

8 Low-Income Households Come Closer to Average Runzheimer Plan of Living Cost Standards, February 2008

| | Total Costs | Percent of Standard City | Taxation | Percent of Standard City | Trans- portation | Percent of Standard City | Housing | Percent of Standard City | Miscel- laneous Goods and Services | Percent of Standard City |
|-----------------------------|-----------------|--------------------------------|----------------|--------------------------------|---------------------|--------------------------------|-----------------|--------------------------------|--|--------------------------------|
| Alaska Composite | \$39,417 | 123.2% | \$2,448 | 80.5% | \$4,749 | 113.6% | \$24,498 | 136.7% | \$7,722 | 112.6% |
| Anchorage | \$41,522 | 129.8% | \$2,448 | 80.5% | \$4,934 | 118.0% | \$26,471 | 147.7% | \$7,669 | 111.8% |
| Fairbanks | \$35,112 | 109.7% | \$2,448 | 80.5% | \$4,714 | 112.8% | \$20,351 | 113.6% | \$7,599 | 110.8% |
| Juneau | \$41,616 | 130.1% | \$2,448 | 80.5% | \$4,599 | 110.0% | \$26,672 | 148.9% | \$7,897 | 115.1% |
| West | | | | | | | | | | |
| Bellingham, Wash. | \$35,414 | 110.7% | \$2,448 | 80.5% | \$4,514 | 108.0% | \$20,994 | 117.2% | \$7,458 | 108.7% |
| Bend, Ore. | \$38,237 | 119.5% | \$2,723 | 89.5% | \$4,205 | 100.6% | \$24,635 | 137.5% | \$6,674 | 97.3% |
| Honolulu | \$57,071 | 178.3% | \$2,448 | 80.5% | \$5,240 | 125.4% | \$40,689 | 227.1% | \$8,694 | 126.7% |
| Lancaster, Calif. | \$37,149 | 116.1% | \$2,448 | 80.5% | \$4,865 | 116.4% | \$21,686 | 121.0% | \$8,150 | 118.8% |
| Los Angeles | \$62,636 | 195.7% | \$2,448 | 80.5% | \$6,132 | 146.7% | \$45,824 | 255.7% | \$8,232 | 120.0% |
| Reno, Nev. | \$37,879 | 118.4% | \$2,448 | 80.5% | \$4,632 | 110.8% | \$23,380 | 130.5% | \$7,419 | 108.1% |
| Southwest/Mountain | | | | | | | | | | |
| El Paso, Texas | \$29,894 | 93.4% | \$2,448 | 80.5% | \$4,377 | 104.7% | \$16,443 | 91.8% | \$6,626 | 96.6% |
| Fort Collins, Colo. | \$31,446 | 98.3% | \$2,736 | 89.9% | \$4,507 | 107.8% | \$17,645 | 98.5% | \$6,558 | 95.6% |
| Lake Havasu City, Ariz. | \$34,868 | 109.0% | \$2,610 | 85.8% | \$4,479 | 107.2% | \$20,667 | 115.3% | \$7,112 | 103.7% |
| Pinehurst, Idaho | \$27,367 | 85.5% | \$2,674 | 87.9% | \$4,182 | 100.0% | \$14,356 | 80.1% | \$6,155 | 89.7% |
| Salt Lake City | \$32,033 | 100.1% | \$2,808 | 92.3% | \$4,442 | 106.3% | \$18,294 | 102.1% | \$6,489 | 94.6% |
| Midwest | | | | | | | | | | |
| Highland, Mich. | \$34,043 | 106.4% | \$2,448 | 80.5% | \$5,394 | 129.0% | \$19,118 | 106.7% | \$7,083 | 103.3% |
| Rapid City, S.D. | \$26,398 | 82.5% | \$2,448 | 80.5% | \$4,182 | 100.0% | \$13,607 | 75.9% | \$6,161 | 89.8% |
| Shawnee, Okla. | \$24,988 | 78.1% | \$3,181 | 104.6% | \$4,414 | 105.6% | \$10,960 | 61.2% | \$6,433 | 93.8% |
| Verndale, Minn. | \$30,176 | 94.3% | \$2,448 | 80.5% | \$4,605 | 110.2% | \$16,416 | 91.6% | \$6,707 | 97.8% |
| Southeast | | | | | | | | | | |
| Augusta, Ga. | \$24,178 | 75.6% | \$3,033 | 99.7% | \$4,650 | 111.2% | \$10,175 | 56.8% | \$6,320 | 92.1% |
| Columbia, S.C. | \$26,042 | 81.4% | \$2,625 | 86.3% | \$4,280 | 102.4% | \$12,747 | 71.1% | \$6,390 | 93.1% |
| Cape Coral, Fla. | \$38,415 | 120.0% | \$2,448 | 80.5% | \$4,554 | 108.9% | \$24,508 | 136.8% | \$6,905 | 100.7% |
| Hessmer, La. | \$26,616 | 83.2% | \$3,036 | 99.8% | \$4,869 | 116.5% | \$12,057 | 67.3% | \$6,654 | 97.0% |
| Atlantic/New England | | | | | | | | | | |
| Fairfax, Va. | \$44,941 | 140.4% | \$2,603 | 85.6% | \$4,645 | 111.1% | \$30,162 | 168.3% | \$7,531 | 109.8% |
| New York | \$55,946 | 174.8% | \$2,463 | 81.0% | \$5,441 | 130.2% | \$39,278 | 219.2% | \$8,764 | 127.8% |
| Egg Harbor City, N.J. | \$45,423 | 141.9% | \$2,743 | 90.2% | \$5,272 | 126.1% | \$30,547 | 170.5% | \$6,861 | 100.0% |

Note: This exhibit shows how much more or less it would cost for a family of four to live in different cities while maintaining the same standard of living.
Source: Runzheimer International, Runzheimer's Living Cost Index, February 2008

show that it generally costs a little extra to live in Alaska – and in some cases more than just a little.

ACCRA index says Alaska cities cost more

Every quarter the ACCRA⁵ Cost of Living Index provides comparisons of living costs for about 300 urban areas in the United States. ACCRA's focus is on professional and managerial households with incomes in the top 20 percent for the area and is often used by companies trying to equalize pay for their employees in different locations.

⁵ The ACCRA Cost of Living Index was originally produced by the American Chamber of Commerce Researchers Association. It's now produced by The Council for Community and Economic Research, but the index's name hasn't been changed.

The data used in the ACCRA index are collected in each city by organizations that volunteer for the task. As a result, there is more room for error than in some surveys and ACCRA encourages users not to use the percentage differences produced by the index as exact measures.

The most recent ACCRA data include three Alaska cities – Anchorage, Fairbanks and Kodiak – and indicate that all three are at least 23 percent more expensive than the average city in the index. (See Exhibit 7.) Until recently, Juneau was regularly included in the index and was generally the most expensive of the Alaska cities studied.

The three Alaska cities are more expensive than average in every category – groceries, housing,

critics and those trying to understand what's behind changes to the overall CPI.

What's more, there's an especially wide range of dollar amounts that consumers spend on housing, making it more likely that a person's individual expenses will differ from the calculated average.

Some people have paid off their home loans and pay only property taxes and maintenance costs, neither of which are likely to change significantly with the vagaries of housing markets. Others spend very little on housing because they live with parents or other relatives. On the other end of the spectrum, new homeowners can pay large monthly mortgage payments and see increases far in excess of those represented by the CPI.

Where is inflation headed?

Whether inflation will stay low is impossible to predict with any certainty, but it appears unlikely. Most forecasts for U.S. inflation are generally higher, due to the current trends in both energy and food costs, and in three out of the first four months of 2008³ the national CPI has been up at least 4 percent over the year.

The higher national inflation has been driven largely by rising energy and food prices, increases Anchorage is unlikely to escape. Consultants for the Alaska Permanent Fund Corporation, which uses the CPI to make sure the principal of the Permanent Fund keeps up with inflation, have forecasted a 2.8 percent U.S. inflation rate for the next five years.⁴ Anchorage data for the first half of 2008 will be released in late July.

³ The national CPI is produced every month. Monthly CPI data are also available for the nation's four Census regions (Northeast, Midwest, South and West) and for three major metropolitan areas. Data for 11 metropolitan areas are published every other month. Anchorage is in a group of 13 smaller metropolitan areas for which data are published every six months.

⁴ The forecast comes from the investment consulting firm, Callan Associates.

Alaska Cities Generally More Expensive ACCRA¹ cost of living index, first quarter 2008



| | All Items Index Costs | Grocery Items | Housing | Utilities | Transportation | Health Care | Miscellaneous Goods and Services |
|-----------------------------|--------------------------------|------------------|---------|-----------|----------------|----------------|--|
| Anchorage | 126.6 | 142.7 | 138.0 | 109.8 | 102.7 | 125.3 | 123.2 |
| Fairbanks | 133.3 | 125.7 | 149.1 | 170.6 | 108.2 | 139.8 | 117.9 |
| Kodiak | 123.4 | 148.5 | 116.3 | 144.7 | 115.3 | 128.8 | 115.8 |
| West | | | | | | | |
| Portland, Ore. | 119.9 | 108.2 | 138.9 | 101.3 | 109.4 | 105.5 | 117.9 |
| Honolulu | 165.3 | 164.0 | 249.1 | 138.5 | 117.1 | 109.8 | 120.5 |
| San Francisco | 173.6 | 131.4 | 292.7 | 96.6 | 114.5 | 118.6 | 131.1 |
| Las Vegas | 110.6 | 99.0 | 136.7 | 99.5 | 101.4 | 104.7 | 98.3 |
| Southwest/Mountain | | | | | | | |
| Cedar City, Utah | 91.7 | 95.6 | 89.6 | 82.4 | 96.0 | 88.6 | 93.8 |
| Phoenix | 101.6 | 103.8 | 101.0 | 94.7 | 98.7 | 99.0 | 104.7 |
| Denver | 105.1 | 104.7 | 111.4 | 103.4 | 92.8 | 104.0 | 104.2 |
| Dallas | 91.9 | 100.6 | 72.1 | 99.1 | 100.6 | 103.0 | 100.0 |
| Midwest | | | | | | | |
| Minneapolis | 109.3 | 124.4 | 117.7 | 105.4 | 96.8 | 104.2 | 101.8 |
| Cleveland | 95.1 | 100.5 | 84.5 | 101.0 | 101.7 | 104.0 | 97.7 |
| Chicago | 111.5 | 107.9 | 129.0 | 118.0 | 109.2 | 103.3 | 96.9 |
| Southeast | | | | | | | |
| Orlando, Fla. | 102.1 | 106.5 | 93.5 | 102.1 | 105.5 | 95.2 | 108.1 |
| Mobile, Ala. | 93.6 | 104.1 | 76.1 | 105.7 | 96.4 | 88.4 | 101.7 |
| Atlanta | 97.6 | 96.4 | 94.0 | 90.3 | 105.0 | 103.6 | 100.3 |
| Atlantic/New England | | | | | | | |
| New York (Manhattan) | 218.8 | 141.0 | 404.9 | 150.1 | 124.8 | 129.1 | 142.0 |
| Boston | 134.0 | 121.6 | 160.5 | 130.4 | 108.5 | 136.2 | 123.8 |
| Philadelphia | 122.6 | 126.5 | 140.6 | 118.5 | 105.2 | 108.6 | 113.3 |

Note: Index numbers represent a comparison to the average for all cities for which ACCRA volunteers collected data.

¹ The ACCRA Cost of Living Index was originally produced by the American Chamber of Commerce Researchers Association. It's now produced by The Council for Community and Economic Research. The focus of the index, which has been published since 1968, is on professional and managerial households with incomes in the top 20 percent for the area.

Source: ACCRA Cost of Living Index

The CPI can't be used for geographic comparisons

The CPI gives the most authoritative answer to how much prices are rising over time in a particular location, but it is not designed to say whether one location is more expensive than another. Index numbers for the U.S. CPI are higher than they are for Anchorage, but that only means that prices have increased more nationally than they have for Anchorage since the 1982-1984 base period (when the index was set at 100).

Studies and surveys designed to compare the cost of living in different locations continue to