumer Price Index (CPI), often referred to as the inflation rate, is the principal measure of this type. The CPI is used by landlords, workers, unions, and employers to adjust rents and salaries, among other things. The Alaska Permanent Fund Corporation uses the CPI to determine how much money must be added to the principal of the Permanent Fund to keep up with inflation.

The other type of cost of living measure examines cost differences among places at a specific point in time. Measures of this type can answer questions about whether it's more expensive to live in Fairbanks or Ketchikan, for example. Certain items are selected for comparison and then a survey is conducted to determine how much the items cost in different locations.

Some surveys of this type look at how much it would cost in different locations to maintain a certain standard of living. In other words, if a person can afford to live in a three bedroom

### Component Weighting 1
### In Anchorage CPI 2003




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

# 2 Consumer Price Index-Urban
## U.S. City and Anchorage 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 |
| 2001 | 177.1 | 2.8 | 155.2 | 2.8 |
| 2002 | 179.9 | 1.6 | 158.2 | 1.9 |
| 2003 | 184.0 | 2.3 | 162.5 | 2.7 |

1982-1984 = 100

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

home, eat out twice a week, and drive a late-model car in Boise, Idaho on an income of $40,000 a year, how much more or less would it cost to maintain the same living standards in Boston, Massachusetts? Comparisons such as these play a big role in relocation decisions. Several measures of this type will be discussed in this article.

## Use measures with caution

All cost of living measures have shortcomings and limitations which users need to recognize. Since it is not feasible to price every item available, cost of living surveys track prices of a sample of items meant to approximate the expenditures of a typical consumer. This "market basket" of goods and services generally includes housing, food, transportation, medical care, and entertainment, among other things. Some measures compile very detailed market baskets while others compare only basic goods and services.

The market basket approach limits the effectiveness of both types of measures. Surveys that measure the change in prices over time, like the CPI, must avoid significant changes to their market baskets to maintain comparability. Most consumers' spending habits are in constant flux, however, due to changing tastes, technology, and availability of goods and services. For their part, surveys that compare prices between geographic areas must assume that a consumer in Kodiak would purchase the same basket of goods and services as a consumer in Seattle, which may not be the case.

## How fast are prices rising?

The Anchorage Consumer Price Index (CPI) is probably the most used cost of living index in Alaska. Anchorage is one of about 80 urban communities in the country where a CPI is calculated as the long-term record of price changes. Because a CPI is not calculated for any other Alaska city, the Anchorage CPI is often used as the de facto statewide inflation measure.

The U.S. Department of Labor's Bureau of Labor

Statistics (BLS) conducts elaborate surveys of Anchorage consumers' spending habits to determine both the appropriate market basket of goods to be measured and the weight each item will have in the overall index. (See Exhibit 1.)

Exhibit 1 shows, for example, that the average Anchorage consumer spends nearly 43 percent of his or her consumption dollar on housing and 18 percent on transportation. In most categories the Anchorage weights are only slightly different from those used for the national CPI. The most notable exception is recreation, where Anchorage consumers spend 8.1 percent of their consumption dollars and national consumers spend only 5.9 percent.

BLS measures price changes by collecting prices for goods and services on a regular basis in Anchorage and other cities for which a CPI is produced. The Anchorage CPI is produced on a semi-annual basis (January-to-June and July-to-December time periods). The two semi-annual numbers are then combined to create an annual average, which is the number most often used in wage and rent contracts. (See Exhibit 2.)

All references to the CPI in this article are to the CPI-U (Consumer Price Index for all Urban Consumers). BLS also produces an index called the CPI-W (Consumer Price Index for Urban Wage Earners and Clerical Workers), which contains only data on urban consumers who are either wage earners or clerical workers. At the national level, the CPI-U represents about 80 percent of the population while the CPI-W represents only 40 percent. The CPI-W is useful in certain situations, but the CPI-U is the most prominent and frequently used measure.

As mentioned earlier, the CPI cannot be used to compare costs between different locations. For example, in 2003 the annual average index for Anchorage was 162.5 and the annual average index for the United States was 184.0. The higher U.S. number does not mean that prices are higher nationally than in Alaska. In fact, the contrary is true for most goods and services. The higher U.S. number means only that prices have risen more at the national level since the base years of the early 1980s (1982-84) than they have in Alaska.

## Inflation slightly higher in 2003

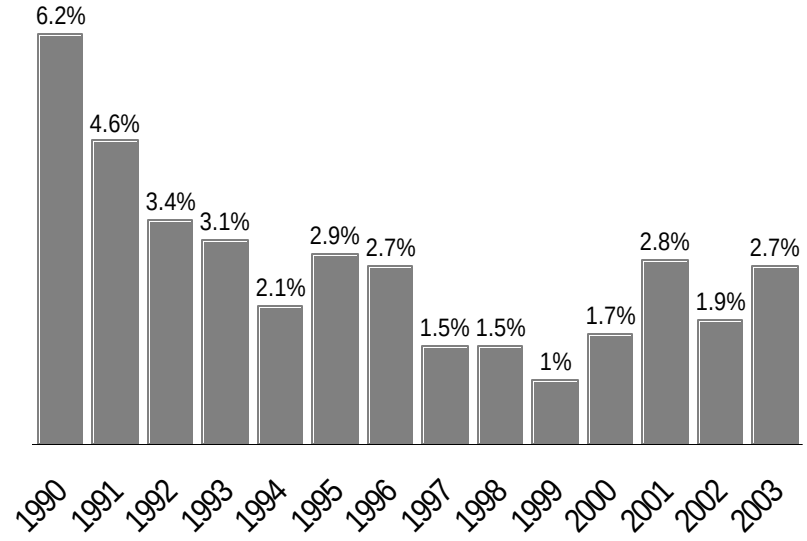
In 2003 the Anchorage CPI rose 2.7 percent, which was slightly higher than both Alaska's ten-year average of 2.1 percent and the national increase in 2003 of 2.3 percent. (See Exhibit 3.) It has now been ten years since Alaska recorded an inflation rate above three percent. As this exhibit shows, inflation in the early 1990s was significantly higher.

Anchorage prices in 2003 increased in most areas, apparel and upkeep being the exception. (See Exhibit 4.) Housing costs, the category with the largest weight, rose 2.3 percent over the year and transportation costs grew 4.5 percent. Although data on medical costs have not been published separately over the past two years because BLS has been unable to collect enough sample prices, medical care costs are still incorporated in the overall index. Other sources leave little doubt that medical costs continue to rise faster than most other components.

## Anchorage Consumer Prices Rose moderately in 2003

**3**

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




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

# 4 Selected Components of CPI

## Anchorage and U.S. city annual averages 1983–2003

| Year | ALL ITEMS LESS SHELTER | | | | HOUSING | | | | MEDICAL CARE | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | U.S. Average | Percent Change from Prev. Yr. | Anch. Average | Percent Change from Prev. Yr. | U.S. Average | Percent Change from Prev. Yr. | Anch. Average | Percent Change from Prev. Yr. | U.S. Average | Percent Change from Prev. Yr. | Anchorage Average | Percent Change from Prev. Yr. |
| 1983 | 99.8 | 3.7 | 99.9 | 3.7 | 99.5 | 2.7 | 99.0 | 0.8 | 100.6 | 8.8 | 99.7 | 5.2 |
| 1984 | 103.9 | 4.1 | 103.8 | 3.9 | 103.6 | 4.1 | 102.7 | 3.7 | 106.8 | 6.2 | 105.5 | 5.8 |
| 1985 | 107.0 | 3.0 | 107.5 | 3.6 | 107.7 | 4.0 | 103.0 | 0.3 | 113.5 | 6.3 | 110.9 | 5.1 |
| 1986 | 108.0 | 0.9 | 111.2 | 3.4 | 110.9 | 3.0 | 102.6 | -0.4 | 122.0 | 7.5 | 127.8 | 15.2 |
| 1987 | 111.6 | 3.3 | 115.1 | 3.5 | 114.2 | 3.0 | 97.5 | -5.0 | 130.1 | 6.6 | 137.0 | 7.2 |
| 1988 | 115.9 | 3.9 | 117.8 | 2.3 | 118.5 | 3.8 | 95.4 | -2.2 | 138.6 | 6.5 | 145.8 | 6.4 |
| 1989 | 121.6 | 4.9 | 122.3 | 3.8 | 123.0 | 3.8 | 96.3 | 0.9 | 149.3 | 7.7 | 154.4 | 5.9 |
| 1990 | 128.2 | 5.4 | 128.0 | 4.7 | 128.5 | 4.5 | 103.9 | 7.9 | 162.8 | 9.0 | 161.2 | 4.4 |
| 1991 | 133.5 | 4.1 | 131.9 | 3.0 | 133.6 | 4.0 | 111.2 | 7.0 | 177.0 | 8.7 | 173.5 | 7.6 |
| 1992 | 137.3 | 2.8 | 134.6 | 2.0 | 137.5 | 2.9 | 116.6 | 4.9 | 190.1 | 7.4 | 183.0 | 5.5 |
| 1993 | 141.4 | 3.0 | 137.9 | 2.5 | 141.2 | 2.7 | 121.1 | 3.9 | 201.4 | 5.9 | 189.6 | 3.6 |
| 1994 | 144.8 | 2.4 | 140.3 | 1.7 | 144.8 | 2.5 | 122.9 | 1.5 | 211.0 | 4.8 | 197.8 | 4.3 |
| 1995 | 148.6 | 2.6 | 144.6 | 3.1 | 148.5 | 2.6 | 124.9 | 1.6 | 220.5 | 4.5 | 211.6 | 7.0 |
| 1996 | 152.8 | 2.8 | 148.4 | 2.6 | 152.8 | 2.9 | 127.9 | 2.4 | 228.2 | 3.5 | 231.1 | 9.2 |
| 1997 | 155.9 | 2.0 | 150.6 | 1.5 | 156.8 | 2.6 | 129.4 | 1.2 | 234.6 | 2.8 | 248.9 | 7.7 |
| 1998 | 157.2 | 0.8 | 152.6 | 1.3 | 160.4 | 2.3 | 131.0 | 1.2 | 242.1 | 3.2 | 255.7 | 2.7 |
| 1999 | 160.2 | 1.9 | 153.5 | 0.6 | 163.9 | 2.2 | 132.7 | 1.3 | 250.6 | 3.5 | 260.8 | 2.0 |
| 2000 | 165.7 | 3.4 | 156.1 | 1.7 | 169.6 | 3.5 | 134.2 | 1.1 | 260.8 | 4.1 | 272.1 | 4.3 |
| 2001 | 169.7 | 2.4 | 160.6 | 2.9 | 176.4 | 4.0 | 139.0 | 3.6 | 272.8 | 4.6 | 282.9 | 4.0 |
| 2002 | 170.8 | 0.6 | 162.2 | 1.0 | 180.3 | 2.2 | 143.5 | 3.2 | 285.6 | 4.7 | ———* | ——— |
| 2003 | 174.6 | 2.2 | 166.5 | 2.7 | 184.8 | 2.5 | 146.8 | 2.3 | 297.1 | 4.0 | ——— | ——— |

* No index for medical care was produced for 2002 and 2003.

| Year | TRANSPORTATION | | | | FOOD & BEVERAGES | | | | APPAREL & UPKEEP | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | U.S. Average | Percent Change from Prev. Yr. | Anch. Average | Percent Change from Prev. Yr. | U.S. Average | Percent Change from Prev. Yr. | Anch. Average | Percent Change from Prev. Yr. | U.S. Average | Percent Change from Prev. Yr. | Anch. Average | Percent Change from Prev. Yr. |
| 1983 | 99.3 | 2.4 | 98.5 | 1.8 | 99.5 | 2.3 | 99.7 | 2.6 | 100.2 | 2.5 | 101.6 | 5.2 |
| 1984 | 103.7 | 4.4 | 104.6 | 6.2 | 103.2 | 3.7 | 103.2 | 3.5 | 102.1 | 1.9 | 101.7 | 0.1 |
| 1985 | 106.4 | 2.6 | 108.2 | 3.4 | 105.6 | 2.3 | 106.2 | 2.9 | 105.0 | 2.8 | 105.8 | 4.0 |
| 1986 | 102.3 | -3.9 | 107.8 | -0.4 | 109.1 | 3.3 | 110.8 | 4.3 | 105.9 | 0.9 | 109.0 | 3.0 |
| 1987 | 105.4 | 3.0 | 111.3 | 3.2 | 113.5 | 4.0 | 113.1 | 2.1 | 110.6 | 4.4 | 116.6 | 7.0 |
| 1988 | 108.7 | 3.1 | 113.0 | 1.5 | 118.2 | 4.1 | 113.8 | 0.6 | 115.4 | 4.3 | 119.1 | 2.1 |
| 1989 | 114.1 | 5.0 | 116.7 | 3.3 | 124.9 | 5.7 | 117.2 | 3.0 | 118.6 | 2.8 | 125.0 | 5.0 |
| 1990 | 120.5 | 5.6 | 120.7 | 3.4 | 132.1 | 5.8 | 123.7 | 5.5 | 124.1 | 4.6 | 127.7 | 2.2 |
| 1991 | 123.8 | 2.7 | 121.7 | 0.8 | 136.8 | 3.6 | 127.7 | 3.2 | 128.7 | 3.7 | 126.6 | -0.9 |
| 1992 | 126.5 | 2.2 | 123.3 | 1.3 | 138.7 | 1.4 | 130.3 | 2.0 | 131.9 | 2.5 | 130.2 | 2.8 |
| 1993 | 130.4 | 3.1 | 128.8 | 4.5 | 141.6 | 2.1 | 131.2 | 0.7 | 133.7 | 1.4 | 131.2 | 0.8 |
| 1994 | 134.3 | 3.0 | 136.9 | 6.3 | 144.9 | 2.3 | 131.9 | 0.5 | 133.4 | -0.2 | 128.9 | -1.8 |
| 1995 | 139.1 | 3.6 | 143.8 | 5.0 | 148.9 | 2.8 | 138.5 | 5.0 | 132.0 | -1.0 | 130.0 | 0.9 |
| 1996 | 143.0 | 2.8 | 147.2 | 2.4 | 153.7 | 3.2 | 143.4 | 3.5 | 131.7 | -0.2 | 128.7 | -1.0 |
| 1997 | 144.3 | 0.9 | 147.0 | -0.1 | 157.7 | 2.6 | 145.8 | 1.7 | 132.9 | 0.9 | 127.0 | -1.3 |
| 1998 | 141.6 | -1.9 | 144.9 | -1.4 | 161.1 | 2.2 | 147.3 | 1.0 | 133.0 | 0.1 | 125.6 | -1.1 |
| 1999 | 144.4 | 2.0 | 143.7 | -0.8 | 164.6 | 2.2 | 148.4 | 0.7 | 131.3 | -1.3 | 125.8 | 0.2 |
| 2000 | 153.3 | 6.2 | 150.5 | 4.7 | 168.4 | 2.3 | 151.7 | 2.2 | 129.6 | -1.3 | 124.5 | -1.0 |
| 2001 | 154.3 | 0.7 | 153.0 | 1.7 | 173.6 | 3.1 | 156.4 | 3.1 | 127.3 | -1.8 | 131.1 | 5.3 |
| 2002 | 152.9 | -1.0 | 151.5 | -1.0 | 176.8 | 1.8 | 157.9 | 1.0 | 124.0 | -2.6 | 126.7 | -3.4 |
| 2003 | 157.6 | 3.1 | 158.3 | 4.5 | 180.5 | 2.1 | 161.8 | 2.5 | 120.9 | -2.5 | 123.2 | -2.8 |

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

## Housing is the heavyweight

Exhibit 1 shows the different weights assigned in calculating the CPI. Housing represents the single largest weight since that is where average consumers spend the largest share of their consumption dollars. As a result, housing has the most influence on the overall index. It also gives the CPI a local flavor, creating index changes that often diverge from those seen in the national CPI, because it is usually local market forces that affect housing prices.

For example, during the late 1980s when the Anchorage real estate market crashed, the overall CPI index recorded nearly zero inflation because the value of housing was declining. During the same period the national housing market was robust, so the national index moved considerably ahead of Anchorage. During the past decade the Anchorage and national housing markets showed smaller differences, with the national rates tending to rise a bit faster, showing inflation in the rest of the nation to be higher than in Anchorage. Other CPI components are much less affected by local conditions. Price changes for gasoline, food, clothing, automobiles, and other goods and services are dictated more by national and international conditions than local ones.

Because of the weight the housing measure carries in the overall CPI, it is important to know some of its shortcomings. The CPI measures housing prices with "rental equivalency," which uses the current rental value of houses to compare prices, rather than actual home prices or appraised values. This method can overstate or understate inflation because actual house values and rental costs are not always closely connected.

In fact, in both Anchorage and the nation as a whole, house prices have risen noticeably in the last several years due to high demand fueled by low interest rates. Rental prices have not seen a similar increase, leading many to believe that recent CPI numbers understate inflation for the majority of Americans who own rather than rent. To isolate price changes other than housing, BLS produces an index called CPI All Items Less Shelter.

### Calculating Index Changes

Movement of an index from one period to another is usually expressed as a percent change rather than a change in index points because index point changes are affected by the level of the index in relation to its base period while percent changes are not. The example in this box illustrates the computation of index points and percent changes.

Index Point Change

| | |
|---|---|
| CPI-Anchorage 2003 | 162.5 |
| Less CPI for previous period-Anchorage 2002 | 158.2 |
| Equals index point change | 4.3 |

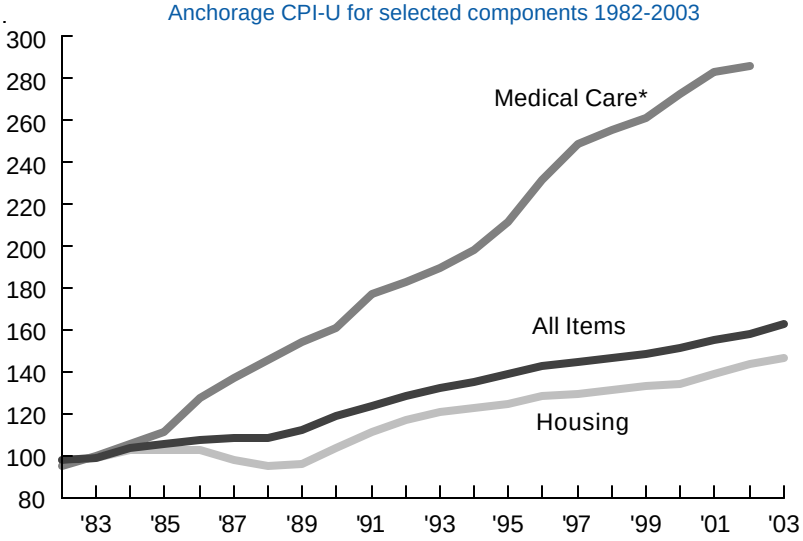
Percent Change

| | |
|---|---|
| Index point difference | 4.3 |
| Divided by the previous index | 158.2 |
| Equals | 0.027 |
| Results multiplied by 100 | 0.027 x 100 |
| Equals percent change–Anchorage CPI 2003 | 2.7 |

## Medical Costs Skyrocket
### Housing remains tame

5

Anchorage CPI-U for selected components 1982-2003




*Most recent medical data is first half of 2002; since then BLS has not had sufficient sample coverage to produce an index.

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

# 6 Cost of Food at Home

## Family of four, children age 6–11

### December 2003

| | |
|---|---|
| Anchorage | $106.65 |
| Bethel | $186.97 |
| Cordova | $162.66 |
| Delta | $131.68 |
| Dutch Harbor | $166.84 |
| Fairbanks | $120.11 |
| Haines | $154.77 |
| Homer | $144.38 |
| Juneau | $123.86 |
| Kenai-Soldotna | $127.52 |
| Ketchikan | $116.39 |
| Kodiak | $141.85 |
| Mat-Su | $118.55 |
| Naknek-King Salmon | $214.39 |
| Nome | $173.13 |
| Seward | $132.46 |
| Sitka | $128.47 |
| Tok | $117.29 |
| Portland, Oregon | $ 94.47 |

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

(See Exhibit 4.) This index reveals less noticeable differences between Anchorage and the nation than does the CPI-U.

## Medical care rises the fastest

The cost of medical care in Anchorage has shot upwards, although it is not weighted heavily enough to have a major effect on the overall index. (See Exhibits 1 and 5.) No other CPI component has come close to matching the steep increases in health care costs in the last 20 years. BLS has been unable to produce a separate medical care index since the first half of 2002, but in the decade from 1992 to 2001, medical care costs in Anchorage climbed more than 60 percent, compared to the 25 percent increase over the same period for the overall index. The story is similar at the national level. As the state and national population age and the need for health care continues to expand, rising costs will intensify the focus on medical care affordability.

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

## For family of four with elementary school age children

| Month/ Year | Anchorage | Fairbanks | Pct. of Anch. | Juneau | Pct. of Anch. | Bethel | Pct. of Anch. | Nome | Pct. of Anch. | Kodiak | Pct. of Anch. | Kenai/ Soldotna | Pct. of Anch. | Tok | Pct. 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 | 87.25 | 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 |
| 9/01 | 106.43 | 103.61 | 97 | 112.53 | 106 | 180.89 | 170 | 176.56 | 166 | 140.23 | 132 | 119.55 | 112 | 141.73 | 133 |
| 9/02 | 100.61 | 100.80 | 100 | 110.52 | 110 | 187.96 | 187 | 179.76 | 179 | 143.36 | 142 | 119.12 | 118 | 126.92 | 126 |
| 9/03 | 105.54 | 112.77 | 107 | 117.78 | 112 | 186.07 | 176 | 177.38 | 168 | 144.13 | 137 | 122.39 | 116 | 126.37 | 120 |

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

## Food costs around the state

Four times a year, the University of Alaska Fairbanks Cooperative Extension Service posts results from its surveys of the cost of food at home for a week in 20 Alaska communities and Portland, Oregon. (See Exhibits 6 and 7.) The food basket includes items that will provide the minimum levels of nutrition for an individual or family at the lowest possible cost. The survey also includes information on utility and fuel costs. The strength of this survey is its geographic coverage; no other survey covers as many Alaska communities. Another advantage is that it has been produced consistently for many years.

Being mostly limited to food, which makes up a relatively small portion of total consumption dollars, the survey is unsuitable for use as a comprehensive cost of living measure. Another limitation is the study's necessary assumption that the same items would be purchased in all of the communities surveyed. The study recently began including grocery items delivered to rural communities, a widespread practice in Alaska, but food items obtained through barter or brought back to communities as baggage or private cargo are not captured. The study also makes no allowance for the consumption of subsistence foods instead of store-bought items.

## Food costs highest in Naknek-King Salmon

According to the December study, a family of four enjoyed the lowest food costs in Anchorage, Ketchikan, Tok and Mat-Su. Tok's December data should probably be treated as an aberration. In previous years Tok's food costs tended to be higher. (See Exhibit 7.) The highest costs tend to be in remote communities which are serviced by air most of the year and by barge during the summer months. Bethel, Nome, Dutch Harbor, and Naknek-King Salmon belong in this category.

Communities connected to a road system or the Alaska Marine Highway fare a little better, with prices somewhere between those found in urban areasand more isolated areas. Kodiak, Cordova,

## Two-Bedroom Apartments 8

### Highest rents are in Juneau and Kodiak

Median adjusted monthly rent 2003 including utilities


*Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section, and Alaska Housing Finance Corporation*

## Three-Bedrm Single Family Homes 9

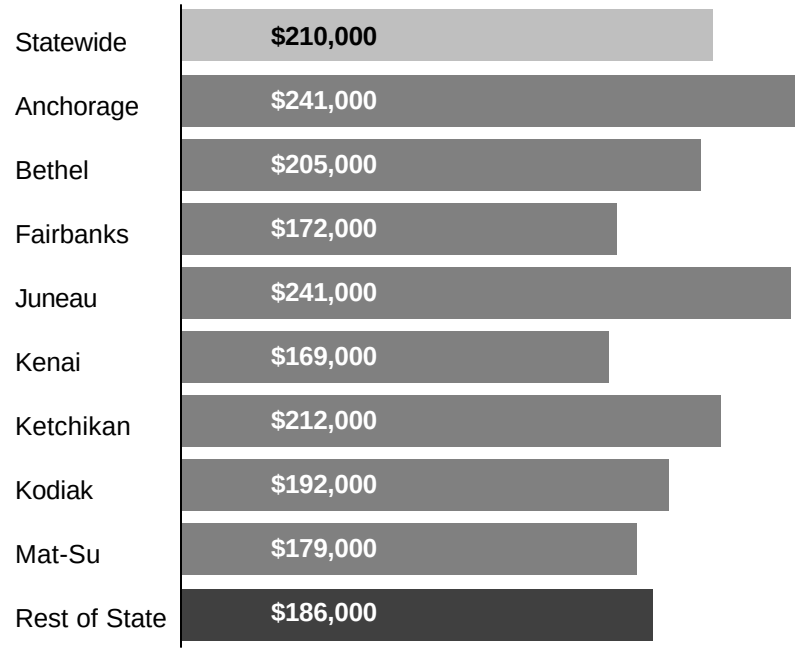
### Highest rents are in Juneau and Anchorage

Median adjusted monthly rent 2003 including utilities


*Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section, and Alaska Housing Finance Corporation*

# 10 Single-Family Home Prices
## Highest in Anchorage and Juneau

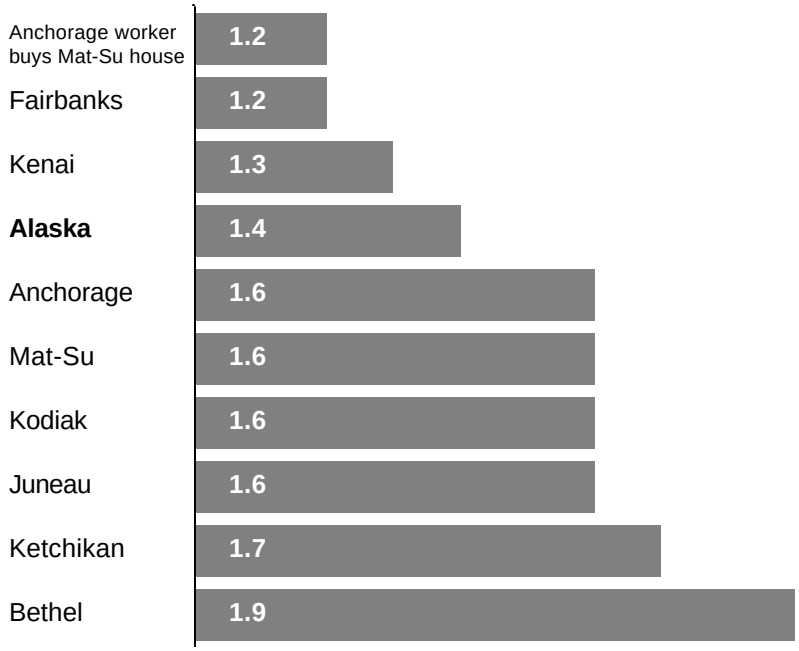
Average sale price, 2nd half 2003




*Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section, and Alaska Housing Finance Corporation*

# 11 Housing Affordability
## Wage earners needed to buy average house

2nd half 2003




*Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section, and Alaska Housing Finance Corporation*

and Haines are examples. Factors other than accessibility that affect food prices are the size of the market and the degree of competition among food suppliers in the community.

## Juneau tops the list in rents

Housing costs are often a good proxy for an area's cost of living because they make up such a large slice of total expenditures. Information on housing rental prices in ten areas around the state is available through a survey conducted for the Alaska Housing Finance Corporation (AHFC) by the Alaska Department of Labor and Workforce Development. The survey collects monthly rental costs for two-bedroom apartments and three-bedroom single-family homes. (See Exhibits 8 and 9.)

In Alaska, the cost of housing can vary dramatically from place to place. Housing supply, building costs, the condition of the local economy, and demographic change are all factors that enter into housing cost differences.

In 2003, rental costs for houses were highest in Juneau and Anchorage. (See Exhibit 8.) Juneau has been near the top of the list for years, but the Anchorage rental market for houses heated up in 2003, rising almost $200 and moving from the fourth highest in 2002 to the second highest in 2003. By comparison, Juneau's rental rate for housing rose only $44 over the same period, and in Valdez/Cordova, housing rental prices fell nearly $100.

Juneau also tops the list for apartment rental costs, though the $967 monthly price is unchanged from 2002. Apartment rentals in Anchorage increased $45 in 2003 but remained lower than many areas of the state. Kodiak had the second most expensive apartment rentals at $898 a month, an increase of about $70 from 2002. Four of the ten areas surveyed reported lower apartment rental prices in 2003 than in 2002.

## Housing sale prices highest in Anchorage and Juneau

A survey of lenders reveals that for houses sold during the second half of 2003, the highest average prices were in Anchorage and Juneau at $241,000. That number is about $30,000 higher than the statewide average and noticeably higher than all of the other communities for which data were available.

The average sale price for a Mat-Su home was more than $60,000 lower than an Anchorage home, partly explaining why the Mat-Su Borough has grown dramatically in recent years and why more and more Alaskans are commuting from Mat-Su to Anchorage. It is important to note that this survey captures only the prices of homes actually sold; how closely that amount approximates the value of average homes in the various communities is a separate question.

## Cost of Living for Selected Cities 12

### ACCRA Index – December 2003

| Region<br>City | All Items Index | Grocery Items | Housing | Utilities | Transportation | Health Care | Misc. Goods & Services |
|---|---|---|---|---|---|---|---|
| Anchorage, AK* | 121.8 | 129.0 | 130.7 | 91.9 | 110.6 | 144.4 | 117.9 |
| Fairbanks, AK | 124.7 | 117.4 | 132.4 | 127.9 | 117.8 | 164.9 | 117.4 |
| Juneau, AK | 132.3 | 134.1 | 136.5 | 133.8 | 124.0 | 170.1 | 125.2 |
| Kodiak, AK | 130.8 | 138.4 | 129.1 | 130.6 | 137.5 | 151.0 | 124.6 |
| West | | | | | | | |
| Seattle, WA | 122.9 | 113.9 | 133.6 | 114.7 | 117.8 | 149.5 | 118.1 |
| Corvalis, OR | 109.7 | 108.9 | 110.4 | 95.1 | 114.8 | 129.5 | 109.7 |
| Los Angeles-Long Beach, CA | 148.8 | 121.9 | 228.6 | 140.0 | 115.3 | 105.5 | 108.2 |
| Oakland. CA | 143.8 | 117.8 | 219.9 | 110.4 | 114.6 | 148.0 | 106.3 |
| Las Vegas, NV | 103.0 | 113.6 | 96.6 | 83.2 | 111.8 | 126.7 | 104.4 |
| Southwest/Mountain | | | | | | | |
| Boise, ID | 98.8 | 91.2 | 95.6 | 97.0 | 108.5 | 106.4 | 101.6 |
| Salt Lake City, UT | 99.8 | 100.0 | 94.4 | 95.8 | 107.8 | 98.9 | 103.3 |
| Phoenix, AZ | 98.5 | 100.8 | 88.9 | 91.5 | 111.2 | 112.3 | 102.6 |
| Denver, CO | 104.8 | 105.1 | 100.1 | 79.9 | 102.2 | 111.6 | 96.0 |
| Dallas, TX | 96.8 | 90.6 | 91.3 | 94.0 | 100.5 | 99.4 | 103.6 |
| Midwest | | | | | | | |
| Minneapolis, MN | 111.0 | 101.9 | 120.4 | 111.7 | 110.0 | 123.9 | 105.2 |
| Cleveland, OH | 102.8 | 106.4 | 100.1 | 109.4 | 107.4 | 107.5 | 99.8 |
| Chicago, IL | 128.1 | 115.5 | 172.4 | 109.3 | 110.3 | 136.3 | 104.5 |
| Southeast | | | | | | | |
| Orlando, FL | 97.2 | 97.9 | 91.9 | 97.3 | 95.5 | 94.8 | 102.3 |
| Montgomery, AL | 96.1 | 95.4 | 92.8 | 100.9 | 98.5 | 86.1 | 98.2 |
| Atlanta, GA | 97.6 | 103.3 | 91.8 | 90.3 | 99.0 | 106.3 | 100.9 |
| Raleigh, NC | 98.1 | 100.2 | 92.6 | 99.3 | 86.8 | 105.5 | 104.3 |
| Atlantic/New England | | | | | | | |
| New York City - Manhattan | 217.1 | 141.7 | 403.6 | 142.9 | 130.6 | 179.2 | 138.4 |
| Boston, MA | 136.9 | 119.2 | 180.1 | 148.3 | 114.1 | 111.9 | 113.0 |

*Data from fourth quarter 2002, the most recent Anchorage data available

*Source: American Chamber of Commerce Researchers Association; Urban Area Index Data, fourth quarter 2003*

## Fairbanks tops list of housing affordability

The Alaska Housing Finance Corporation also establishes a housing affordability index for ten areas in the state. (See Exhibit 11.) This index not only takes the cost of housing into account but also the ability to pay for this housing, using the average wages in the respective areas and determining how many wage earners would be needed to afford the average house. Combining these two factors—housing costs and average wages—yields some interesting results.

Although the Mat-Su Borough has some of the lowest housing costs in the state, for those who both live and work in the borough, purchasing a home there is no more affordable than it is for those who live and work in Anchorage. In other words, Anchorage's higher housing costs are balanced by the city's higher wages, whereas low housing costs combine with low wages in Mat-Su. As a result, an increasing number of Alaskans are living in the Mat-Su Borough and working in Anchorage, combining relatively low housing costs with relatively high wages.

Fairbanks housing is also very affordable, requiring only 1.2 wage earners to purchase the average home. In Juneau, despite annual wages that tend to be above average, housing is less affordable because of the very high price of homes. Not surprisingly, housing in Bethel is substantially less affordable because of its remote location.

# 13 The 20 Highest Cost Urban Areas and Selected Alaska Cities

## ACCRA Index– December 2003

| City | All Items Index | Grocery Items | Housing | Utilities | Transpor-tation | Health Care | Misc. Goods & Services |
|---|---|---|---|---|---|---|---|
| Expenditure Weight | | 14% | 29% | 10% | 10% | 4% | 33% |
| New York (Manhattan), NY | 217.1 | 141.7 | 403.6 | 142.9 | 130.6 | 179.2 | 138.4 |
| Jersey City, NJ | 182.8 | 124.5 | 335.8 | 120.6 | 124.0 | 163.1 | 112.1 |
| San Francisco, CA | 169.8 | 124.7 | 292.5 | 110.7 | 125.1 | 152.2 | 114.6 |
| Stamford, CT | 163.2 | 115.7 | 259.8 | 118.9 | 122.8 | 146.2 | 126.1 |
| Honolulu, HI | 155.6 | 151.5 | 223.0 | 143.9 | 136.3 | 122.7 | 111.4 |
| Los Angeles-Long Beach, CA | 148.8 | 121.9 | 228.6 | 140.0 | 115.3 | 105.5 | 108.2 |
| Bergen-Passaic, NJ | 147.4 | 122.1 | 206.4 | 119.6 | 125.1 | 180.2 | 117.6 |
| Oakland, CA | 143.8 | 117.8 | 219.9 | 110.4 | 114.6 | 148.0 | 106.3 |
| Framingham-Natick, MA | 140.3 | 118.9 | 191.3 | 134.3 | 118.6 | 123.4 | 115.1 |
| Washington DC/Suburban MD, VA | 138.8 | 111.2 | 206.8 | 104.4 | 120.6 | 124.9 | 108.4 |
| San Diego, CA | 138.2 | 130.2 | 195.5 | 77.5 | 119.9 | 135.1 | 114.8 |
| Boston, MA | 136.9 | 119.2 | 180.1 | 148.3 | 114.1 | 111.9 | 113.0 |
| New York (Queens), NY | 136.7 | 131.2 | 162.1 | 143.7 | 123.1 | 129.7 | 119.6 |
| Newark-Elizabeth, NJ | 135.3 | 112.5 | 174.6 | 123.7 | 115.4 | 178.2 | 114.0 |
| Middlesex, NJ | 133.8 | 109.2 | 172.1 | 120.1 | 115.4 | 184.2 | 114.2 |
| **Juneau, AK** | **132.3** | **134.1** | **136.5** | **133.8** | **124.0** | **170.1** | **125.2** |
| **Kodiak, AK** | **130.8** | **138.4** | **129.1** | **130.6** | **137.5** | **151.0** | **124.6** |
| Hunterdon County, NJ | 130.4 | 117.7 | 152.6 | 144.6 | 109.6 | 123.3 | 119.3 |
| Monmouth-Ocean, NJ | 128.9 | 112.0 | 153.8 | 130.3 | 115.1 | 164.2 | 113.8 |
| Chicago, IL | 128.1 | 115.5 | 172.4 | 109.3 | 110.3 | 136.3 | 104.5 |
| **Fairbanks, AK** | **124.7** | **117.4** | **132.4** | **127.9** | **117.8** | **164.9** | **117.4** |
| **Anchorage, AK*** | **121.8** | **129.0** | **130.7** | **91.9** | **110.6** | **144.4** | **117.9** |

*Data from fourth quarter 2002, the most recent Anchorage data available

*Source: American Chamber of Commerce Researchers Association; Urban Area Index Data, fourth quarter 2003*

## ACCRA looks at higher income households

Every quarter the nonprofit American Chamber of Commerce Researchers Association (ACCRA) publishes the results of its detailed cost of living surveys of about 400 cities. ACCRA's market basket is meant to capture the expenditure patterns of professional and executive households with incomes in the top fifth of all U.S. households. Expenditures for each city are compared to the average for all cities surveyed, which is assigned a score of 100. For example, a city with an index score of 125 has costs 25 percent higher than the average of all ACCRA cities surveyed. The survey does not include taxes, a significant point for Alaskans, whose tax burden is the lowest in the country.

The fourth quarter 2003 ACCRA survey reveals that the cost of living for Alaska's higher income

## Runzheimer International Living Cost Standards 14
### December 2003

| | 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 | Percent of Standard City |
|---|---|---|---|---|---|---|---|---|---|---|
| Alaska Composite | 36,233 | 113.2% | 2,448 | 77.4% | 4,760 | 109.0% | 17,691 | 126.0% | 12,522 | 109.9% |
| Anchorage | 34,682 | 108.4% | 2,448 | 77.4% | 4,872 | 111.6% | 16,267 | 115.9% | 12,195 | 107.1% |
| Fairbanks | 34,753 | 108.6% | 2,448 | 77.4% | 4,778 | 109.5% | 16,293 | 116.1% | 12,588 | 110.5% |
| Juneau | 39,267 | 122.7% | 2,448 | 77.4% | 4,631 | 106.1% | 20,514 | 146.2% | 12,588 | 110.5% |
| West | | | | | | | | | | |
| Eugene, OR | 33,591 | 105.0% | 3,444 | 108.9% | 4,369 | 100.1% | 15,727 | 112.1% | 11,594 | 101.8% |
| Honolulu, HI | 44,066 | 137.7% | 2,817 | 89.1% | 5,671 | 129.9% | 23,806 | 169.6% | 12,803 | 112.4% |
| Las Vegas, NV | 33,525 | 104.8% | 2,448 | 77.4% | 5,458 | 125.0% | 15,056 | 107.3% | 11,261 | 98.9% |
| Los Angeles, CA | 46,138 | 144.2% | 2,448 | 77.4% | 5,915 | 135.5% | 26,060 | 185.7% | 12,495 | 109.7% |
| Portland, OR | 34,542 | 107.9% | 3,417 | 108.0% | 4,564 | 104.6% | 16,123 | 114.9% | 11,981 | 105.2% |
| San Diego, CA | 49,021 | 153.2% | 2,448 | 77.4% | 5,065 | 116.0% | 30,159 | 214.9% | 12,172 | 106.9% |
| San Francisco, CA | 72,432 | 226.4% | 2,448 | 77.4% | 6,316 | 144.7% | 51,651 | 368.0% | 12,734 | 111.8% |
| Seattle, WA | 39,828 | 124.5% | 2,448 | 77.4% | 4,858 | 111.3% | 20,764 | 147.9% | 12,300 | 108.0% |
| Southwest/Mountain | | | | | | | | | | |
| Boise, ID | 28,995 | 90.6% | 2,837 | 89.7% | 4,396 | 100.7% | 12,126 | 86.4% | 10,622 | 93.3% |
| Salt Lake City, UT | 32,567 | 101.8% | 3,136 | 99.1% | 4,719 | 108.1% | 14,197 | 101.2% | 11,318 | 99.4% |
| Denver, CO | 39,991 | 125.0% | 2,702 | 85.4% | 5,730 | 131.3% | 22,107 | 157.5% | 11,569 | 101.6% |
| Phoenix, AZ | 32,195 | 100.6% | 2,794 | 88.3% | 5,170 | 118.4% | 13,360 | 95.2% | 11,692 | 102.7% |
| Dallas, TX | 30,322 | 94.8% | 2,448 | 77.4% | 4,786 | 109.6% | 12,882 | 91.8% | 11,243 | 98.7% |
| Midwest | | | | | | | | | | |
| Columbia, MO | 28,033 | 87.6% | 3,219 | 101.8% | 4,364 | 100.0% | 10,601 | 75.5% | 10,669 | 93.7% |
| Dayton, OH | 30,290 | 94.7% | 3,883 | 122.8% | 4,292 | 98.3% | 12,029 | 85.7% | 11,076 | 97.2% |
| Chicago, IL | 38,313 | 119.7% | 3,009 | 95.1% | 5,063 | 116.0% | 18,945 | 135.0% | 12,153 | 106.7% |
| Southeast | | | | | | | | | | |
| Augusta, GA | 25,642 | 80.1% | 3,160 | 99.9% | 4,635 | 106.2% | 8,008 | 57.1% | 10,637 | 93.4% |
| Orlando, FL | 29,853 | 93.3% | 2,448 | 77.4% | 4,760 | 109.0% | 12,447 | 88.7% | 11,078 | 97.3% |
| Atlantic/New England | | | | | | | | | | |
| New York City, NY | 43,841 | 137.0% | 2,760 | 87.3% | 6,312 | 144.6% | 24,177 | 172.3% | 11,817 | 103.7% |
| Norfolk, VA | 30,227 | 94.5% | 3,422 | 108.2% | 4,160 | 95.3% | 12,431 | 88.6% | 11,307 | 99.3% |

*Source: Runzheimer's Living Cost Index, December 2003*

residents is still well above average. Fairbanks, Juneau, and Kodiak all recorded composite index scores of at least 124.7. (See Exhibit 12.) Anchorage has not been included in the ACCRA study since the fourth quarter of 2002, but that quarter's survey reported a composite score for Anchorage of 121.8.

Both Juneau and Kodiak were among the 20 most expensive ACCRA cities surveyed and Fairbanks fell just outside of that list. (See Exhibit 13.) Health care costs stand out as particularly high in the Alaska cities ACCRA surveyed, but housing, groceries, and utilities are all significantly above the average city.

# 15 Overseas Cost of Living

## Allowance for military (OCONUS)

| Location | Index |
|---|---|
| Anchorage | 118 |
| Barrow | 114 |
| Bethel | 144 |
| Clear AFS | 116 |
| College | 116 |
| Cordova | 130 |
| Delta Junction | 116 |
| Dillingham | 144 |
| Fairbanks | 130 |
| Galena | 144 |
| Homer | 130 |
| Juneau | 126 |
| Kenai/Soldotna | 130 |
| Ketchikan | 128 |
| Kodiak | 128 |
| Kotzebue | 144 |
| Metlakatla | 144 |
| Nome | 144 |
| Petersburg | 128 |
| Seward | 130 |
| Sitka | 132 |
| Spuce Cape | 120 |
| Tok | 122 |
| Unalaska | 120 |
| Valdez | 128 |
| Wainwright | 144 |
| Wasilla | 116 |

*Source: U.S. Department of Defense*

Exhibits 12 and 13 show that housing costs on both the East and West coasts raise living costs significantly, while generally cheaper housing in the middle of the country lowers overall costs there. Of the 20 most expensive ACCRA cities, all but Chicago are either on or near one of the nation's coasts.

## Runzheimer Survey

The Runzheimer Plan of Living Cost Standards looks at households on the lower end of the income spectrum. (See Exhibit 14.) The Alaska Department of Labor and Workforce Development contracts with Runzheimer to survey geographic cost differentials for a family of four with an annual income of $32,000. The survey determines how much more or less it would cost in various cities for the family to maintain the same standard of living $32,000 would purchase in a hypothetical standard U.S. city.

According to the Runzheimer survey, a household in Anchorage would need an income of $34,682 to maintain the standard of living obtainable with $32,000 in the standard city. A slightly higher income would be necessary in Fairbanks, and a significantly higher amount in Juneau. The principal difference between the three Alaska cities surveyed by Runzheimer is the price of housing for relatively low-income families. While housing in Anchorage and Fairbanks costs around $16,300 a year (costs include mortgage payments, real estate taxes, insurance, utilities, and maintenance), in Juneau housing costs are more than $4,000 higher.

Not surprisingly, the nation's most expensive cities for low-income families are those with expensive housing. No city illustrates this better than San Francisco, where housing costs are 368 percent as high as the standard city. As a result, it would cost more than $72,000 to live in San Francisco with the same standard of living that could be purchased with $32,000 in the standard city.

## The military's cost of living index

A study new to this year's cost of living article is the United States Department of Defense (DOD) cost of living index for all of its overseas locations, including Alaska and Hawaii. (See Exhibit 15.) The DOD index shows the allowance paid to service members stationed in high-cost areas to help them maintain purchasing power similar to that obtainable in the continental U.S.

This adjustment is calculated on income remaining after housing expenses, taxes, savings, life insurance, gifts, and charitable contributions are deducted. DOD collects pricing data on approximately 120 goods and uses the Bureau of Labor Statistics consumer expenditure survey for assigning weights to the various goods. One of the DOD index's strengths is its broad geographic coverage—27 Alaska locations are included. Another strength is that the data are relatively current. Its biggest weakness is that it does not include housing, which is treated separately by the military with a housing allowance program. For more information on this index visit: www.dtic.mil/perdiem/faqcola.html.

## State of Alaska geographic differentials

One of the most comprehensive data sets of state cost differentials was produced in a 1986 State of Alaska survey done to determine location pay for state workers. (See Exhibit 16.) The results of this survey are still used by the state. Workers in Fairbanks, for example, receive a four percent higher wage or salary than their colleagues in Anchorage in similar positions. The highest geographic differential pay goes to state workers in Barrow and Kotzebue, where cost of living was determined to be 42 percent higher than in Anchorage, Juneau, Kenai, and the other cities in Exhibit 16 with scores of 100.

## Summary

Cost of living questions can have complicated answers and no single survey or index can supply a perfect answer. Each survey has specific limitations that must be considered before reaching conclusions about either the change in costs over time or the difference in costs from one place to another. With that in mind, users have before them an abundance of information to explore the cost of living in Alaska, one of the state's most basic economic issues.

## Alaska State COLAS By place 16

| | Cost of Living Pay Differential (%) |
|---|---|
| Aleutian Islands | 112 |
| Aniak, McGrath, Galena | 130 |
| **Anchorage (base district)** | **100** |
| Barrow, Kotzebue | 142 |
| Bethel | 138 |
| Bristol Bay | 127 |
| Delta Junction, Tok | 116 |
| Fairbanks | 104 |
| Fort Yukon (above Arctic Circle) | 142 |
| Juneau | 100 |
| Kenai, Cook Inlet | 100 |
| Ketchikan | 100 |
| Kodiak | 109 |
| Nenana duty station | 120 |
| Nome | 134 |
| Palmer, Wasilla | 100 |
| Seward | 100 |
| Sitka | 100 |
| Skagway, Haines, Yakutat | 105 |
| Valdez, Cordova, Glennallen | 111 |
| Wade Hampton | 130 |
| Wrangell, Petersburg | 100 |

*Sources: The McDowell Group, and Alaska Department of Administration, 1986*

## What does $100 in 1980 dollars equal today?

The Anchorage CPI-U can help answer the often asked question, how much money would it take to equal a dollar from some earlier year? Use the equation below:

| | | | |
|---|---|---|---|
| 2003 Anchorage CPI, (see Ex. 2) | 162.5 | = | 1.90 |
| Divided by 1980 Anchorage CPI-U | 85.5 | | |

Multiply 1.90 by any number of 1980 dollars and you will have the 2003 equivalent. So, $190 in 2003 would have the same purchasing power as $100 did in 1980.

The formula can be reversed to deflate current dollars to some earlier year ($100 in 2003 would equal $53 in 1980). Inflation calculators that require only the years and a dollar amount are also available on many web sites, including ours:
http://almis.labor.state.ak.us/

## Alaska Cost-of-Living Information on the Worldwide Web

Beyond the information in this article there are web sites that can provide quick cost of living comparisons. The sites generally provide little detail, but they can be handy as quick reference sources.

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 about traveling to Alaska.

http://www.stats.bls.gov

The U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index site provides CPI data for Anchorage and all areas. There is also general, technical, and research information on the CPI. There is also an inflation calculator at this site.

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

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

There are many other web sites with cost-of-living information. They include:
CityRating.com http://www.cityrating.com/costofliving.asp
Homeadvisor msn http://homeadvisor.msn.com/pickaplace/comparecities.aspx
ACCRA http://www.accra.org/