

Measuring Alaska's Cost of Living

by John Boucher

How much does it cost to live in Alaska? What is the rate of inflation in Alaska? 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, 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 study best suits 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 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 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 Consumer Price Index 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.

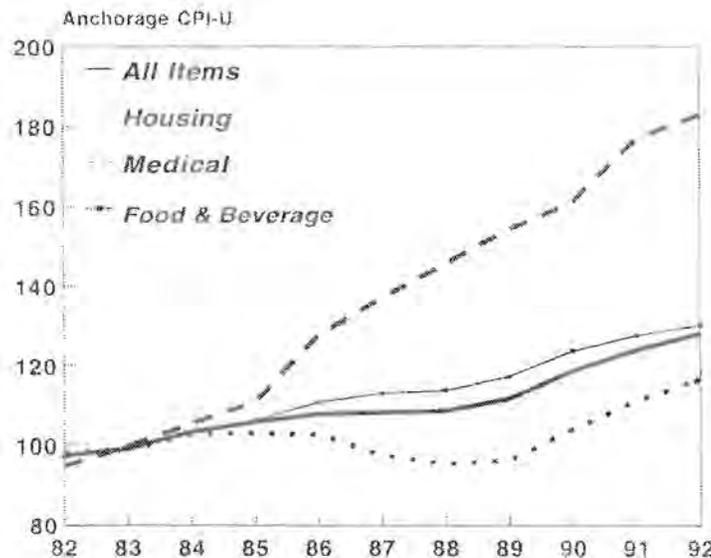
The CPI—the nation's inflation measure

The majority of requests for Alaska's cost of living ask about the inflation rate. The Consumer Price Index (CPI) is a national survey

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Figure • 1

Medical Care Costs Soar, Housing Lags Since '82



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

Table 1

Consumer Price Index—Urban Consumers
U.S. and Alaska, All Items and Selected Components

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
1992	140.3	3.0	128.2	3.4	137.3	2.8	134.6	2.0	137.5	2.9	116.6	4.9
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
1st half 1993	143.7	3.2	131.5	3.3	140.6	3.2	137.3	2.5	140.3	2.7	120.6	4.4

Note: The most current Consumer Price Index data for Alaska is for the first half of 1993. For comparability, data for the first half of 1989 through 1993 are given to show percentage changes over the year.

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

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. 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 price changes in every area of the state. In general though, 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 there are alternate measurements

available. The Bureau of Labor Statistics recommends that 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.

Housing key to Anchorage inflation rate

By analyzing inflation rates among expenditure categories, it's clear how different parts of the market basket affect the overall CPI. (See Table 1 and Figure 1.) For example, since the early 1980s health care costs have risen more rapidly than has the overall Anchorage CPI, while housing costs have lagged behind until recently.

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
126.5	2.2	123.3	1.3	138.7	1.4	130.3	2.0	190.1	7.4	183.0	5.5
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
129.5	3.4	126.7	3.3	141.1	2.0	131.6	1.3	199.0	6.2	188.5	6.6

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 40% of the Anchorage CPI. (See Figure 2.)

The strong influence that housing costs have on the overall movement of the Anchorage CPI was particularly noticeable the last several years. From 1986 to 1988, falling housing costs offset increases in other components of the CPI, resulting in very low inflation during these three years. The recent increase in inflation in Anchorage is largely due to 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, Anchorage inflation followed suit going from a 2.9% to a 6.2% increase. Since 1990 Anchorage's tighter housing market is the primary reason for its inflation rate being higher than the rest of the nation's.

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 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

Table • 2

Cost of Food for a Week in Various Alaskan Communities—June 1993

Community	Cost of Food, 1 Week	Ratio of Food Cost to Anchorage Average (percent)
Anchorage	\$100.37	n/a
Bethel	149.85	149
Cordova	147.86	147
Delta	117.12	117
Dillingham	166.54	166
Fairbanks	97.10	97
Galena	166.29	166
Glenallen	143.13	143
Homer	113.01	113
Juneau	106.21	106
Kenai	107.73	107
Ketchikan	98.88	99
Kodiak	121.66	121
MatSu 1/	103.96	104
Nome	147.45	147
Petersburg	105.05	105
Seward	126.20	126
Sitka	118.84	118
Tanana	207.21	206
Tok	136.76	136

Notes: 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.

Local sales taxes included.

Source: "Cost of Food at Home for a Week," June 1993. University of Alaska Cooperative Extension Service; U.S. Dept. of Agriculture and SEA Grant Cooperating.

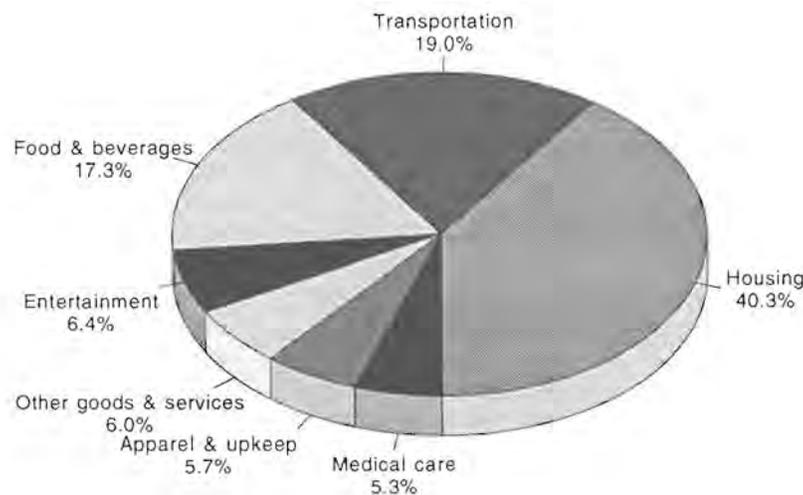
because their monthly house payments tend not to fluctuate to the extent that house prices and rents do. For this reason, the overall CPI figures can understate the inflation rate for homeowners during periods of rapidly declining house prices. The opposite is true during a period of rapidly increasing 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— not costs between locations

CPI users should be aware of a common misinterpretation of the CPI index. It occurs when users compare CPI numbers among areas. For example, at 128.2 the annual average Anchorage CPI for 1992 is lower than the United States' average of 140.3. 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 1992 Anchorage CPI number means that Anchorage prices have not risen as quickly as they have in the rest of the U.S. since the early 1980s. (The base period, or when the two indexes equaled 100, is 1982-84.)

Figure • 2

Housing Component is 40% of Anchorage CPI



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

There are different studies available to compare living costs between places. Each shows 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, only measures the cost of food. Food is a significant portion of a consumer's budget, but it is not 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 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.

Note: Relative importance of the components of the Anchorage CPI-U, December 1992.

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

Cost of Food at Home for a Week 1978-1993

Month/Year	Anch.	Fbks.	Pet. of Anch. Avg. Juneau	Pet. of Anch. Avg. Bethel	Pet. of Anch. Avg. Nome	Pet. of Anch. Avg. Kodiak	Pet. of Anch. Avg. Kenai	Pet. of Anch. Avg. Tok	Pet. of Anch. Avg.						
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
9/92	100.46	92.31	91.9	102.62	102.2	142.51	141.9	158.08	157.4	124.61	124.0	109.60	108.8	132.94	132.3
6/93	100.37	97.10	96.7	106.21	105.8	149.85	149.3	147.45	146.9	121.66	121.2	107.73	106.9	136.76	136.3

One of its strengths is its wide geographic coverage of Alaska. It provides comparative measures for locations in Alaska no other cost survey covers.

Comparing living costs between Alaskan communities is complicated by several factors. Some goods and services available in larger cities 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 to a household food budget can also make cost of living comparisons more complex. The Cost of Food survey assumes that all foods are purchased in the local community—none are acquired through subsistence means or from merchants outside of the community.

Food costs are higher in rural Alaska

Table 2 shows the cost of food for a week for a family of four with elementary school children for 20 communities. The June 1993 figures show that Fairbanks had the lowest food costs of the areas surveyed. 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 consistent-

ly shown that the highest food costs are found in isolated communities not connected to the main road system. 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, 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.

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 2 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 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. The ACCRA study can be used to compare 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 dur-

Notes: Family of four with elementary school children

Sales tax included in food prices

September 1979 data for Kenai was not available so December 1979 data was substituted

- Data unavailable

Source: "Cost of Food at Home for a Week," September 1978 to June 1993. University of Alaska Cooperative Extension Service; U.S. Dept. of Agriculture and SEA Grant Cooperating

ACCRA Cost of Living Index First Quarter 1993—20 High Cost Areas

City	Total Index	Grocery	Housing	Util.	Transp.	Health	Misc.
New York, NY	208.7	144.8	359.3	149.2	133.9	199.2	150.0
KETCHIKAN, AK	149.0	132.8	160.1	160.7	138.2	198.0	139.3
KODIAK, AK	147.4	157.4	164.5	187.9	108.3	178.0	126.3
Boston, MA	139.5	123.8	181.5	146.3	129.4	148.8	111.6
Washington, DC	133.8	115.6	166.6	114.1	137.4	137.2	118.0
JUNEAU, AK	133.2	140.7	132.5	152.0	125.2	172.3	122.7
ANCHORAGE, AK	132.9	135.9	141.0	102.0	124.4	186.2	128.0
Philadelphia, PA	131.1	119.7	146.1	178.4	117.0	124.1	116.1
San Diego, CA	130.4	112.7	190.0	72.9	131.2	127.8	104.2
FAIRBANKS, AK	130.1	127.8	130.3	136.6	112.9	193.6	124.9
Hartford, CT	129.1	114.8	152.7	139.7	116.0	150.5	113.4
Los Angeles-Long Beach, CA	127.9	110.5	173.4	83.3	117.4	150.1	109.3
Ann Arbor, MI	119.9	110.9	137.8	107.9	107.7	123.6	115.1
Manchester, NH	118.2	103.5	117.6	153.2	109.8	115.7	118.0
Riverside-San Bernadino, CA	117.8	105.6	131.2	88.8	126.8	122.4	116.0
Seattle, WA	117.0	118.1	147.0	61.8	108.7	125.8	107.9
Chicago, IL	116.8	101.7	142.4	122.4	114.6	112.3	101.8
Visalia, CA	115.8	109.7	116.4	122.7	107.5	106.8	119.5
Detroit, MI	114.9	110.7	131.8	107.8	109.8	119.0	105.6
Madison, WI	113.8	96.3	140.8	87.9	95.7	112.7	110.7

Ranking of Alaska Cities by Category

Anchorage, AK	7	5	13	129	8	4	3
Fairbanks, AK	10	6	23	6	27	3	5
Juneau, AK	6	3	20	5	7	6	6
Ketchikan, AK	2	4	7	3	1	2	2
Kodiak, AK	3	1	6	1	51	5	4

Source: American Chamber of Commerce Researchers Association, Urban Area Index Data, 1st Quarter 1993 (303 Urban Areas Surveyed)

ing 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) is considered statistically insignificant. A difference in the index greater than three implies a cost of living differential.

Five Alaskan cities are included in the most recently published ACCRA study (1st quarter 1993)—Anchorage, Fairbanks, Juneau, Ketchikan and Kodiak. The 1st Quarter 1993 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 the difference be-

tween 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 five 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 and utilities. Ketchikan had the highest transportation 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 have higher housing costs now. 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. Table 5 shows the 1st Quarter 1993 ACCRA indices for the five Alaska cities as well as for a selected group of cities around the nation.

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

ACCRA Cost of Living Index First Quarter 1993—Selected Cities by Region

City	All Items Index	Grocery Items	Housing	Utilities	Transportation	Health Care	Misc. Goods & Services
West							
ANCHORAGE, AK	132.9	135.9	141.0	102.0	124.4	186.2	128.0
FAIRBANKS, AK	130.1	127.8	130.3	136.6	112.9	193.6	124.9
JUNEAU, AK	133.2	140.7	132.5	152.0	125.2	172.3	122.7
KETCHIKAN, AK	149.0	132.8	160.1	160.7	138.2	198.0	139.3
KODIAK, AK	147.4	157.4	164.5	187.9	108.3	178.0	126.3
Portland, OR	109.3	101.5	125.8	76.4	111.2	129.2	104.1
Salt Lake City, UT	96.8	99.7	86.0	89.4	104.0	99.6	103.7
San Diego, CA	130.4	112.7	190.0	72.9	131.2	127.8	104.2
Seattle, WA	117.0	118.1	147.0	61.8	108.7	125.8	107.9
Southwest							
Albuquerque, NM	102.7	95.5	112.4	95.3	102.6	116.2	97.6
Dallas, TX	102.3	99.0	95.1	116.4	106.0	112.8	103.1
Phoenix, AZ	99.5	101.1	92.8	89.2	114.7	110.8	101.0
Midwest							
Minneapolis, MN	104.7	97.2	110.3	91.7	112.2	120.1	101.9
Omaha, NE	91.0	93.6	83.9	94.1	106.3	92.0	90.4
St. Louis, MO	95.9	100.5	95.2	105.8	101.5	99.3	90.2
Southeast							
Atlanta, GA	98.6	99.2	96.3	109.6	98.3	127.1	93.3
Birmingham, AL	99.4	94.0	99.7	117.9	100.3	100.5	96.0
Louisville, KY	90.5	92.8	87.0	79.8	94.0	84.1	95.1
Winston-Salem, NC	96.2	92.3	94.8	106.0	101.8	87.8	95.9
Atlantic/New England							
Boston, MA	139.5	123.8	181.5	146.3	129.4	148.8	111.6
Manchester, NH	118.2	103.5	117.6	153.2	109.8	115.7	118.0
Philadelphia, PA	131.1	119.7	146.1	178.4	117.0	124.1	116.1
Syracuse, NY	103.4	108.7	93.8	132.6	113.2	100.8	99.2

Source: American Chamber of Commerce Researchers Association, Urban Area Index Data, 1st Quarter 1993 (303 Urban Areas Surveyed)

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

Runzheimer study shows smaller cost of living differential

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

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 one automobile. 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.

The 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 3.8% to 12.2% above Standard City. (See Table 6.)

Lower taxes contribute to lower living costs

If you examine the component indexes of the Alaskan cities in the Runzheimer study, they range from ten to twenty-five 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 10 to 12 percent below the average of the areas studied. This is the main reason why the Runzheimer index does not show Anchorage, Fairbanks and Juneau's living costs as high as the cost of purchasing goods and services might indicate. Another factor to remember is that Runzheimer does not take into account a program like Alaska's

Runzheimer International Living Cost Standards December 1992

City	Total Costs	% of Standard City	Taxation	% of Standard City	Transportation	% of Standard City	Housing	% of Standard City	Misc. Goods & Services, Other	% of Standard City
Anchorage, AK	\$34,122	106.6	\$6,460	90.4	\$3,670	114.8	\$12,235	111.9	\$11,757	109.6
Fairbanks, AK	33,201	103.8	6,301	88.2	3,655	114.4	11,217	102.6	12,028	112.1
Juneau, AK	35,898	112.2	6,398	89.6	3,549	111.0	13,762	125.9	12,189	113.6
State of Alaska, Composite	34,408	107.5	6,387	89.4	3,625	113.4	12,405	113.5	11,991	111.7
STANDARD CITY	32,000	—	7,143	—	3,196	—	10,930	—	10,731	—
Boise, ID	29,351	91.7	7,196	100.7	3,037	95.0	8,778	80.3	10,340	96.4
Butte, MT	29,706	92.8	7,047	98.7	3,077	96.3	9,112	83.4	10,470	97.6
Carson City, NV	30,280	94.6	6,073	85.0	3,401	106.4	10,206	93.4	10,600	98.8
Colorado Springs, CO	29,888	93.4	6,948	97.3	3,551	111.1	9,087	83.1	10,302	96.0
Dallas, TX	30,926	96.6	7,090	99.3	3,529	110.4	9,603	87.9	10,699	99.7
Denver, CO	30,690	95.9	6,816	95.4	3,603	112.7	10,242	93.7	10,508	97.9
Des Moines, IA	31,820	99.4	7,969	111.6	3,088	96.6	10,389	95.1	10,374	96.7
Eugene, OR	32,299	100.9	7,890	110.5	3,151	98.6	10,740	98.3	10,518	98.0
Hilo, HI	37,640	117.6	6,271	87.8	4,364	136.5	14,713	134.6	12,292	114.5
Jacksonville, FL	29,792	93.1	6,581	92.1	3,193	99.9	9,730	89.0	10,288	95.9
Knoxville, TN	29,858	93.3	6,524	91.3	3,094	96.8	9,692	88.7	10,548	98.3
Los Angeles, CA	41,934	131.0	6,418	89.9	4,321	135.2	20,044	183.4	11,151	103.9
Miami, FL	32,978	103.1	6,940	97.2	3,773	118.1	11,848	108.4	10,417	97.1
Milwaukee, WI	33,533	104.8	8,518	119.2	3,167	99.1	11,586	106.0	10,262	95.6
Minneapolis, MN	33,936	106.1	7,555	105.8	3,427	107.2	12,255	112.1	10,699	99.7
Phoenix, AZ	30,118	94.1	6,793	95.1	3,698	115.7	9,176	84.0	10,451	97.4
Portland, OR	33,379	104.3	7,896	110.5	3,361	105.2	11,340	103.8	10,782	100.5
Salt Lake City, UT	30,620	95.7	7,569	106.0	3,263	102.1	9,800	89.7	9,988	93.1
San Diego, CA	40,186	125.6	6,453	90.3	3,695	115.6	19,118	174.9	10,920	101.8
San Francisco, CA	49,466	154.6	6,573	92.0	4,368	136.7	27,482	251.4	11,043	102.9
Seattle, WA	34,592	108.1	6,596	92.3	3,485	109.0	13,825	126.5	10,686	99.6
Washington, D.C.	38,773	121.2	6,344	88.8	3,846	120.3	16,929	154.9	11,654	108.6

Source: Runzheimer's Living Cost Index, December, 1992

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.

Summary

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. 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 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 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 one compare how far their dollar will go.