Measuring Alaska's Cost of Living

By John Boucher

Email: John_Boucher@labor.state.ak.us

This article has been updated and is available in the June 1999 Alaska Economic Trends.
Click here to go to that publication.

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.

John Boucher is a labor economist with the Research and Analysis Section, Administrative Services Division, Alaska Department of Labor. John is located in Juneau.

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.

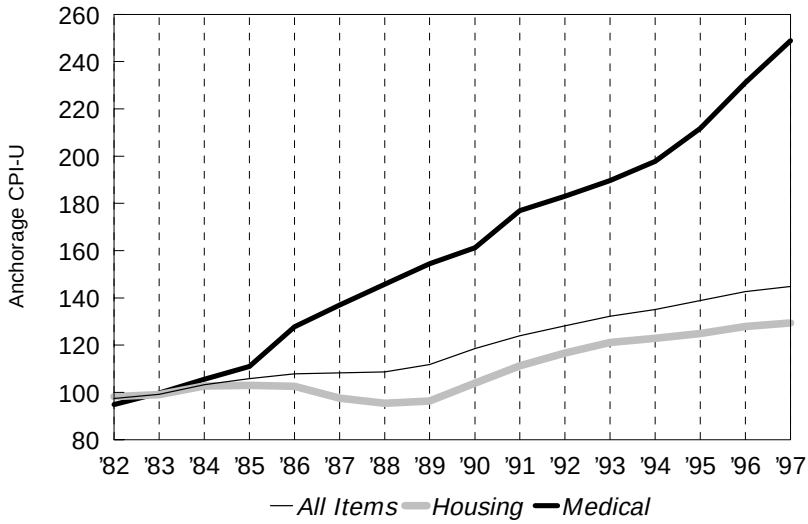
When using a cost-of-living survey, it's a good idea to know what the survey's market basket is and whose buying habits the survey simulates. All surveys give a list of the items in the market basket and define the type of consumer(s) the market basket represents. For example, based on the 1990 Census, the Consumer Price Index for All Urban Consumers (CPI-U) is designed to represent 84 percent of the total U.S. population. 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 Consumer Price Index is a national survey designed to answer questions about price changes. The CPI information often is used to adjust rents, wages or other monetary payments for the effects of inflation.

F i g u r e • 1

Anchorage Medical Costs Outpace Housing Costs



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

T a b l e • 1

Consumer Price Index[/1]

U.S. City Average and Anchorage, Alaska

1/ All Urban Consumers (CPI-U)— not seasonally adjusted—U.S. City Average, All Items and Anchorage, Alaska, All Items Annual Averages, 1960-1997.

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

(Continued on page 3)

To produce the CPI, the U.S. Department of Labor's Bureau of Labor Statistics (BLS) gathers prices in 87 urban areas throughout the country. Because Anchorage is the only city in Alaska surveyed, the Anchorage CPI is the only "Alaskan" inflation measure. Unfortunately, Anchorage's inflation rate may not reflect price changes in every area of the state. In general, however, 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 Alaska users prefer to use the Anchorage CPI rather than another area's CPI.

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

Housing key to Anchorage inflation rate

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

While medical care costs have shot up in recent years, overall inflation has not followed. That's because the average consumer spends a much

smaller amount on medical care than on housing. When the CPI is calculated, each commodity group is given a weight, or measure of its contribution to the overall cost of living. Medical care costs, for example, accounted for 6.4% of the total cost of living in the December 1997 index. Housing costs, on the other hand, accounted for 39.1% of the Anchorage CPI during the same period. (See Figure 2.)

The strong influence that housing costs have on the overall Anchorage CPI has been particularly noticeable during the last 10 years. From 1986 to 1988, falling housing costs offset increases in other components of the CPI, resulting in low inflation during these three years. The increase in inflation in 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 and so has inflation.

The housing component is unique in the CPI, especially in regard to homeownership costs. The CPI uses a method called rental equivalency, which assumes that the consumer has just purchased or rented a home. To gauge housing expenditures, this method has some shortcomings. In areas where housing prices and/or rents are changing rapidly, the inflation rate for the housing portion of the CPI could be exaggerated for homeowners who have a long-term, fixed-rate mortgage. This is because their monthly house payments tend not to fluctuate to the extent that house prices and rents do. For this reason, the overall CPI figures can understate inflation for homeowners during periods of rapidly declining house prices. The opposite is true during a period of rapidly increasing house prices and rents. To measure inflation without the housing component, BLS publishes a special index, which excludes housing-related costs: the All Items Less

T a b l e • 1

Consumer Price Index *(Continued from page 2)*

U.S. City Average and Anchorage, Alaska

1982-84=100

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

Year	U.S. Average	Percent Change from Prev. Yr.	Anchorage Average	Percent Change from Prev. Yr.
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
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
2nd half '96	157.9	3.0	143.7	3.0
2nd half '97	161.2	2.1	145.4	1.2

Table • 2

Selected Components of the CPI-U, U.S. City Average & Anchorage, AK 1983-1997 Annual Averages

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

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
1996	152.8	2.8	148.4	2.6
1997	155.9	2.0	150.6	1.5

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
1996	152.8	2.9	127.9	2.4
1997	156.8	2.6	129.4	1.2

(Continued on page 5)

Shelter Index. (See Table 2.) When comparing the national All Items Less Shelter Index to the Anchorage All Items Less Shelter Index, there is a much smaller difference in the rate of inflation for Anchorage consumers over the long term than is indicated by comparing the All Items indexes.

CPI measures inflation, not costs between locations

Users of the CPI should be aware of a common misinterpretation of this index. It occurs when users compare CPI numbers among areas. For example, at 144.8, the annual average Anchorage CPI for 1997 is lower than that of the United States as a whole at an annual average of 160.5. This does not mean that Anchorage has a lower cost of living than the rest of the U.S. The CPI measures inflation, not costs. The lower Anchorage CPI for 1997 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 equalled 100, is 1982-84.)

Major CPI revision beginning January 1998

To maintain the accuracy of the CPI, a revision of the index occurs approximately every 10 years. The revision of the U.S. CPI occurred beginning with the publication of the January 1998 data. The first revised CPI for Anchorage will be published when the CPI for the first half of 1998 is released in August. The

biggest change in the CPI will be the introduction of a new market basket of goods and services. This process updates the market basket using Consumer Expenditure Survey data from 1993-1995. One result will be a re-weighting of the categories of expenditures that comprise the All Items CPI. In that process, some of the component indexes will change significantly. *Entertainment*, for example, will change to *recreation*, and one new major item grouping, *education* and *communication*, will be added.

While the market basket revision is the most important of the changes, it won't be the only thing that changes in the CPI calculation. As of the January 1998 U.S. All Items CPI, 36 urban areas were replaced by new urban areas for price collection purposes. The new geographic distribution of CPI sample areas represents the population distribution in 1990, replacing a sample that represented the population distribution as of the 1980 Census. The change of where prices are collected does not impact the Anchorage CPI, since Anchorage and Honolulu are considered statistical outliers because they are geographically removed from the contiguous United States.

Other changes will occur during the implementation of the 1998 CPI revision. Some will occur immediately; others will take several years to enact. Changes include the introduction of a new sample and item structure for hospital services; a new method of collecting housing data; rebasing the CPI to the 1993-95

Selected Components of the CPI-U, U.S. City Average & Anchorage, AK 1983-1997 Annual Averages *(Continued from page 4)*

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
1996	228.2	3.5	231.1	9.2
1997	234.6	2.8	248.9	7.7

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
1996	143.0	2.8	147.2	2.4
1997	144.3	0.9	147.0	-0.1

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

(Continued on page 6)

Table • 2

Selected Components of the CPI-U, U.S. City Average & Anchorage, AK 1983-1997 Annual Averages (Continued from page 5)

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

Food and 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
1996	153.7	3.2	143.4	3.5
1997	157.7	2.6	145.8	1.7

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
1996	131.7	-0.2	128.7	-1.0
1997	132.9	0.9	127.0	-1.3

period; and numerous technical enhancements related to data collection. Some of these changes will affect the Anchorage CPI in the index for the first half of 1998; others will be incorporated over the next two years. (A detailed account of the changes occurring to the CPI appears in the December 1996 issue of the *Monthly Labor Review*.)

New formula will lower CPI changes

Effective with the CPI data for January 1999, the Bureau of Labor Statistics (BLS) will adopt a new method of calculating the CPI which will lower the rate of change. The change entails the adoption of a new formula for calculating weights of a select group of CPI components. A 1996 Boskin Commission report on the CPI pointed out that the current CPI methodology does not account for the substitution behavior of consumers. (Substitution behavior can't be totally explained within the scope of this article, but it relates to the tendency of consumers to substitute one product for another when prices change.) In reaction, the BLS will adopt a method that better accounts for this behavior. Both the commission and the BLS estimate this change will reduce the annual rate of change in the CPI by approximately 0.2 percentage point per year.

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

Comparing living costs between Alaska 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 differ dramatically from those of rural residents, a variance which can confuse cost-of-living comparisons. The contributions of subsistence to a household food budget can also complicate cost-of-living comparisons. The Cost of Food at Home Study assumes that all foods are purchased in the local community, and none is acquired through subsistence means or from merchants outside of the community.

Food costs are higher in rural Alaska

Table 3 shows weekly food costs in 13 communities for a family of four, with the children of elementary-school ages. The December 1997 figures showed that Fairbanks had the lowest food costs of the areas surveyed, followed by Anchorage, Juneau, Kenai, and Ketchikan. The survey has consistently shown that larger cities in Alaska have food costs 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 Study has consistently shown that the highest food costs are found in isolated communities supplied primarily by air. In places such as Bethel, Dillingham and Naknek, food costs are 50 to 75 percent higher than in Anchorage. Although the Cost of Food at Home Study does not extensively survey remote villages, these areas tend to have even higher costs than the regional centers that are only serviced by air.

Table • 3

Cost of Food for a Week in 13 Alaska Communities—December 1997

Community	Cost of Food, One Week	Percent of Anchorage
Anchorage	$100.50	100%
Bethel	149.04	148
Cordova	138.18	137
Delta	112.67	112
Dillingham	165.33	165
Fairbanks	100.16	100
Haines	126.99	126
Juneau	101.31	101
Kenai-Soldotna	102.59	102
Ketchikan	105.04	105
Kodiak	121.70	121
MatSu	108.48	108
Naknek	160.19	159

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

Source: "Cost of Food at Home for a Week," December 1997. University of Alaska Cooperative Extension Service, U.S. Department of Agriculture and SEA Grant Cooperating.

Table • 4

Cost of Food at Home for a Week in Eight Alaska Cities, 1978-1997

Mo./Yr.	Anchorage	Fairbanks	Pct. of Anch.	Juneau	Pct. of Anch.	Bethel	Pct. of Anch.
Sep-78	$76.67	$84.15	110%	$73.72	96%	$114.05	149%
Sep-79	82.18	89.39	109	74.88	91	129.16	157
Sep-80	88.44	90.54	102	85.92	97	130.87	148
Sep-81	86.69	98.47	114	93.95	108	138.66	160
Sep-82	77.30	92.09	119	99.98	129	125.50	162
Sep-83	81.66	83.79	103	88.62	109	128.30	157
Sep-84	84.22	91.26	108	91.66	109	136.54	162
Sep-85	89.06	90.08	101	106.61	120	138.13	155
Sep-86	87.25	90.61	104	87.65	100	137.96	158
Sep-87	88.90	85.12	96	88.24	99	140.81	158
Sep-88	90.99	94.74	104	92.95	102	137.57	151
Sep-89	93.80	94.33	101	96.73	103	140.65	150
Sep-90	98.73	103.49	105	100.86	102	146.92	149
Sep-91	102.84	114.65	111	104.21	101	152.49	148
Sep-92	100.46	92.31	92	102.62	102	142.51	142
Sep-93	97.89	93.42	95	103.70	106	147.84	151
Sep-94	91.32	94.96	104	104.09	114	133.47	146
Sep-95	89.30	93.26	104	99.38	111	140.68	158
Sep-96	101.43	96.65	95	96.93	96	148.70	147
Sep-97	96.57	97.73	101	98.89	102	150.42	156

(Continued on page 9)

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 do less populated areas. The opposite is true in Alaska. The cost of food and other basics such as fuel are higher in rural Alaska communities than in the state's urban centers.

Another interesting point about this survey is that the multi-tiered structure of food costs in Alaska has not changed much since the late 1970s. Table 4 shows the difference in the cost of food between Anchorage and other Alaska communities. It also shows the changes in costs over time within several communities in the study. 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 Alaska cities among most expensive

The American Chamber of Commerce Researchers Association (ACCRA) provides another cost-of-living measure. The ACCRA cost-of-living study compares costs for roughly 300 cities in the United States, including several in Alaska. The ACCRA study is intended to replicate the consumption patterns of a mid-management executive's household.

In the ACCRA study, a standardized list of 59 items is priced during a fixed period of time. The average price data for each urban area are then converted into an index number for each expenditure category. Because of the limited number of

Cost of Food at Home for a Week in Eight Alaska Cities, 1978-1997

(Continued from page 8)

Mo./Yr.	Nome	Pct. of Anch.	Kodiak	Pct. of Anch.	Kenai	Pct. of Anch.	Tok	Pct. of Anch.
Sep-78	$118.85	155%	-	-	$82.48	108%	-	-
Sep-79	128.67	157	-	-	100.41	122	-	-
Sep-80	131.14	148	$99.42	112%	120.84	137	$108.82	123%
Sep-81	150.27	173	-	-	-	-	114.80	132
Sep-82	149.04	193	-	-	-	-	-	-
Sep-83	130.14	159	104.94	129	86.98	107	-	-
Sep-84	142.07	169	115.97	138	87.97	104	121.66	144
Sep-85	152.41	171	108.17	121	91.47	103	116.19	130
Sep-86	142.04	163	105.49	121	92.78	106	124.18	142
Sep-87	147.96	166	104.39	117	96.95	109	117.51	132
Sep-88	147.69	162	116.68	128	95.53	105	119.69	132
Sep-89	-	-	124.61	133	104.20	111	139.43	149
Sep-90	155.48	157	154.55	157	103.21	105	131.03	133
Sep-91	150.29	146	127.96	124	111.88	109	143.45	139
Sep-92	158.08	157	124.61	124	109.60	109	132.94	132
Sep-93	145.94	149	125.19	128	111.61	114	136.96	140
Sep-94	140.22	154	123.99	136	105.51	116	140.78	154
Sep-95	148.55	166	123.04	138	102.48	115	122.89	138
Sep-96	162.61	160	125.71	124	105.01	104	142.46	140
Sep-97	-	-	123.92	128	104.87	109	-	-

Family of four with elementary-school-aged 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 1997. University of Alaska Cooperative Extension Service, U.S. Department of Agriculture and SEA Grant Cooperating.

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 Alaska cities were included in the most recent ACCRA study, published third quarter 1997. They were Anchorage, Fairbanks, Juneau, and Kodiak. The third quarter 1997 ACCRA data show that these Alaska cities are among the 10 highest cost areas surveyed. (See Table 5.) Anchorage had the lowest index of the Alaska cities in the ACCRA study; however, the difference between Anchorage and Fairbanks was relatively small. According to the index, Anchorage and Fairbanks have a cost of living roughly 25 percent higher than the all-cities' average. Juneau and Kodiak were 40-45 percent higher than the all-cities' average.

The four Alaska cities in the ACCRA study were among the highest cost cities surveyed for several of the six major components of the ACCRA index. All four cities were in the top 10 in at least half of the categories, and Kodiak was in the top 10 in all six component indexes.

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

Table • 5

ACCRA Cost of Living Index Third Quarter 1997
20 Highest Cost Urban Areas

City	All Items Index	Grocery Items	Housing	Utilities	Transportation	Health Care	Misc. Goods & Services
New York, NY	226.9	137.8	445.3	179.4	122.3	191.2	131.3
Kodiak, AK	**145.1**	**144.2**	**151.6**	**175.7**	**116.8**	**158.5**	**137.9**
Nassau Co, NY	144.4	121.9	178.2	158.4	115.5	164.2	127.4
Juneau, AK	**140.0**	**122.6**	**164.2**	**157.2**	**117.2**	**165.5**	**125.2**
Boston, MA	138.5	110.2	194.5	143.4	121.6	135.8	108.5
Salinas-Monterey, CA	133.0	116.9	171.0	97.7	125.7	146.5	116.8
Fairbanks, AK	**128.7**	**118.4**	**134.0**	**166.7**	**119.6**	**168.1**	**115.3**
Anchorage, AK	**123.0**	**120.0**	**132.3**	**88.0**	**112.0**	**170.1**	**119.3**
Philadelphia, PA	122.5	109.0	140.0	169.8	119.2	102.8	107.1
Washington, DC	122.1	109.6	151.8	92.7	124.9	119.8	109.8
New Haven, CT	120.6	116.4	128.3	159.6	117.1	123.5	107.2
San Diego, CA	119.9	112.1	147.5	101.3	120.4	122.2	104.3
Los Angeles-Long Beach, CA	116.1	113.1	131.9	115.5	107.4	111.1	107.6
Los Alamos, NM	116.0	97.2	151.3	89.5	117.7	111.6	102.0
Boulder, CO	115.6	105.2	152.5	82.9	101.5	122.6	99.8
Sacramento, CA	114.9	114.0	109.4	111.0	113.3	142.7	116.2
Hilton Head Island, SC	114.2	100.8	138.9	90.6	106.3	101.3	110.1
Cortland, NY	114.1	112.8	129.4	141.0	100.5	90.8	103.1
Santa Fe, NM	114.0	104.3	134.4	102.3	115.3	106.9	105.2
Flagstaff, AZ	113.9[1]	108.5	136.9	93.0	115.9	113.2	101.6
Chapel Hill, NC	113.9	108.2	133.5	105.0	98.4	117.0	106.0
Ranking of Alaska Cities by Category							
Anchorage, AK	8	5	19	233	28	2	5
Fairbanks, AK	7	6	16	7	14	3	8
Juneau, AK	4	3	5	4	11	4	4
Kodiak, AK	2	1	8	2	8	6	1

1/ Flagstaff, Arizona, and Chapel Hill, North Carolina were tied for 20th place.

Source: American Chamber of Commerce Researchers Association, Urban Area Index Data, Third Quarter 1997 (321 urban areas surveyed).

Anchorage utilities index was lower than two-thirds of the cities in the ACCRA study.

Comparative figures for Alaska 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 method is problematic for Alaska communities because air transportation is a more common, and more expensive, mode of travel.

(Continued on page 16)

ACCRA Cost of Living Index for Selected Cities Third Quarter 1997

City	All Items Index	Grocery Items	Housing	Utilities	Transpor-tation	Health Care	Misc. Goods & Services
West							
Anchorage, AK	123.0	120.0	132.3	88.0	112.0	170.1	119.3
Fairbanks, AK	128.7	118.4	134.0	166.7	119.6	168.1	115.3
Juneau, AK	140.0	122.6	164.2	157.2	117.2	165.5	125.2
Kodiak, AK	145.1	144.2	151.6	175.7	116.8	158.5	137.9
Boise, ID	102.6	98.0	109.8	69.8	104.0	113.6	104.2
Las Vegas, NV	106.2	107.4	110.1	76.1	107.5	124.2	105.9
Portland, OR	106.8	103.4	118.9	77.0	109.9	121.8	101.7
San Diego, CA	119.9	112.1	147.5	101.3	120.4	122.2	104.3
Tacoma, WA	101.0	100.7	103.3	70.8	102.8	140.4	98.8
Southwest/Mountain							
Dallas, TX	98.2	97.6	94.2	95.9	105.2	106.4	98.9
Denver, CO	106.4	101.4	119.6	82.9	112.7	122.4	98.6
Phoenix, AZ	103.5	105.7	102.0	106.4	112.0	112.6	99.1
Santa Fe, NM	114.0	104.3	134.4	102.3	115.3	106.9	105.2
Midwest							
Milwaukee, WI	103.9	101.9	124.0	81.6	101.7	102.2	94.0
Oklahoma City, OK	90.9	88.5	80.0	95.3	95.2	90.0	99.3
Omaha, NE	92.2	94.5	92.6	87.8	102.3	89.2	89.7
Southeast							
Atlanta, GA	100.5	100.8	98.9	97.8	99.2	106.9	101.7
Nashville, TN	95.6	99.2	94.9	91.2	97.4	94.5	95.3
Birmingham, AL	98.4	97.7	94.8	102.6	95.5	98.3	101.5
Miami, FL	106.4	101.0	108.1	108.8	117.6	111.9	103.0
Raleigh, NC	104.1	101.3	113.0	99.1	97.3	104.1	101.0
Atlantic/New England							
Baltimore, MD	98.4	98.7	95.4	108.7	100.5	97.9	97.7
Boston, MA	138.5	110.2	194.5	143.4	121.6	135.8	108.5
Philadelphia, PA	122.5	109.0	140.0	169.8	119.2	102.8	107.1

Source: American Chamber of Commerce Researchers Association,Urban Area Index Data, Third Quarter 1997 (321 urban areas surveyed).

T a b l e • 7

Average Price for Select Goods & Services in Selected U.S. Cities- Third Quarter 1997

1/ ALL CITIES MEAN is the arithmetic mean price of all 321 cities in the Third Quarter 1997 survey.

Source: American Chamber of Commerce Researchers Association,Urban Area Index Data, Third Quarter 1997 (321 urban areas surveyed).

Region City	1 lb. Ground Beef	1/2 gal. Whole Milk	1 doz. Grade A Lg. Eggs	13 oz Coffee (canned)	2 BR Apt. Rent (Unfurn. & excl. utils)	House Purchase Price
West						
Anchorage, AK	$1.25	$2.23	$1.30	$4.41	$766	$176,485
Fairbanks, AK	1.16	2.03	1.39	4.30	755	178,700
Juneau, AK	1.42	2.04	1.27	4.79	1,020	215,714
Kodiak, AK	1.38	2.29	1.65	4.77	900	202,500
Boise, ID	1.59	1.18	1.08	3.45	719	144,997
Las Vegas, NV	1.44	1.66	1.35	3.94	764	142,667
Portland, OR	1.19	1.53	1.10	4.45	650	167,600
San Diego, CA	1.60	1.85	2.02	3.71	803	205,998
Tacoma, WA	1.08	1.57	1.21	3.89	612	139,000
Southwest/Mountain						
Dallas, TX	1.37	1.58	0.94	3.62	745	117,498
Denver, CO	1.15	1.68	1.11	4.23	731	163,750
Phoenix, AZ	1.28	1.68	0.88	4.20	651	133,148
Santa Fe, NM	1.15	1.77	1.28	4.28	697	191,625
Midwest						
Milwaukee, WI	1.75	1.49	0.83	3.75	684	168,700
Oklahoma City, OK	1.06	1.38	0.85	3.69	521	103,795
Omaha, NE	1.31	1.40	0.86	3.71	505	123,340
Southeast						
Birmingham, AL	1.38	1.71	0.84	3.52	548	129,900
Miami, FL	1.25	1.68	0.88	3.57	725	139,900
Nashville, TN	1.37	1.57	0.81	3.67	624	126,000
Raleigh, NC	1.50	1.71	0.91	3.58	697	154,621
Northeast/Atlantic						
Baltimore, MD	1.51	1.45	0.93	3.63	495	113,476
Boston, MA	1.69	1.48	1.30	3.43	1,106	264,200
Philadelphia, PA	1.43	1.21	0.94	3.07	726	193,138
ALL CITIES MEAN /1	1.37	1.52	0.96	3.74	569	135,710

(Continued on page 13)

Average Price for Select Goods & Services in Selected U.S. Cities
Third Quarter 1997 *(Continued from page 12)*

Region / City	Total Monthly Energy Cost	1 gal. Gas	Hospital Room (1 day, semi-private)	Office Visit Doctor	McDonald's Quarter Pounder w/ Cheese	Men's Levis 501/505
West						
Anchorage, AK	$92	$1.33	$738	$80	$2.59	$34.99
Fairbanks, AK	183	1.42	533	81	2.59	33.39
Juneau, AK	174	1.44	425	72	2.60	35.66
Kodiak, AK	190	1.65	439	64	2.89	36.45
Boise, ID	66	1.35	448	53	1.99	33.80
Las Vegas, NV	81	1.23	352	59	2.00	30.79
Portland, OR	74	1.30	507	53	1.98	32.19
San Diego, CA	107	1.39	659	49	1.96	36.49
Tacoma, WA	68	1.24	422	62	1.89	36.19
Southwest/Mountain						
Dallas, TX	100	1.13	458	51	2.01	30.89
Denver, CO	81	1.25	498	63	2.06	31.32
Phoenix, AZ	111	1.24	507	55	2.03	32.99
Santa Fe, NM	102	1.38	260	48	2.09	31.32
Midwest						
Milwaukee, WI	84	1.18	386	54	1.00	31.19
Oklahoma City, OK	96	1.09	279	42	1.81	32.10
Omaha, NE	87	1.22	316	41	1.99	29.99
Southeast						
Birmingham, AL	104	1.11	432	51	1.96	36.59
Miami, FL	116	1.30	466	68	2.01	33.79
Nashville, TN	93	1.16	276	53	1.95	32.99
Raleigh, NC	103	1.14	316	57	1.98	33.24
Northeast/Atlantic						
Baltimore, MD	111	1.17	537	44	1.99	31.39
Boston, MA	151	1.26	649	69	2.10	35.59
Philadelphia, PA	187	1.31	447	48	2.02	35.25
ALL CITIES MEAN [1]	102	1.19	393	49	1.98	33.01

T a b l e • 8

Runzheimer International Living Cost Standards
December 1997

Source: Runzheimer's Living Cost Index, December 1997.

Region City	Total Costs	Percent of Standard City	Taxation	Percent of Standard City	Trans- portation
West					
State of Alaska, Composite	$34,328	107.3%	$6,291	88.4%	$3,946
Anchorage, AK	32,696	102.2	6,429	90.4	4,045
Fairbanks, AK	32,899	102.8	6,254	87.9	3,961
Juneau, AK	37,385	116.8	6,189	87.0	3,832
Boise, ID	30,690	95.9	6,674	93.8	3,529
Las Vegas, NV	31,422	98.2	6,354	89.3	4,308
Portland, OR	34,378	107.4	6,779	95.3	3,622
San Diego, CA	37,045	115.8	6,702	94.2	4,053
Tacoma, WA	33,713	105.4	7,167	100.8	4,029
Southwest/Mountain					
Dallas, TX	29,304	91.6	6,942	97.6	4,016
Denver, CO	32,155	100.5	6,182	86.9	4,073
Phoenix, AZ	31,262	97.7	6,510	91.5	4,185
Santa Fe, NM	34,539	107.9	5,661	79.6	3,607
Midwest					
Milwaukee, WI	34,184	106.8	8,494	119.4	3,511
Oklahoma City, OK	28,654	89.5	7,067	99.4	3,562
Omaha, NE	31,255	97.7	7,552	106.2	3,549
Southeast					
Birmingham, AL	32,669	102.1	6,901	97.0	3,457
Miami, FL	31,067	97.1	6,673	93.8	4,178
Nashville, TN	29,299	91.6	6,247	87.8	3,280
Raleigh, NC	31,068	97.1	7,522	105.8	3,562
Atlantic/New England					
Baltimore, MD	35,850	112.0	6,832	96.0	3,793
Boston, MA	39,354	123.0	7,775	109.3	4,592
Philadelphia, PA	37,199	116.2	9,063	127.4	4,262
STANDARD CITY, USA	32,000	--	7,113	--	3,626

(Continued on page 15)

Runzheimer International Living Cost Standards
December 1997 *(Continued from page 14)*

Region City	Percent of Standard City	Housing	Percent of Standard City	Misc. Goods & Services, Other	Percent of Standard City
West					
State of Alaska, Composite	108.8%	$12,848	119.3%	$11,243	107.1%
Anchorage, AK	111.6	11,234	104.3	10,988	104.7
Fairbanks, AK	109.2	11,211	104.1	11,473	109.3
Juneau, AK	105.7	16,097	149.5	11,267	107.4
Boise, ID	97.3	10,562	98.1	9,925	94.6
Las Vegas, NV	118.8	10,652	98.9	10,108	96.3
Portland, OR	99.9	13,269	123.2	10,708	102.0
San Diego, CA	111.8	15,435	143.4	10,855	103.4
Tacoma, WA	111.1	11,905	110.6	10,612	101.1
Southwest/Mountain					
Dallas, TX	110.8	8,091	75.2	10,255	97.7
Denver, CO	112.3	11,532	107.1	10,368	98.8
Phoenix, AZ	115.4	10,300	95.7	10,267	97.8
Santa Fe, NM	99.5	14,991	139.2	10,280	98.0
Midwest					
Milwaukee, WI	96.8	12,081	112.2	10,098	96.2
Oklahoma City, OK	98.2	8,197	76.1	9,828	93.6
Omaha, NE	97.9	10,170	94.5	9,984	95.1
Southeast					
Birmingham, AL	95.3	12,078	112.2	10,233	97.5
Miami, FL	115.2	9,724	90.3	10,492	100.0
Nashville, TN	90.5	9,481	88.1	10,291	98.1
Raleigh, NC	98.2	10,088	93.7	9,896	94.3
Atlantic/New England					
Baltimore, MD	104.6	14,472	134.4	10,753	102.5
Boston, MA	126.6	15,631	145.2	11,356	108.2
Philadelphia, PA	117.5	12,646	117.5	11,228	107.0
STANDARD CITY, USA	--	10,766	--	10,495	--

(Continued from page 10)

Runzheimer study shows smaller cost-of-living differential

A different approach to calculating living cost differences between cities is reflected in the Runzheimer Plan of Living Cost Report. 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 1997. Runzheimer's approach takes into account certain elements left out of the ACCRA cost-of-living measure, such as an area's rate of taxation.

In the AKDOL Runzheimer study, a "base" family was created consisting of 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 1994 Ford Tempo, approximately 16,000 miles annually. This family has an income of $32,000 in Standard City, a fictitious city that 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 and Fairbanks have a slightly higher cost of living than the other areas surveyed, while Juneau's cost-of-living index was more than 16 percent higher. The cost of living in these three Alaska locations ranges from 2.2% to 16.8% above Standard City. (See Table 8.) For comparison purposes, many of the cities appearing in the ACCRA data in Tables 6 and 7 are included in the Runzheimer data in Table 8.

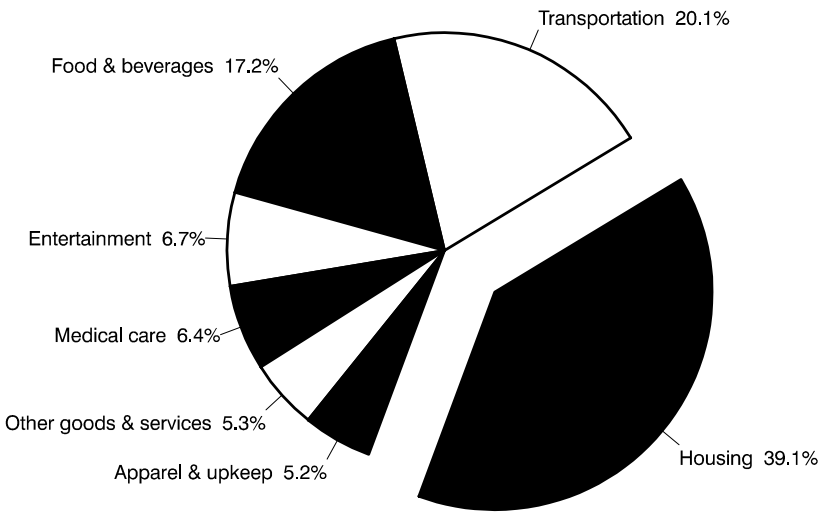
Lower taxes contribute to lower living costs

The component indexes of the Alaska cities in the Runzheimer study range from five to 15 percent above the average cost of living, except for 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 more than $4,000 to the household's pre-tax income. This amounts to a significant boost in the overall income in this fictional Alaska household.

Figure • 2

Housing Nearly 40% of Anchorage CPI-U

Relative importance of the components of the Anchorage CPI-U, December 1997



Subtotals may not add due to rounding.

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

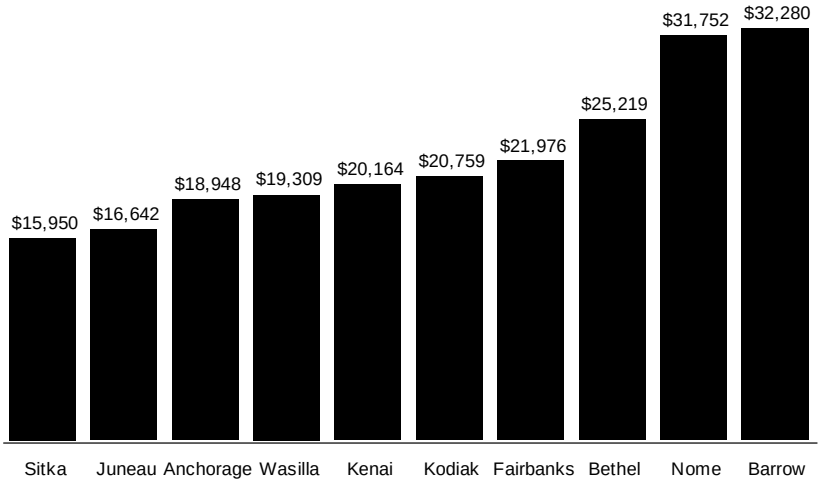
Construction costs somewhat follow other surveys

In early 1998, the Alaska Department of Labor's Research and Analysis Section conducted the sixth annual survey of the cost of a market basket of construction materials. The survey, commissioned by the Alaska Housing Finance Corporation (AHFC), measures 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.

F i g u r e • 3

Construction Materials Cost More in Rural Alaska

Urban & rural residential selected construction materials costs, 1998



Source: Alaska Housing Market Indicators, Fall 1997. Alaska Housing Finance Corporation, Alaska Department of Labor, Research and Analysis Section.

Construction materials costs at 10 Alaska 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 had one of the lowest construction materials costs. No other survey showed Juneau among the lowest costs for any items priced.

Summary: No one answer to cost-of-living question

When looking at cost-of-living information, you must 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 Study 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 Study and the construction costs survey conducted for the AHFC 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 that 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.