Measuring Alaska's Cost of Living

by John Boucher

How expensive is it to live in Alaska? How much has Alaska's cost of living increased? These are two of the most frequently asked questions of the Alaska Department of Labor's Research and Analysis section. In answer to these questions, this article provides some of the latest cost-of-living measurements available for Alaska and explains the uses and limitations of these data.

A measure of inflation or cost differentials?

Two types of cost-of-living measurements are available for Alaska. If you are interested in how prices have changed in a particular place, commonly referred to as the inflation rate, you should use the Consumer Price Index (CPI). If you're interested in cost differences between two places—"Is it more expensive to live in Fairbanks than in Seattle?"—then a cost-of-living measurement like the American Chamber of Commerce Researchers Association (ACCRA) index or the Runzheimer International study would best suit your needs.

Be aware of the method and the market basket

Since it is too expensive to price every item available to purchase, cost-of-living surveys track prices of a sample of items from common expenditure categories (such as housing expenses, medical expenses, food expenses, etc.). This sample of items is called the survey's market basket. Most surveys gear their market baskets toward a "typical" consumer.

When using a cost-of-living survey, it's a good idea to know what the survey's market basket is, and whose buying habits the survey simulates. All surveys give a list of the items in the market basket and define the type of consumer(s) the market basket represents. For example, the CPI for All Urban Consumers (CPI-U) is designed to represent consumption patterns of 80% of all urban consumers in the nation. The other surveys in this article have a narrower focus.

The CPI-the nation's inflation measure

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

To produce the CPI, the U.S. Department of Labor's Bureau of Labor Statistics (BLS) gathers prices in 85 metropolitan areas throughout the country. Anchorage is the only city in Alaska surveyed; consequently, the Anchorage CPI is the only "Alaskan" inflation measure. Unfortunately, Anchorage's inflation rate may not reflect

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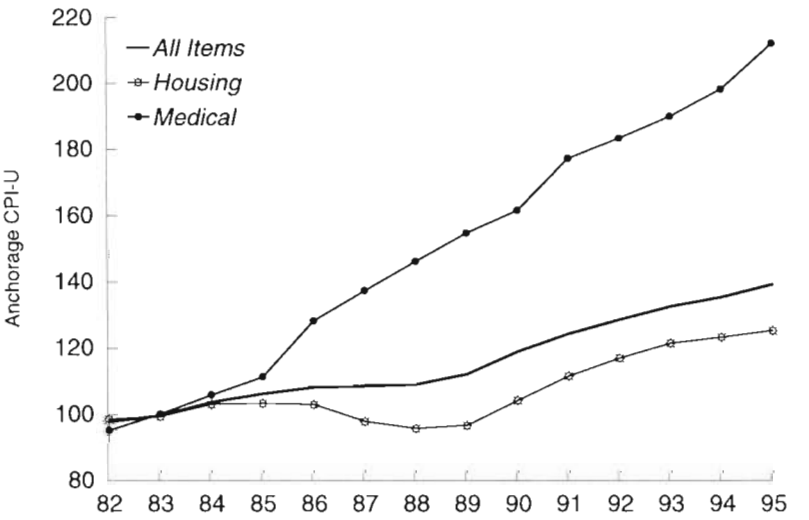
Figure • 1

Anchorage Medical Costs Outpace Housing Costs



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

Table • 1

Consumer Price Index—All Urban Consumers (CPI-U)
U.S. City Average—All Items and Anchorage, Alaska—All Items, Annual Averages, 1960-1995

Year	U.S. 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
2nd half '90	132.6	5.8	120.4	7.0
2nd half '91	137.2	3.5	124.7	3.6
2nd half '92	141.4	3.1	129.1	3.5
2nd half '93	145.3	2.8	132.8	2.9
2nd half '94	149.3	2.8	135.8	2.3
2nd half '95	153.3	2.7	139.5	2.7

Notes: 1982-84 = 100. CPIs not seasonally adjusted.

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

price changes in every area of the state. In general, however, Anchorage price trends reflect changes in the cost of living for most Alaskans. If the Anchorage CPI doesn't adequately measure inflation in your area, you can choose a different area to measure inflation. Some users prefer to use Seattle's CPI, for example. But as a matter of practice, most Alaskan users prefer to use the Anchorage CPI rather than another area's CPI.

From an official standpoint, the BLS recommends using the national CPI-U (U.S. City Average) to adjust for the effects of inflation. The BLS recommends this because the smaller size of the local area samples makes them more prone to measurement errors. When you compare the Anchorage and the U.S. City CPIs since 1960, inflation has been significantly lower in Anchorage during the last 30 years than it has been in the rest of the nation. (See Table 1.) This is predominantly due to the difference in the rate of inflation for housing costs in Anchorage compared to the other areas in the CPI survey.

Housing key to Anchorage inflation rate

Analyzing inflation rates among expenditure categories can help clarify how different parts of the market basket affect the overall CPI. (See Table 2.) For example, since the early 1980s medical care costs have risen more rapidly than has the overall Anchorage CPI, while housing costs have tended to lag behind the overall rate of inflation. (See Figure 1.)

While medical care costs have shot up in recent years, overall inflation has not followed. That's because the average consumer spends a much smaller amount on medical care than on housing. When the CPI is calculated, each commodity group is given a weight—its contribution to the overall cost of living. Medical care costs, for example, accounted for 5.9% of the total cost of living in the December 1995 index. Housing costs, on the other hand, accounted for 39.8% of the Anchorage CPI during the same period. (See Figure 2.)

Selected Components of the CPI-U

U.S. City Average and Anchorage, Alaska—1983-1995 Annual Averages

ALL ITEMS LESS SHELTER

Year	U.S. Average	Pct. Chg. from Prev. Yr.	Anchorage Average	Pct. Chg. from Prev. Yr.
1983	99.8	3.7	99.9	3.7
1984	103.9	4.1	103.8	3.9
1985	107.0	3.0	107.5	3.6
1986	108.0	0.9	111.2	3.4
1987	111.6	3.3	115.1	3.5
1988	115.9	3.9	117.8	2.3
1989	121.6	4.9	122.3	3.8
1990	128.2	5.4	128.0	4.7
1991	133.5	4.1	131.9	3.0
1992	137.3	2.8	134.6	2.0
1993	141.4	3.0	137.9	2.5
1994	144.8	2.4	140.3	1.7
1995	148.6	2.6	144.6	3.1

HOUSING

Year	U.S. Average	Pct. Chg. from Prev. Yr.	Anchorage Average	Pct. Chg. from Prev. Yr.
1983	99.5	2.7	99.0	0.8
1984	103.6	4.1	102.7	3.7
1985	107.7	4.0	103.0	0.3
1986	110.9	3.0	102.6	-0.4
1987	114.2	3.0	97.5	-5.0
1988	118.5	3.8	95.4	-2.2
1989	123.0	3.8	96.3	0.9
1990	128.5	4.5	103.9	7.9
1991	133.6	4.0	111.2	7.0
1992	137.5	2.9	116.6	4.9
1993	141.2	2.7	121.1	3.9
1994	144.8	2.5	122.9	1.5
1995	148.5	2.6	124.9	1.6

TRANSPORTATION

Year	U.S. Average	Pct. Chg. from Prev. Yr.	Anchorage Average	Pct. Chg. from Prev. Yr.
1983	99.3	2.4	98.5	1.8
1984	103.7	4.4	104.6	6.2
1985	106.4	2.6	108.2	3.4
1986	102.3	-3.9	107.8	-0.4
1987	105.4	3.0	111.3	3.2
1988	108.7	3.1	113.0	1.5
1989	114.1	5.0	116.7	3.3
1990	120.5	5.6	120.7	3.4
1991	123.8	2.7	121.7	0.8
1992	126.5	2.2	123.3	1.3
1993	130.4	3.1	128.8	4.5
1994	134.3	3.0	136.9	6.3
1995	139.1	3.6	143.8	5.0

FOOD & BEVERAGES

Year	U.S. Average	Pct. Chg. from Prev. Yr.	Anchorage Average	Pct. Chg. from Prev. Yr.
1983	99.5	2.3	99.7	2.6
1984	103.2	3.7	103.2	3.5
1985	105.6	2.3	106.2	2.9
1986	109.1	3.3	110.8	4.3
1987	113.5	4.0	113.1	2.1
1988	118.2	4.1	113.8	0.6
1989	124.9	5.7	117.2	3.0
1990	132.1	5.8	123.7	5.5
1991	136.8	3.6	127.7	3.2
1992	138.7	1.4	130.3	2.0
1993	141.6	2.1	131.2	0.7
1994	144.9	2.3	131.9	0.5
1995	148.9	2.8	138.5	5.0

MEDICAL CARE

Year	U.S. Average	Pct. Chg. from Prev. Yr.	Anchorage Average	Pct. Chg. from Prev. Yr.
1983	100.6	8.8	99.7	5.2
1984	106.8	6.2	105.5	5.8
1985	113.5	6.3	110.9	5.1
1986	122.0	7.5	127.8	15.2
1987	130.1	6.6	137.0	7.2
1988	138.6	6.5	145.8	6.4
1989	149.3	7.7	154.4	5.9
1990	162.8	9.0	161.2	4.4
1991	177.0	8.7	173.5	7.6
1992	190.1	7.4	183.0	5.5
1993	201.4	5.9	189.6	3.6
1994	211.0	4.8	197.8	4.3
1995	220.5	4.5	211.6	7.0

APPAREL & UPKEEP

Year	U.S. Average	Pct. Chg. from Prev. Yr.	Anchorage Average	Pct. Chg. from Prev. Yr.
1983	100.2	2.5	101.6	5.2
1984	102.1	1.9	101.7	0.1
1985	105.0	2.8	105.8	4.0
1986	105.9	0.9	109.0	3.0
1987	110.6	4.4	116.6	7.0
1988	115.4	4.3	119.1	2.1
1989	118.6	2.8	125.0	5.0
1990	124.1	4.6	127.7	2.2
1991	128.7	3.7	126.6	-0.9
1992	131.9	2.5	130.2	2.8
1993	133.7	1.4	131.2	0.8
1994	133.4	-0.2	128.9	-1.8
1995	132.0	-1.0	130.0	0.9

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

T a b l e • 3

Cost of Food for a Week in 19 Alaskan Communities—December 1994

Community	Cost of Food, One Week	Pct. of Anchorage
Anchorage	$ 93.22	100
Bethel	141.19	151
Cordova	140.14	150
Delta	113.15	121
Dillingham	157.09	169
Fairbanks	97.75	105
Homer	119.55	128
Juneau	100.17	107
Kenai	106.54	114
Ketchikan	98.50	106
Kodiak	119.29	128
MatSu	106.27	114
Nome	155.80	167
Petersburg	109.95	118
Sitka	105.72	113
Stebbins	217.96	234
Tanana	187.70	201
Tok	125.26	134
Wrangell	112.68	121

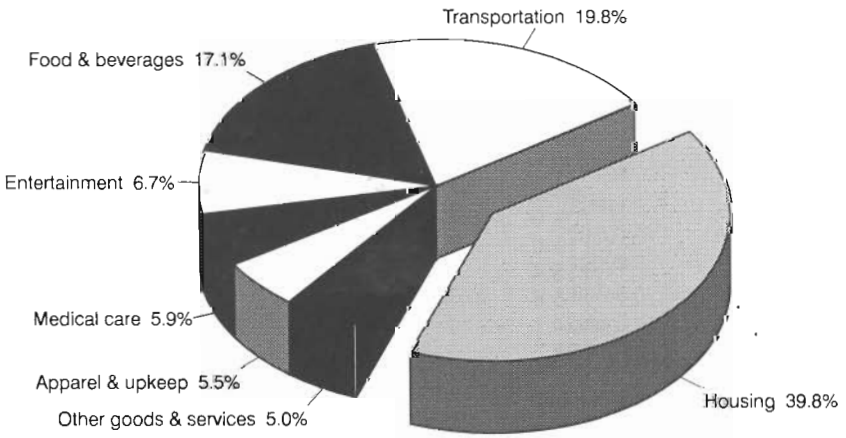
Notes: Costs are for a family of four with elementary school children. Sales tax included in food cost.

Source: "Cost of Food at Home for a Week," December 1995. University of Alaska Cooperative Extension Service. U.S. Department of Agriculture and SEA Grant Cooperating.

F i g u r e • 2

Housing Nearly 40% of Anchorage CPI-U

Relative importance of the components of the Anchorage CPI-U, December 1995



Note: Percentage totals may not add to 100% due to rounding.

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

The strong influence that housing costs have on the overall Anchorage CPI has been particularly noticeable the last ten years. From 1986 to 1988, falling housing costs offset increases in other components of the CPI, resulting in low inflation during these three years. The increase in inflation in Anchorage during the early 1990s was largely due to a tightening housing market. When the housing component jumped from a 0.9% increase in 1989 to a 7.9% increase in 1990, Anchorage inflation followed suit, going from a 2.9% to a 6.2% increase. From 1990 to 1993, a tighter housing market propelled Anchorage's inflation rate above the rest of the nation's. Recently, Anchorage's housing market has cooled off substantially and inflation has followed suit.

The housing component is unique in the CPI, especially in regard to home-ownership costs. The CPI uses a method called *rental equivalency* which assumes that the consumer has just purchased or rented a home. To gauge housing expenditures, this method can have some shortcomings. In areas where housing prices and or rents are changing rapidly, the inflation rate for the housing portion of the CPI could be exaggerated for homeowners who have a long-term fixed-rate mortgage. This is because their monthly house payments tend not to fluctuate to the extent that house prices and rents do. For this reason, the overall CPI figures can understate inflation for home owners during periods of rapidly declining house prices. The opposite is true during a period of rapidly increasing house prices and rents. To measure inflation without the housing component, BLS publishes a special index which excludes housing-related costs— the All Items Less Shelter index. (See Table 2.) When comparing the national All Items Less Shelter index to the Anchorage All Items Less Shelter index, there is a much smaller difference in the rate of inflation between national and Anchorage consumers over the long term than is indicated by comparing the All-Items indexes.

CPI measures inflation—not costs between locations

Users of the CPI should be aware of a common misinterpretation of this index. It oc-

Table • 4

Cost of Food at Home for a Week in Eight Alaskan Cities, 1978-1995

Month/ Year	Anch.	Fbks.	Pct. of Anch.	Juneau	Pct. of Anch.	Bethel	Pct. of Anch.	Nome	Pct. of Anch.	Kodiak	Pct. of Anch.	Kenai	Pct. of Anch.	Tok	Pct. of Anch.
9/78	$76.67	$84.15	109.8	$73.72	96.2	$114.05	148.8	$118.85	155.0	-	-	$82.48	107.6	-	-
9/79	82.18	89.39	108.8	74.88	91.1	129.16	157.2	128.67	156.6	-	-	100.41	122.2	-	-
9/80	88.44	90.54	102.4	85.92	97.2	130.87	148.0	131.14	148.3	$99.42	112.4	120.84	136.6	$108.82	123.0
9/81	86.69	98.47	113.6	93.95	108.4	138.66	159.9	150.27	173.3	-	-	-	-	114.8	132.4
9/82	77.3	92.09	119.1	99.98	129.3	125.5	162.4	149.04	192.8	-	-	-	-	-	-
9/83	81.66	83.79	102.6	88.62	108.5	128.3	157.1	130.14	159.4	104.94	128.5	86.98	106.5	-	-
9/84	84.22	91.26	108.4	91.66	108.8	136.54	162.1	142.07	168.7	115.97	137.7	87.97	104.5	121.66	144.5
9/85	89.06	90.08	101.1	106.61	119.7	138.13	155.1	152.41	171.1	108.17	121.5	91.47	102.7	116.19	130.5
9/86	87.25	90.61	103.9	87.65	100.5	137.96	158.1	142.04	162.8	105.49	120.9	92.78	106.3	124.18	142.3
9/87	88.9	85.12	95.7	88.24	99.3	140.81	158.4	147.96	166.4	104.39	117.4	96.95	109.1	117.51	132.2
9/88	90.99	94.74	104.1	92.95	102.2	137.57	151.2	147.69	162.3	116.68	128.2	95.53	105.0	119.69	131.5
9/89	93.8	94.33	100.6	96.73	103.1	140.65	149.9	-	-	124.61	132.8	104.2	111.1	139.43	148.6
9/90	98.73	103.49	104.8	100.86	102.2	146.92	148.8	155.48	157.5	154.55	156.5	103.21	104.5	131.03	132.7
9/91	102.84	114.65	111.5	104.21	101.3	152.49	148.3	150.29	146.1	127.96	124.4	111.88	108.8	143.45	139.5
9/92	100.46	92.31	91.9	102.62	102.2	142.51	141.9	158.08	157.4	124.61	124.0	109.6	109.1	132.94	132.3
9/93	97.89	93.42	95.4	103.7	105.9	147.84	151.0	145.94	149.1	125.19	127.9	111.61	114.0	136.96	139.9
9/94	91.32	94.96	104.0	104.09	114.0	133.47	146.2	140.22	153.5	123.99	135.8	105.51	115.5	140.78	154.2
9/95	89.30	93.26	104.4	99.38	111.3	140.68	157.5	148.55	166.3	123.04	137.8	102.48	114.8	122.89	137.6

Notes: Family of four with elementary school children.

Sales tax included in food prices.

September 1979 data for Kenai not available. December 1979 data substituted.

- Data unavailable.

Source: "Cost of Food at Home for a Week," September 1978 to September 1995. University of Alaska Cooperative Extension Service, U.S. Department of Agriculture and SEA Grant Cooperating.

curs when users compare CPI numbers among areas. For example, at 138.9, the annual average Anchorage CPI for 1995 is lower than the United States' average of 152.4. This does not mean that Anchorage has a lower cost of living than the rest of the United States. The CPI measures inflation, not costs. The lower Anchorage CPI for 1995 means that Anchorage prices have not risen as quickly as prices in the rest of the U.S. since the early 1980s. (The base period, or when the two indexes equaled 100, is 1982-84.)

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

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

One available cost-of-living measurement is the University of Alaska's Cost of Food at Home study. It measures the cost to feed various-sized families in different locations in Alaska. The food basket provides a minimum level of nutrition to an individual or family at the lowest possible cost. The report also contains comparative information on some utility and fuel costs. One of its strengths is wide geographic coverage of Alaska over a relatively long period of time. For many years, the Cost of Food at Home Study has provided a comparative measure for Alaskan locations that no other cost survey covers. Its primary weakness is that it only measures food and some utility costs. Food and utility costs alone can't provide a complete cost-of-living differential measurement.

Comparing living costs between Alaskan communities is complicated by several factors. Some goods and services available in urban areas are not readily available in rural areas. The buying habits of urban residents can vary dramatically from rural residents, which can confuse cost-of-living comparisons. The contributions of subsistence hunting and fishing to a household food budget can also complicate cost-of-living comparisons. The Cost of Food survey assumes that all foods are purchased in the local community—none is acquired through subsistence means or from merchants outside of the community.

Table • 5

ACCRA Cost of Living Index
20 Highest Cost Urban Areas—Fourth Quarter 1995

City	All Items Index	Grocery Items	Housing	Utilities	Transport-ation	Health Care	Misc. Goods & Services
New York, NY	219.7	145.3	422.2	124.5	129.0	207.1	134.1
Honolulu, HI	177.4	163.4	292.2	144.9	130.4	132.9	115.5
San Francisco, CA	172.0	120.7	309.0	99.5	127.8	176.9	109.3
Marin County, CA	160.5	119.1	268.3	101.8	120.1	146.8	116.8
Kodiak, AK	150.0	159.2	157.0	189.9	111.1	168.1	137.2
San Mateo County, CA	149.8	111.8	242.1	99.5	129.7	147.0	108.0
Boston, MA	138.9	118.7	185.2	165.6	124.8	136.5	107.1
Westchester County, NY	138.8	118.9	176.9	166.9	128.8	120.3	115.3
Juneau, AK	136.6	126.1	153.3	168.2	117.7	160.4	120.6
Framingham-Natick, MA	133.8	111.8	170.2	181.6	114.6	135.2	106.9
Santa Rosa, CA	129.9	107.6	173.7	101.3	121.6	131.0	112.4
Philadelphia, PA	127.4	115.5	144.6	193.7	118.8	99.1	110.0
Fairbanks, AK	126.3	125.5	128.3	140.1	108.0	170.9	118.4
Anchorage, AK	125.6	122.9	133.7	102.2	109.7	175.8	120.9
Washington, DC	123.4	120.2	156.5	115.9	124.1	112.9	100.5
Los Alamos, NM	122.8	107.3	164.3	83.9	115.0	120.4	107.1
Hilton Head Island, SC	121.0	98.2	163.9	89.3	104.0	102.1	111.4
San Diego, CA	120.2	112.8	150.7	80.8	127.7	115.9	106.2
Boulder, CO	119.1	105.7	162.4	97.3	103.1	116.1	99.1
Los Angeles-Long Beach, CA	116.7	112.6	137.3	91.2	107.2	118.7	109.5
Ranking of Alaska Cities by Category							
Anchorage, AK	13	6	21	125	35	3	3
Fairbanks, AK	12	5	24	13	48	4	5
Juneau, AK	9	4	15	4	26	6	4
Kodiak, AK	5	2	13	2	13	5	1

Source: American Chamber of Commerce Researchers Association, Urban Area Index Data, 4th Quarter 1995 (311 Urban Areas surveyed).

Food costs are higher in rural Alaska

Table 3 shows the cost of food for a week for a family of four with elementary school children for 19 communities. The December 1995 figures showed that Anchorage had the lowest food costs of the areas surveyed, followed by Fairbanks, Ketchikan and Juneau. The survey has consistently shown that larger cities in Alaska have food costs which are fairly comparable to those in Anchorage.

Overall, food costs tend to have three tiers in Alaska. The largest urban areas have the lowest food costs. Smaller communities on a major distribution system like a road or the Alaska Marine Highway tend to have slightly higher costs than the urban areas. The Cost of Food at Home survey has consistently shown that the highest food costs are found in isolated communities supplied primarily by air. In places such as Bethel, Dillingham and Nome, food costs are 50 to 70 percent higher than in Anchorage.

The urban/rural cost differential in the Cost of Food at Home study presents an interesting contrast between Alaska and other areas of the United States. Other surveys show that in the Lower 48, large urban areas tend to have higher living costs, including food costs, than less populated areas. The opposite is true in Alaska. The cost of food and other basics such as fuel are higher in rural Alaskan communities than in the state's urban centers.

Table • 6

ACCRA Cost of Living Index for Selected Cities—Fourth Quarter 1995

Region/City	All Items Index	Grocery Items	Housing	Utilities	Transport-ation	Health Care	Misc. Goods & Services
West							
Anchorage, AK	125.6	122.9	133.7	102.2	109.7	175.8	120.9
Fairbanks, AK	126.3	125.5	128.3	140.1	108.0	170.9	118.4
Juneau, AK	136.6	126.1	153.3	68.2	117.7	160.4	120.6
Kodiak, AK	150.0	159.2	157.0	189.9	111.1	168.1	137.2
Boise, ID	101.3	94.5	109.8	81.9	97.6	114.5	100.6
Las Vegas, NV	102.0	106.7	104.3	72.6	122.2	116.2	96.7
Portland, OR	107.7	97.6	122.8	77.0	109.0	123.8	103.9
San Francisco, CA	172.0	120.7	309.0	99.5	127.8	176.9	109.3
Tacoma, WA	101.2	108.4	99.2	70.7	112.7	139.0	96.9
Southwest/Mountain							
Dallas, TX	98.2	97.1	89.1	104.6	105.6	107.5	101.1
Denver, CO	103.9	96.5	113.2	96.7	108.1	122.1	96.8
Phoenix, AZ	101.4	104.3	93.6	107.6	111.7	116.9	99.4
Santa Fe, NM	110.8	102.6	123.0	111.2	120.3	108.0	102.2
Midwest							
Columbus, OH	107.3	103.9	120.4	95.7	106.1	96.8	102.8
Oklahoma City, OK	92.3	94.0	73.7	112.4	90.2	93.5	102.6
Omaha, NE	89.3	93.2	87.1	84.3	101.2	90.3	87.1
Southeast							
Atlanta, GA	99.2	101.6	95.0	105.3	98.2	109.6	98.4
Baton Rouge, LA	98.5	101.6	87.6	121.0	104.5	97.0	99.5
Birmingham, AL	98.7	93.7	93.8	113.9	99.0	103.8	100.5
Miami, FL	109.3	102.3	111.0	112.2	104.2	119.6	110.2
Raleigh, NC	100.3	100.1	100.0	108.7	93.3	99.0	100.8
Atlantic/New England							
Manchester, NH	109.2	98.0	116.3	139.4	104.3	111.8	102.1
Philadelphia, PA	127.4	115.5	144.6	193.7	118.8	99.1	110.0

Source: American Chamber of Commerce Researchers Association, Urban Area Index Data, 4th Quarter 1995 (311 Urban Areas surveyed).

Another interesting point about this survey is that the three-tier structure of food costs in Alaska has not changed much during the last 15 years. Table 4 shows the difference in the cost of food between Anchorage and other Alaskan communities. It also shows the changes in costs over time within several communities in the study. One interesting point is that many areas of the state that experienced a substantial increase in retail capacity are seeing their food costs decrease. Anchorage, Fairbanks, Juneau, Kenai, and Tok all saw the cost of food at home decrease from 1991 to 1995.

ACCRA places Alaskan cities among most expensive

Another cost-of-living measure is provided by the American Chamber of Commerce Researchers Association (ACCRA). The ACCRA cost-of-living study compares costs for roughly 300 cities in the United States,

T a b l e • 7

Average Price for Selected Goods and Services in Selected U.S. Cities—4th Quarter 1995

Region/City	1 lb. Ground Beef	1/2 gal. Whole Milk	1 doz. Grade A Lg. Eggs	1 lb. Coffee	2 BR Apt. Rent (Unfurn. ex. utils.)	House Purchase Price	Total Energy Cost	1 gal. Gas	Hospital Room	Office Visit Doctor	McDonald's Quarter pounder w/ cheese	Men's Levis 501/505
West												
Anchorage, AK	$1.34	$2.19	$1.38	$3.54	$750	$175,483	$114	$1.20	$684	$79.80	$2.44	$32.99
Fairbanks, AK	1.65	1.99	1.45	3.38	684	169,000	158	1.27	479	75.50	2.30	40.00
Juneau, AK	1.43	1.97	0.99	3.57	997	195,350	195	1.29	400	60.60	2.70	31.15
Kodiak, AK	2.09	2.36	1.56	4.99	1,050	197,500	215	1.50	530	65.00	2.75	33.63
Boise, ID	1.29	1.30	0.93	3.28	689	141,871	87	1.16	448	50.00	1.94	30.39
Las Vegas, NV	1.39	1.58	1.27	3.34	701	132,613	80	1.29	330	52.40	1.00	29.33
Portland, OR	1.43	1.45	0.98	3.39	715	162,500	77	1.29	476	51.60	1.97	28.18
San Francisco, CA	1.81	1.59	1.99	3.76	1,178	416,601	105	1.28	1,120	60.71	1.00	36.49
Tacoma, WA	1.43	1.55	1.07	3.33	602	129,500	71	1.29	373	55.40	1.00	31.39
Southwest/Mountain												
Dallas, TX	1.64	1.32	1.02	2.70	684	110,852	115	1.09	426	46.20	1.92	31.80
Denver, CO	1.31	1.79	0.92	3.29	695	151,196	102	1.16	474	57.86	1.89	29.99
Phoenix, AZ	1.44	1.57	0.97	3.36	613	121,458	117	1.18	446	43.50	1.95	31.15
Santa Fe, NM	1.35	1.27	0.81	3.19	716	166,875	120	1.27	305	44.80	1.99	31.22
Midwest												
Columbus, OH	1.51	1.41	0.99	3.27	618	162,137	100	1.12	315	44.60	1.87	36.79
Oklahoma City, OK	1.03	1.34	0.73	2.86	499	92,756	121	1.00	262	41.70	1.76	29.79
Omaha, NE	1.20	1.36	0.84	2.88	480	116,150	86	1.12	309	36.00	1.00	30.49
Southeast												
Atlanta, GA	1.79	1.22	0.87	3.11	623	125,450	111	0.93	319	50.00	2.03	28.39
Baton Rouge, LA	1.38	1.42	1.01	3.39	509	115,900	131	1.12	354	42.44	1.75	29.39
Birmingham, AL	1.15	1.44	0.93	2.62	545	125,000	120	1.10	436	47.17	1.66	33.39
Miami, FL	2.36	1.42	0.92	2.79	774	140,196	124	1.23	479	61.00	2.07	34.39
Raleigh, NC	1.56	1.48	1.04	2.81	553	134,671	118	1.07	298	48.43	1.94	31.30
Northeast/Atlantic												
Manchester, NH	1.49	1.19	0.92	2.69	610	159,000	155	1.14	456	46.67	1.00	36.66
Philadelphia, PA	1.94	1.29	1.01	3.26	720	191,490	224	1.25	451	40.00	2.00	35.00
ALL CITIES MEAN 1/	1.37	1.41	0.96	3.02	553	133,190	107	1.13	375	44.67	1.75	31.79

Notes: n/a - Not available.

1/ All cities mean is the arithmetic mean price of all 311 cities in the 4th quarter 1995 survey.

Source: American Chamber of Commerce Researchers Association, Cost of Living Index, Average Price Data. (311 Urban Areas surveyed.) 4th quarter 1995.

including several in Alaska. The ACCRA study is intended to replicate the consumption patterns of a mid-management executive's household.

In the ACCRA study, a standardized list of 59 items is priced during a fixed period of time. The average price data for every urban area are then converted into an index number for each expenditure category. Because of the limited number of items priced, percentage differences between areas should not be treated as exact measures. Small differences should not be construed as significant, or even as a correct indication of which area is the more expensive. Aside from the limited number of items priced, the ACCRA index also does not take state and local taxes into account. This is in part due to the difficulty in reliably measuring an area's tax burden.

Four Alaskan cities are included in the most recently published ACCRA study (fourth quarter 1995)—Anchorage, Fairbanks, Juneau, and Kodiak. The fourth quarter 1995 ACCRA data show that the Alaskan cities are among the 15 highest cost areas surveyed. (See Table 5.) Anchorage had the lowest index of the Alaskan cities in the ACCRA study; however, the difference between Anchorage and Fairbanks was relatively small. According to the index, Anchorage, Fairbanks and Juneau all have a cost of living roughly 25-35 percent higher than the all-cities' average. Kodiak was 50% higher than the all-cities' average.

Table • 8

Runzheimer International Living Cost Standards
December 1995

Region/City	Total Costs	Pct. of Std. City	Taxation	Pct. of Std. City	Trans-portation	Pct. of Std. City	Housing	Pct. of Std. City	Misc. Goods & Services, Other	Pct. of Std. City
West										
State of Alaska, Composite	$34,962	109.3	$6,382	88.8	$3,635	113.3	$12,807	120.5	$12,138	110.6
Anchorage, AK	33,625	105.1	6,454	89.8	3,705	115.5	11,515	108.3	11,951	108.9
Fairbanks, AK	34,040	106.4	6,338	88.2	3,653	113.9	11,842	111.4	12,207	111.2
Juneau, AK	37,220	116.3	6,355	88.4	3,547	110.6	15,063	141.7	12,255	111.7
Boise, ID	30,735	96.0	6,864	95.5	3,057	95.3	10,317	97.1	10,497	95.7
Las Vegas, NV	31,502	98.4	6,235	86.7	3,891	121.3	10,664	100.3	10,712	97.6
Portland, OR	32,916	102.9	7,229	100.6	3,248	101.2	11,494	108.1	10,945	99.7
San Francisco, CA	47,391	148.1	6,905	96.0	4,543	141.6	24,533	230.8	11,410	104.0
Seattle, WA	34,064	106.5	6,769	94.2	3,640	113.5	12,722	119.7	10,933	99.6
Southwest/Mountain										
Dallas, TX	30,316	94.7	7,327	101.9	3,592	112.0	8,633	81.2	10,764	98.1
Denver, CO	31,705	99.1	6,532	90.9	3,586	111.8	10,752	101.1	10,835	98.7
Phoenix, AZ	30,381	94.9	6,780	94.3	3,750	116.9	9,106	85.7	10,745	97.9
Santa Fe, NM	34,065	106.5	5,857	81.5	3,362	104.8	14,252	134.1	10,594	96.5
Midwest										
Omaha, NE	31,252	97.7	7,908	110.0	3,118	97.2	9,794	92.1	10,432	95.1
Oklahoma City, OK	29,298	91.6	7,214	100.3	3,246	101.2	7,988	75.1	10,850	98.9
Southeast										
Baton Rouge, LA	28,938	90.4	6,131	85.3	3,679	114.7	8,781	82.6	10,347	94.3
Birmingham, AL	31,542	98.6	7,046	98.0	3,067	95.6	11,018	103.7	10,411	94.9
Miami, FL	31,476	98.4	7,292	101.4	3,739	116.6	9,782	92.0	10,663	97.2
Raleigh, NC	31,463	98.3	7,723	107.4	2,975	92.7	10,412	97.9	10,353	94.3
Atlantic/New England										
Philadelphia, PA	36,474	114.0	8,848	123.1	3,821	119.1	12,278	115.5	11,527	105.0
STANDARD CITY, USA	32,000	—	7,189	—	3,208	—	10,630	—	10,973	—

Source: Runzheimer's Living Cost Index, December 1995.

The four Alaska cities in the ACCRA study were among the highest cost cities surveyed for several of the six major components of the ACCRA index. Kodiak had the highest index for miscellaneous goods and services costs, and was the second highest cost area for groceries and utilities costs.

ACCRA points to a smaller difference in housing costs

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

Comparative figures for Alaskan cities and other cities around the nation are presented in Tables 6 and 7. Table 6 shows the ACCRA cost-of-living indexes, while Table 7 contains prices for some of the goods and services in the ACCRA study.

The ACCRA cost-of-living study is designed for spending patterns found in major American urban centers. The data collected in the pricing survey attempt to match the items found in urban areas. This process tends to ignore spending patterns found in atypical

areas. For example, the transportation costs in the ACCRA study include items such as bus fare, the price of a gallon of gasoline, and automobile wheel balancing. This is problematic for Alaskan communities because air transportation is a more common, and more expensive, mode of travel.

Runzheimer study shows smaller cost-of-living differential

A slightly different approach to calculating living cost differences between cities is taken in the Runzheimer Living Cost Standards survey. Runzheimer International, a private research firm contracted by the Alaska Department of Labor's (AKDOL) Workers' Compensation Division, looked at the comparative income necessary to maintain a certain standard of living in different areas of the country as of December 1995. Runzheimer's approach takes into account certain elements left out of the ACCRA cost-of-living measure, such as an area's tax rates.

In the AKDOL Runzheimer study, a "base" family was created—two parents and two children. They own their home, a recently purchased 1,500-square-foot, single-family home with three bedrooms and 1.5 baths. They drive one automobile, a 1992 Ford Tempo, approximately 16,000 miles annually. This family has an income of $32,000 in Standard City, a fictitious city which has costs close to the median of all the cities in the survey. The standard of living attainable in Standard City was then priced in each of the surveyed areas.

The AKDOL Runzheimer survey shows that Anchorage, Fairbanks, and Juneau have a moderately higher cost of living than the other areas surveyed. The cost of living in these three Alaska locations ranges from 5.1% to 16.3% above Standard City. (See Table 8.) For comparison purposes, many, but not all, of the cities which appear in the ACCRA data in Tables 6 and 7 are included in the Runzheimer data in Table 8.

Lower taxes contribute to lower living costs

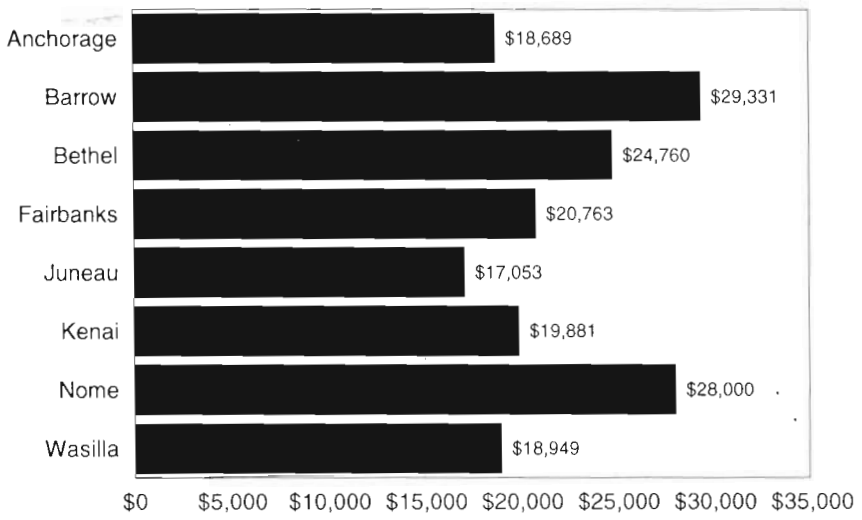
The component indexes of the Alaskan cities in the Runzheimer study range from 10 to 20 percent above the average cost of living except the taxation component. The Runzheimer study indicates that the portion of income that goes to taxes in Alaska is about 12 to 13 percent below the average in Standard City. This is the main reason why the Runzheimer index does not show Anchorage's, Fairbanks', and Juneau's living costs as high as the cost of purchasing goods and services would indicate. Another factor to remember is that Runzheimer does not take into account a program like Alaska's Permanent Fund Dividend. If every member of the fictitious Runzheimer family received an Alaska Permanent Fund check, that would add about $3,700 to the household's pre-tax income. This amounts to a significant reduction in the overall tax burden on Alaskans.

Runzheimer report for DOA indicates narrowing cost differences

In January 1995, under contract with the Alaska Department of Administration

Figure • 3

Construction Materials Cost More in Rural Alaska
Selected Construction Materials Costs, April 1995



Source: Alaska Housing Market Indicators, 4th Quarter 1994.
Alaska Housing Finance Corporation, Alaska Department of Labor, Research and Analysis Section.

Table • 9

Runzheimer International Living Cost Standards for 19 Alaskan Locations and Seattle January 1995

City	Total Costs	Pct. of Std. City	Taxation	Pct. of Std. City	Trans-portation	Pct. of Std. City	Housing	Pct. of Std. City	Misc. Goods & Services, Other	Pct. of Std. City
Anchorage	$40,743	104.3	$7,993	84.5	$5,193	116.0	$ 8,898	113.2	$18,659	108.1
Bethel	46,665	119.5	9,057	95.7	5,555	124.1	12,528	159.4	19,525	113.2
Dillingham	44,959	115.1	7,703	81.4	5,528	123.5	11,900	151.4	19,828	114.9
Dutch Harbor/Unalaska	47,305	121.1	7,852	83.0	5,093	113.8	14,263	181.5	20,097	116.5
Fairbanks	41,755	106.9	7,987	84.4	5,187	115.9	9,643	122.7	18,938	109.8
Haines	40,401	103.5	8,104	85.6	5,143	114.9	7,549	96.1	19,605	113.6
Juneau	44,046	112.8	8,264	87.3	4,922	109.9	11,860	150.9	19,000	110.1
Kenai	39,461	101.0	8,060	85.2	5,006	111.8	7,732	98.4	18,663	108.2
Ketchikan	46,502	119.1	8,620	91.1	5,173	115.5	13,646	173.7	19,063	110.5
Kodiak	44,289	113.4	7,982	84.3	5,180	115.7	12,109	154.1	19,018	110.2
Kotzebue	45,204	115.8	8,241	87.1	5,970	133.3	11,472	146.0	19,521	113.1
McGrath	42,702	109.3	6,899	72.9	5,846	130.6	10,410	132.5	19,547	113.3
Nome	43,145	110.5	8,039	84.9	5,709	127.5	10,177	129.5	19,220	111.4
Palmer	42,568	109.0	8,465	89.4	4,872	108.8	10,246	130.4	18,985	110.0
Petersburg	43,506	111.4	8,153	86.1	5,150	115.0	10,808	137.5	19,395	112.4
Seattle	40,740	104.3	8,779	92.8	5,374	120.0	9,346	118.9	17,241	99.9
Seward	42,010	107.6	8,059	85.2	5,073	113.3	10,090	128.4	18,788	108.9
Sitka	44,570	114.1	7,615	80.5	5,113	114.2	12,358	157.3	19,484	112.9
St. Mary's	46,719	119.6	7,550	79.8	6,104	136.3	12,908	164.3	20,157	116.8
Valdez	44,541	114.1	8,334	88.1	5,026	112.3	12,008	152.8	19,173	111.1
STANDARD CITY, USA	39,053	--	9,464	--	4,477	--	7,858	--	17,254	--

Source: Runzheimer's Living Cost Index, January 1995.

(AKDOA), Division of Personnel/Office of EEO, Runzheimer International performed a cost-of-living study for 19 locations in Alaska and Seattle. (See Table 9.) The study's purpose was to update the basis for the geographic pay differential system paid to employees of the State of Alaska.

The AKDOA Runzheimer study differed from the AKDOL Runzheimer study in several aspects. First, the "base" families are different in the two studies. In the AKDOA's Runzheimer study, the four-person family earns $40,740, they own their home, which is a 1,000-square-foot, single-family home with three bedrooms and one bath. They are a two-car family, driving a 1991 Chevrolet Lumina 14,000 miles annually and a second car, 6,000 miles a year.

One weakness in taking the Runzheimer approach in remote Alaskan locations is that residents of these locations may not typically consume goods and services in the same pattern that a typical household would. For example, a family owning two cars driven 20,000 miles annually is typical in most places in the country. In many Alaskan locations, the lack of a road system prohibits that kind of transportation consumption. An aircraft, boat or snowmachine might be a more typical way of getting from one place to another.

The AKDOA Runzheimer study results indicated that the cost of living in most Alaskan locations has changed substantially since the last time a geographic differential study was performed in 1985. The AKDOA Runzheimer results also pointed to a narrower range of cost-of-living differentials than other surveys have indicated. While a 1985 Geographic Differential Study performed by the McDowell Group showed a cost-of-living differential of more than 30 percent between Anchorage and some Alaskan locations, the 1995 Runzheimer study showed the greatest differences to be around 15 percent. It should be kept in mind that this is somewhat of an "apples to oranges" comparison. The 1985 report priced a

larger number of items in a greater number of areas and customized the market basket to each area studied.

Construction costs somewhat follow other surveys

In April of 1995, the AKDOL's Research and Analysis Section conducted the third annual survey of the cost of a market basket of construction materials. The survey, commissioned by the Alaska Housing Finance Corporation (AHFC), was intended to measure the cost of acquiring building materials necessary to construct a single-family residence at various locations in Alaska. The construction materials priced represent approximately 30 percent of the total dollar value of a materials list for constructing a model single-family residence.

Construction materials costs at eight Alaskan locations were measured, with some of the same patterns evident in other surveys showing in the results. (See Figure 3.) Like the other surveys, rural locations tended to have the highest costs. One notable difference about this survey is that Juneau showed the lowest cost for construction materials. No other survey showed Juneau to have the lowest costs for any items priced.

Summary: no single answer to cost-of-living question

When looking at cost-of-living information, first decide what type of comparison needs to be made. Are you interested in how prices have changed over time, or how costs differ between places? The answer narrows the field of appropriate cost-of-living surveys.

Next, decide on the suitability of different surveys—some surveys look at subsets of the total cost-of-living package, such as the Cost of Food at Home survey or the AHFC construction cost survey. Some surveys might look at a population unlike the one being studied. The ACCRA survey's mid-management family does not reflect the cost of living for poverty income families.

In Alaska, particularly in smaller communities, survey choices are few. Only the Cost of Food at Home and the January 1995 Runzheimer survey conducted for AKDOA include much more than the three largest Alaska cities. These surveys have their limitations in the scope or appropriateness of the goods priced. For this reason, users might be forced to use an index which only approximates cost-of-living differences.

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