

NEW AMENDMENT #2

OFFERED IN THE HOUSE

BY REPRESENTATIVE GARA

TO: CSHB 317 (FIN)

Page 2, line 17:

Delete "\$5,805"

Insert "5,830"

Page 2, lines 21-22:

Delete "5,930 [\$5,805]"

Insert "5,980 [\$5,830]"

## **Inflation Proofing the Base Student Allocation**

Distributed by Rep. Gara

The current scheduled increase to the BSA in FY 11 is \$100 raising it to \$5,680. HB 317 proposes to change the annual BSA increase to \$125. But inflation has outpaced both the \$100 and \$125 increases in recent years. In Anchorage, the cost of living has risen, on average, by 2.7% over the past three years. The FY 10 and FY 11 increases of \$100 reflect an approximate 1.8% annual BSA increase and the proposed \$125 annual increases would be approximately a 2.2% increase.

### Actual BSA Increases Compared to an Inflation-Adjusted Increase

	Actual BSA Increase	Actual Total BSA	Inflation Adjusted Increase	Inflation Adjusted Total
FY 09	\$100	\$5,480	\$145	\$5,525
FY 10	\$100	\$5,580	\$148	\$5,628

### Future Inflation-Adjusted BSA Increases (assuming a 3-year average 2.7% inflation rate)

	BSA Increase to Match CPI (2.7%)	BSA
FY 11	\$151	\$5,731
FY 12	\$155	\$5,886
FY 13	\$159	\$6,045

# The Cost of Living in Alaska

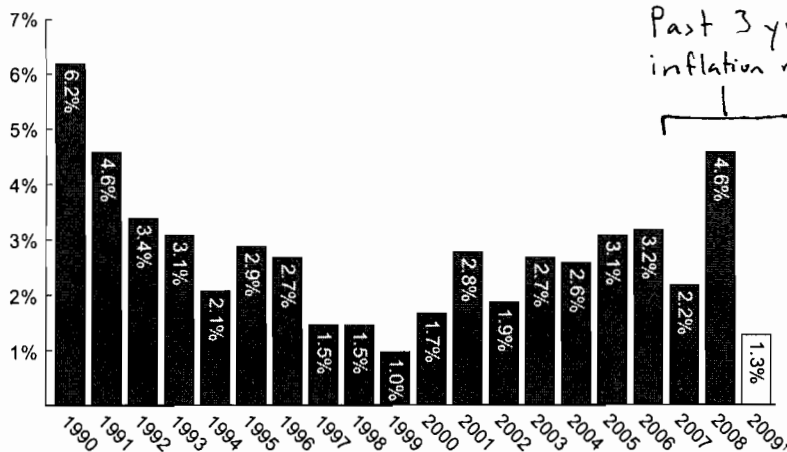
By Neal Fried, and  
Dan Robinson,  
Economists

## Volatile energy prices and a new geographic study

**I**n Alaska, oil prices are usually discussed in the context of their impact on state revenue and budgets. With no state sales or income taxes, oil generates the dominant share of what state government spends.

But oil prices also have a large effect on consumer prices in a state where heating homes and transporting goods are major expenses. Oil prices shot up above \$140 in 2008 before falling back to around \$30 later in the same year. That unprecedented volatility affected Alaskans' household expenses in a variety of ways.

### 1 Energy Accounts for Recent Volatility Change in Anchorage CPI-U, 1990 to 2009



<sup>1</sup> The CPI for 2009 is the percent increase in the index from the first half of 2008 to the first half of 2009. All of the other percentages are the average of the index increases from the first and second halves of the previous years.

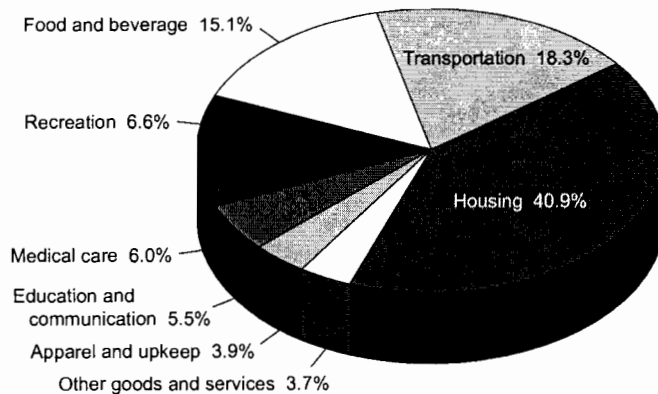
Source: U.S. Department of Labor, Bureau of Labor Statistics

### Two ways to look at the cost of living

There are two basic ways to look at the cost of living. One is to examine the changes in prices over time. For that, the Consumer Price Index<sup>1</sup> is the most frequently used. It's referred to generically as the inflation rate and is used to adjust salaries and rents, among other things, so they keep pace with inflation.

The other way to measure the cost of living is to compare the costs of different locations during the same time period. This is the type of information that helps a person trying to decide whether it makes economic sense to relocate from one city to another or a company trying to equalize wages for employees in different cities. There are a variety of these types of measures available.

### 2 Most is Spent on Housing CPI weighting, December 2008



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

### High 2008 inflation, then a big drop in 2009

The Anchorage CPI<sup>2</sup> rose 4.6 percent in 2008 – the highest annual increase since 1991 – be-

<sup>1</sup> All references to the CPI in this article are to the CPI-U (Consumer Price Index for all Urban Consumers), produced by the U.S. Department of Labor's Bureau of Labor Statistics unless otherwise specified.

<sup>2</sup> Anchorage is the only Alaska city for which a consumer price index is calculated. A national CPI is produced every month and 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 smaller metropolitan areas are produced every two months. Anchorage is in a group of 13 smaller metropolitan areas for which data are published every six months.