HJR

22

Alaska State Legislature

REPRESENTATIVE BILL HUDSON

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COMMITTEES:
Transportation
Resources
Foreign Trade

FINANCE SUBCOMMITTEES
DOT/PF
C & RA

February 11, 1991

Representative Gene Kubina,
Chairman
House State Affairs Committee
Alaska State Legislature
Juneau, Alaska

Dear Representative Kubina:

HJR 22, relating to the cost-of-living adjustment for federal employees in Alaska, was referred to the House State Affairs Committee this morning.

It would be very much appreciated if you would schedule this resolution for deliberation by the House State Affairs Committee.

I have attached a copy of several news articles discussing the issue, together with a copy of the resolution.

Also enclosed is a copy of the Runzheimer International report to the Office of Personnel Management on "Living Cost Differences in Alaska, Hawaii, and other Selected Nonforeign Overseas Areas."

HJR 22 requests the Office of Personnel Management to conduct another cost-of-living study for federal employees in Alaska, factoring in Alaska's higher costs for energy, medical care and services, and transportation. Through this resolution, the 17th Alaska Legislature asks that the cost-of-living in Alaska be compared to the national average cost-of-living. The cost-of-living in Alaska should not be compared to a major urban city that does not have the same unique geological, economic and cultural aspects.

Your favorable consideration for the calendaring of HJR 22 for deliberations will be very much appreciated. If you or your staff need further information or if there are questions, please contact me or Landa Holtan at 3744.

Respectfully,

Bill Hudson

BH:lh

Enclosures

2/13/91 STATUS OF COLA

I'VE JUST HAD A PHONE CALL FROM FRANCES SMITH, AREA MANAGER FOR OPM IN ANCHORAGE, IN WHICH SHE SHARED THE LATEST ON COLA. ONE SUBJECT WAS THE RESULTS OF NEGOTIATIONS BETWEEN OPM AND OMB AND THE SECOND WAS ABOUT A MEETING SENATOR STEVENS HELD WITH EMPLOYEE REPRESENTATIVES AND AN ANCHORAGE FEDERAL EXECUTIVE ASSOCIATION MEMBER IN ANCHORAGE YESTERDAY.

OPM AND OMB HAVE AGREED TO FREEZE COLA AT PRESENT LEVELS AND COMPLETELY RERUN THE SURVEY BUT ONLY AFTER EMPLOYEES HAVE HAD A CHANCE TO COMMENT ON THE SURVEY DATA COLLECTION METHODOLOGY. THEY WILL FIRST PUBLISH THE RUNZHEIMER REPORT IN THE FEDERAL REGISTER (FEB,22) AND ALLOW 90 DAYS FOR COMMENTS ON THE REPORT AND IT'S MOETHODOLOGY. THE SECOND STEP WILL BE TO ANALYZE ALL COMMENTS AND FORMULATE A NEW COST DATA COLLECTION METODOLOGY BASED ON THOSE COMMENTS. THEY ESTIMATE THIS PROCESS WILL REQUIRE AN ADDITIONAL 60-90 DAYS. THE THIRD STEP WILL BE TO PUBLISH THE NEW METHODOLOGY IN THE FEDERAL REGISTER FOR 90 DAYS. THE FOURTH STEP WILL BE TO CONDUCT A NEW SURVEY USING THE NEW METHODOLOGY. LOGICALLY WE ARE LOOKING AT AT LEAST A YEAR BEFORE THE NEW SURVEY DATA WILL BE AVAILABLE.

SENATOR STEVENS COVERED THE HISTORY OF COLA AND CONVEYED MUCH OF THE INFO LISTED ABOVE ABOUT OPM/OMB NEGOTIATIONS. HE STRESSED SEVERAL POINTS THAT WE NEED TO PASS ON:

(1) IT IS VITAL THAT FEDERAL EMPLOYEES USE THE 90 DAY COMMENT PERIOD BEGINNING 2/22 TO TELL OPM WHAT THEY THINK OF THE RUNZHEIMER REPORT AND HOW THEY WANT THE NEXT SURVEY CONDUCTED.

(2) LITIGATION AT THIS POINT WOULD DO MORE HARM THAN GOOD. OPM IS TRYING TO HELP AND ANTAGONIZING THEM IS NOT THE ANSWER.

(3) IT IS TOO EARLY TO PUSH FOR THE USE OF POST DIFFERENTIAL OR WORK ON A LOCALITY PAY PROPOSAL. THOSE CAN BE CONSIDERED LATER IF THE CONTINUATION OF COLA IS NOT FEASIBLE.

CONGRESSMAN DON YOUNG MADE MANY OF THESE SAME COMMENTS WHEN HE MET WITH EMPLOYEES IN JUNEAU YESTERDAY.

COPIES OF A LETTER SIGNED BY SENATORS STEVENS AND MURKOWSKI AND CONGRESSMAN DON YOUNG PLUS RECENT PRESS RELEASES BY STEVENS AND YOUNG HAVE BEEN FAXED TO ALL AREAS FOR DISTRIBUTION. COPIES OF A 43 PAGE SUMMARY OF THE RUNZHEIMER REPORT ARE ALSO AVAILABLE FOR REVIEW. WE UNDERSTAND THE ENTIRE 395 PAGE REPORT WILL BE PUBLISHED IN THE FEDERAL REGISTER.

RUNZHEIMER INTERNATIONAL

REPORT TO THE

OFFICE OF PERSONNEL MANAGEMENT

ON

LIVING COST DIFFERENCES IN ALASKA, HAWAII, AND OTHER SELECTED NONFOREIGN OVERSEAS AREAS

1990

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December 17, 1990

1. Executive Summary

After several hundred hours of statistical design, thousands of research and survey calls, and analyzing over ten thousand price quotes, the entire effort can be summarized into 32 indexes.

These 32, 16 indexes for each of the two computational methodologies used, represent the total cost comparisons between the 11 allowance areas and the Washington, D.C. area. Cost comparisons based on local price levels have been completed for all 11 allowance areas. In five of these allowance areas, a second cost comparison has been completed to reflect purchases made in military exchanges and commissaries.

The final cost comparison indexes are shown below:

PART 1 METHODOLOGY
FINAL COST COMPARISON INDEXES

	Local Pricing	Exchange & Commissary
1. Anchorage, AK	99.09	96.49
2. Fairbanks, AK	103.42	100.04
3. Juneau, AK	107.45	
4. Guam	107.07	101.07
5. City and County of Honolulu, HI	120.39	115.00
6. Hawaii County, HI	104.86	
7. Kauai County, HI	116.08	
8. Maui County, HI	119.58	
9. Puerto Rico	102.02	100.82
10. St. Croix, VI	107.33	
11. St. Thomas, VI	114.81	

PART 2 METHODOLOGY
FINAL COST COMPARISON INDEXES

	Local Pricing	Exchange & Commissary
1. Anchorage, AK	99.09	96.68
2. Fairbanks, AK	103.00	99.80
3. Juneau, AK	106.15	
4. Guam	107.56	101.79
5. City and County of Honolulu, HI	119.45	114.34
6. Hawaii County, HI	104.36	
7. Kauai County, HI	114.90	
8. Maui County, HI	118.31	
9. Puerto Rico	101.24	100.24
10. St. Croix, VI	107.28	
11. St. Thomas, VI	113.40	

In appropriate sections throughout the report, we have included indexes and weighting patterns for both the component and category levels, as well as noting the minor differences between the Part 1 and Part 2 methodologies. These interim results enable the reader to understand how we derive the final indexes.

The only places in the study where we had some concerns about its adequacy are the housing analyses in Puerto Rico and the Virgin Islands. See Sections 5.3.1, 5.3.3. and 5.4.1. for more detailed explanations of these situations.

For confidentiality purposes, this report does not contain basic price data, outlet identification or specific data sources.

2. Introduction

2.1 Report Objectives

This report represents the culmination of Tasks 1 and 2 of the contract OPM-90-0705 between the Office of Personnel Management and Runzheimer International.

Task 1 of the contract is the design of a model to estimate comparative living costs between the following areas and the Washington, D.C. area:

1. Anchorage, AK
2. Fairbanks, AK
3. Juneau, AK
4. Guam
5. City and County of Honolulu, HI
6. Hawaii County, HI
7. Kauai County, HI
8. Maui County, HI
9. Puerto Rico
10. St. Croix, VI
11. St. Thomas, VI

This report is divided into two parts. Part 1 conforms in principle to the final rules published by OPM on January 16, 1990 in the Federal Register (55 FR 1370), but includes technical refinements and improvements that Runzheimer has identified and recommended to OPM for future pricings. Part 2 of this report attempts to present living cost comparisons as specified in the above regulations. As seen in the final results, both methodologies produce similar results. Throughout the report, we note wherever differences occur due to Part 1 and Part 2 methodologies.

Task 2 of the contract is the collection and analysis of the cost data as specified in the economic model developed in Task 1. The analysis shows comparative cost differences for each of the allowance areas, with the final comparison being one composite index relationship to the Washington, D.C. area.

Included in this contract is the development of living cost comparisons between the following areas and the Washington, D.C. area for federal employees who have access to military commissaries and post exchanges:

1. Anchorage, AK
2. Fairbanks, AK
3. Guam
4. City and County of Honolulu, HI
5. Puerto Rico

Not all allowance areas have military commissaries and post exchanges. For this portion of the project, OPM identified the areas listed above as historically having significant military facilities, and federal employee usage of those facilities.

2.2 Project Time Schedule

The Office of Personnel Management awarded this contract to Runzheimer International on June 6, 1990. Documentation of the economic model and all living cost comparisons were to be completed on or before October 15, 1990. Contract modifications moved the completion to December 14, 1990. We are very pleased to have completed this project prior to the December 14 deadline.

2.3 Pricing Period

All price data used in this economic model were collected between 8/1/90 and 9/30/90. For items that might fluctuate in price within the pricing period and measurably impact the overall comparisons, we scheduled concurrent pricing efforts for all locations. For example, all gasoline prices were gathered during a three-day period.

2.4 Living Cost Components

In accordance with the above-mentioned federal regulations and our contract, the expense components we costed were:

(1) Consumption goods and services
(2) Transportation
(3) Housing
(4) Miscellaneous expenses

The impact of federal, state and local income taxes was excluded from this analysis. In addition, expenses directly related to education (e.g., tuition, books, rental expenses) were excluded from the analysis for several reasons. Educational opportunities vary significantly among locations in terms of availability, quality and other factors. Runzheimer analysts and OPM officials agreed that attempts to measure cost differences between areas would be highly subjective and accuracy or would not add to the integrity of the model

2.5 Organization of this report

This report is organized into eight sections. Section 1 is an executive summary which focuses on the final comparative cost indexes. Section 2 is introductory and contains general information about Tasks 1 and 2. Sections 3 through 7 contain a detailed explanation of Task 1, the design of the economic model and Task 2 data collection and analysis activities. Section 8 contains the final results, as well as observations and comments that Runzheimer International believes may be beneficial to future pricing and/or analytical activities of this contract.

3. Overall Model

3.1 Measurement of Living Cost Differences - Basic Concept

The most common and most widely accepted method of measuring the living cost differences between locations is to select representative items that people purchase in these locations and calculate their cost differences, combining them according to their importance to one another (as measured by percentage of expense). We use this basic concept to compare the living costs in each of the allowance areas to living costs in the Washington, D.C. area.

To move from this basic concept to computing comparative living costs between each allowance area and the Washington, D.C. area, we identify the five main processes or steps that we take:

Step 1 Identify the segment of the population for which this analysis is being targeted (i.e., the target population).

Step 2 Determine how these people spend their money.

Step 3 Select items to represent the expense categories for which these people spend their money.

Step 4 Conduct pricing surveys of the selected items in each area.

Step 5 Analyze cost ratios for the selected items and aggregate them according to each item's relative importance.

We address Steps 1 and 2 in Sections 3.1.1 and 3.1.2 respectively. The methods we use to complete Steps 3, 4 and 5 vary depending on the nature of the expenditures. Therefore, we address these steps in Sections 4, 5, 6 and 7, for the expense groupings of goods and services, housing, transportation and miscellaneous items respectively.

3.1.1 Target Population: Federal Employees

Our living cost model measured living cost differences for non-military federal employees with annual base salaries between $10,000 and $80,000, the appropriate salary range of the 1990 General Schedule of the Federal Government. Since living cost differences may vary depending on the income level of the employee, our model measured living costs at three income levels.

To select the income levels that most accurately represent the population of federal employees, we used the salary distribution of all General Schedule employees as of March 31, 1990 which was supplied by OPM officials. We then selected the midpoints of the lower, middle and upper thirds of this distribution as our three income levels ($18,000, $28,400 and $45,200 respectively).

Although a federal employee's salary may represent only a portion of a family's total income, Runzheimer and OPM officials believed that any recognition of outside income sources may unfairly bias the results. Therefore, whenever specific income levels were required, the model used the three income levels stated above.

3.1.2 Determination of Expenditure Patterns

3.1.2.1 Source of Expenditure Data

To determine how families with incomes of $18,000, $28,400 and $45,200 typically spend their monies, we used the most recent Consumer Expenditure Surveys (CES) produced by the U.S. Department of Labor, Bureau of Labor Statistics. Specifically, we used the "prepub" statistical reports from the 1988 CES dated February 13, 1990 (see Appendix 1) to form the basis for the expenditure pattern weightings throughout the study.

3.1.2.2 Income Level Adjustments

Because the most recent CES was based on 1988 expenditure levels, we adjusted our three 1990 incomes to 1988 levels before beginning our expenditure analysis. To calculate estimated 1988 income levels, we used the average percentage salary increases of federal employees for the two-year period in question as supplied by OPM officials (4.1% increase 1988-89 and 3.6% increase 1989-90, which result in a 7.85% two-year increase). This adjustment reduced the 1990 income levels to estimated 1988 levels of $16,700, $26,300, and $41,900.

3.1.2.3 Family Size Considerations

We did not assign a specific family size to each of our three income profiles. Instead, the number of members in each family (or "consumer unit" as the CES referred to them) was implicit in our expenditure weighting scheme (the average family size of the entire CES was 2.6).

We have addressed family size in this manner to enable the model to be easily and accurately updated whenever new expenditure survey data might be incorporated into it.

3.1.2.4 Analysis of 1988 Consumer Expenditure Survey

From the 1988 CES we used the statistical report entitled, "Table 2. INCOME BEFORE TAXES," which listed expenses for families earning similar incomes into one of eight income ranges. As shown below, we analyzed these data to develop typical patterns of expenditure for our three income profiles.

For our purposes, we selected seven income ranges that most closely matched our three income profiles:

$10,000 to $14,999
$15,000 to $19,999
$20,000 to $29,999
$30,000 to $39,999
$40,000 to $49,999
$50,000 and over
All respondents combined

The 1988 CES grouped expenses into small logical clusters of items. For example, money spent by families on beef was divided into four groups: ground beef, roast, steak and other beef. The roast and steak groupings were further separated into smaller groups of items (e.g., sirloin and round steak, chuck and round roast).

Using this survey of expenditure data, we separated these item groupings into the four main cost components as specified in the original RFP: goods and services, transportation, housing and miscellaneous expenses. We observed that families in the lower income ranges spent more of their money as a percentage of total expenses on goods and services and housing than families in higher income ranges. Also, families spent approximately the same percentage of their total expenses on transportation, regardless of income. Consequently, the miscellaneous component, which included such things as legal and accounting fees (Part 1 only), medical care expenses (Part 2 only), contributions, gifts to non-family members, pension funds, long-term savings and investments, and life insurance premiums increased as a percentage of total expenses as income increased.

To develop accurate and defensible weighting patterns for our three income levels, we used linear regression analysis on the selected 1988 CES data. Listed below are the results of our analysis:

PART 1 METHODOLOGY
COMPONENT EXPENSES EXPRESSED AS A
PERCENTAGE OF TOTAL EXPENSES

Income Level 1990	Est 1988	Goods & Services	Housing	Trans-portation	Misc.	Total
$18,000	$16,700	43.94%	24.35%	20.76%	10.95%	100.00%
$28,400	$26,300	42.24%	23.48%	20.33%	13.95%	100.00%
$45,200	$41,900	40.63%	22.66%	19.94%	16.77%	100.00%

PART 2 METHODOLOGY
COMPONENT EXPENSES EXPRESSED AS A
PERCENTAGE OF TOTAL EXPENSES

Income Level 1990	Est 1988	Goods & Services	Housing	Trans-portation	Misc.	Total
$18,000	$16,700	39.59%	24.35%	20.76%	15.30%	100.00%
$28,400	$26,300	39.15%	23.48%	20.33%	17.04%	100.00%
$45,200	$41,900	38.74%	22.66%	19.94%	18.66%	100.00%

We used the same linear regression technique to further separate transportation into public and private expense categories, goods and services into ten categories, and to provide accurate ratios of renters to homeowners at each income level.

Statistics on these component groupings are found in later sections of this report.

3.2 General Formulae

Throughout our economic model, we use the Laspeyres indexing methodology (a fixed set of marketbasket items and base location weights) to develop indexes. We deviate slightly from the strict interpretation of the Laspeyres index formula in several instances to provide more appropriate comparative cost indexes for each allowance area. For example, as discussed in Section 3.1.2.4, we used nationwide consumer expenditure data to determine survey items and their weights. Also, as required by OPM regulations, we used General Schedule employment and salary distributions in each allowance area to combine price data for each income group. We made other minor deviations as well. We highlight these methodology nuances wherever they occur.

Sections 4 through 7 explain the processes by which we develop the four main components: goods and services, housing, transportation and miscellaneous expense. The aggregation of these four components is explained below.

The goods and services, housing and transportation components are income-sensitive for both Part 1 and Part 2 methodologies (i.e., we generate a separate computation for each income

level). The miscellaneous expenses component is income-sensitive for the Part 2 methodology only.

At each income level, these component indexes (Part 1) or total-cost amounts (Part 2) are aggregated, based on the weighting patterns listed in Section 3.1.2.4. These aggregations are combined into one comparative cost index for each allowance area in the same proportion as the distribution of General Schedule employee salaries in each area. Using area-specific weighting patterns is inconsistent with a strict interpretation of a Laspeyres index methodology (which calls for the base location weighting pattern to be used for all areas). However, we feel that region-specific index weightings result in comparative cost indexes that more closely represent the living cost differences for the distribution of federal employees in each allowance location.

To account for commissary and exchange purchases in selected allowance areas (identified in Section 2.1), we created a second set of three goods and services indexes and calculated separate comparative cost indexes. These indexes reflected prices surveyed in military facilities and private sector outlets in the allowance areas. (See Section 4.2.4 for further discussion.)

A discussion of the Laspeyres indexing formula and the specific formulas used in this model are found in Appendix 2.

3.3 Data collection process

We used many different information-gathering approaches to accomplish the activities in Tasks 1 and 2 in the most efficient and effective manner possible. In this section, we describe the various approaches.

3.3.1 In-house Research Staff

Runzheimer research personnel at our corporate headquarters in Rochester, Wisconsin, played a major role in all data collection activities. These professionals:

* Contacted manufacturers, trade associations, governmental agencies, retail establishments, etc. to identify suitable items to price

* Contacted professionals in the real estate business in each of the costed locations to obtain general information as well as specific rental rates and home market values

* Conducted pricing surveys on many items

* Served as a vital liaison for field researchers

* Performed hundreds of quality control checks once the data had been collected; these checks often involved verification of the survey data through telephone calls.

* Analyzed and computed the category, component and total comparative cost indexes

3.3.2 Field Researchers - "Research Associates"

Collection of most price data was best accomplished through personal visits to retail outlets (e.g., grocery, clothing, furniture). For these activities, Runzheimer hired residents of each allowance area as independent contractors (our "research associates"). For years, Runzheimer has used this approach to data collection in over 80 countries worldwide in the measurement of living costs for its clients.

For this project, we supplemented our existing research associate network to cover each of the allowance areas and the Washington, D.C. area adequately. To avoid any perceived conflicts of interest, we did not hire persons as research associates who were either employees of the federal government, or who had immediate family who were employees of the federal government.

3.3.3 On-site Visits By Runzheimer Research Personnel

Full-time Runzheimer professionals travelled to each allowance area and the Washington, D.C. area to supervise the data collection activities and perform various quality control checks on the data. These visits took place during the two month pricing period.

These researchers travelled to living communities to observe housing accommodations personally and to talk to real estate professionals in each area. They also visited numerous retail outlets (including commissaries and exchanges) to verify item quality, selection and price levels in general.

In addition, these researchers met with the Runzheimer research associate(s) in each location to answer any data collection questions and to provide any additional training and instruction as necessary.

3.4 Editing and Quality Control Procedures

Runzheimer's extensive experience in measuring living cost differences enabled us to set up editing and quality control procedures at all stages of data collection and the analysis process.

The federal regulations stated in Section 591.205(b)(1)(i) that, "Whenever possible, exact brands and models are priced in each location." Every effort was made to satisfy this objective. (See Section 4.2 for a discussion of brand and model selection.) Nevertheless, in a number of the allowance areas the exact brands and models were either not readily

available or not available at all. In these instances, experienced editing decisions were needed.

We defined "editing" as the removal and/or replacement of a surveyed price quote based on consistent and logical criteria. In all areas, we were very concerned that items of lesser (or greater) quality than the specified item may inadvertently be included in our analysis and bias the results. Therefore, any price quote that appeared significantly higher or lower than the price levels of other price quotes for the item was flagged, checked, and if necessary, eliminated from the analysis.

It was undesirable to remove a missing item from a location analysis. Removing an item caused its item weighting to be distributed to the other items in the item's subcategory (or category when no subcategory exists). If the other items in the subcategory or category did not adequately represent the missing item, our research analysts assigned a price to the item based on all other available information. This type of editing was used on rare occasions. Generally, when an item price was missing, we resurveyed the item.

3.5 Pricing Surveys in Puerto Rico

Through salary distribution data provided by the OPM, we determined that 70% of the non-military federal personnel employed in Puerto Rico work at facilities within 10 miles of the city of San Juan. The remaining 30% was distributed throughout Puerto Rico without a particular concentration. It appeared, however, that most of these remaining employees were generally closer to Mayaguez, than any other larger Puerto Rican city. Therefore, we surveyed Mayaguez in addition to San Juan. To combine the prices from both cities, we used a 70% San Juan, 30% Mayaguez weighting.

3.6 Surveying The Washington, D.C. Area

OPM defined the Washington, D.C. area in the federal regulations as the Washington DC-MD-VA Metropolitan Statistical Area. Since federal employees who work in this area reside in Virginia, in Maryland, and in the District of Columbia, we selected retail outlets and living communities from all three areas. Our model gave equal weight to the average prices in each geographic area.

Because the Washington, D.C. area formed the basis of comparison for all allowance areas, we conducted substantially more pricing surveys in this area than in others. For the goods and services component, we surveyed approximately six times as many price quotes in the Washington, D.C. area as in the typical allowance area. For the housing, transportation and miscellaneous expense components, data collection was approximately triple that of the typical allowance area.

4. Consumption Goods and Services

4.1 Component Overview

The goods and services component consisted of family expenses related to the following ten categories of expense:

- Food At Home
- Food Away From Home
- Tobacco
- Alcohol
- Furnishings & Household Operations
- Recreation
- Clothing
- Domestic Service
- Medical Care (Part 1 only)
- Professional Services (Part 2 only)
- Personal Care

To aid in quality control and in analyzing future pricings, we further subdivided four of the largest categories into subcategories. The four subdivided categories were food at home, furnishings and household operations, clothing, and recreation. The specific subcategories were noted in Appendix 3.

From these ten categories of expense, we selected a marketbasket of items (products and services) to form the basis of our goods and services analysis. Each marketbasket item represented a specific group of related expense items. The relative importance (or weighting) of each item was determined from CES data. The average price of each marketbasket item in each allowance area was compared with the average price in the Washington, D.C. area. The price differences (expressed as percentages) were aggregated based on the item, subcategory and category weightings, resulting in a total goods and services component index at each income level.

Section 3.2 describes how these three component indexes are combined with the housing, transportation and miscellaneous expense indexes first (by income level) to arrive at the comparative cost index for each allowance area.

In each allowance area (except Puerto Rico), we gathered three price quotes for each item (and sometimes more than three) from the local economy, one from each of three different outlets. In Puerto Rico, we doubled the sample size by obtaining three price quotes for each item in both the San Juan and Mayaguez areas.

4.2 Marketbasket Research

4.2.1 Expenditure Research - Category Weightings

We tabulated the expense data from the 1988 Consumer Expenditure Survey according to the ten categories of goods and services. As in the component analysis (described in Section 3.1.2.4), we used the expense data from the seven most appropriate income ranges as input into a linear regression analysis. From that analysis, we calculated the category weightings for each income level as listed below:

PART 1 METHODOLOGY
CATEGORY WEIGHTINGS

Income Levels:	Lower	Middle	Upper
Food At Home	22.99%	20.73%	18.45%
Food Away From Home	14.37	14.92	15.47
Tobacco	2.82	2.35	1.87
Alcohol	2.63	2.59	2.54
Furnishings & Hsld Op	12.93	14.78	16.68
Clothing	12.83	13.84	14.87
Domestic Service	1.60	1.66	1.73
Medical Care	15.11	12.73	10.29
Personal Care	3.21	3.22	3.22
Recreation	11.51	13.18	14.88
Totals:	100.00%	100.00%	100.00%

PART 2 METHODOLOGY
CATEGORY WEIGHTINGS

Income Levels:	Lower	Middle	Upper
Food At Home	25.52%	22.38%	19.35%
Food Away From Home	15.95	16.09	16.23
Tobacco	3.13	2.54	1.96
Alcohol	2.92	2.79	2.67
Furnishings & Hsld Op	14.35	15.95	17.49
Clothing	14.24	14.93	15.59
Domestic Service	1.78	1.79	1.81
Professional Services	5.77	5.84	5.91
Personal Care	3.57	3.47	3.38
Recreation	12.77	14.22	15.61
Totals:	100.00%	100.00%	100.00%

4.2.2 Expenditure Research - Subcategory and Item Weightings

The expense data from the 1988 CES was also used to determine proper subcategory and item weightings and to identify marketbasket items. These subcategory and item weightings were derived from logical groupings of family expenditures. Unlike category weightings which vary by income level, subcategory and item weightings were computed from national aggregate expenditures only (i.e., all three income levels used the same set of subcategory and item weightings) as this approach is the most common in other similar public and private sector cost-of-living analyses.

Our expenditure research process included procedures to ensure that no marketbasket item had an overwhelmingly large or insignificantly small item weighting.

4.2.3 Marketbasket Item Specifications

From each logical expense grouping, we selected one or more marketbasket items to represent all items in the grouping. When selecting specific items for the marketbasket, we worked to satisfy these three criteria:

* Items should be readily available in all locations if at all possible.
* Item price levels should logically represent the price levels of unselected items in the "logical grouping."
* Items should have the same or nearly the same application in all locations.

Appendix 3 is a list of our marketbasket items. Once an item was selected, our research analysts identified the specific brand and/or model/size of each item that was available in most (if not all) locations. This research involved contacting manufacturers, trade associations, retail establishments, etc. For some items, creating item specifications was quite straightforward because of the nature of the item (e.g., bread, sirloin steak, aspirin).

Section 4.4.2 contains pricing forms that list item specifications.

4.2.4 Exchange and Commissary Expenditure Research

We used the same marketbasket items for our pricing of commissaries and exchanges that we used for the local pricings. We obtained one price quote for marketbasket items found in these facilities. We did not however, gather data from other military facilities (e.g., barber shop, movie theater, golf course, doctor, dentist).

We did not assume that people with access to military facilities made all purchases in these facilities. Instead, we used OPM's 1980 Living Pattern Surveys of federal employees to determine the percentage of purchases that families typically spent in military facilities versus local outlets. These percentages were used to appropriately aggregate the local and commissary/exchange prices into one set of composite prices. (The composite prices were compared to the local prices in the Washington, D.C. area just as each allowance area's local prices were.)

See Appendix 4 for the local economy versus military facility spending patterns.

4.3 Outlet Selection

Proper outlet selection was crucial to measuring living cost differences accurately because misjudgments can seriously affect survey results. We focused on three key guidelines to ensure proper outlet selection. First, for areas that had an abundance of outlets from which to choose, we identified outlets from several different geographic areas. In the Washington, D.C. area, for example, we selected outlets in and around six different geographic areas: that is, two areas in Virginia, two in Maryland and two in the District of Columbia.

Our second guideline was that for any one marketbasket item, all outlets were similar in type. For example, we surveyed food items in large grocery stores in all locations. It would have been inappropriate to gather prices from convenience stores in one location and from large grocery stores in another because this approach would have distorted price comparisons.

The last guideline involved the diversity of outlets in our sample. Although we did not wish to use dissimilar outlets in pricing any one item, we believed that pricing in different types of outlets more accurately portrayed living cost differences. For example, for efficiency we could have priced all clothing items in department stores in each location. However, to incorporate price levels at other types of outlets that sell clothing items, we surveyed some items in men's and women's clothing stores, department stores, shoe stores and discount department stores.

Our research analysts selected outlets by combining their own expertise with these resources:

* Personal experience of Runzheimer research associates and on-site travelling researchers
* Informal telephone interviews with knowledgeable residents in each area
* Yellow pages sections of area telephone books
* Area chambers of commerce and information bureaus

With new businesses constantly appearing (and old ones disappearing), outlet selection will be a never-ending process. Updating our outlet sample is a necessary and important part of each subsequent pricing.

4.4 Goods and Services Data Collection Procedures

4.4.1 Data Collection Materials

Our years of experience in designing effective data collection instruments enabled us to develop high quality instructional materials and data collection forms. Our instruction packet included topics such as:

* How to obtain permission to gather price data
* How to maintain survey confidentiality while pricing
* How to select suitable substitute items when necessary
* How to select suitable substitute outlets when necessary
* Retail industry terminology and nomenclature (e.g., store brand)
* Sketches of clothing items (e.g., infant sleeper, clutch purse, pumps)

All data collection forms included places for researchers to comment on each price quote and to "check" if the item was a substitute. This qualitative information was invaluable during the editing phase of the project. It enabled our research analysts to make informed decisions as to whether the substitute item should be included in the analysis or whether more research was needed. Appendix 5 contains all of our goods and services data collection worksheets.

4.4.2 Inclusion of Sales Taxes

For all items subject to sales tax, the appropriate amount of tax was added prior to analysis. We also included all applicable sales taxes to items that were part of the other living cost components.

4.5 Goods and Services Survey Results

In Section 3 of this report, we presented a detailed explanation of the economic model that we used to analyze the goods and services price data. To summarize this model, average prices of marketbasket items in each allowance area were compared to average prices in the Washington, D.C. area. The resulting price ratios were aggregated into subcategory and then category indexes using the expenditure weightings as derived from the 1988 CES.

For each allowance area, Appendix 6 contains tables showing the ten category indexes, the three weighting patterns, and the three total goods and services indexes. No table is needed for the Washington, D.C. area since it is by definition "the base location" where all category and component indexes are equal to an index of 100.

5. Housing

5.1 Component Overview

The housing component consisted of expenses related to owning or renting an accommodation. These expenses included mortgage or rent payments, utilities, real estate taxes, homeowners or renters insurance, home maintenance and telephone. At each of the three income levels, we measured annual housing costs under the two main housing conditions: home ownership and rental.

For the Part 1 methodology, we compared the annual costs of these six housing profiles (three incomes times two housing conditions) in each allowance area with costs in the Washington, D.C. area. We then combined the homeowner and renter cost ratios at each income level based on national expenditure weightings, resulting in three housing component indexes.

For the Part 2 methodology, the six annual housing costs are combined with annual costs of the other three components in each allowance area prior to making the comparison with cost levels in the Washington, D.C. area.

Section 3.2 describes how these housing results are combined with the goods and services, transportation and miscellaneous expense results to arrive at the comparative cost index for each allowance area.

5.2 Housing Model

5.2.1 Expenditure Research

In Section 3.1.2.4, we explained how the 1988 CES was used to identify the portion of expenses attributable to each of the four components. We also used this survey to determine the national average ratio of families who own as opposed to rent their residence. Using the expense data from the seven most appropriate income ranges as input into a linear regression analysis, we calculated own/rent weightings as listed below:

OWN/RENT WEIGHTINGS

Income Levels:	Lower	Middle	Upper
Homeowner with mortgage	37.10%	46.91%	62.86%
Renter	62.90	53.09	37.14
Totals:	100.00%	100.00%	100.00%

We excluded expenditure data for those families who were homeowners without a mortgage because these families were not typical of homeowners in the base area or in the allowance areas with the largest concentrations of federal employees.

The 1988 CES was also used to identify home maintenance items to price and the relative importance of each item.

5.2.2 Development of Housing Profiles

To accurately compare housing costs in all locations, we constructed a model that measured housing costs under six different circumstances. We identified six typical housing profiles. We matched these profiles to our three income levels in a reasonable and logical manner as listed below:

	Renter Profile	Owner Profile
Lower income level	3-1-1* 600 sq ft Apartment	4-2-1 900 sq ft Condo or detached house
Middle income level	4-2-1 900 sq ft Apartment	5-3-1.5 1300 sq ft Detached house
Upper income level	4-2-2 or 5-3-2 1100 sq ft, townhouse or detached house	7-3-2 1700 sq ft Detached house

* - Defined as "Total rooms - Bedrooms - Baths." Total rooms excludes bathrooms, hallways, entrance areas and closets, but includes bedrooms, living room, family room, kitchen, formal dining room and den/study.

We used these standard profiles to measure equal housing units in all areas, thereby striving for apples-to-apples comparisons. Then, when we analyzed the housing data, we measured living cost comparisons as objectively as possible.

5.2.3 Living community selection

We contacted real estate brokers, residential appraisers and other knowledgeable real estate professionals in each area to provide us with information regarding the predominant age(s), size(s) and type(s) of housing in various communities/housing subdivisions. When available and "appropriate" (as discussed below), we identified at least six communities (two at each income level) in each allowance area. For the Washington, D.C. area, we selected at least nine communities (three at each income level) from which to gather renter and homeowner data.

We used the information we received from our real estate sources to designate communities as being "appropriate" for our lower, middle and/or upper income profiles, or not appropriate at all. Typical reasons why a community might be deemed "inappropriate" were if the typical housing accommodations were either too poor in quality or too luxurious, or if there were not enough homes being bought and sold, or rented to establish accurate average price levels. Although our real estate contacts generally did not know average salary levels of typical residents, they quite often were able to compare communities, and judge whether one community was more "upscale".

than another based on the residents' various occupations and other more qualitative factors.

Appendix 7 shows our list of selected communities.

5.2.4 Identification and Quantification of Housing-Related Expenses

From the 1988 CES, we identified and categorized housing-related expense items into one of five groups: utilities, real estate taxes, owners/renters insurance, maintenance and telephone.

5.2.4.1 Utilities

For this study, we classified electric, heat (oil or gas), water and sewer as utilities. Although most utility companies had ready access to current charges per unit of consumption and average consumption patterns for all households, very few (if any) separated consumption patterns by number of family members in a household or by size/type of accommodation.

We focused on average consumption patterns per household. We gathered this information from utility companies serving each allowance area and the Washington, D.C. area. Combining this consumption data with current utility rates, we computed average annual utility costs for each of electric, gas or oil (whichever we found to be more widely used, if used at all), water and sewer. We then subjectively assigned this average consumption pattern to the homeowner profile at the middle income level.

Because some utility costs vary by size of the house and yard (e.g., heating, cooling, watering, possibly electricity), we calculated a multiplier consistent with the standard house sizes to arrive at the utility rates for the other five profiles. This methodology was a logical and plausible approach to a complex entity. The formula to calculate each multiplier was:

Multiplier = 1 + (.5 * (Standard square feet - 1300) / 1300)

The resulting utility multipliers are listed below:

	RENTER PROFILE		OWNER PROFILE	
	SQ FT	Multiplier	SQ FT	Multiplier
Lower income level	600	.73	900	.85
Middle income level	900	.85	1300	1.00
Upper income level	1100	.92	1700	1.15

5.2.4.2 Real estate taxes

Real estate tax formulas do not always translate directly into actual taxes paid by typical property owners. And in some cases, the formulas are applied in

such a way as to make it nearly impossible to recreate accurate tax rates.

For this study, we contacted the city assessor in each area to obtain the real estate tax information for the homeowner living communities. We encountered some very confusing real estate tax information. For example, taxes in San Juan were assessed based on the value of the home as of 1957. Homes built after 1957 were either "adjusted" back to the 1957 timeframe, or assessed in some other fashion.

In any event, we attempted to verify the calculated real estate tax amounts by checking actual taxes paid by property owners. Whenever we were not able to reconcile the formulas with actual taxes paid, we gathered sufficient data on actual taxes paid to develop an average ratio of taxes paid to current home values. This ratio was then applied to the average home value in that community to obtain an average real estate tax amount for the desired homeowner profile.

5.2.4.3 Owners/Renters Insurance

For the homeowner profiles, we gathered insurance rates covering structure and contents. For the renter profiles, we gathered rates covering contents only. Because land values and the extent of the coverage varied dramatically from location to location, in each area we worked with local insurance agents to identify and cost the most typical and appropriate coverage for each housing type.

5.2.4.4 Maintenance

Many factors were involved in measuring the cost of maintaining a home. Some of these factors are climate conditions, architecture and building materials, and the cost of maintenance materials and labor.

To find detailed maintenance "consumption patterns" (i.e., how much maintenance expense a home in various locations experienced), we contacted numerous federal and state agencies as well as universities, research institutes and other quasi-governmental groups. No reliable data source was found. Further, we found no indication that the maintenance requirements in one location was significantly higher due to climate or architectural characteristics alone.

Therefore, we developed maintenance costs based on the cost of maintenance materials and labor rates in each area. Our approach to maintenance was the same as our approach to goods and services, as explained below.

We used expenditure data from the 1988 CES to identify the national average maintenance expense, the maintenance items to survey, and the appropriate

item weighting. For renters (since most if not all maintenance items were handled by the landlord and therefore included in the rent), we did not include any maintenance costs for the three renter profiles.

To compute cost differences between each allowance area and the Washington, D.C. area for the homeowner profiles, we surveyed several building materials and maintenance labor rates to measure this small but noteworthy element of home ownership. Next, to establish our base location maintenance expense, we assigned the national average expense per household to the middle income homeowner profile.

Logically, maintenance costs for larger homes would be greater than costs for middle-size homes, while costs for smaller homes would be less. Therefore, in this study, we used the same homeowner multipliers as used in the utilities model (Section 5.2.4.1) for the lower and upper income profiles (.85 and 1.15 respectively) to recognize differences in maintenance costs due to house size.

5.2.4.5 Telephone

Telephone expenses consisted of local service charges, possible additional charges for local calls, and charges for any long distance calls. To measure estimated expenses for local service and local calls, where available, we surveyed the cost of touch-tone service with unlimited calling. (In Mayaguez, we used 120 local calls per month because unlimited calling was not available.)

To estimate long distance charges in all areas, we surveyed the cost of three ten-minute direct dial calls per month to large U.S. mainland cities (Los Angeles, Chicago and New York City) at the "evening" rate.

5.3 Housing Data Collection Procedures

5.3.1 Homeowner Data Collection

In the homeowner data gathering phase, we obtained sale prices of homes (called "comparable sales") that sold in 1990 in each area that matched our housing profiles. For every community and income level combination, we tried to obtain 10-15 recent comparable sales.

Appendix 8 is a copy of the data collection form.

To get this housing information, we recontacted the most knowledgeable and helpful real estate professionals in each location. In some cases, we obtained listings of all recent comparable sales in the area. In other cases, we obtained data over the telephone from one or more realtors and/or appraisers.

As mentioned in Section 3.3.3, Runzheimer research personnel conducted on-site visits to view housing units in the profiled communities. This firsthand input was very beneficial in determining whether the communities and the individual housing units were appropriate for inclusion in this study, and whether communities in one location were comparable to communities in other locations.

We had some concerns about the adequacy of housing data from the Virgin Islands of St. Thomas and St. Croix. A number of factors were present in these areas that made it difficult to precisely measure current home prices. Below are four factors that we encountered during the pricing:

1. Two housing markets. The large number of affluent retirees coming to the Virgin Islands coupled with a large tourism industry created the appearance that two housing markets existed: one for retirees and tourist rentals, another for working class residents. Most realtors did not monitor the small, less profitable local real estate market. The few home sales attributed to the local market were usually sold by word of mouth or through newspaper advertisements. (We gathered data from both "housing markets" to get a true picture of housing costs in the Virgin Islands.)

2. Basement apartments. Many of the homes in St. Thomas and St. Croix had basement apartments in them. Even the more luxurious homes were built with this arrangement. Although the rental unit (when it existed) would generate rental income to offset relatively-high mortgage payments, we did not attempt to impute an income stream from it.

3. Hurricane Hugo. Hugo's destruction on these islands was still evident. Through our on-site visit and our housing sources, we found a portion of the housing stock damaged or destroyed by the hurricane had yet to be rebuilt. It was the opinion of local realtors and appraisers that the shortage of adequate housing on the Virgin Islands would continue to be a factor in determining appropriate housing types and prices for several years to come.

4. Lack of housing data. Especially on St. Thomas, our attempts to obtain recent home sales were largely unsuccessful. We had little or no success in our data collection efforts through realtors and appraisers. Our next best source of data on recent home sales was the assessor's office. Through this channel, we received a small amount of data, as assessors in the Virgin Islands were at that time very busy with a reassessment.

As a result of these circumstances in St. Croix, and especially St. Thomas, we obtained less housing data than we considered to be definitive. Additional data gathered in future pricings will increase our confidence in the final results.

5.3.2 Previously-Purchased Homeowner Data Collection

Although the study's results were based only on recent comparable sales, OPM also requested that we obtain information on the appreciation/depreciation of homes in each

area since 1984. This information was often based on appraisers' opinions/historical reflections. We occasionally acquired comparable sales data from previous years.

Appendix 9 is a copy of the form for gathering historical data.

5.3.3 Renter Data Collection

In some areas, the same realtors and brokers who assisted us in our profiling phase were very active in the rental markets as well. When this occurred, we obtained current rental rates and fees for our profiled apartments, townhouses and houses from these sources.

We also contacted rental management firms that operated apartment complexes matching our profiling specifications. In large metropolitan areas such as the Washington, D.C. area where rental complexes abound, our housing analysts conducted telephone surveys to obtain current rental information.

In Puerto Rico, a considerable number of rental developments were accessible to residents who qualified for rental subsidies. Because not all residents of Puerto Rico qualified for these subsidies, we excluded subsidized developments from our housing database. However, the large presence of subsidized rentals -- and the ability of many residents to rent these units -- added a level of complexity to the true cost of housing in Puerto Rico.

Appendix 10 is a copy of the form for gathering rental data.

5.3.4 Housing Related Data Collection

The housing-related expense categories were identified and quantified in Section 5.2.4.

Appendix 11 contains the various housing-related data collection forms.

5.4 Housing Analysis

5.4.1 Homeowner Data Analysis

We used two techniques to analyze homeowner data. Linear regression analysis was used when the data on each comparable sale lists its interior living space in square footage (in addition to listing its number of total rooms, bedrooms and baths).

In communities where square footage information was not available from our data sources, we relied on our expertise to select groups of comparable sales that best matched the three housing profiles. We then computed the average (arithmetic mean) of each grouping as our average current home sale price in each community.

We computed annual mortgage costs (principle and interest payments) using typical

financing terms: 30 year mortgage, 80% financed, and current mortgage interest rates.

For St. Thomas, to develop home sale prices, we relied upon a small amount of housing data, opinions from realtors and appraisers, and our expertise in measuring housing markets. See Section 5.3.1 for detailed data collection information.

5.4.2 Rental Data Analysis

In almost all cases, we used the arithmetic average of rental units that matched our rental housing profiles to determine average rates. In rare instances when actual rental data were scarce, we also incorporated opinions from local real estate professionals regarding typical rental rates.

5.4.3 Analysis of Housing-Related Expenses

Because Section 5.2.4 covers the identification and quantification of housing-related expenses, these topics are not duplicated here.

However, it should be noted that we incorporated the home sale prices from this study into the calculations of real estate taxes and homeowners insurance.

5.5 Housing Survey Results

In Section 3, we presented a detailed explanation of the economic model that we used to analyze the housing and housing-related price data.

Appendix 12 contains tables showing the results. Appendix 13 shows the detailed calculations of housing cost elements in each area. Note that for Puerto Rico, San Juan and Mayaguez data are combined using a 70%/30% ratio, as explained in Section 3.5.

6. Transportation

6.1 Component Overview

The transportation component consisted of expenses related to public and private transportation. The public transportation category focused on the use of vans, buses or trains by the local population. The private transportation category contained expenses related to owning and operating a vehicle in each area.

Using national average expenditure weightings, we combined the public and private transportation relative cost differences between each allowance area and the Washington, D.C. area to arrive at a total transportation component index.

Section 3.2 describes how the transportation component index for each location is combined with the goods and services, housing and miscellaneous expense indexes to arrive at the comparative cost index for each allowance area.

6.2 Transportation Model

6.2.1 Expenditure Research

We used the 1988 CES to establish the relative importance of public versus private transportation expenses. National average expense data from the seven most appropriate income ranges were input into the linear regression analysis. The regression results for the three income levels of this study are listed below:

PUBLIC/PRIVATE TRANSPORTATION

Income Levels:	Lower	Middle	Upper
Public Transportation	5.20%	5.68%	6.45%
Private Transportation	94.80	94.32	93.55
Totals:	100.00%	100.00%	100.00%

6.2.2 Public Transportation Methodology

Our purpose for measuring public transportation costs was to identify and recognize any relatively low cost mass transportation alternative to private transportation in each area.

We conducted research into the availability of public transportation in each location. We found no viable public transportation in two locations: Guam and Maui County, Hawaii. In all other locations, we identified the most common type of public transportation (if more than one type was available) and calculated the cost for one typical one-way trip. The following is a listing of the type of public transportation that we costed:

Public Transportation

Anchorage, AK	Bus
Fairbanks, AK	Bus
Juneau, AK	Bus
Guam	None available
City and County of Honolulu, HI	Bus
Hawaii County, HI	Bus
Kauai County, HI	Bus
Maui County, HI	None available
San Juan, Puerto Rico	Bus
Mayaguez, Puerto Rico	None Available
St. Croix, VI	Van
St. Thomas, VI	Bus
Washington, D.C. (Maryland area)	Subway
Washington, D.C. (Virginia area)	Subway
Washington, D.C. (D.C. proper)	Subway

For all allowance areas except Guam and Maui, the cost of public transportation was compared with the average cost of a comparable one-way trip in the Washington, D.C. area. The result of this calculation became the public transportation category index. For Guam and Maui, the public transportation category index was assigned the same index as the private transportation index.

6.2.3 Private Transportation Methodology

Although the total transportation component is income sensitive, the private transportation category within this component was not designed to be income sensitive. We determined that an accurate and reasonable approach to measure private transportation costs was to select and analyze three commonly-driven vehicles (a domestic auto, an import auto and a truck) in all areas. Then, the cost ratios between each allowance area and the Washington, D.C. area were averaged to become the private transportation component index.

Private transportation cost calculations were developed using new vehicles as a basis. Although we could have developed costs from the premise that "identical" used vehicles would be purchased from auto dealers in each location, we believed that costing new vehicles reduced the potential for inconsistencies due to value judgements concerning used vehicles.

6.2.3.1 Vehicle Selections

As mentioned above, we selected a domestic auto, an import auto and a truck as the three basic vehicle types to be costed in all locations. Our selection of these vehicle types was made based on the popularity of these types of vehicles in the United States as reflected in owner registration data.

To identify a specific make and model within each vehicle type, we researched the top selling models in each car class. From the top selling models, we

selected the three vehicles below:

```
Domestic Vehicle - 1990 Ford Taurus L  4 door sedan 2.5L 4 cyl
Truck            - 1990 Chevrolet S10 Blazer 4X4 2 door 4.3L 6 cyl
Import Vehicle   - 1990 Honda Civic DX 4 door sedan 1.5L 4 cyl
```

- The 1990 Honda Civic was not available in Guam (because Honda's in Guam were shipped from Japan, and the Civic was not manufactured in Japan in 1990). However, we estimated annual costs for the Civic in Guam based on prices of other Honda models that were available.

All vehicles were equipped with standard options such as automatic transmission, AM/FM stereo radio and air conditioning. In addition, based on our research findings, we included engine block heaters and heavy duty batteries in Fairbanks.

Vehicle rustproofing was not recommended by car dealers in the Washington, D.C. area. However, it was suggested or recommended in allowance areas. Therefore, rustproofing was included as an add-on "option" in allowance areas, but not in the Washington, D.C. area.

6.2.3.2 Vehicle Trade Cycle

When calculating the cost to own and operate a vehicle, two important factors must be determined: miles driven and time period of ownership. In the automobile industry, these two factors are known collectively as a vehicle's "trade cycle." The trade cycle is stated as a length of time either in months or years, and the total number of miles driven in that time period (e.g., four-year 60,000 mile trade cycle). This information is required to compute annual costs related to fuel, oil, tires, maintenance and depreciation.

In our study, we used a four-year 60,000 mile trade cycle in all areas after our research uncovered the following information:

* The Internal Revenue Service has for many years used this trade cycle to compute the allowable cents per mile reimbursement rate for persons who use their personal vehicle for business use.

* The four-year time period coincides with the typical length of a vehicle loan.

* From 1988 U.S. Department of Energy statistics, the U.S. average number of vehicle miles driven was: 18,595 miles per household, and 10,246 miles per vehicle.

Our biggest concern as we researched trade cycles was the possibility that one or more allowance areas averaged more miles driven per year than other locations (which would incrementally increase their cost of private transportation over other locations).

We found no conclusive statistics regarding average annual miles driven per vehicle in any allowance area. To obtain some type of information, we contacted car dealers to get their opinions regarding average odometer mileage on trade-in vehicles. We also informally asked other residents of each area for their opinions.

From the opinions we gathered, in most cases the average miles driven in allowance locations appeared to be less than or equal to 15,000 miles per year. In the Washington, D.C. area, opinions were generally at or above the 15,000 miles per year figure. Therefore, without definitive statistics to prove otherwise, we selected an annual miles driven of 15,000 miles in all locations, a four-year 60,000 mile trade cycle).

6.2.3.3 Fuel Performance and Type

To establish average fuel performance ratings, we used the "city driving" figures as published by the Environmental Protection Agency (EPA). We used the "city" instead of "highway" figures because all locations contained considerable stop-and-go driving patterns.

With regard to variations in fuel performance due to climate, terrain or other factors, we found no current and applicable studies or other published documents. Therefore, we used the same fuel performance rating in all areas except Fairbanks. There, the opinions (although generally very qualitative) consistently pointed to reduced fuel performance due to extremely cold and long winters. To recognize Fairbanks' rather unique circumstances, we subjectively decreased the "city driving" EPA miles per gallon ratings for each vehicle by 10%.

All vehicles included in this study used regular unleaded fuel. We obtained self service cash prices, and substituted full service when self service was not available.

6.2.3.4 Vehicle Maintenance

We selected the five most common maintenance service/repair jobs performed on vehicles as the basis for our vehicle maintenance analysis. The five maintenance jobs were: tune-up, oil change, automatic transmission fluid change, flush/fill coolant, and muffler installation. The recommended frequency of performing each of these jobs was combined with the prices charged by local dealers and service stations to compute an estimated annual

maintenance expense.

Based on manufacturers' recommendations, opinions by service managers and mechanics at car dealers and service stations, and our own expertise in this area, only Fairbanks qualified as a location that required significantly more frequent servicing than the other locations. Our analysis recognized Fairbanks' additional maintenance requirements through more frequent servicing of certain maintenance jobs.

6.2.3.5 Tires

We researched the possible reasons why tires might wear out sooner in one area over another. We contacted tire manufacturers, transportation agencies (road conditions and composition varied in different areas), and retail tire dealers. Our research showed that treadlife -- the average number of miles that a tire is expected to last -- was generally less in allowance areas than in the Washington, D.C. area due to a number of different reasons (e.g., road quality/state of repair, road composition). Based on these findings (some of which were quantitative), tire expenses were based on a 40,000 mile treadlife in allowance areas, and a 55,000 mile treadlife in the Washington, D.C. area.

6.2.3.6 License and Registration Fees, and Miscellaneous Tax

We obtained information regarding appropriate license and registration fees, and miscellaneous taxes (e.g., personal property tax, excise tax) from each area. One-time fees and miscellaneous taxes (not including sales tax) were divided equally over the vehicle's four year trade cycle. Ongoing fees and taxes were included as part of the annual costs.

6.2.3.7 Depreciation

From our experience, the single largest annual expense related to owning and operating newer vehicles is vehicle depreciation, the lost value of the vehicle as it ages and is driven. To calculate a vehicle's annual depreciation, we determine the price of the vehicle, the vehicle's trade cycle, and the residual value of the used vehicle when it is traded or sold. Then, we divide the difference between the purchase price and the residual value by the number of years the vehicle is owned to compute the average annual depreciation.

In the depreciation equation for this study, we first determined that suggested retail prices, plus any additional charges such as shipping, excise tax, dealer prep, and additional dealer markup would be used for the purchase prices. We did not feel that negotiated prices could have been collected on an equitable basis. Next, from Section 6.2.3.2, the trade cycle was determined to be four years, 60,000 miles. And finally, our research indicated that residual values were the same in all areas except Fairbanks. This research effort is explained

below.

We were aware that several firms and associations tracked and published used car and truck wholesale auction prices on a weekly or monthly basis. Some firms even published projections as to the future value of today's new vehicles. Most publications provided several residual values for each vehicle depending on its condition at the time of trade-in (e.g., clean, average, rough). Several common publications of this type were Black Book, Kelley Blue Book, Automotive Market Report, and NADA (National Automobile Dealers Association). Unfortunately, these sources only tracked auction prices for vehicles sold in the contiguous 48 states, and then published broad-based average residual values for each vehicle.

To get specific information from sources knowledgeable about the used vehicle markets in allowance areas, we contacted auto dealers and financial institutions in these areas. Most of the people we spoke with said that they used the above-mentioned publications as guides, just as dealers and financial institutions across the United States used them.

The only location in which we found evidence of lower used car and truck residual values was in Fairbanks. There, we were told, the severe climate and rough road conditions depreciated vehicles faster than in other areas. We agreed.

Except for Fairbanks, we found no conclusive evidence that used vehicles in allowance areas were (on average) worth more or less than used vehicles in the Washington, D.C. area. Therefore, we reported the same used vehicle prices in all areas (except Fairbanks). An appropriate and logical source for these values was the Black Book Official Finance/Lease Guide for 1990 vehicles. For Fairbanks, we used 90% of the Black Book projected residual values to reflect its rougher conditions.

It should be noted for clarification and information that identical residual values did not translate into identical depreciation amounts in all locations. Depreciation amounts were higher in allowance areas than in the Washington, D.C. area because new vehicle prices in all allowance areas were higher. For example, Anchorage new vehicle prices were the closest to Washington, D.C. prices, averaging 6% more, while Puerto Rico prices were the highest, averaging 39% more than Washington, D.C. prices.

6.2.3.8 Finance Expense

We included the average annual cost of financing a vehicle in the total cost of private transportation. We surveyed financial institutions in each area for their auto loan interest rates. We used a 48 month loan length with 80% financing in all locations.

6.2.3.9 Vehicle Insurance

We measured the cost of auto insurance in each location. For compatibility, we selected a typical set of insurance coverage limits to be used in all locations. The limits obtained for Hawaii, Alaska and the Washington, D.C. area are listed below:

Bodily Injury	$50,000/$100,000
Property Damage	$25,000
Medical	$5,000
Uninsured Motorist	$50,000/$100,000
Comprehensive	$100 Deductible
Collision	$250 Deductible

In all other locations, actual coverage limits varied slightly from the ones listed above.

Through insurance industry statistics, we identified the most popular insurance companies in each area from which we obtained insurance premium rates.

6.3 Transportation Data Collection Procedures

6.3.1 Public Transportation Data

We obtained prices for the public transportation services identified in Section 6.2.2 by calling each company or agency that provided the service.

Appendix 14 is a copy of the public transportation data collection form.

6.3.2 Private Transportation Data

Most data for private transportation elements were collected by in-house researchers.

Our research associates in the field collected new vehicle prices. At each auto dealership in our sample, we recorded the suggested retail prices of our three vehicles plus any additional charges such as shipping, excise tax, dealer prep, and additional dealer markup. We used these suggested retail prices (and not negotiated prices) in our analysis.

Appendix 15 contains all of our private transportation data collection forms.

6.4 Transportation Survey Results

In Section 3 of this report, we presented a detailed explanation of the economic model that we used to analyze the public and private transportation price data.

Appendix 16 contains tables that show: 1) the calculation of the private transportation index

(based on the average of the cost ratios of the three annual vehicles), and 2) the three total transportation indexes which are a combination of the one public and three private transportation category indexes.

Appendix 17 shows the annual cost amounts for the elements that make up the private transportation category. Note that for Puerto Rico, San Juan and Mayaguez data are combined using a 70%/30% ratio, as explained in Section 3.5.

7. Miscellaneous Expenses

7.1 Component Overview

The miscellaneous expense component was made up primarily of four unrelated groups of expenses: professional services (e.g., legal, accounting, financial, funeral)- Part 1 methodology only, or medical care - Part 2 methodology only, contributions (including gifts to non-family members), personal insurance, savings and investments, and pensions (including social security).

We believed that certain expense items in this component should not be measured in such a way as to cause living cost differences between locations. For example, we considered contributions to be personal choice, and should be included in all locations as a constant amount. Through research into all of the expenses of this component, we learned that expenses related to personal insurance, savings and investments, and pensions should be held constant as well, as explained in greater detail in Section 7.2.2.

To measure the miscellaneous component expenses, we constructed a pricing methodology similar to the one used in the goods and services component. We selected representative items for professional services (Part 1) or medical care (Part 2), priced them in all areas, and then computed a miscellaneous component index based on the relative importance of costed items and items/categories held constant.

7.2 Miscellaneous Expense Model

7.2.1 Expenditure Research

From the 1988 CES, we tabulated the miscellaneous expense data into logical expense groupings and then determined appropriate item weighting. The following is a list of the professional services that we selected to price and the weightings of all items:

PART 1 METHODOLOGY

Miscellaneous expense items	Weighting	
Legal Fees	11.2%	
Accounting Fees	4.3	
Contributions (including gifts)	18.9	(Held constant)
Personal insurance & Pensions	65.6	(Held constant)
Total:	100.0%	

PART 2 METHODOLOGY

Miscellaneous expense categories	Lower	Middle	Upper	
Medical Care	43.41%	31.56%	22.40%	
Contributions (including gifts)	12.38%	14.90%	16.85%	(Held constant)
Personal Insurance & Pensions	44.21%	53.54%	60.75%	(Held constant)
Totals:	100.0%	100.0%	100.0%	

7.2.2 Miscellaneous Expense Methodology

As we stated above, we used the Laspeyres indexing methodology to compute the miscellaneous expense component index. For groups of items held constant, the model assumed a price ratio between the allowance area and the Washington, D.C. area equal to 100.00%.

We defined "savings and investments" as the portion of a family's budget that was targeted for long-term financial security. Money stored in a savings or investment vehicle for future expenditures (of goods and services, housing, or transportation) was accounted for in the other component weightings. Based on this reasoning, within the miscellaneous expense component, we equated long-term savings and investments with money spent on pensions and other retirement vehicles.

In Section 7.1, we noted that expenses related to personal insurance were held constant for all locations. We came to this conclusion after contacting life insurance companies and OPM officials. The life insurance companies that we contacted, indicated that policies written (and premiums charged) to persons within the United States and its territories did not vary due to location. Our research and discussions with OPM officials also indicated that in general, federal employees in all areas received similar or identical benefits packages--any variations were due mainly to personal preference. Therefore, we believed that it was most appropriate to hold these types of expenses constant.

7.3 Miscellaneous Expense Data Collection Procedures

For legal and accounting fees (Part 1), we selected eight or more outlets to price (if available) to ensure that consistent price levels were established. Health care items (part 2), were surveyed consistent with the approach used in the goods & services component. For quality control purposes, we used our in-house research staff to conduct this survey.

Appendix 18 is a copy of our pricing form for legal and accounting fees. Health care item prices were gathered as part of goods & services (see Appendix 5 for pricing forms).

7.4 Miscellaneous Expense Survey Results

Appendix 19 contains the results of our data collection and index calculations. You will note that under both Part 1 and Part 2 methodologies, the large weighting for expense items held constant significantly dampens the effect of the cost differences in the costed items.

8. Final Results

8.1 Component and Total Comparative Cost Indexes and Amounts

The component weightings and indexes, and the total comparative cost indexes are shown on the next six pages. The first two (2) pages present the Part 1 aggregations based on local pricing only (the first of these pages), and then the adjusted calculations to include military exchanges and commissary prices. The next two pages show similar aggregations using the Part 2 methodology. The last two of these six pages present intermediate computations of the Part 2 component expenditure amounts. (The Part 1 methodology includes all intermediate computations on the two aforementioned pages.)

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Date Prepared: NOVEMBER 26, 1990

TOTAL COMPARATIVE COST INDEXES
(Part 1)

	INCOMES	INCOME WGHTS	CG&S	HSG	TRN	MISC	TOTAL
Component Weights....	LOWER		43.94	24.35	20.76	10.95	100.00
	MIDDLE		42.24	23.48	20.33	13.95	100.00
LOCATION	UPPER		40.63	22.66	19.94	16.77	100.00
ANCHORAGE, AK	LOWER	29.0	111.82	72.26	103.77	99.48	99.16
	MIDDLE	35.2	111.16	73.38	103.50	99.48	99.10
	UPPER	35.8	110.52	74.68	103.05	99.48	99.06
		100.0				*Composite....*	99.10
FAIRBANKS, AK	LOWER	35.1	113.13	82.16	114.29	97.21	104.09
	MIDDLE	39.8	112.62	80.51	114.12	97.21	103.24
	UPPER	25.1	112.08	77.83	113.87	97.21	102.18
		100.0				*Composite....*	103.27
JUNEAU, AK	LOWER	22.3	117.01	106.96	108.15	97.16	110.55
	MIDDLE	32.2	116.61	104.04	107.88	97.16	109.17
	UPPER	45.5	116.21	83.80	107.45	97.16	103.92
		100.0				*Composite....*	107.09
GUAM	LOWER	50.6	109.92	93.24	111.53	99.28	105.03
	MIDDLE	31.6	109.95	106.67	111.53	99.28	108.01
	UPPER	17.8	110.01	116.32	111.53	99.28	109.34
		100.0				*Composite....*	106.85
HONOLULU, HI (CITY AND COUNTY)	LOWER	38.6	112.25	138.20	121.77	99.08	119.10
	MIDDLE	32.7	111.32	158.30	121.33	99.08	122.68
	UPPER	28.7	110.38	140.42	120.61	99.08	117.33
		100.0				*Composite....*	119.76
HAWAII COUNTY, HI	LOWER	35.3	110.66	85.00	121.42	98.18	105.28
	MIDDLE	39.4	109.60	88.77	121.12	98.18	105.46
	UPPER	25.3	108.52	80.19	120.63	98.18	102.78
		100.0				*Composite....*	104.72
KAUAI COUNTY, HI	LOWER	23.4	113.85	130.41	117.34	99.13	117.00
	MIDDLE	44.5	112.75	134.23	117.02	99.13	116.76
	UPPER	32.1	111.62	121.28	116.51	99.13	112.69
		100.0				*Composite....*	115.51
MAUI COUNTY, HI	LOWER	21.0	117.80	128.33	127.32	100.48	120.44
	MIDDLE	41.9	116.84	132.41	127.32	100.48	120.34
	UPPER	37.1	115.84	119.62	127.32	100.48	116.41
		100.0				*Composite....*	118.90
PUERTO RICO	LOWER	42.1	95.98	100.90	129.47	94.15	103.93
	MIDDLE	38.0	95.68	91.14	128.89	94.15	101.15
	UPPER	19.9	95.38	84.55	127.95	94.15	99.21
		100.0				*Composite....*	101.93
ST CROIX, VI	LOWER	55.0	106.74	97.39	120.10	99.63	106.46
	MIDDLE	35.9	106.28	108.53	119.96	99.63	108.66
	UPPER	9.1	105.81	98.39	119.73	99.63	105.87
		100.0				*Composite....*	107.20
ST THOMAS, VI	LOWER	44.8	113.03	126.87	119.62	99.46	116.28
	MIDDLE	35.3	112.31	129.08	119.15	99.46	115.85
	UPPER	19.9	111.58	99.26	118.40	99.46	108.12
		100.0				*Composite....*	114.50

TOTAL COMPARATIVE COST INDEXES
(Part 1 – Incorporating Military Prices)

	INCOMES	INCOME WGHTS	CG&S	HSG	TRN	MISC	TOTAL
Component Weights....	LOWER		43.94	24.35	20.76	10.95	100.00
	MIDDLE		42.24	23.48	20.33	13.95	100.00
LOCATION	UPPER		40.63	22.66	19.94	16.77	100.00
ANCHORAGE, AK	LOWER	29.0	105.32	72.26	103.77	99.48	96.31
(MIL)	MIDDLE	35.2	105.22	73.38	103.50	99.48	96.59
	UPPER	35.8	105.10	74.68	103.05	99.48	96.86
		100.0				*Composite....*	96.61
FAIRBANKS, AK	LOWER	35.1	105.19	82.16	114.29	97.21	100.60
(MIL)	MIDDLE	39.8	104.95	80.51	114.12	97.21	100.00
	UPPER	25.1	104.70	77.83	113.87	97.21	99.18
		100.0				*Composite....*	100.00
GUAM	LOWER	50.6	96.15	93.24	111.53	99.28	98.98
(MIL)	MIDDLE	31.6	96.33	106.67	111.53	99.28	102.26
	UPPER	17.8	96.53	116.32	111.53	99.28	104.47
		100.0				*Composite....*	100.99
HONOLULU, HI	LOWER	38.6	99.72	138.20	121.77	99.08	113.60
(CITY AND COUNTY)	MIDDLE	32.7	99.07	158.30	121.33	99.08	117.50
(MIL)	UPPER	28.7	98.42	140.42	120.61	99.08	112.47
		100.0				*Composite....*	114.55
PUERTO RICO	LOWER	42.1	93.01	100.90	129.47	94.15	102.63
(MIL)	MIDDLE	38.0	93.00	91.14	128.89	94.15	100.02
	UPPER	19.9	92.99	84.55	127.95	94.15	98.24
		100.0				*Composite....*	100.76

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TOTAL COMPARATIVE COST INDEXES
(Part 2)

LOCATION	INC	INCOME WGHTS	OWN	RENT	TOTAL	WDC	INDEX
	LOWER	18000	37.10	62.90			
	MIDDLE	28400	46.91	53.09			
	UPPER	45200	62.86	37.14			
ANCHORAGE, AK	LOWER	29.0	17701	17930	17845	18000	
	MIDDLE	35.2	28133	28153	28144	28400	
	UPPER	35.8	44314	45552	44774	45200	
		100.0			31111	31398	99.09
FAIRBANKS, AK	LOWER	35.1	18635	18767	18718	18000	
	MIDDLE	39.8	29212	29402	29313	28400	
	UPPER	25.1	45330	47700	46210	45200	
		100.0			29835	28966	103.00
JUNEAU, AK	LOWER	22.3	19447	20135	19880	18000	
	MIDDLE	32.2	30024	31862	31000	28400	
	UPPER	45.5	46365	48058	46994	45200	
		100.0			35798	33725	106.15
GUAM	LOWER	50.6	19587	18498	18902	18000	
	MIDDLE	31.6	30153	31139	30676	28400	
	UPPER	17.8	50322	48642	49698	45200	
		100.0			28104	26128	107.56
HONOLULU, HI (CITY AND COUNTY)	LOWER	38.6	23490	20220	21433	18000	
	MIDDLE	32.7	38086	31973	34841	28400	
	UPPER	28.7	55456	48958	53043	45200	
		100.0			34889	29207	119.45
HAWAII COUNTY, HI	LOWER	35.3	18236	19351	18937	18000	
	MIDDLE	39.4	29142	30658	29947	28400	
	UPPER	25.3	46205	46933	46475	45200	
		100.0			30242	28979	104.36
KAUAI COUNTY, HI	LOWER	23.4	22063	20456	21052	18000	
	MIDDLE	44.5	34062	32359	33158	28400	
	UPPER	32.1	51757	49558	50940	45200	
		100.0			36033	31359	114.90
MAUI COUNTY, HI	LOWER	21.0	22731	21065	21683	18000	
	MIDDLE	41.9	35198	33274	34177	28400	
	UPPER	37.1	53651	50846	52609	45200	
		100.0			38392	32449	118.31
PUERTO RICO	LOWER	42.1	17768	19198	18667	18000	
	MIDDLE	38.0	27455	29825	28713	28400	
	UPPER	19.9	43777	46793	44897	45200	
		100.0			27704	27365	101.24
ST CROIX, VI	LOWER	55.0	18929	19295	19159	18000	
	MIDDLE	35.9	29388	32162	30861	28400	
	UPPER	9.1	47651	48211	47859	45200	
		100.0			25972	24209	107.28
ST THOMAS, VI	LOWER	44.8	20854	20968	20926	18000	
	MIDDLE	35.3	32016	33679	32899	28400	
	UPPER	19.9	48519	49460	48868	45200	
		100.0			30713	27084	113.40

TOTAL COMPARATIVE COST INDEXES
(Part 2 – Incorporating Military Prices)

LOCATION	INC	INCOME WGHTS	OWN	RENT	TOTAL	WDC	INDEX
	LOWER	18000	37.10	62.90			
	MIDDLE	28400	46.91	53.09			
	UPPER	45200	62.86	37.14			
ANCHORAGE, AK (MIL)	LOWER	29.0	17188	17417	17332	18000	
	MIDDLE	35.2	27419	27439	27430	28400	
	UPPER	35.8	43322	44560	43782	45200	
		100.0			30356	31398	96.68
FAIRBANKS, AK (MIL)	LOWER	35.1	18005	18137	18088	18000	
	MIDDLE	39.8	28291	28481	28392	28400	
	UPPER	25.1	43978	46346	44858	45200	
		100.0			28908	28966	99.80
GUAM (MIL)	LOWER	50.6	18496	17407	17811	18000	
	MIDDLE	31.6	28517	29503	29040	28400	
	UPPER	17.8	47846	46166	47222	45200	
		100.0			26595	26128	101.79
HONOLULU, HI (CITY AND COUNTY) (MIL)	LOWER	38.6	22499	19229	20442	18000	
	MIDDLE	32.7	36616	30503	33371	28400	
	UPPER	28.7	53258	46760	50845	45200	
		100.0			33395	29207	114.34
PUERTO RICO (MIL)	LOWER	42.1	17557	18987	18456	18000	
	MIDDLE	38.0	27169	29539	28427	28400	
	UPPER	19.9	43395	46411	44515	45200	
		100.0			27431	27365	100.24

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COMPONENT EXPENDITURE AMOUNTS

(Part 2)

		INDEXES					AMOUNTS				
	INCOMES	CG&S	OWN	RENT	TRN	MISC	CG&S	OWN	RENT	TRN	MISC
Reference Wts/Amts..	18000	39.59	24.35	24.35	20.76	15.30	7126	4383	4383	3737	2754
	28400	39.15	23.48	23.48	20.33	17.04	11119	6668	6668	5774	4839
LOCATION	45200	38.74	22.66	22.66	19.94	18.66	17510	10242	10242	9013	8434
ANCHORAGE, AK	LOWER	108.86	68.97	74.20	103.77	110.48	7757	3023	3252	3878	3043
	MIDDLE	108.53	73.22	73.51	103.50	107.62	12067	4882	4902	5976	5208
	UPPER	108.21	70.18	82.27	103.05	105.41	18948	7188	8426	9288	8890
FAIRBANKS, AK	LOWER	109.64	80.26	83.28	114.29	110.14	7813	3518	3650	4271	3033
	MIDDLE	109.35	79.01	81.85	114.12	107.37	12159	5268	5458	6589	5196
	UPPER	109.08	69.24	92.38	113.87	105.23	19100	7092	9462	10263	8875
JUNEAU, AK	LOWER	112.85	97.10	112.79	108.15	112.82	8042	4256	4944	4042	3107
	MIDDLE	112.81	89.41	116.97	107.88	109.32	12543	5962	7800	6229	5290
	UPPER	112.71	77.66	94.19	107.45	106.61	19736	7954	9647	9684	8991
GUAM	LOWER	110.15	108.87	84.02	111.53	101.59	7849	4772	3683	4168	2798
	MIDDLE	109.98	98.82	113.60	111.53	101.16	12229	6589	7575	6440	4895
	UPPER	109.82	122.42	106.01	111.53	100.82	19229	12538	10858	10052	8503
HONOLULU, HI	LOWER	112.46	185.12	110.52	121.77	102.07	8014	8114	4844	4551	2811
(CITY AND COUNTY)	MIDDLE	111.22	206.98	115.29	121.33	101.50	12367	13801	7688	7006	4912
	UPPER	110.02	163.99	100.55	120.61	101.07	19265	16796	10298	10871	8524
HAWAII COUNTY, HI	LOWER	109.73	69.00	94.44	121.42	103.70	7819	3024	4139	4537	2856
	MIDDLE	108.51	76.71	99.44	121.12	102.69	12065	5115	6631	6993	4969
	UPPER	107.34	77.55	84.66	120.63	101.91	18795	7943	8671	10872	8595
KAUAI COUNTY, HI	LOWER	113.92	153.47	116.81	117.34	102.86	8118	6727	5120	4385	2833
	MIDDLE	112.51	147.79	122.25	117.02	102.08	12510	9855	8152	6757	4940
	UPPER	111.13	129.25	107.78	116.51	101.48	19459	13238	11039	10501	8559
MAUI COUNTY, HI	LOWER	117.99	152.25	1[illegible]	[illegible]27.32	105.01	8408	6673	5007	4758	2892
	MIDDLE	116.75	147.72	[illegible]	[illegible]2	103.65	12981	9850	7926	7351	5016
	UPPER	115.54	129.79			102.59	20231	13293	10488	11475	8652
PUERTO RICO	LOWER	96.82	80.37	113.00	129.[illegible]	91.06	6899	3523	4953	4838	2508
	MIDDLE	95.96	72.27	107.81	128.89	93.50	10670	4819	7189	7442	4524
	UPPER	95.15	73.61	103.06	127.95	95.39	16661	7539	10555	11532	8045
ST CROIX, VI	LOWER	108.68	92.13	100.49	120.10	96.53	7745	4038	4404	4488	2658
	MIDDLE	107.75	86.44	128.05	119.96	97.48	11981	5764	8538	6926	4717
	UPPER	106.84	96.36	101.83	119.73	98.21	18709	9869	10429	10791	8283
ST THOMAS, VI	LOWER	113.17	125.23	127.84	119.62	102.80	8064	5489	5603	4470	2831
	MIDDLE	112.19	115.84	140.78	119.15	102.04	12474	7724	9387	6880	4938
	UPPER	111.23	95.85	105.04	118.40	101.44	19476	9817	10758	10671	8555

COMPONENT EXPENDITURE AMOUNTS
(Part 2 – Incorporating Military Prices)

		INDEXES					AMOUNTS				
	INCOMES	CG&S	OWN	RENT	TRN	MISC	CG&S	OWN	RENT	TRN	MISC
Reference Wts/Amts..	18000	39.59	24.35	24.35	20.76	15.30	7126	4383	4383	3737	2754
	28400	39.15	23.48	23.48	20.33	17.04	11119	6668	6668	5774	4839
LOCATION	45200	38.74	22.66	22.66	19.94	18.66	17510	10242	10242	9013	8434
ANCHORAGE, AK	LOWER	101.94	68.97	74.20	103.77	109.75	7264	3023	3252	3878	3023
(MIL)	MIDDLE	102.34	73.22	73.51	103.50	107.09	11379	4882	4902	5976	5182
	UPPER	102.73	70.18	82.27	103.05	105.03	17988	7188	8426	9288	8858
FAIRBANKS, AK	LOWER	100.90	80.26	83.28	114.29	109.88	7190	3518	3650	4271	3026
(MIL)	MIDDLE	101.16	79.01	81.85	114.12	107.18	11248	5268	5458	6589	5186
	UPPER	101.42	69.24	92.38	113.87	105.10	17759	7092	9462	10263	8864
GUAM	LOWER	94.82	108.87	84.02	111.53	101.65	6757	4772	3683	4168	2799
(MIL)	MIDDLE	95.25	98.82	113.60	111.53	101.20	10591	6589	7575	6440	4897
	UPPER	95.66	122.42	106.01	111.53	100.85	16750	12538	10858	10052	8506
HONOLULU, HI	LOWER	98.81	185.12	110.52	121.77	101.41	7041	8114	4844	4551	2793
(CITY AND COUNTY)	MIDDLE	98.21	206.98	115.29	121.33	101.03	10920	13801	7688	7006	4889
(MIL)	UPPER	97.63	163.99	100.55	120.61	100.73	17095	16796	10298	10871	8496
PUERTO RICO	LOWER	94.23	80.37	113.00	129.47	90.09	6715	3523	4953	4838	2481
(MIL)	MIDDLE	93.69	72.27	107.81	128.89	92.80	10417	4819	7189	7442	4491
	UPPER	93.21	73.61	103.06	127.95	94.89	16321	7539	10555	11532	8003

8.2 Runzheimer Observations

The results of this study are not as surprising to us as they might be to parties not involved in the measurement of living costs on a day-to-day basis. Many of the allowance areas are very expensive as compared to "middle America." However, from our private sector studies we know that the Washington, D.C. area is also very expensive as compared to "middle America."

We have attempted to be as accurate and equitable as possible throughout this study. This penchant for accuracy and equitability can be seen in the editing procedures that are described in Section 3.4.

The knowledge that we have gained through this first pricing can only improve the quality and accuracy of future pricing updates. However, we do not believe that item or outlet improvements, or minor modifications to the basic methodology and data collection procedures will alone significantly alter the final comparative cost indexes.

8.3 General Comments

8.3.1 Goods and Services Improvements

We have observed that in three expense groups within goods and services, an expanded research effort could increase the precision of these subtotals. These groups are: 1) furniture and appliances (as part of the furnishings and household operations category), 2) the clothing category in general, and 3) several groups within the recreation category. Although expanding research in these areas would create the appearance of more accurate results, the improvements are not likely to measurably change the final results.

8.3.2 Housing - A Comment

The single most important component within this study appears to be housing. In accordance with the federal regulations, we have incorporated costs based on both rental and homeowner profiles. Although there are problems inherent with developing costs based on homeownership in areas as dissimilar in housing construction as the allowance areas and the Washington, D.C. area, we believe that the current approach presents a reasonable comparison of living costs in each area.

8.3.3 Seasonality

We have also considered the impact of seasonal prices. In remote areas such as Fairbanks, for example, it is logical that price levels during winter months are higher than at other times of the year. We have not measured the effect of seasonality during this first study (nor did our contract include a specific study of seasonality).

8.3.4 Part 1 and Part 2 Methodologies

As stated earlier in Section 2.1, the Part 1 methodology conforms in principle to the final rules published by OPM on January 16, 1990 in the Federal Register (55 FR 1370). However, it contains technical refinements and improvements not found in these regulations. Runzheimer recommends that the Part 1 methodology be incorporated into future analyses.

study.

Unfortunately, the study is wrong, and we have the bills to prove it. Living in Alaska is a lot of things, but it isn't cheap.

The study, by Runzheimer International, was commissioned by the federal Office of Personnel Management and found that Alaska's cost of living is now equal to that of Washington, D.C. Washington is the base for deciding COLAs, or cost-of-living adjustments, according to the Associated Press.

The study found that costs in Anchorage were lower than Washington for housing and some other major expenses. It found Fairbanks to be about 3 percent higher than Washington and Juneau about 7 percent more expensive on average.

ISSUE: COLA for federal workers in Alaska may be cut

An estimated 13,000 employees of the federal government work in Alaska, and some 9,000 receive the 25 percent COLAs.

Of course Washington is a spendy town. With all of the yuppies and bigwigs who populate it during the day, it could be expected that they'd drive up the price of BMWs and brie.

But it must be remembered that many Washingtonians cut their cost of living by living in Virginia and Maryland. Even with the cost of commuting, they can save a lot of money.

That can't be done in Alaska. It costs no less to live in Eagle River than in Anchorage, or in North Pole instead of Fairbanks or in Douglas instead of Juneau.

It is true the cost of living in many parts of Alaska has gone down markedly. Most food costs seem to be either equal to or only slightly higher than prices in many parts of the Lower 48.

But there are other areas that more than make up for those prices. Having just filled the tank of the car with $1.78-a-gallon gas, it is difficult to imagine Washingtonians paying anywhere near that. In addition, when a Washingtonian goes on vacation, he or she can pile the family into the car and hit the road. Instead of piling into the family car, Alaskans in many parts of the state have to reach into their pockets to pay for ferry or airline tickets.

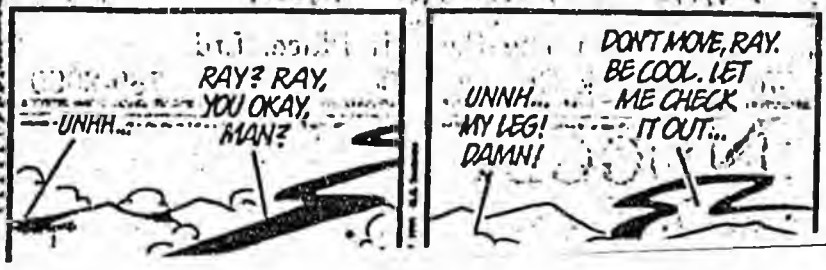
It is true that some federal workers get a return trip to their "homes" every three years, but the rest are faced with a choice of either never leaving Alaska to visit friends or family outside or paying dearly for it.

Then there are heating costs. Whether a person has oil, electric or another kind of heat, the bills are plenty high — higher, it might be assumed, than in Washington, where the high temperature was 70 on Tuesday. In Anchorage, the high was 11; in Fairbanks, the high was minus 14; and in Juneau the high was a balmy 39. If someone is trying to argue that heating a home when it's 70 out costs the same as heating it when it's zero, then they had better keep talking.

Alaska's congressional delegation is questioning the results of the survey, too. They say that if the COLA is dropped or substantially cut, they will try to boost the base pay for federal employees. Either way, the federal government has got to recognize that there is still a marked difference in the costs of living in Alaska and the Lower 48, even Washington, D.C.

It may no longer be 25 percent, but it's still plenty.

DOONESBURY **BY GARRY TRUDEAU**



cial change. The well-heralde
flict between work and family.

How does a parent balance t
mands of the workplace an
needs of children? How can a
ployer treat people as indiv
workers – judge them, pro
them on their own – and accou
family needs?

This time, however, the "wo

MY TURN

By KATIE HENDRICKSON

Since the moment on Jan
16th when I heard the radio
nouncement – that an air attack
commenced over the city of Bagh
– a growing feeling of "dis-ea
has seeped into my life. The disc
fort I feel is not because I know a
one personally involved in the G
War. The safety of my family is
yet at stake. The outward struct
of my life has not changed. I worl
prepare meals for my family, I h
my daughter with her homework
visit friends, I enjoy quiet walks
the snow. Nothing has changed, a
yet everything has changed.

As I go about the normal routin
of my own life, I cannot help b
think about the women and childr
of Iraq. On the news I hear that the
is no electricity in Baghdad, no ru
ning water, no medicines, no gas f
cooking, very little food. As th
bombing continues, the suffering e
calates. I can only imagine how fea
ful life must be for so many innocer
children. Many are dying as a resu
of disease and malnutrition and i
jury. As a parent, I feel a onenes
with all children, whether they b
Iraqi, American or any other natio

LETTERS

Legislator responds to 'My Turn'

Dear Editor:

I see you have given Donn Liston
the opportunity to take his turn a
bashing Governor Hickel on educa
tion (January 31 My Turn column).

You note that Mr. Liston is a for
mer legislative aide who holds a
master's degree in "Education Tech
nology" (whatever that is). But you
should also tell your readers that Mr
Liston is a minion of the NEA – he
has been a hired gun of the teacher's
union for years.

Mr. Liston's letter seems familiar
to me. As I recall, he spewed the
same sort of rhetoric against Gover
nor Cowper, on a perennial basis.
This is understandable, because as a
corporate spokesperson for NEA,
Mr. Liston is paid to push their agen
da.

Let's put Donn Liston's ranting in
its proper perspective, especially

Will federal workers face COLA cuts?

Study: Alaska cost of living equal to D.C.

THE ASSOCIATED PRESS

ANCHORAGE – Many federal workers in Alaska could lose a 25 percent cost-of-living differential if cuts under consideration in Washington, D.C., are implemented.

A study commissioned by the federal Office of Personnel Management and completed last month says Alaska's cost of living is now equal to that of Washington, D.C. Washington is the base for deciding COLA's, or cost of living adjustments.

An estimated 13,000 employees of the federal government work in Alaska, and some 9,000 receive the COLAs, said Frances Smith, Anchorage area manager for the Office of Personnel Management.

Federal officials said they aren't planning to make any cuts immediately and the issue remains under study.

Congressman Don Young, R-Alaska, said cuts in the COLAs would be "devastating" to federal workers in the state, and said he has asked the federal agency to retain the 25 percent COLA until the matter receives further study.

If the allowances are cut, Young said he and Alaska Sens. Ted Stevens and Frank Murkowski would push for increases in base pay for affected workers.

The COLA program has been challenged in court cases for years over how COLAs are calculated and at what rate. As a result of one lawsuit, the personnel office contracted with a Wisconsin-based firm to conduct an independent survey.

The study by Runzheimer International was completed in early January. It compared Alaska prices to Washington, D.C., prices for everything from food and utilities to babysitting and bowling.

The study found that costs in Anchorage were lower – in some cases substantially lower – than Washington for housing and some other major expenses. It found Fairbanks to be about 3 percent higher than Washington and Juneau about 7 percent more expensive on average.

As a result of those comparisons, the agency is considering drastic changes in the COLA system in Alaska – including eliminating COLA for federal workers in both Fairbanks and Anchorage, and dropping the COLA to 5 percent for workers in Juneau.

"D.C. is an expensive place to live," said Mark Phelps, a Runzheimer vice president and director of the COLA study. "If you do go back in time, you'll find the allowances that are there now were set years and years ago."

Federal union leaders said that eliminating or sharply reducing the allowance would force some people to give

Please turn to Cuts, Page 8

Cuts...

Continued from Page 1

up their homes and would cause a "mass exodus" of federal workers from Alaska.

"These people still have to live," said Ray Schaerer, president of Local 1712 of the American Federation of Government Employees at Fort Richardson.

Janice LeChance, a spokesperson for the federation, said the union will fight any proposed cutbacks in federal pay.

Changes probably won't take place for at least a year while officials review the study, according to a spokesman with the Office of Personnel Management.

Judy Hallanger, a labor economist with the state Department of Labor, said the loss of the COLA payments would have a significant impact on the state's economy.

Another survey is scheduled for February or March, and the January study may not have taken fuel costs into account during winter months, said an aide for Murkowski. Aides to Murkowski, Stevens and Young all said they were working to forestall such a cut.

two men whose names over the years were synonymous with the sled dog races. Doc Lombard, the mushing Massachusetts veterinarian who seemed so at home in our winter wonderland, died four months ago. And Al Bramstedt, for many years the television voice and face of the Rondy races, died this week in Anchorage.

Rondy held a special place in their hearts, just as it does in all our hearts. In fact, it would be a good idea to dedicate this year's Rondy fun to their memory.

Let the Rendezvous begin.

people who created almost all the [illegible] new jobs of the 1980s.

Here's my problem. I don't want to believe Wanniski's premise that my fellow Americans should be willing to sacrifice those 20 million jobs to keep the Michael Milkens of the world in line.

There is virtually no argument that a cut in the capital gains tax would stimulate economic activity and raise capital values. Whatever you own, whether it's a house, pension plan, bonds, or stock certificates, a capital gains tax cut will raise their value. You

to liberal [illegible] gains tax is benefit exce

What's a which black nesses, for a risky undert ing custome you be more taking if the tax on it? W place risky bond" intere

COLA CHALLENGE

Federal pay equity

UNDERSTANDABLY, federal employees facing the prospect of a significant reduction in their pay are very worried. Family budgets that include everything from mortgage payments to college tuition are based on the expected take-home salary of a federal employee.

For almost half a century, the federal government has followed a policy of encouraging federal employment in Alaska by offering a cost of living allowance, similar to one for federal workers based in remote U.S. territories. The allowance for Alaska currently amounts to an additional 25 percent of base salary.

But now, according to an independent survey conducted for the Office of Personnel Management, there's no longer a difference in the cost of living between Alaska's major communities and Washington, D.C — the base community upon which salary differentials are determined.

Under existing OPM regulations, the Alaska COLA may no longer be justified.

This is not the first time the system has faced challenge by the budget trimmers in Washington, D.C. In past years, proposed regulations or surveys aimed at reducing COLA were successfully challenged by federal employees, and COLA was continued.

THIS TIME, however, Alaska's inclusion in the COLA program may be in serious jeopardy. A hard review will be made of the comparisons used to determine that Alaska's costs are indeed lower or similar to Washington, D.C.

Barring a successful challenge to the survey, a delay will be sought. OPM has some leeway and the Alaska congressional delegation is working with the agency to encourage a delay for implementing COLA reductions or elimination.

Employee representatives and the congressional delegation are also exploring alternative options for boosting federal base salaries, if in fact COLA is eliminated.

We support these initiatives to minimize the impact on federal employees in the state.

War on tobacco gai

George F. V

WASHINGTON — Death was much on American minds when the Gulf War produced the first 11 deaths from ground combat. How many Americans noticed the reports from the federal Centers for Disease Control that 434,000 deaths in 1988 were the result of tobacco?

Most of these deaths — up 11 percent over 1985 — were from self-inflicted wounds, inflicted over 10, 20 or more years, the time it usually takes for smoking to result in cancer. But for some thousands of adults and children death came from the secondhand smoke of others, and because women smoked during pregnancy, and parents smoked around their infants. (Secondhand smoke increases the risk of sudden infant death syndrome.)

Fathers who smoke increase the risk that their children will have brain cancer or leukemia, which suggests that smoking can damage sperm. Recent research also suggests that smoking accelerates development of AIDS in infected people, and that there is a dangerous synergism between depression and nicotine addiction.

Most of those 1988 tobacco fatalities resulted from addictions acquired before or not long after the 1964 Surgeon General's report insisting on the connection between smoking and cancer. Today, grimly realistic social policy counts on thes predictable casualties behavior: The Social system counts on m smokers dying before many, if any, benefits.

Today's tobacco-rel tality rates reflect a la a generation in chang ior. Today's many changing policies cons sonable attempts to de conundrum of a legally dised product that is harmful. Consider thes

Eight California ch and some tobacco m ers have paid a $750,0 not warning customer nia law requires "clea sonable warning") t and pipe tobacco can cer and birth defects.

Times photo by AL GRILLO

Jason Malchle of Milwaukee puts finishing touches on a snow sculpture of a hawk and an eagle fighting Wednesday at the GCI "Frozen Illusions" Snow Sculpture Competition at Benson Boulevard and Denali Street. Jason and his father, Don Malchle, won the national snow sculpture competition in Wisconsin last year. They were invited to Anchorage to build an exhibition sculpture for the 1991 Anchorage Fur Rendezvous. The two-week festival, featuring more than 140 competitions, performances, exhibits and sporting events, begins Friday and runs through Feb. 17. To find out what's happening at Rondy, see The Times' guide, Section C.

GOOD MORNING

Daylight	8 hrs. 19 min.
Sunrise	9:05 a.m.
Sunset	5:24 p.m.
Light gain	5 min. 28 sec.

BUSINESS

Wall Street creates its own momentum, jumping more than 40 points Wednesday for the highest close in months. Analysts are baffled, ds bad news pours out of the nation's boardrooms and unemployment offices. **F1**

SPORTS

New England Patriots' Victor Kiam takes it back again, this time for a lewd joke about reporter Lisa Olson. **E1**

INDEX

Governor says whirlwind capital trip 'we

By JAY CROFT
and DAVID FUTCH
TIMES WRITERS

Gov. Walter J. Hickel made it home the long way Wednesday evening, more than 24 hours after he left Washington, D.C., thanks to a Juneau-area snowstorm.

Hickel had little to say after returning from the five-day trip to the nation's capital, which included attending a governors' conference and speaking to the National Press Club.

"It went well," Hickel said, hurrying through Anchorage International Airport from Concourse B to a limousine waiting outside after he arrived about 5 p.m. He was joined by his wife, Ermalee, a couple of staff members and security guards.

Hicke
from the
Interior
Environ
cuss la

Federal workers' pay study challenged

By DANIEL R. SADDLER
TIMES WRITER

Questions concerning the validity of a study comparing living expenses in Anchorage with those in Washington, D.C., may delay cuts in the cost-of-living pay bonus for federal employees here until a new study is done, congressional sources said Wednesday.

Federal workers in Alaska receive an extra 25 percent in cost-of-living adjustment, or COLA, pay to cover the difference in living expenses between the state and Washington, D.C.

Federal workers in Hawaii, Guam, Puerto Rico, and the Virgin Islands also enjoy the benefit, which started in the late 1940s to attract and keep workers in far-flung places.

About 9,000 of Alaska's 13,000 federal workers receive the COLA benefit. But it was unclear whether the COLA benefits received by uniformed military personnel would be affected by such cuts. Blue collar workers do not receive the benefit.

COLA levels have been frozen since 1984 by lawsuits, and the latest study was the first since 1980, said Frances Smith, area manager of the Office of Personnel Management in Anchorage.

But a study by a national economic survey group released in January showed living costs in Anchorage, up to 25 percent higher than in Washington D.C., in the last decade, are now 1 percent less.

The study, performed in August and September of 1990, showed expenses in Juneau were about 7 percent higher, and about 3 percent higher in Fairbanks. Sources in Alaska's congressional delegation said Constance Newman, director of the Office of Personnel Management, has been working with the federal Office of Management and Budget to win a year's extension and a new survey to reflect more accurately the cost of winter living in Alaska. The new survey may be conducted in March, the congressional delegation said.

"(The existing study) may not have shown an accurate reading as to how much people actually pay for fuel and food and other necessities of life," said Jess Smith, a staffer for Rep. Don Young, R-Alaska. Young is on the House committee dealing with civil service pay.

See COLA, back page

Economic con

The nation's recession will be "t
said in a speech to the Economic
Richard Voell, right, chairman of
as he arrives at the dinner before t

Pamplin, director of the state Division of Wildlife Conservation.

Hickel rejected the boards' picks. He instead appointed Ron Somerville as deputy commissioner and asked the boards to endorse him for the depart-

arrival of hundreds of
ls of Western soldiers on
ıds also played a part.
lews Network beamed
ideas and values as well
ews into homes in the re-

watch that stuff and
while you can't help
like an American," one
ent official said. "It's
ıs in this society."
lovember, 50 women
cars around the Saudi

from Kuwait and the U.S. military with sparking their protest.

In the following days, Saudi Arabia and Oman announced their governments would form consultative councils, or shuras — a small step, perhaps, away from absolute monarchy.

Western diplomats say the United States had a hand in the Saudi move.

"If we don't push for change, people at home will ask: 'Why are we sending our boys to these

support a return to the country's parliament, dissolved in 1975.

Even tiny Qatar, with a population of 370,000, overhauled its advisory council on Dec. 4.

Most recently, a shaky ceasefire between Kuwait's ruling family and pro-democracy activists appeared to be near collapse.

After Iraq's Aug. 2 invasion, the two sides agreed to shelve their disagreements to free Kuwait. Opposition members now allege the ruling family has re-

Ahmed al-Rabi, an opposition leader and former member of parliament. "They don't realize our people have changed. This war is changing everything."

The decision by Kuwaiti leaders to cast their lot with the West following Iraq's invasion put conservative Islamic traditions on a collision course with Western democratic beliefs.

Oil is another important catalyst.

Prices rose during the allied

their budgets this year because of economic worries.

Diplomats and economists predict that for the first time since the 1950s Saudi Arabia will have to borrow money on the international market.

When asked whether he feared the specter of unemployed, educated youth hanging out on street corners, Bahrain's minister of industry, Yusuf Shirawi said: "Absolutely."

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or speech. Was it re-
here...?"
lm Roberts, Hickel's
hief of staff who trav-
him to Washington, ar-
Anchorage earlier Wed-
He said Hickel's speech
lar to one Hickel gave in
to the National Press
/ashington, when he pre-
Commonwealth North
ıggesting Alaska had as
coverable oil as Saudi

didn't pay attention to
erts said about the first
"These issues had been
any years ago."

ın't remember that,"
aid. "I think there's a
tude of wanting to coop-
vn there."

I would not discuss a
ıator's bill that would
WR on the condition that
d federal governments
split oil development
. Hickel favors a royalty
ıf 90 percent for Alaska.

got some other thoughts
and I've talked about
ickel said, settling into
seat of his limousine as
entered on the other

The Hickels' long trip home began Tuesday around 4 p.m. AST when they left the nation's capital. They spent Tuesday night at a Seattle hotel near the airport, then tried to catch the first Wednesday morning flight to Juneau, where they were scheduled to land about 9:35 a.m. Wednesday.

But it was not that easy.

Juneau was under siege of a snowstorm that kept most planes away, including the governor's. The Hickels finally made it to Anchorage at the end of the day.

Hickel's secretary in Anchorage said the governor would be in the office this morning and possibly try to get to Juneau again today.

"We're just waiting till tomorrow morning to meet with him," Yvonne Lindblom said. "We're expecting him in the office first thing. Everything is just pending."

Hickel said Wednesday night he plans to attend a funeral service at 2 p.m. today for Alaska broadcasting pioneer Al Bramstedt and then return Friday to Juneau.

Rosier

Continued from page A1

Boards director. Gamble said Hickel wanted to appoint a commissioner before that time.

"He wanted the appointment from the fish and game board when he met with them a couple weeks ago," Gamble said. "He wants a commissioner to get on with the business of fish and game."

Anchorage Superior Court Judge Karl Johnstone also is back in the running for the commissioner's seat. Johnstone was one of three names submitted by Hickel to the board for consideration, but the judge withdrew his name before being interviewed. He since has changed his mind.

Jones said all candidates who originally applied for the post are being reconsidered. That includes another Hickel recommendation, Nikiski attorney and commercial fisherman Tucker S. Thompson, and joint boards' nominee Pamplin.

Jones said three new candidates have applied for the job. They are:

- Francis Williamson of Fairbanks, the director of the Institute of Arctic Biology at the University of Alaska-Fairbanks, chief scientist for polar programs in the National Science Foundation in Washington, D.C., and a former commissioner of Health and Social Services in 1978.
- Allan Adasiak of Anchorage, former state Commercial Fisheries Entry Commission chairman and an investigator for the Alaska Oil Spill Commission.
- Gary Gibson of Fairbanks, a carpenter and former state employee.

Jones said the application deadline ends Feb. 15.

COLA

Continued from page A1

"We are encouraging OPM to go back in because there's some question if the original survey fully recorded the costs-of-living in Alaska in the wintertime," said Bill Woolf, communications director for Sen. Frank Murkowski, R-Alaska.

"Before they get too far down the road making decisions based on inaccurate information, the first thing to do is to get them the right information," Woolf said.

OPM is still reviewing its study, and is not sure if or when the cuts will be implemented, said Mike Ornstein, an agency spokesman in Washington, D.C. But other sources said the office doubted the accuracy of the study's results.

"I just don't think OPM is going to impose such a study that would hurt federal employees," Smith said. "They know better than anyone else how important this COLA is"

There are several options under consideration, such as including Alaska in a new federal program to pay its workers according to local prevailing wages.

of lifting other arbitrary federal policies that hurt Alaska financially. Examples include the ban on exporting North Slope oil, or the Jones Act, which drives up the cost of Alaska trade with the Lower 48.

Most Alaskans are understandably eager to find out whether another oil bonanza lies beneath ANWR. But let's not be so eager that we sign away Alaska's rightful share of whatever's there.

COLA shock

Any pay cuts should be phased in

The federal government is making noises about cutting the 25 percent cost-of-living allowance it pays civilian workers in Alaska's three largest cities. Based strictly on cost-of-living numbers, the cut has a cold logic that would appeal to accountants. But the case built by cost statistics doesn't account for the financial suffering the change would inflict.

On the number side, it's clear the rationale for Anchorage's federal cost-of-living differential, or COLA, is evaporating. Compared to past decades, Anchorage's costs are now more in line with the Lower 48. A new federal pay study has found Anchorage is no longer any more expensive than Washington, D.C. The nation's capital isn't exactly cheap, but it's the benchmark used for setting federal pay rates. The study may not be perfect, but it's not likely to be far off the mark.

On the people side are all the federal employees, some 10,000 statewide, who count on paychecks with the COLA included. They took out mortgages and built family budgets on the expectation the allowance would continue. The COLA got its start more than 40 years ago; federal workers have little reason to view the added pay as something that might be yanked away.

The COLA is tax-free, so ending the 25 percent allowance produces about a 35 percent cut, after taxes. Inflicting such huge losses on so many people would likely set off a wave of personal bankruptcies and foreclosures.

The federal government has a legitimate interest in cutting cost-of-living allowances that aren't justified by cost-of-living differences. Alaska's federal workers have a legitimate worry about falling into economic havoc.

But when the federal government looks at the COLA, it's only looking at one part of the pay picture. Its pay rates need to be competitive enough within Alaska to recruit and retain a high-quality work force.

If the COLA comes down, base pay may have to go up to keep federal salaries competitive with other jobs in the local economy. If overall reductions are indicated, they should be phased in slowly to minimize the economic disruption.

Two years ago the world seemed balanced on the

Sacrifices r

WASHINGTON — David Sewell of Cleveland, Tenn., was interviewed the other night on National Public Radio about his hobby — passing on computer messages to the troops in Saudi Arabia. But nothing about that really caught my interest. Instead, it was something he said about his son, a soldier in the gulf. His boy was fulfilling a moral obligation.

"Moral" is my word. Sewell never mentioned it. He was asked, though, what he thought of the war now that his son was in it. This is what he said: "I know that my son is in harm's way, but I feel that we have an obligation to other countries."

Now you may think the United States is not doing the right thing in the gulf and that Sewell and countless others have bought a load of hooey from President Bush. I disagree — but no matter. What's striking about Sewell's statement is that he not once mentioned oil nor anything else suggesting self-interest — not even an echo of the hawk's argument during Vietnam that if America did not make a stand in Southeast Asia, it would have to do so in San Francisco. Instead, his remarks suggested altruism.

I suppose an argument could be made that such altruism can be dangerous — that it is akin to a moral arrogance which, occasionally, creeps into President Bush's statements ("... the U.S. has a new credibility and that what we say goes," he said Feb. 1). But when Sewell, or the millions of other Americans who the polls tell us feel the same way, speaks, "arrogance" is not the word that comes to mind. Instead, I contrasted both his words and his tone with the evident apathy or if you will, amorality, o: some foreign voices.

Japan, for instance, seems genuinely befuddled by the

House State Affairs Committee
Representative Gene Kubina, Chair

DATE: Mar. 11, 1991

PLACE: Capitol, Room 10

SUBJECT OF MEETING:
*HB 47 - Relating to PERS Benefits for Youth Center Employees
*HJR 22 - Relating to Opposing Reduction of Federal COLA
SB 32 - Relating to PERS Benefits for Youth Center Employees
SJR 15 - Relating to Opposing Fed. COLA

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?		WHAT SUBJECT/ WHICH BILL?
GREG ROTH	AK JUV. CORR. OFFICERS ASSN	3252 HOSPITAL DR JUNO	99801		586-9433	(Y)	N	HB 47 - SB 32
GARY BADER	Dept of Admin	RETIREMENT & BENEFITS Pouch C JUNEAU, 99811	99811	~~X4460~~	X4460	(Y)	N	11
TOM BERGSTROM	DHSS.	Box H, JUNEAU 99811	99811		3030	(Y)	N	HB47 - SB32
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	

House State Affairs Committee
Representative Gene Kubina, Chair

DATE: Mar. 11, 1991

PLACE: Capitol, Room 102

SUBJECT OF MEETING:

SB 24 - Relating to Approp: Longevity Bonus Program

HB 67 - Relating to the Impoundment of MIstreated Animals

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?		WHAT SUBJECT/ WHICH BILL?
Kathy Hatthaway	Sen.	Kettleka				(Y)	N	SB 24
Ronald G. Clarke	Rep	Koyonen			4992	(Y)	N	HB 67
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	
						Y	N	