Measuring Alaska's Cost of Living

by John Boucher

What is the current cost of living in Alaska, and what has the inflation rate in Alaska been? These are two of the most frequently requested pieces of information available from the Alaska Department of Labor's Research and Analysis section. This article provides some of the latest cost of living measurements available for Alaska, and explains the uses and limitations of these indexes.

Measuring inflation and cost

Two types of cost of living measurements are available for Alaska. If you are interested in how prices have changed in one place over a period of time, 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, posed in a question like: Is it more expensive to live in Fairbanks than Seattle?, then a cost of living measurement like the American Chamber of Commerce Researchers Association (ACCRA) index or the Runzheimer International studies best suits your needs.

The method and the market basket

Since it is too expensive to price every item available to purchase, cost of living surveys track price changes of a sample of items from various 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 you choose 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 is trying to simulate. All surveys either give a listing of the items which make up the market basket, or define the type of consumer(s) the market basket was designed to represent. For example, the Consumer Price Index for All Urban Consumers (CPI-U) is designed to represent the consumption patterns of 80% of all the urban consumers in the nation. The other surveys in this article tend to have a narrower focus.

The Consumer Price Index

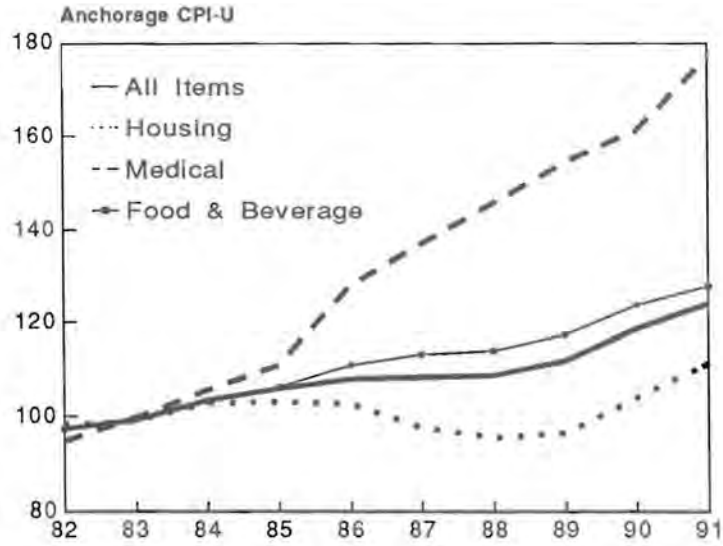
The majority of requests about Alaska's cost of living relate to the rate of inflation. The Consumer Price Index (CPI) is a national survey designed to answer questions about price changes. CPI information is often used to adjust rents, wages or other monetary payments for the effects of inflation.

To produce the CPI, the U.S. Department of Labor's Bureau of Labor Statistics gathers prices in 85 metropolitan areas throughout the country. In Alaska, only Anchorage prices are surveyed, and consequently the Anchorage CPI is the only "Alaskan" inflation measure. One shortcoming of having only Anchorage prices tracked is that the inflation rate in Anchorage may not be suitable for every area of the state. In general though, Anchorage price trends reflect changes in the cost of living for most Alaskans. If you feel that the Anchorage CPI doesn't adequately measure inflation in your area there are alternate measurements available. For example, the Bureau of Labor Statistics recommends that the national CPI data be used when adjusting for the effects of inflation. As a matter of practice though, most Alaskan users are more comfortable using the Anchorage CPI rather than the national CPI.

John Boucher is a labor economist employed with the Research & Analysis Section, Administrative Services Division, Alaska Department of Labor. He is based in Juneau.

Figure 1

Medical Care Costs Soar, Housing Lags Since 1982



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

Table • 1

Consumer Price Index - Urban Consumers U.S. and Alaska

Year	ALL ITEMS				ALL ITEMS LESS SHELTER				HOUSING			
	U.S. Average	Annual Percent Change	Anch. Average	Annual Percent Change	U.S. Average	Annual Percent Change	Anch. Average	Annual Percent Change	U.S. Average	Annual Percent Change	Anch. Average	Annual Percent Change
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	59.3	--	62.1	--	53.8	--	62.6	--
1977	60.6	6.5	65.6	6.7	63.1	6.4	66.6	7.2	57.4	6.7	65.5	4.6
1978	65.2	7.6	70.2	7.0	67.4	6.8	71.0	6.6	62.4	8.7	69.7	6.4
1979	72.6	11.3	77.6	10.5	74.2	10.1	77.0	8.5	70.1	12.3	78.0	11.9
1980	82.4	13.5	85.5	10.2	82.9	11.7	84.7	10.0	81.1	15.7	85.9	10.1
1981	90.9	10.3	92.4	8.1	91.0	9.8	92.0	8.6	90.4	11.5	92.5	7.7
1982	96.5	6.2	97.4	5.4	96.2	5.7	96.3	4.7	96.9	7.2	98.2	6.2
1983	99.6	3.2	99.2	1.8	99.8	3.7	99.9	3.7	99.5	2.7	99.0	0.8
1984	103.9	4.3	103.3	4.1	103.9	4.1	103.8	3.9	103.6	4.1	102.7	3.7
1985	107.6	3.6	105.8	2.4	107.0	3.0	107.5	3.6	107.7	4.0	103.0	0.3
1986	109.6	1.9	107.8	1.9	108.0	0.9	111.2	3.4	110.9	3.0	102.6	-0.4
1987	113.6	3.6	108.2	0.4	111.6	3.3	115.1	3.5	114.2	3.0	97.5	-5.0
1988	118.3	4.1	108.6	0.4	115.9	3.9	117.8	2.3	118.5	3.8	95.4	-2.2
1989	124.0	4.8	111.7	2.9	121.6	4.9	122.3	3.8	123.0	3.8	96.3	0.9
1990	130.7	5.4	118.6	6.2	128.2	5.4	128.0	4.7	128.5	4.5	103.9	7.9
1991	136.2	4.2	124.0	4.6	133.5	4.1	131.9	3.0	133.6	4.0	111.2	7.0
1st half 1989	122.7	--	110.9	--	120.4	--	121.4	--	121.7	--	95.8	--
1st half 1990	128.7	4.9	116.9	5.4	126.2	4.8	126.5	4.2	126.8	4.2	102.2	6.7
1st half 1991	135.2	5.1	123.3	5.5	132.6	5.1	132.0	4.3	132.6	4.6	109.5	7.1
1st half 1992	139.2	3.0	127.3	3.2	136.3	2.8	134.0	1.5	136.6	3.0	115.5	5.5

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

Housing key to inflation rate

By analyzing the different rates of inflation among expenditure categories, one can see how different parts of the market basket affect the overall CPI. (See Table 1 and Figure 1.) For example, since the early 80s health care costs have increased at a much more rapid rate than has the overall Anchorage CPI, while housing costs have lagged behind until recently.

Each commodity group is given a weight—its contribution to the overall cost of living. While health care costs have shot up in recent years, they account for slightly more than 5% of the total cost of living. Housing costs, on the other hand, account for almost 40% of the Anchorage CPI. (See Figure 2.)

The strong influence that housing costs have on the overall movement of the Anchorage CPI has been particularly noticeable the last several years. From 1986 to 1988, falling housing costs offset increases in the other components of the CPI, and the result was that the Anchorage CPI rose only slightly during these three years. The recent increase in inflation in Anchorage can be largely accounted for by the change in the housing market. When the housing component jumped from a 0.9% increase in 1989 to a 7.9% increase in 1990, the overall Anchorage CPI followed suit going from a 2.9% to a 6.2% increase in the rate of inflation. During 1990 and 1991 the improved Anchorage housing market was the primary reason for Anchorage's inflation rate being higher than the rest of the nation.

TRANSPORTATION				FOOD & BEVERAGE				MEDICAL			
U.S. Average	Annual Percent Change	Anch. Average	Annual Percent Change	U.S. Average	Annual Percent Change	Anch. Average	Annual Percent Change	U.S. Average	Annual Percent Change	Anch. Average	Annual Percent Change
--	--	--	--	--	--	--	--	--	--	--	--
39.5	--	40.8	--	--	--	--	--	36.1	--	35.2	--
39.9	1.0	40.9	0.2	--	--	--	--	37.3	3.3	35.8	1.7
41.2	3.3	41.4	1.2	--	--	--	--	38.8	4.0	37.3	4.2
45.8	11.2	44.9	8.5	--	--	--	--	42.4	9.3	41.5	11.3
50.1	9.4	49.3	9.8	--	--	--	--	47.5	12.0	46.9	13.0
55.1	10.0	54.9	11.4	62.1	--	64.2	--	52.0	9.5	52.6	12.2
59.0	7.1	60.2	9.7	65.8	6.0	68.9	7.3	57.0	9.6	57.9	10.1
61.7	4.6	64.5	7.1	72.2	9.7	75.9	10.2	61.8	8.4	63.4	9.5
70.5	14.3	71.3	10.5	79.9	10.7	84.0	10.7	67.5	9.2	69.1	9.0
83.1	17.9	82.2	15.3	86.7	8.5	89.7	6.8	74.9	11.0	78.8	14.0
93.2	12.2	92.7	12.8	93.5	7.8	94.3	5.1	82.9	10.7	86.9	10.3
97.0	4.1	96.8	4.4	97.3	4.1	97.2	3.1	92.5	11.6	94.8	9.1
99.3	2.4	98.5	1.8	99.5	2.3	99.7	2.6	100.6	8.8	99.7	5.2
103.7	4.4	104.6	6.2	103.2	3.7	103.2	3.5	106.8	6.2	105.5	5.8
106.4	2.6	108.2	3.4	105.6	2.3	106.2	2.9	113.5	6.3	110.9	5.1
102.3	-3.9	107.8	-0.4	109.1	3.3	110.8	4.3	122.0	7.5	127.8	15.2
105.4	3.0	111.3	3.2	113.5	4.0	113.1	2.1	130.1	6.6	137.0	7.2
108.7	3.1	113.0	1.5	118.2	4.1	113.8	0.6	138.6	6.5	145.8	6.4
114.1	5.0	116.7	3.3	124.9	5.7	117.2	3.0	149.3	7.7	154.4	5.9
120.5	5.6	120.7	3.4	132.1	5.8	123.7	5.5	162.8	9.0	161.2	4.4
123.8	2.7	121.7	0.8	136.8	3.6	127.7	3.2	177.0	8.7	173.5	7.6
113.5	--	116.3	--	123.6	--	116.4	--	146.3	--	153.1	--
117.4	3.4	118.4	1.8	131.0	6.0	122.5	5.2	159.1	8.7	160.1	4.6
123.5	5.2	123.4	4.2	136.7	4.4	128.2	4.7	173.8	9.2	170.1	6.2
125.2	1.4	122.7	-0.6	138.4	1.2	129.9	1.3	187.3	7.8	176.9	4.0

The housing cost 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 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 inaccurate 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 the inflation rate 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 the inflation rate without the housing component BLS publishes a special index which excludes housing-related costs- it's referred to as the All Items Less Shelter Index. (See Table 1.)

CPI measures inflation

CPI users should be aware of a common misinterpretation of the index. It occurs when users compare CPI numbers among areas. For example, at 124.0 the annual average Anchorage CPI for 1991 is lower than the United States' average of 136.2. 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 fact that the 1991 Anchorage CPI number is smaller than the overall U.S. index means that Anchorage prices have not risen as quickly as they have in the rest of the U.S. since the early 80s. (The base period, or when the two indexes equaled 100, is 1982-84.)

Table • 2

Cost of Food for a Week in Various Alaskan Communities — June 1992

Community	Cost of Food, 1 Week	Percent of Anchorage	Community	Cost of Food, 1 Week	Percent of Anchorage
Anchorage	$98.41	n/a	Ketchikan	95.17	97
Barrow	202.64	206	Kodiak	129.57	132
Bethel	143.85	146	MatSu 1/	102.39	104
Cordova	139.15	141	McGrath	154.98	157
Delta	118.89	121	Nome	159.58	162
Dillingham	162.54	165	Petersburg	109.35	111
Fairbanks	93.94	95	Seward	124.53	127
Galena	168.00	171	Sitka	115.24	117
Glenallen	140.68	143	Tok	137.31	140
Homer	114.81	117	Valdez	126.57	129
Juneau	102.92	105	Wales	209.18	213
Kenai	112.78	115			

Costs are for a family of four with elementary school children.

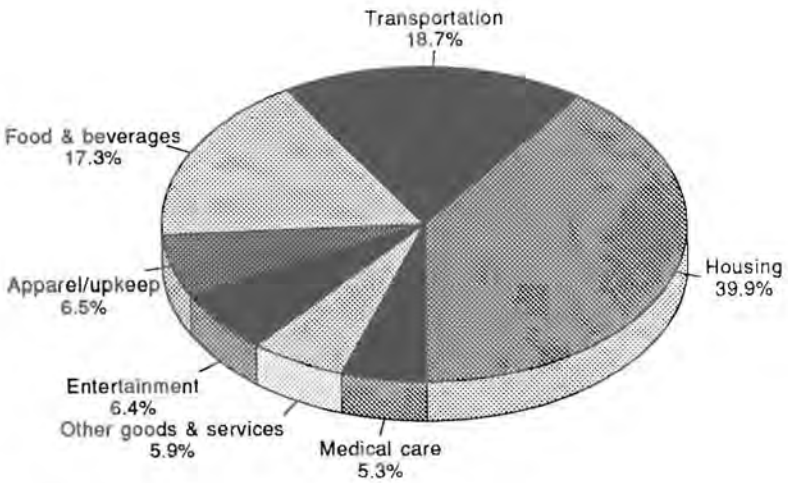
1/ Mat-Su area's 2% tax is the rate for Palmer and is not used in tabulating costs.

Sales tax included in food and utility cost

Source: "Cost of Food at Home for a Week," June 1991 University of Alaska Cooperative Extension Service U.S. Dept. of Agriculture and SEA Grant Cooperating.

Figure • 2

Relative Importance of the Components of the Anchorage CPI-U — December 1991



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

Three comparisons differ

There are several different indices which compare living costs between places. Each of these cost of living indices show a different result when you compare living costs between locations. The main reason for this is that the surveys use different methods to measure cost of living differences. For example, the Cost of Food at Home for a Week survey, done quarterly by the University of Alaska's Cooperative Extension Service, measures only the cost of food. This represents a significant portion of a consumer's budget, but it is not intended to be a comprehensive measurement of the cost of living.

The Cost of Food at Home study measures the cost to feed various size families in different locations in Alaska. The market basket of food 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 its wide geographic coverage of Alaska. It provides comparative measures for locations in Alaska not covered by any other cost index.

Comparing the cost of living between communities in Alaska is complicated by several factors. Many goods and services available in larger cities are not readily available in rural areas. The buying habits of urban residents vary from people in rural communities, which can confuse cost of living comparisons. Subsistence contributions to some households also make cost of living comparisons more complex. The Cost of Food survey assumes that all goods are purchased in the local community—none are acquired through subsistence means or from merchants outside of the community.

Food costs higher in rural Alaska

Table 2 shows the cost of food for a week for a family of four with elementary school children for 23 Alaska communities. The June 1992 figures show that Fairbanks has the lowest food costs of the areas surveyed.

Table • 3

Cost of Food at Home for a Week 1978-1991

Month/ Year	Anch.	Fbks.	Percent of Anch.	Juneau	Percent of Anch.	Bethel	Percent of Anch.	Nome	Percent of Anch.	Kodiak	Percent of Anch.	Kenai	Percent of Anch.	Tok	Percent 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	-	-	-	-	114.80	132.4
9/82	77.30	92.09	119.1	99.98	129.3	125.50	162.4	149.04	192.8	-	-	-	-	-	-
9/83	81.66	83.79	102.6	88.62	108.5	128.30	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	88.90	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	93.80	94.33	100.6	96.73	103.1	140.65	149.9	-	-	124.61	132.8	104.20	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	111.0	143.45	139.5
6/92	98.41	93.94	95.5	102.92	104.6	143.85	146.2	159.58	162.2	129.57	131.7	112.78	111.9	137.31	139.5

Family with four with elementary school children.

Sales tax included in food prices.

- Data unavailable.

Source: "Cost of Food at Home for a Week," September 1978 to June 1992. University of Alaska Cooperative Extension Service. U.S. Department of Agriculture and SEA Grant Cooperating.

The survey has tended to show 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 major 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 highest food costs are always found in isolated communities solely supplied by air. In places such as Bethel and Dillingham food costs are 45 to 65% 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. In the lower 48, larger urban areas tend to have higher costs of living, including food costs, than less populated areas. The opposite is true for Alaska. The cost of food and other basics such as fuel are higher in rural Alaskan communities than in the state's urban centers.

Another interesting point about this survey is that the basic relationship of higher food costs in Alaska's rural areas has not changed much during the last 15 years. Table 3 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.

ACCRA shows Alaskan cities most expensive

Another place-to-place 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 286 cities in the United States. The ACCRA study can be used to compare some costs among a few of Alaska's cities and other cities across the nation. In the ACCRA study, a standardized list of 59 items is priced during a fixed period of time. The market basket is intended to reflect the spending patterns of a mid-management executive household.

Although state and local taxes are a part of the cost of living, the ACCRA index does not take them into account. Because of the limited number of items priced, a difference of less than three in the ACCRA cost of living index (such as 129 vs. 131) are considered statistically insignificant. A difference in the index greater than three implies a cost of living differential.

Four Alaskan cities are included in the most recently published ACCRA study (1st quarter 1992)-- Anchorage, Fairbanks, Juneau, and Kodiak. Oftentimes, Ketchikan also has price data available in the ACCRA survey. The 1st Quarter 1992 ACCRA data show that the Alaskan cities are among the 10 highest cost areas surveyed (See Table 4). Fairbanks has the lowest index of the five Alaskan cities in the ACCRA study, however

Table • 4

ACCRA Cost of Living Index
First Quarter 1992 — 20 High Cost Urban Areas

City	Total Index	Grocery	Housing	Util.	Transp.	Health
New York, NY	219.1	141.4	394.2	196.1	127.9	209.9
ANCHORAGE, AK	131.0	132.1	141.1	98.5	106.9	178.5
KODIAK, AK	145.7	160.6	156.8	172.8	112.2	171.4
FAIRBANKS, AK	129.8	125.5	123.2	140.7	115.7	189.9
JUNEAU, AK	133.1	137.7	131.7	157.6	129.9	182.2
Los Angeles-Long Beach, CA	132.6	107.7	185.3	80.0	119.6	136.5
Palm Springs, CA	120.3	106.5	136.8	107.2	118.1	132.9
Baltimore, MD	122.3	136.0	118.1	145.8	126.0	126.4
Washington, DC	134.4	118.6	175.8	113.7	130.4	142.2
Albany, NY	114.2	110.8	119.8	128.2	104.4	112.5
Philadelphia, PA	129.3	117.0	146.0	188.4	113.0	128.1
Visalia, CA	114.9	107.8	128.9	118.8	106.5	110.1
Seattle, WA	117.6	107.6	150.9	61.7	107.8	144.2
Boston, MA	133.6	110.6	180.6	132.3	120.3	142.0
Manchester, NH	118.2	102.6	133.0	145.5	112.8	115.4
Springfield, MA	118.7	109.9	135.8	134.9	111.2	118.4
San Diego, CA	132.7	108.9	198.4	72.2	128.5	129.5
Lancaster, PA	113.5	102.8	126.1	127.0	113.8	95.4
Schaumburg, IL	124.0	107.3	164.5	116.7	112.0	107.5
Ranking of Alaska Cities by Category						
Anchorage, AK	8	5	10	140	42	4
Fairbanks, AK	9	6	28	9	12	2
Juneau, AK	4	3	18	4	2	3
Kodiak, AK	2	1	7	3	22	5

Source: American Chamber of Commerce Researchers Association, Urban Area Index Data, 1st Quarter 1992 (286 Urban Areas Surveyed).

the difference between Anchorage, Fairbanks and Juneau was nearly insignificant. According to the index, all three of these communities have a cost of living roughly 30% higher than the all cities' average. New York City had the highest cost of living in the survey, more than twice 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 (Table 4). Kodiak had the highest index for groceries. Alaska's represented cities had four of the five highest index numbers for groceries, health care costs and the other services and miscellaneous goods category.

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 have comparable housing costs. Generally the lowest rankings for Alaska's cities were in the ACCRA housing or transportation cost indexes. The Anchorage utilities index was lower than about half of the cities in the ACCRA study.

Comparative figures for Alaskan cities and other cities around the nation are presented in Tables 5 and 6. Table 5 shows the ACCRA cost of living indexes while Table 6 contains prices for some of the goods and services in the ACCRA study.

The ACCRA cost of living study is designed around spending patterns found in major American urban centers. The data collected in the pricing survey is an attempt to match the items found in the larger 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 prevalent, and more expensive, mode of travel in Alaska.

Runzheimer shows low cost of living

A slightly different approach to calculating the differences among cities is taken in a study commissioned by the Alaska Department of Labor. Runzheimer International, a private research firm, looked at the comparative incomes necessary to maintain a certain standard of living in 253 different areas of the country. This income approach takes into account certain elements left out of the ACCRA cost of living measure, such as an area's tax rates.

For this study, a "base" family was created—two parents, two children, living in a 1,500 square foot home with 3 bedrooms and 1.5 baths, driving two automobiles. This family had an income of $32,000 in Standard City, a fictitious city which had 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.

Table • 5

ACCRA Cost of Living Index
First Quarter 1992

City	All Items Index	Grocery Items	Housing	Utilities	Transport-ation	Health Care	Misc. Goods & Services
West							
ANCHORAGE, AK	131.0	132.1	141.1	98.5	106.9	178.5	131.1
FAIRBANKS, AK	129.8	125.5	123.2	140.7	115.7	189.9	129.2
JUNEAU, AK	133.1	137.7	131.7	157.6	129.9	182.2	120.2
KODIAK, AK	145.7	160.6	156.8	172.8	112.2	171.4	130.2
Portland, OR	109.0	97.4	129.6	70.8	112.6	120.9	103.8
Salt Lake City, UT	95.1	105.3	84.4	91.2	100.4	100.5	98.5
San Diego, CA	132.7	108.9	198.4	72.2	128.5	129.5	106.3
Seattle, WA	117.6	107.6	150.9	61.7	107.8	144.2	108.1
Southwest							
Santa Fe, NM	107.3	98.2	133.4	84.9	102.3	103.3	97.7
Dallas, TX	99.1	100.8	93.1	116.0	103.2	107.3	96.5
Phoenix, AZ	100.5	100.0	92.6	100.1	106.8	117.0	102.9
Midwest							
Minneapolis, MN	101.7	90.8	114.9	91.8	107.4	111.3	94.7
Omaha, NE	88.1	90.7	80.7	91.5	99.6	85.4	89.2
St. Louis, MO	96.1	97.9	95.5	104.2	96.8	100.6	93.1
Southeast							
Atlanta, GA	99.7	97.7	97.8	111.7	97.2	112.3	118.9
Birmingham, AL	99.2	96.2	94.8	121.4	98.7	93.5	99.2
Louisville, KY	92.1	88.2	89.2	79.7	92.9	85.2	99.7
Winston-Salem, NC	98.5	92.0	98.2	101.8	97.4	91.6	101.5
Atlantic/New England							
Boston, MA	133.6	110.6	180.6	132.3	120.3	142.0	107.4
Montpelier-Barre, VT	109.0	111.6	118.9	109.8	105.9	102.9	101.8
Philadelphia, PA	129.3	117.0	146.0	188.4	113.0	128.1	110.1
Syracuse, NY	101.0	104.0	91.3	128.5	113.6	108.4	96.0

Source: American Chamber of Commerce Researchers Association, Urban Area Index Data, 1st Quarter 1992 (286 Urban Areas surveyed).

The October 1990 Runzheimer survey shows that the three Alaskan cities studied, Anchorage, Fairbanks and Juneau, have quite moderate costs compared to the other areas surveyed. In this survey, costs were only 1.3% to 4.3% above Standard City. (See Table 7.)

One assumption critical to the results of the survey was the duration of home ownership. Like the Consumer Price Index and ACCRA surveys, the guidelines in the Runzheimer survey assume a recent home purchase. The volatility of the Alaska housing market greatly impacted the cost of housing in the results. Mortgage payments accounted for 26% of the family's total living costs in Standard City. Anchorage was only slightly higher than 26%, while Juneau and Fairbanks were between 22% and 25% of total living costs going towards mortgage payments.

Alaska's real estate prices have escalated since the time the Runzheimer study was done. It's a near certainty that a larger share of the average Alaskan's total income is going toward housing costs now than went towards housing costs several years ago. This would have the effect of increasing the total living cost for the Alaskan cities. Some of the highest cost areas in the Runzheimer study have the greatest difference in the housing cost component—in Los Angeles over 40% of total living costs go towards mortgage payments.

Lower taxes contribute to lower living costs

If you examine the component indexes of the Alaskan cities in the Runzheimer study, they range from five to ten 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 anywhere from 10 to 15 percent below the average of the areas studied. This is a significant reason why the Runzheimer index does not show living costs to be higher in Anchorage, Fairbanks and Juneau than elsewhere in the country. 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 income. This amounts to a significant reduction in the overall tax burden on Alaskans.

Summary

The first question one must answer when looking for cost of living information is what type of comparison needs to be made. Is one interested in how costs changed over time, or how costs differ between places? Answer-

Table • 6

ACCRA Inter-City Cost of Living Index
First Quarter 1992

City	1 lb Ground Beef	1/2 gal Whole Milk	1 doz Grade A Lg. Eggs	1 lb Coffee	House Purchase Price	Total Energy Cost	1 gal Gas	Hospital Room	Office Visit Doctor
West									
ANCHORAGE, AK	$1.88	$1.90	$1.63	$2.55	154,067	$112.10	$1.04	$522.50	$57.00
FAIRBANKS, AK	1.73	1.96	1.57	2.50	133,600	164.57	1.15	398.00	61.40
JUNEAU, AK	1.87	1.96	1.01	3.18	138,750	184.94	1.54	380.00	46.80
KODIAK, AK	2.02	2.18	1.72	3.71	172,667	199.03	1.41	406.00	44.33
Portland, OR	1.53	1.23	1.03	2.71	141,950	73.76	1.17	416.10	36.20
Salt Lake City, UT	1.17	1.58	0.99	2.85	87,488	100.32	1.02	323.00	37.40
San Diego, CA	1.47	1.11	1.25	2.03	228,300	78.80	1.10	495.25	44.20
Seattle, WA	1.59	1.54	0.79	2.39	172,300	64.12	1.06	451.80	45.60
Southwest									
Santa Fe, NM	1.32	1.59	0.80	2.09	148,738	92.57	1.04	270.00	34.11
Dallas, TX	1.42	1.56	0.84	1.92	95,300	130.28	1.03	317.14	35.43
Phoenix, AZ	1.30	1.23	0.66	1.99	96,725	111.14	1.01	355.13	36.30
Midwest									
Minneapolis, MN	1.01	1.36	0.61	2.09	127,380	99.30	1.00	443.60	34.60
Omaha, NE	1.39	1.28	0.67	2.08	88,178	97.16	1.01	250.40	29.40
St. Louis, MO	1.48	1.18	0.81	1.92	101,921	116.75	0.90	312.50	37.30
Southeast									
Atlanta, GA	1.77	1.31	0.90	2.31	104,460	124.12	0.92	267.40	50.00
Birmingham, AL	1.76	1.46	0.72	2.08	106,313	132.56	1.01	313.00	33.00
Louisville, KY	1.78	1.43	0.76	1.91	97,820	81.96	0.95	316.35	32.00
Winston-Salem, NC	1.43	1.40	0.86	2.09	116,000	113.95	1.09	225.00	33.60
Atlantic/New England									
Boston, MA	1.67	1.35	1.05	2.40	225,432	150.58	1.15	506.17	51.40
Montpelier-Barre, VT	1.78	1.23	1.26	2.49	135,000	120.00	1.16	450.00	31.67
Philadelphia, PA	1.87	1.20	1.09	2.77	158,180	222.69	1.13	438.00	45.40
Syracuse, NY	1.83	1.31	0.93	2.39	102,380	137.19	1.15	340.00	41.60
ALL CITIES MEAN 1/	1.54	1.39	0.86	2.26	110,716	110.71	1.05	297.77	34.04

1/ All cities mean is the arithmetic mean price of all 286 cities in the 1st quarter 1991 survey.

Source: American Chamber of Commerce Researchers Association, Cost of Living Index, Average Price Data, (286 Urban Areas surveyed) 1st Quarter 1992.

ing this question narrows the field of appropriate cost of living surveys.

Next a decision must be made 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. Some surveys might look at a population unlike the one being studied. The ACCRA survey's mid-management family might not reflect the cost of living for poverty income level families.

In Alaska, particularly in smaller communities, survey choices are few. Only the Cost of Food at Home and the ACCRA Cost of Living Index include more than the three largest Alaska cities. These surveys have limitations in the scope of goods priced. For this reason, a data user might be forced to use an index which only approximates cost of living differences.

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

Table • 7

Runzheimer International Living Cost Standards
October 1990

City	Total Costs	% of Standard City	Taxation	% of Standard City	Trans-portation	% of Standard City	Housing	% of Standard City	Goods & Services, Other	% of Standard City
Anchorage, AK	$33,380	104.3	$4,719	80.4	$4,540	112.8	$14,493	110.1	$10,412	108.4
Fairbanks, AK	32,426	101.3	5,123	87.3	4,481	111.3	12,623	95.9	10,533	109.7
Juneau, AK	33,255	103.9	5,232	89.2	4,327	107.5	13,461	102.2	10,569	110.1
STANDARD CITY	32,000	—	5,868	—	4,025	—	13,169	—	9,601	—
Albuquerque, NM	31,050	97.0	6,102	104.0	4,047	100.5	12,383	94.0	8,852	92.2
Atlanta, GA	32,944	103.0	6,203	105.7	4,458	110.8	13,359	101.4	9,268	96.5
Augusta, ME	32,379	101.2	5,508	93.9	3,856	95.8	14,136	107.3	9,213	96.0
Birmingham, AL	29,589	92.5	6,881	117.3	3,777	93.8	10,302	78.2	8,963	93.4
Boston, MA	40,723	127.3	5,501	93.7	5,043	125.3	21,132	160.5	9,381	97.7
Chicago, IL	36,293	113.4	5,648	96.3	4,329	107.6	17,206	130.7	9,444	98.4
Dallas, TX	30,926	96.6	5,570	94.9	4,580	113.8	11,634	88.3	9,476	98.7
Denver, CO	30,690	95.9	6,066	103.4	4,468	111.0	11,497	87.3	8,993	93.7
Detroit, MI	35,527	111.0	5,350	91.2	4,642	115.3	16,672	126.6	9,197	95.8
Honolulu, HI	42,535	132.9	4,113	70.1	4,841	120.3	22,538	171.1	11,377	118.5
Indianapolis, IN	30,834	96.4	6,680	113.8	4,173	103.7	11,439	86.9	8,876	92.4
Jacksonville, FL	30,081	94.0	5,606	95.5	4,041	100.4	11,558	87.8	9,210	95.9
Los Angeles, CA	43,823	136.9	3,842	65.5	5,527	137.3	25,250	191.7	9,538	99.3
Milwaukee, WI	32,629	102.0	6,220	106.0	3,969	98.6	13,880	105.4	8,894	92.6
New York, NY	43,804	136.9	4,811	82.0	7,165	178.0	22,239	168.9	9,923	103.4
Philadelphia, PA	37,440	117.0	6,445	109.8	5,004	124.3	16,981	128.9	10,165	105.9
Portland, OR	32,629	102.0	5,836	99.5	4,174	103.7	13,621	103.4	9,332	97.2
San Francisco, CA	48,948	153.0	3,210	54.7	5,065	125.8	31,281	237.5	9,726	101.3
Seattle, WA	34,332	107.3	5,134	87.5	4,521	112.3	15,714	119.3	9,297	96.8
St. Louis, MO	32,207	100.6	6,426	109.5	3,984	99.0	13,055	99.1	9,076	94.5
Washington, D.C.	38,942	121.7	4,889	83.3	4,432	110.1	20,055	152.3	9,900	103.1

Source: Runzheimer's Living Cost Index, October, 1990

Summary of Cost of Living Indexes

Survey: *Consumer Price Index*

Population: All urban consumers (CPI-U) or urban wage and clerical workers (CPI-W).

Strength: Measures costs in one location over time; the only available inflation measure. Average price data for some commodities available for large cities.

Weakness: Can only compare the change in the cost-of-living for different locations; only one Alaskan area surveyed; Anchorage.

Survey: *ACCRA Cost of Living Index*

Population: Midmanagement executive family.

Strength: Compares many locations to a national average.

Weakness: No tracking of changes over time; lacks consistency in price collection.

Survey: *Cost of Food at Home Study*

Population: Lower income individuals or families.

Strength: Compares minimum food costs for smaller Alaskan communities excluded from other studies.

Weakness: No good comparison of national data; only looks at food costs, not entire cost of living.

Survey: *Runzheimer's Living Cost Index*

Population: Family with $32,000 in income, living in average cost city.

Strength: Considers income needed to maintain a specific standard of living in different cities; includes taxes.

Weakness: Market basket may not reflect local consumption patterns.