ALASKA ECONOMIC TRENDS

JULY 2012

The Cost of Living in Alaska

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Characteristics of Alaska's labor force

ALASKA DEPARTMENT OF LABOR
& WORKFORCE DEVELOPMENT

Sean Parnell, Governor
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On the cover: A barge and tug transport goods near Ketchikan. Photo courtesy of Flickr user "brewbooks"

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Energy, housing, and food drive up living costs for Alaskans

By Dianne Blumer, Commissioner

It's no surprise that living in Alaska is expensive. However, what might be surprising is how many ways we track the cost of living, including by community and location and also by what Alaskans purchase.

In this month's *Trends*, Alaska Department of Labor and Workforce Development economist Neal Fried explains how we measure the cost of living in Alaska — and the reasons it's not a perfect science.

Housing is the single biggest component in Alaska household budgets as it is elsewhere in the country. That's the mixed blessing of a real estate market that has remained strong, protecting the value of our homes — Alaska housing costs rose 7.6 percent over the past four years, compared to 1.3 percent nationwide.

Food is another key component in household expenses. Alaska is unique in that many families rely on subsistence fish and meat for a large part of their diet, and items common in most U.S. cities are not even on the shelf in rural Alaska stores.

However, it's the cost of energy that drives up the cost of living in much of Alaska more than any other factor — the Anchorage consumer price index shows energy costs rose 10.8 percent in 2011.

Many homes in Southcentral Alaska are heated by relatively affordable natural gas, but costs in other areas — especially rural communities — remain high. Among more urban areas, Fairbanks had the highest utility costs among all surveyed U.S. cities.

When you compare cost of living to incomes, all of our Alaska cities are above the national average, with Juneau highest at 139 percent of the national average, followed by Fairbanks at 137 percent, Anchorage at 130.6 percent and Kodiak at 127.6. By comparison, in the Lower 48 you have to visit major metro areas like New York City and Washington, D.C., to find higher costs of living.

The Parnell administration has put a priority on energy and resource development. The 2013 capital budget contains more than $247 million for statewide energy projects, including $31.5 million for weatherization programs to help Alaskans make their homes more energy efficient, $25.9 million for the Renewable Energy Fund targeting projects in areas with the highest energy costs, and $20 million for home energy rebates.

The 2013 operating budget contains $38.2 million to fully fund the Power Cost Equalization Program, and an estimated $48 million for the Alaska Low-Income Energy Assistance Program. In addition, $125 million was appropriated for the new Sustainable Energy Fund to help finance energy infrastructure projects that will reduce the cost of energy for Alaskans.

In May, Gov. Sean Parnell signed legislation to provide $85 million to community revenue sharing, which will help communities that are struggling with the high cost of fuel provide vital services to their residents.

During the past two budget cycles, the state has funded more than $1.5 billion for energy infrastructure and investments.

By NEAL FRIED, Economist

The Cost of Living in Alaska

Energy prices a large part of 2011's rise in inflation

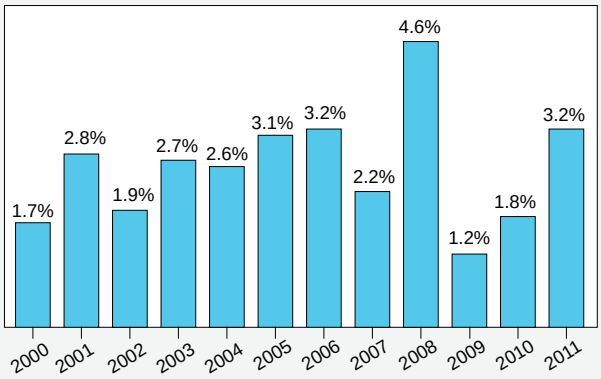
Anchorage's inflation rate rose from 1.8 percent to 3.2 percent in 2011 — its second-highest increase in the past decade. (See Exhibit 1.)

Energy prices explain much of the difference. They rose 10.8 percent in 2011 and have registered even bigger increases three times over the past 10 years. (See Exhibits 2 and 3.)

Most consumers still spend the largest share of their consumption dollars on housing, though, so housing has a powerful influence on the overall rate. (See Exhibit 4.) Because local market forces strongly influence housing prices, housing can give the consumer price index, or CPI, its local flavor. In contrast, the costs of most other goods and services are largely influenced by national and international trends.

1 Inflation in Anchorage

Consumer price index, 2000 to 2011



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

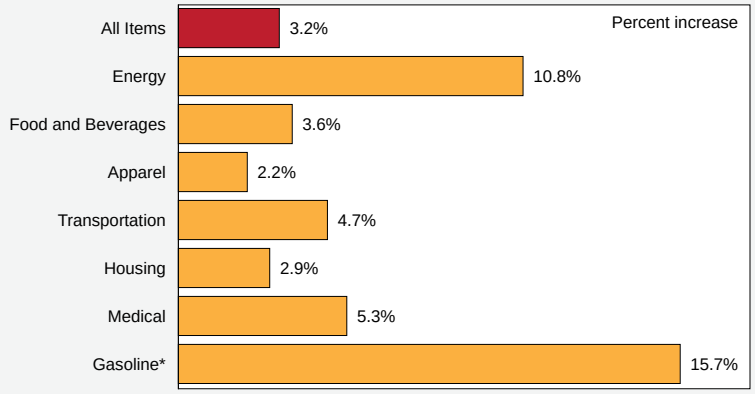
Inflation and comparisons

There are two basic ways to measure the cost of living, which the sidebar on page 5 explains in detail:

- *Cost changes in one place over time:* The Anchorage consumer price index is the only CPI for Alaska, so is often considered the de facto measure of inflation for the whole state.
- *Cost differences between places:* A variety of other indexes and studies, such as those by the military and the state discussed later in this article, survey areas to compare their costs to each other and to other places in the nation.

2 Some of the Costs That Went Up

Anchorage consumer price index, 2010 to 2011



*Several of the listed categories overlap; for example, gasoline is part of the increase for both energy and transportation.

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

Housing is a CPI heavyweight

During most of the past decade, the Anchorage housing market was similar to that of the nation. However, that trend diverged over the past four years. Between 2008 and 2011, Anchorage's CPI housing component increased by 7.6 percent, while the nation's housing prices rose by just 1.3 percent. (See Exhibit 5.)

In 2010, the U.S. housing CPI showed a decrease nationwide, while Anchorage housing costs increased by nearly a percent. These numbers reflect the difference between the tough national housing market of the past few years and the relatively healthy market in Anchorage.

Health care a small component

Health care is not a large enough category to influence the overall Anchorage CPI much, but its increase in prices has been continuous and significant. During the past decade, health care costs in Anchorage have grown by 56.2 percent versus 29.8 percent for the overall index.

CPI can't compare areas

The CPI attempts to measure how much prices rise over time, but it's not designed to say whether one location is more expensive than another. For that, the rest of this article examines a variety of other sources.

How housing compares in-state

Within Alaska, Anchorage homes have the highest average sales price — more than $100,000 higher than in three other areas in the state in 2011. (See Exhibit 6.)

Higher earnings can offset home costs, though, and this factor makes Juneau the least affordable market. The affordability index in Exhibit 7 takes this earning power into account, producing the average number of wage earners required to qualify for a 30-year mortgage with an average interest rate and a 15 percent down payment.

As in the past, a single family home in the Matanuska-Susitna Borough purchased by Anchorage workers was the most affordable, requiring only 1.03 paychecks to qualify. This phenomenon helps explain the huge flow of commuter traffic between Mat-Su and Anchorage.

For renters, Kodiak Island Borough was the most expensive area for a two-bedroom apartment in 2011, at $1,231 per month. (See Exhibit 8.) Exhibits 6 and 8 also show the relationship between rental rates and home costs — areas with high rents also tend to have high home prices.

Dillingham's food costs the most

Four times a year, the University of Alaska Fairbanks Cooperative Extension Service posts survey results on the cost of a week's worth of food at home for the average family of four. The Food Cost Survey covers approximately 20 Alaska communities as well as Portland, Ore. (See Exhibit 9.)

Two ways to measure cost of living

1. In a specific place over time

Anchorage is one of 26 cities — and the smallest — where the U.S. Bureau of Labor Statistics tracks changes in consumer prices. Because it's the only CPI in Alaska, it's often treated as the de facto statewide measure of inflation.

BLS goes to great lengths and expense to produce the CPI through elaborate surveys of consumer spending habits. These surveys look at a "market basket" of items, and BLS gives them location-specific weights. The market basket, used in most cost-of-living indexes, is a sample of goods and services believed to best mimic the average consumer or a specific group of consumers. The market basket typically includes housing, food, transportation, medical care, and entertainment.

Workers, unions, employers, and many others pay attention to the CPI because bargaining agreements and other wage rate negotiations often incorporate an adjustment for inflation. The CPI also plays a role in long-term real estate rental contracts, child support payments, and budgeting.

Most Alaskans are affected when the Permanent Fund Corporation uses the CPI to inflation-proof the fund, and nearly all senior citizens are affected when Social Security payments are adjusted each year using the CPI.

The Anchorage CPI is produced twice each year, for January to June and July to December. Information for the latter period and the annual average come out in January of the following year, and this annual figure is typically considered the measure of inflation in Alaska.

2. Differences between places

The other way to assess the cost of living is to look at cost differences between places. For example, is it more expensive to live in Barrow or in Fairbanks? A variety of studies and data sources this article uses compare the costs of living among Alaska communities and other places around the country.

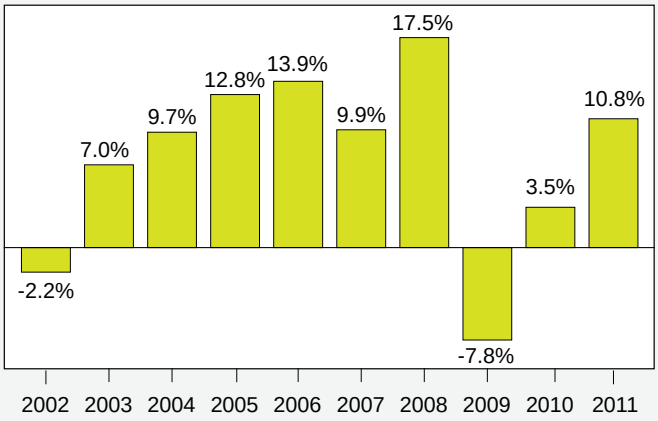
These studies assume a certain consumption pattern and investigate how much more, or less, it might cost to maintain a specific standard of living elsewhere. Some of these data are more comprehensive than others, and because there can be several sources for the same areas, it's important to weigh the strengths and weaknesses of the data sets. Some may better suit a particular need, or in some cases it may work best to cobble together several sources.

Looking at 'the average consumer'

All cost-of-living measures have their shortcomings. No two consumers spend their money alike, nor does any index accurately capture all the differences. For example, the average household in Nome may spend money differently from the average household in Sitka, and they may differ even more dramatically from a family in Los Angeles. An index may or may not take these differences into account, depending on how sophisticated it is.

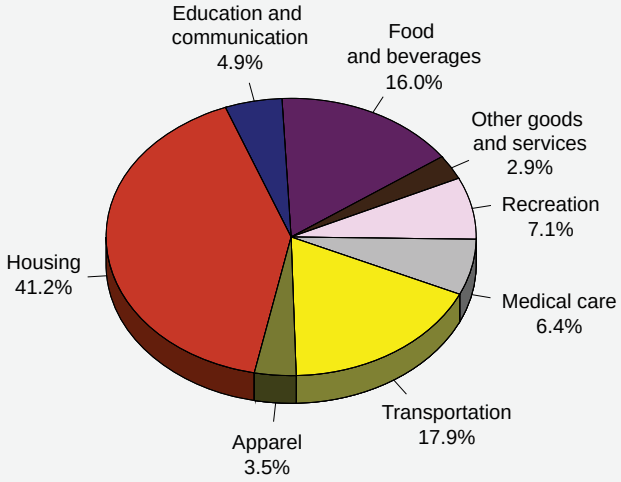
Consumer spending habits are also continuously in flux. Technology advances, tastes change, and people react differently to changes in prices.

3 Changes in Energy Prices
Anchorage CPI, 2002 to 2011



Note: Energy costs are not a separate component — they're included in transportation and affect the other components to varying degrees.
Source: U.S. Department of Labor, Bureau of Labor Statistics

4 Where the Money Goes
Anchorage CPI, December 2011



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

Its market basket, or sample of goods and services intended to best mimic the average consumer, includes items with minimum levels of nutrition at the lowest possible cost.

The 2011 survey showed groceries cost the most in Dillingham at $354.72 per week. The same items would have been just $141.95 in Anchorage, and $115.62 in Portland.

The Cooperative Extension survey has a number of strengths. It covers a wide area and has been consistently produced since 1984. It's also specific — its Web site publishes food costs for different family configurations and for individuals at different ages.

In addition, the complete survey includes information on utilities, fuel, and lumber prices.

One limitation of this survey is its restriction to relatively small components of the cost of living. The survey also assumes an identical market basket in all communities so it can't make allowances for buying habits, which may differ drastically among areas. For example, many items that can be purchased in urban Alaska are not available in rural communities.

Like all cost-of-living surveys, its market basket can't account for the possible substitution of subsistence-harvested meats, berries, and other products.

Calculating index changes

Movements of the indexes from one period to another are usually expressed as percent changes rather than index points, because index points are affected by the level of the index in relation to its base period. The following example illustrates the computation of index points and percent changes.

Index Point Change

Anchorage CPI, 2011……..201.4
Less CPI for previous period, Anchorage 2010.....195.1
Equals index point change.....6.3

Percent Change

Index point difference……6.3
Divided by the previous index……195.1
Equals…….0.032
Results multiplied by 100……0.032 x 100
Equals percent change, Anchorage CPI 2011…….3.2

How much would $1,000 in 2000 buy in 2011?

The Anchorage CPI can answer the often-asked question, "How can I take a dollar amount from some earlier year and make it current with today's dollar value?" Use the simple equation below.

2011 Anchorage CPI (most recent, Exhibit 5).....201.4
Divided by 2000 Anchorage CPI (also in Exhibit 5).....150.9
Equals.....1.335
Then multiply 1.335 ($1,000 in the year 2000 dollars) = $1,335 in current or 2011 dollars.
See labor.alaska.gov/research/cpi/inflationcalc.htm for an inflation calculator. The calculator can also deflate dollars to an earlier year's value.

5 Costs in Anchorage vs. Average U.S. City

Overall, all minus housing, housing, and transportation; 1983 to 2011

ALL ITEMS

Year	Anchorage average	% chg from previous yr	U.S. average	% chg from previous yr
1983	99.2	1.8%	99.6	3.2%
1984	103.3	4.1%	10.4	4.3%
1985	105.8	2.4%	107.6	3.6%
1986	107.8	1.9%	109.6	1.9%
1987	108.2	0.4%	113.6	3.6%
1988	108.6	0.4%	118.3	4.1%
1989	111.7	2.9%	124.0	4.8%
1990	118.6	6.2%	130.7	5.4%
1991	124.0	4.6%	136.2	4.2%
1992	128.2	3.4%	140.3	3.0%
1993	132.2	3.1%	144.5	3.0%
1994	135.0	2.1%	148.2	2.6%
1995	138.9	2.9%	152.4	2.8%
1996	142.7	2.7%	156.9	3.0%
1997	144.8	1.5%	160.5	2.3%
1998	146.9	1.5%	163.0	1.6%
1999	148.4	1.0%	166.6	2.2%
2000	150.9	1.7%	172.2	3.4%
2001	155.2	2.8%	177.1	2.8%
2002	158.2	1.9%	179.9	1.6%
2003	162.5	2.7%	184.0	2.3%
2004	166.7	2.6%	188.9	2.7%
2005	171.8	3.1%	195.3	3.4%
2006	177.3	3.2%	201.6	3.2%
2007	181.2	2.2%	207.3	2.8%
2008	189.5	4.6%	215.3	3.8%
2009	191.7	1.2%	214.5	-0.4%
2010	195.1	1.8%	218.1	1.6%
2011	201.4	3.2%	224.9	3.2%

ALL ITEMS MINUS HOUSING

Year	Anchorage average	% chg from previous yr	U.S. average	% chg from previous yr
1983	99.9	3.7%	99.8	3.7%
1984	103.8	3.9%	103.9	4.1%
1985	107.5	3.6%	107.0	3.0%
1986	111.2	3.4%	108.0	0.9%
1987	115.1	3.5%	111.6	3.3%
1988	117.8	2.3%	115.9	3.9%
1989	122.3	3.8%	121.6	4.9%
1990	128.0	4.7%	128.2	5.4%
1991	131.9	3.0%	133.5	4.1%
1992	134.6	2.0%	137.3	2.8%
1993	137.9	2.5%	141.4	3.0%
1994	140.3	1.7%	144.8	2.4%
1995	144.6	3.1%	148.6	2.6%
1996	148.4	2.6%	152.8	2.8%
1997	150.6	1.5%	155.9	2.0%
1998	152.6	1.3%	157.2	0.8%
1999	153.5	0.6%	160.2	1.9%
2000	156.1	1.7%	165.7	3.4%
2001	160.6	2.9%	169.7	2.4%
2002	162.2	1.0%	170.8	0.6%
2003	166.5	2.7%	174.6	2.2%
2004	171.7	3.1%	179.3	2.7%
2005	177.5	3.4%	186.1	3.8%
2006	182.9	3.0%	191.9	3.1%
2007	187.7	2.6%	196.6	2.5%
2008	198.0	5.5%	205.5	4.5%
2009	199.2	0.6%	203.3	-1.0%
2010	202.2	1.5%	208.6	2.6%
2011	209.2	3.4%	217.0	4.0%

HOUSING

1983	99.0	0.8%	99.5	2.7%
1984	102.7	3.7%	103.6	4.1%
1985	103.0	0.3%	107.7	4.0%
1986	102.6	-0.4%	110.9	3.0%
1987	97.5	-5.0%	114.2	3.0%
1988	95.4	-2.2%	118.5	3.8%
1989	96.3	0.9%	123.0	3.8%
1990	103.9	7.9%	128.5	4.5%
1991	111.2	7.0%	133.6	4.0%
1992	116.6	4.9%	137.5	2.9%
1993	121.1	3.9%	141.2	2.7%
1994	122.9	1.5%	144.8	2.5%
1995	124.9	1.6%	148.5	2.6%
1996	127.9	2.4%	152.8	2.9%
1997	129.4	1.2%	156.8	2.6%
1998	131.0	1.2%	160.4	2.3%
1999	132.7	1.3%	163.9	2.2%
2000	134.2	1.1%	169.6	3.5%
2001	139.0	3.6%	176.4	4.0%
2002	143.5	3.2%	180.3	2.2%
2003	146.8	2.3%	184.8	2.5%
2004	149.1	1.6%	189.5	2.5%
2005	153.1	2.7%	195.7	3.3%
2006	159.2	4.0%	203.2	3.8%
2007	163.5	2.7%	209.6	3.1%
2008	167.6	2.5%	216.3	2.2%
2009	173.7	3.7%	217.1	0.4%
2010	175.2	0.9%	216.3	-0.4%
2011	180.4	2.9%	219.1	1.3%

TRANSPORTATION

1983	98.5	1.8%	99.3	2.4%
1984	104.6	6.2%	103.7	4.4%
1985	108.2	3.4%	106.4	2.6%
1986	107.8	-0.4%	102.3	-3.9%
1987	111.3	3.2%	105.4	3.0%
1988	113.0	1.5%	108.7	3.1%
1989	116.7	3.3%	114.1	5.0%
1990	120.7	3.4%	120.5	5.6%
1991	121.7	0.8%	123.8	2.7%
1992	123.3	1.3%	126.5	2.2%
1993	128.8	4.5%	130.4	3.1%
1994	136.9	6.3%	134.3	3.0%
1995	143.8	5.0%	139.1	3.6%
1996	147.2	2.4%	143.0	2.8%
1997	147.0	-0.1%	144.3	0.9%
1998	144.9	-1.4%	141.6	-1.9%
1999	143.7	-0.8%	144.4	2.0%
2000	150.5	4.7%	153.3	6.2%
2001	153.0	1.7%	154.3	0.7%
2002	151.5	-1.0%	152.9	-1.0%
2003	158.3	4.5%	157.6	3.1%
2004	162.7	2.8%	163.1	3.5%
2005	171.7	5.5%	173.9	6.6%
2006	178.6	4.0%	180.9	4.0%
2007	180.7	1.2%	184.7	2.1%
2008	199.7	10.5%	195.5	5.9%
2009	190.2	-4.8%	179.3	-8.3%
2010	198.6	4.4%	193.4	7.9%
2011	207.9	4.7%	212.4	9.8%

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

5 Costs in Anchorage vs. Average U.S. City, continued

Groceries, medical care, clothing, and energy; 1983 to 2011

FOOD AND BEVERAGES				
Year	Anchorage average	% chg from previous yr	U.S. average	% chg from previous yr
1983	99.7	2.6%	99.5	2.3%
1984	103.2	3.5%	103.2	3.7%
1985	106.2	2.9%	105.6	2.3%
1986	110.8	4.3%	109.1	3.3%
1987	113.1	2.1%	113.5	4.0%
1988	113.8	0.6%	118.2	4.1%
1989	117.2	3.0%	124.9	5.7%
1990	123.7	5.5%	132.1	5.8%
1991	127.7	3.2%	136.8	3.6%
1992	130.3	2.0%	138.7	1.4%
1993	131.2	0.7%	141.6	2.1%
1994	131.9	0.5%	144.9	2.3%
1995	138.5	5.0%	148.9	2.8%
1996	143.4	3.5%	153.7	3.2%
1997	145.8	1.7%	157.7	2.6%
1998	147.3	1.0%	161.1	2.2%
1999	148.4	0.7%	164.6	2.2%
2000	151.7	2.2%	168.4	2.3%
2001	156.4	3.1%	173.6	3.1%
2002	157.9	1.0%	176.8	1.8%
2003	161.8	2.5%	180.5	2.1%
2004	168.9	4.4%	186.6	3.4%
2005	173.1	2.5%	191.2	2.5%
2006	176.2	1.8%	195.7	2.4%
2007	184.2	4.6%	203.3	3.9%
2008	192.3	4.4%	214.2	5.4%
2009	191.8	-0.2%	218.2	1.9%
2010	191.4	-0.2%	220.0	0.8%
2011	198.3	3.6%	227.9	3.6%

MEDICAL CARE*				
Year	Anchorage average	% chg from previous yr	U.S. average	% chg from previous yr
1983	99.7	5.2%	100.6	8.8%
1984	105.5	5.8%	106.8	6.2%
1985	110.9	5.1%	113.5	6.3%
1986	127.8	15.2%	122.0	7.5%
1987	137.0	7.2%	130.1	6.6%
1988	145.8	6.4%	138.6	6.5%
1989	154.4	5.9%	149.3	7.7%
1990	161.2	4.4%	162.8	9.0%
1991	173.5	7.6%	177.0	8.7%
1992	183.0	5.5%	190.1	7.4%
1993	189.6	3.6%	201.4	5.9%
1994	197.8	4.3%	211.0	4.8%
1995	211.6	7.0%	220.5	4.5%
1996	231.1	9.2%	228.2	3.5%
1997	248.9	7.7%	234.6	2.8%
1998	255.7	2.7%	242.1	3.2%
1999	260.8	2.0%	250.6	3.5%
2000	272.1	4.3%	260.8	4.1%
2001	282.9	4.0%	272.8	4.6%
2002	–	–	285.6	4.7%
2003	–	–	297.1	4.0%
2004	–	–	310.1	4.4%
2005	344.2	–	323.2	4.2%
2006	356.1	3.5%	336.2	4.0%
2007	367.0	3.0%	351.1	4.4%
2008	380.6	3.7%	364.1	3.7%
2009	397.0	4.3%	375.6	3.2%
2010	419.7	5.7%	388.4	3.4%
2011	442.0	5.3%	400.3	3.0%

CLOTHING				
1983	101.6	5.2%	100.2	2.5%
1984	101.7	0.1%	102.1	1.9%
1985	105.8	4.0%	105.0	2.8%
1986	109.0	3.0%	105.9	0.9%
1987	116.6	7.0%	110.6	4.4%
1988	119.1	2.1%	115.4	4.3%
1989	125.0	5.0%	118.6	2.8%
1990	127.7	2.2%	124.1	4.6%
1991	126.6	-0.9%	128.7	3.7%
1992	130.2	2.8%	131.9	2.5%
1993	131.2	0.8%	133.7	1.4%
1994	128.9	-1.8%	133.4	-0.2%
1995	130.0	0.9%	132.0	-1.0%
1996	128.7	-1.0%	131.7	-0.2%
1997	127.0	-1.3%	132.9	0.9%
1998	125.6	-1.1%	133.0	0.1%
1999	125.8	0.2%	131.3	-1.3%
2000	124.5	-1.0%	129.6	-1.3%
2001	131.1	5.3%	127.3	-1.8%
2002	126.7	-3.4%	124.0	-2.6%
2003	123.2	-2.8%	120.9	-2.5%
2004	123.9	0.6%	120.4	-0.4%
2005	121.3	-2.1%	119.5	-0.1%
2006	126.9	4.6%	119.5	0.0%
2007	123.4	-2.8%	119.0	-0.4%
2008	130.9	6.1%	118.9	-0.1%
2009	135.6	3.6%	120.1	1.0%
2010	139.7	3.0%	119.5	-0.5%
2011	142.8	2.2%	122.1	2.2%

ENERGY				
1983	99.4	-0.1%	99.9	0.7%
1984	100.5	1.1%	100.9	1.0%
1985	103.4	2.9%	101.6	0.7%
1986	96.6	-6.6%	88.2	-13.2%
1987	94.6	-2.1%	88.6	0.5%
1988	98.2	3.8%	89.3	0.8%
1989	105.2	7.1%	94.3	5.6%
1990	114.5	8.8%	102.1	8.3%
1991	112.2	-2.0%	102.5	0.4%
1992	112.7	0.4%	103.0	0.5%
1993	114.7	1.8%	104.2	1.2%
1994	114.4	-0.3%	104.6	0.4%
1995	114.4	0.0%	105.2	0.6%
1996	119.1	4.1%	110.1	4.7%
1997	123.5	3.7%	111.5	1.3%
1998	118.3	-4.2%	102.9	-7.7%
1999	116.2	-1.8%	106.6	3.6%
2000	131.0	12.7%	124.6	16.9%
2001	143.2	9.3%	129.3	3.8%
2002	140.1	-2.2%	121.7	-5.9%
2003	149.9	7.0%	136.5	12.2%
2004	164.4	9.7%	151.4	10.9%
2005	185.4	12.8%	177.1	17.0%
2006	211.2	13.9%	196.9	11.2%
2007	232.2	9.9%	207.7	5.5%
2008	272.9	17.5%	236.7	13.9%
2009	251.5	-7.8%	193.1	-18.4%
2010	260.3	3.5%	211.4	9.5%
2011	288.5	10.8%	243.9	15.4%

*No medical care cost index was calculated for Anchorage from 2002 to 2005.

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

Rural areas have high fuel prices

The Alaska Department of Commerce, Community, and Economic Development conducts a detailed semiannual survey of heating fuel and gasoline prices in 100 communities. (See Exhibit 10.)

With few exceptions, smaller rural communities pay significantly higher fuel prices than urban areas, and fuel costs are always highest in remote communities off the road system. In 2011, the highest prices were in the Interior village of Hughes, where heating fuel was $9 per gallon.

Average heating fuel prices increased in all communities, except the Northern region, from $4.98 in January 2011 to $5.71 in January 2012. Gasoline prices followed a similar pattern.

Alaska's high-cost cities

The Council for Community and Economic Research publishes the ACCRA cost-of-living index each quarter as well as an annual report. Its survey covers more than 300 U.S. cities, including Anchorage, Fairbanks, Juneau, and Kodiak.

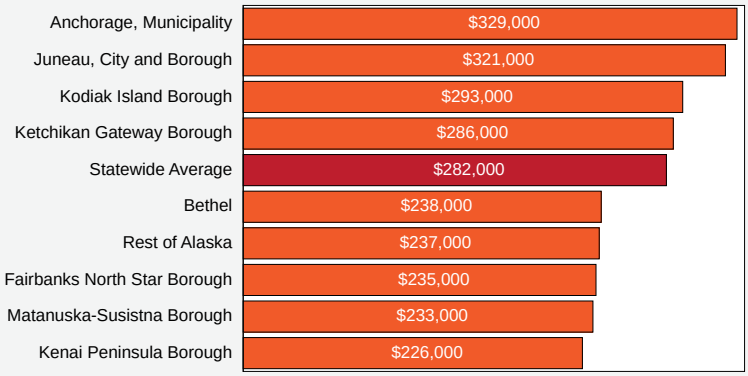
The study examines costs for 57 items and classifies results in cost categories such as groceries, housing, utilities, transportation, health care, and miscellaneous goods and services, with the average U.S. city's costs indexed at 100.

ACCRA styled its consumption pattern after a professional household in the top income quintile. The weights are significantly different from the consumer price indexes and include far less detail. They also exclude state and local taxes — a potentially major omission.

The 2011 data place the costs of living in Anchorage, Fairbanks, Juneau, and Kodiak well above the national average. Juneau's cost-of-living was highest at 139.0, or 39 percent above the U.S. average. Anchorage weighed in at 130.6, Fairbanks at 137.0, and Kodiak at 127.6. (See Exhibit 11.)

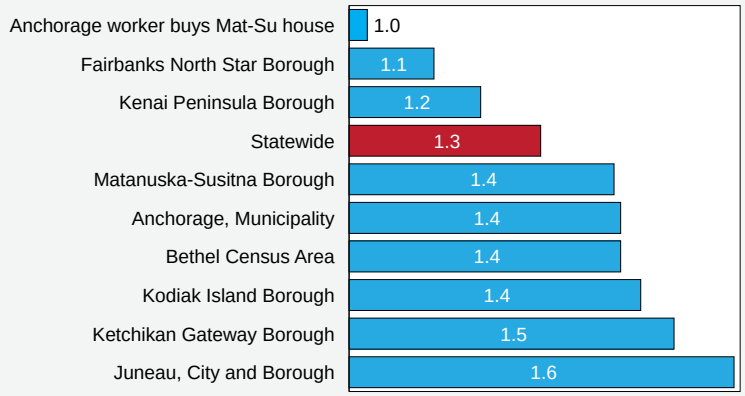
According to ACCRA, high costs of living distinguish Alaska cities from most other places in the nation. Alaska and New Jersey were the only states where all cities' indexes topped 125. Alaska cities have plenty of company, though. Nine other U.S. cities' costs topped Juneau, and they were mostly large metro areas in California and around New

6 Cost of a Single-Family Home
Highest in Anchorage, lowest in Kenai, 2011



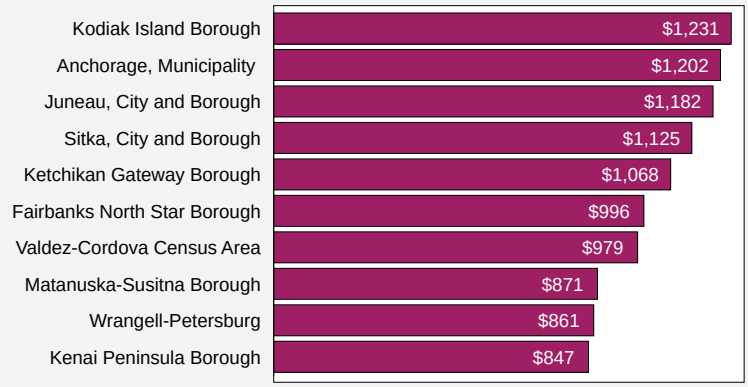
Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation

7 Incomes Needed to Buy a House
Alaska, second half of 2011



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation

8 Rent for a Two-Bedroom Apartment
Rent highest in Kodiak, 2011



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and Alaska Housing Finance Corporation

9 Food for a Week
Alaska, December 2011

Community	Food at home for a week*	Percent of Anchorage
Anchorage	$141.95	100%
Anvik	$301.75	213%
Bethel	$282.82	199%
Cordova	$218.35	154%
Delta Junction	$188.85	133%
Dillingham	$354.72	250%
Fairbanks	$158.83	112%
Haines	$207.61	146%
Homer	$168.28	119%
Juneau	$153.45	108%
Kenai/Soldotna	$152.62	108%
Ketchikan	$173.28	122%
Nome	$256.96	226%
Palmer/Wasilla	$153.49	108%
Petersburg	$179.93	127%
Portland, OR	$115.62	81%
Russian Mission	$312.05	220%
Sitka	$200.43	141%
Tok	$178.75	126%
Unalaska	$196.81	139%
Valdez	$184.22	130%

*Weekly cost for a family of four with children ages 6-11.
Source: University of Alaska Fairbanks, Cooperative Extension Service

10 Rural Fuel Per Gallon
Alaska, January 2012

Community[1]	Heat. fuel #1, residential	Gasoline, regular	Method of transportation
Anvik	$5.25	$5.50	Barge
Arctic Village	–	$10.00	Air
Atqasuk[2]	$1.40	$4.10	Barge/Air
Barrow[3]	–	$5.75	Barge
Chenega Bay	$6.63	$6.76	Barge
Cordova	$4.37	$4.80	Barge
Delta Junction	$3.96	$3.92	Truck
Dillingham	$5.16	$6.25	Barge
Emmonak	$6.74	$6.74	Barge
Fairbanks	$3.93	$3.83	Refinery/Truck
Glennallen	$4.07	$4.18	Truck
Gambell	$6.75	$7.01	Barge
Homer	$3.83	$4.14	Barge/Truck
Hoonah	$4.50	$4.39	Barge
Hooper Bay	$7.09	$6.98	Barge
Hughes	$9.00	$8.25	Air
Huslia	$6.00	$5.00	Barge
Juneau	$4.31	$4.00	Barge
Kodiak	$4.02	$4.21	Barge
Kotzebue	$5.92	$5.97	Barge
Nelson Lagoon	$5.98	$6.40	Barge
Nenana	$4.12	$4.18	Truck
Nondalton	$6.67	$6.60	Air
Pelican	$4.95	$4.92	Barge
Petersburg	$4.03	$4.36	Barge
Port Lions	$5.13	$4.90	Barge
Russian Mission	$5.75	$6.20	Barge
Unalaska	$4.53	$4.50	Barge
Valdez	$3.73	$3.37	Refinery/Barge

[1]This is a partial list of the 100 communities surveyed.
[2]The North Slope Borough subsizes heating fuel.
[3]Barrow uses natural gas as a source of heat.
Source: Department of Commerce, Community, And Economic Development, Current Community Conditions: Fuel Prices Across Alaska, January 2012 Update

York City. Manhattan topped the list at 218.8.

Other cities with higher costs than Juneau included the Washington, D.C., area; Stamford, Conn.; and Honolulu, Hawaii. Altogether, outside of Alaska, 26 cities topped 120. The most affordable city in the nation was Harlingen, Texas, at 81.0.

Anchorage utilities cost less

Housing in Alaska cities was not the only above-average cost component. Expenditures in most categories were over the U.S. average — with one exception. Anchorage utility costs were just 98.2 percent of the national average.

Most Anchorage residents heat their homes with natural gas, which has continued to contain costs. This was in stark contrast to Fairbanks' utilities index value of 211.5 — the single largest differential among all surveyed cities in the nation as well as in any category for Alaska cities. Honolulu's utility costs were a distant second at 161.9.

As a subcategory in housing, the Bureau of Labor Statistics tracks changes in the price of natural gas or what they call "utility-piped gas services." The price of natural gas in Anchorage is much more complex than those of heating oil and gasoline, which closely track with changes in the price of crude oil.

As with many utilities, the State of Alaska regulates the price of natural gas, which is often indexed to natural gas prices in the Lower 48. Seasonality and storage are among a variety of costs built into the price, and contracts and spot purchases from gas suppliers can further affect natural gas prices.

Overall costs highest in Kotzebue

In 2009, the state released the 2008 Alaska Geographic Differential Study, intended to adjust salaries by location for state workers. It remains the most comprehensive state cost-of-living study and though it's a few years old, its sophistication and broad geographic and category coverage make it the default, almost one-stop reference for all cost-

11 Alaska Cities Expensive for Professional Households

ACCRA cost-of-living index, select cities, 2011

Region and city	Total index	Groceries	Housing	Utilities	Transport.	Medical	Misc.
Alaska							
Anchorage, AK	130.6	137.4	149.8	98.2	112.0	139.4	126.3
Fairbanks, AK	137.0	132.4	140.3	211.5	109.9	142.5	120.2
Juneau, AK	139.0	130.8	172.8	163.8	107.9	149.8	113.2
Kodiak, AK	127.6	149.1	123.1	152.3	130.5	133.0	113.2
West							
Portland, OR	113.6	111.2	130.6	88.4	113.7	114.0	107.6
Honolulu, HI	167.8	155.6	251.8	161.9	125.9	123.7	120.5
San Francisco, CA	162.7	115.8	283.0	91.3	111.5	112.6	122.4
Las Vegas, NV	100.1	105.0	92.2	91.5	103.8	106.6	105.9
Reno, NV	94.0	100.6	87.1	87.4	103.9	102.7	95.1
Seattle, WA	117.1	111.6	129.2	90.4	112.4	118.7	118.8
Spokane, WA	92.9	94.6	85.9	79.0	100.9	105.8	98.6
Tacoma, WA	107.3	107.2	110.0	96.2	102.6	107.9	110.1
Bellingham, WA	115.3	116.6	136.8	83.3	115.6	116.8	105.8
Boise, ID	96.1	101.2	83.4	97.2	101.3	101.6	102.3
Bozeman, MT	101.7	111.1	96.5	92.9	97.0	100.8	106.9
Laramie, WY	99.9	103.5	107.4	95.3	90.8	104.3	95.8
Southwest/Mountain							
Salt Lake, UT	94.6	94.1	94.1	77.3	96.6	96.1	100.0
Phoenix, AZ	96.5	103.7	87.2	100.3	102.9	102.8	97.7
Denver, CO	105.0	102.6	112.9	90.0	95.0	106.8	106.9
Dallas, TX	96.2	100.6	75.2	108.1	105.0	104.7	105.0
Houston, TX	89.8	80.7	83.1	89.3	95.2	98.3	96.8
Midwest							
Fargo-ND-MN	93.2	103.8	84.2	89.3	96.9	102.8	95.5
Cleveland, OH	101.4	110.4	91.4	99.1	101.7	111.1	105.9
Chicago, IL	114.7	114.4	133.8	97.6	114.5	107.1	104.6
Southeast							
Orlando, FL	97.3	100.1	79.5	107.8	99.2	94.4	108.2
Mobile, AL	92.0	98.0	80.0	100.8	93.1	85.1	98.0
Atlanta, GA	97.3	101.6	89.2	93.4	102.1	101.2	101.8
Atlantic/New England							
New York City / Manhattan, NY	218.8	148.7	413.5	143.7	122.9	128.0	144.0
Boston, MA	137.3	118.8	160.2	147.3	106.7	121.3	133.7
Philadelphia, PA	125.0	124.5	140.2	129.9	107.7	104.8	118.6

Note: Index numbers represent a comparison to the average for all cities for which ACCRA volunteers collected data.
Source: The Council For Community And Economic Research

of-living data needs in the state.

The differential study is highly detailed, covering all areas of the state and many communities, each with their own market basket and weights.

Kotzebue was the highest-cost area at 1.61, and most off-the-road-system towns were at 1.30 or higher. (See Exhibit 12.) Roadless communities connected by the ferry system were next highest, and included Kodiak, Cordova, Juneau, and Sitka. Regions with lower costs than Anchorage were areas with cheaper housing, such as Glennallen and Mat-Su.

Military data exclude housing

The Department of Defense produces a cost-of-living index called OCONUS for all its overseas locations, including Alaska and Hawaii. Its strengths

12 Geographic Cost Differentials
Alaska areas and communities, 2008

Community	
Barrow	1.50
Bethel	1.53
Cordova	1.13
Dillingham	1.37
Homer	1.01
Ketchikan	1.04
Kotzebue	1.61
Nome	1.39
Petersburg	1.05
Sitka	1.17
Unalaska/Dutch Harbor	1.58
Valdez	1.08

Areas	
Anchorage (base area)	1.00
Fairbanks	1.03
Parks/Elliott/Steese Highways	1.00
Glennallen Region	0.97
Delta Junction/Tok Region	1.04
Roadless Interior	1.31
Juneau	1.11
Ketchikan/Sitka	1.09
Southeast Mid-Size Communities	1.05
Southeast Small Communities	1.02
Mat-Su	0.95
Kenai Peninsula	1.01
Prince William Sound	1.08
Kodiak	1.12
Arctic Region	1.48
Bethel/Dillingham	1.49
Aleutian Region	1.50
Southwest Small Communities	1.44

Source: The McDowell Group for the State of Alaska

13 Military Index
Alaska, 2012

Location	Index
Anchorage	128
Barrow	156
Bethel	156
Clear Air Station	130
College	130
Cordova	138
Delta Junction	132
Fairbanks	130
Homer	136
Juneau	134
Kenai (includes Soldotna)	136
Ketchikan	142
King Salmon (incl. Bristol Bay Borough)	136
Kodiak	138
Nome	156
Petersburg	142
Seward	132
Sitka	140
Spuce Cape (on Kodiak Island)	136
Tok	132
Unalaska	136
Valdez	138
Wainwright	156
Wasilla	124
Other	156

Note: The U.S. average is set at 100.
Source: Department of Defense, OCONUS, effective date May 2012

14 State Adjustment Factors
Corps of Engineers civil works projects, 2012

Alabama	0.89	Nebraska	0.96
ALASKA	1.19	Nevada	1.07
Arizona	0.95	New Hampshire	1.02
Arkansas	0.86	New Jersey	1.18
California	1.17	New Mexico	0.92
Colorado	0.98	New York	1.14
Connecticut	1.17	North Carolina	0.77
Delaware	1.09	North Dakota	0.9
Florida	0.93	Ohio	1.01
Georgia	0.89	Oklahoma	0.84
Hawaii	1.17	Oregon	1.05
Idaho	0.95	Pennsylvania	1.08
Illinois	1.14	Rhode Island	1.13
Indiana	1.00	South Carolina	0.83
Iowa	0.98	South Dakota	0.86
Kansas	0.94	Tennessee	0.89
Kentucky	0.98	Texas	0.86
Louisiana	0.87	Utah	0.94
Maine	0.97	Vermont	0.92
Maryland	0.98	Virginia	0.93
Massachusetts	1.17	Washington	1.05
Michigan	1.03	West Virginia	1.02
Minnesota	1.14	Wisconsin	1.06
Mississippi	0.88	Wyoming	0.89
Missouri	1.02	Washington, D.C.	1.04
Montana	0.96		

Note: The national average is set at 1.0
Source: U.S. Army Corps of Engineers, revised March 2012

are its broad geographic coverage — 25 areas in 2011 — and frequent updates. (See Exhibit 13.)

The military found the highest prices in Barrow, Bethel, Nome, and Wainwright and the lowest in Wasilla and Anchorage. These results mostly line up with other data in this article, but one difference is that OCONUS does not include housing. Because the military disburses a housing allowance, the adjustment is based on "spendable" income: income minus housing expenses, taxes, savings, life insurance, gifts, and contributions.

Corps tallies construction costs from state to state

The U.S. Army Corps of Engineers is involved in civil works projects around the nation, and as a byproduct it assembles data on construction costs. Corps indexes are used to adjust these costs on a state-to-state basis. (See Exhibit 14.) Alaska tops the list at 1.19, and though this is a narrow category, it matches up with a number of other indexes.

By NEAL FRIED, Economist

Employment Scene

Characteristics of Alaska's labor force

The Current Population Survey is one ingredient in the production of the state's labor force statistics, produced each month from a survey of Alaska households.

The Census Bureau, which conducts the CPS, surveys households in all 50 states. Data are most frequently released at the national level only because the number of households surveyed in a single state is relatively small. Here, and in other states, monthly CPS data are supplemented with other statistics, such as unemployment insurance claims, to generate the official unemployment rate.

However, averaging CPS data over a year is more reliable, and it adds an extra dimension to Alaska's statistics because the survey gathers more information than simply whether someone is employed or unemployed.

Rates higher among men, teens

The CPS data show an unemployment rate of 7.6 percent for Alaska from May 2011 through April 2012. Although this is not the official unemployment rate, it is not significantly different because it's a major piece of the formula that generates the official rates.

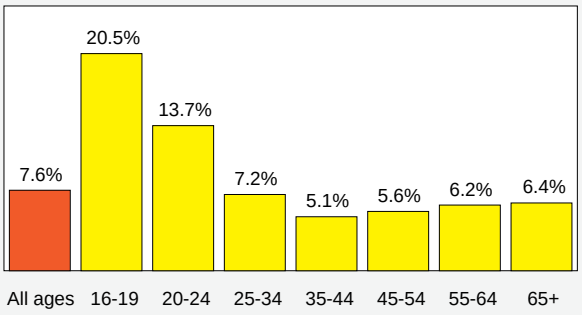
Over that period, the CPS rate was 9.0 percent for men and 6.0 percent for women. The disparity is partly because men are more likely to work seasonal jobs — they're twice as likely to be seafood processors and eight times more likely to work as construction laborers.

Unemployment was solidly in the double digits for teenagers and those under age 24. (See Exhibit 1.) Younger workers continually enter, drop out, and then reenter the labor market as they move, travel, graduate, and complete training programs. No other age group moves more. (See April *Trends*.) They also lack skills and experience in comparison to other age groups.

Half are jobless more than 10 weeks

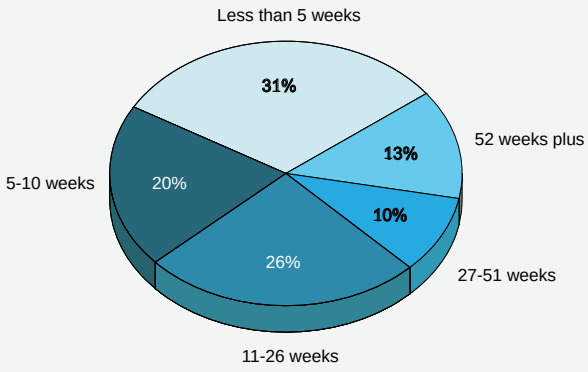
Half of the unemployed were unemployed for 10 weeks or less, and 13 percent were unemployed for more than a year. (See Exhibit 2.) The median — or midpoint — was 11 weeks, and the average was 22 weeks. The large difference between the median and the average suggests a wide range in the length of time people are unemployed — a few extreme values can skew the average.

Unemployment Drops With Age 1
Alaska, May 2011 to April 2012 avg.



Source: U.U.S. Bureau of Labor Statistics, Current Population Survey

Duration of Unemployment 2
Alaska, May 2011 to April 2012



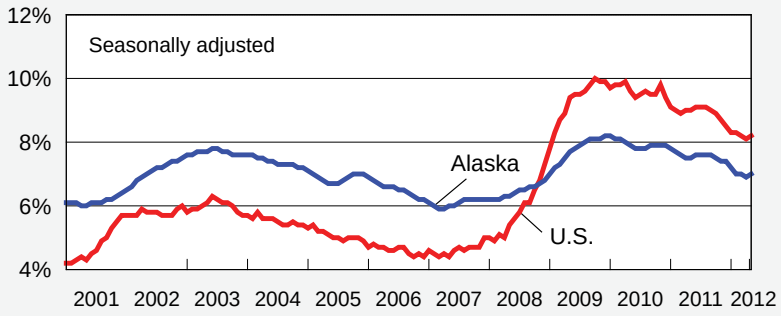
Source: U.S. Bureau of Labor Statistics, Current Population Survey

Participation in the labor force

The percentage of working-age adults who are working or looking for work is known as the "labor force participation

Continued on page 14

3 Unemployment Rates
January 2001 to May 2012



Source: Alaska Department of Labor and Workforce Development, Research and Analysis; and U.S. Bureau of Labor Statistics

4 Statewide Employment
Nonfarm wage and salary

	Preliminary	Revised		Year-Over-Year Change		
Alaska	**5/12**	**4/12**	**5/11**	**5/11**	**90% Confidence Interval**	
Total Nonfarm Wage and Salary[1]	328,600	321,100	330,300	-1,700	-9,083	5,683
Goods-Producing[2]	39,700	38,700	42,600	-2,900	-5,784	-16
Service-Providing[3]	288,900	282,400	287,700	1,200	–	–
Mining and Logging	16,600	16,300	15,800	800	7	1,593
Mining	16,100	15,900	15,400	700	–	–
Oil and Gas	13,200	13,200	12,800	400	–	–
Construction	13,100	11,600	16,000	-2,900	-5,483	-317
Manufacturing	10,000	10,800	10,800	-800	-1,794	194
Wholesale Trade	6,100	6,000	6,300	-200	-756	356
Retail Trade	36,300	34,700	36,000	300	-1,728	2,328
Food and Beverage Stores	6,400	6,300	6,200	200	–	–
General Merchandise Stores	10,100	9,600	9,800	300	–	–
Transportation, Warehousing, Utilities	23,000	21,100	22,600	400	-638	1,438
Air Transportation	6,000	5,600	6,000	0	–	–
Information	6,400	6,300	6,300	100	-481	681
Telecommunications	4,100	4,100	4,100	0	–	–
Financial Activities	14,500	14,500	14,700	-200	-2,143	1,743
Professional and Business Services	27,800	27,300	27,400	400	-1,393	2,193
Educational[4] **and Health Services**	46,400	46,400	44,500	1,900	632	3,168
Health Care	32,200	32,300	31,500	700	–	–
Leisure and Hospitality	33,100	29,400	33,800	-700	-2,737	1,337
Other Services	11,100	10,900	11,400	-300	-3,476	2,876
Government	84,200	85,800	84,700	-500	–	–
Federal Government[5]	16,700	16,200	17,500	-800	–	–
State Government	25,700	26,600	25,300	400	–	–
State Government Education[6]	7,400	8,600	7,000	400	–	–
Local Government	41,800	43,000	41,900	-100	–	–
Local Government Education[7]	24,000	25,800	24,300	-300	–	–
Tribal Government	3,800	3,800	3,700	100	–	–

A dash means confidence intervals aren't available at this level.
[1]Excludes the self-employed, fishermen and other agricultural workers, and private household workers. For estimates of fish harvesting employment and other fisheries data, go to labor.alaska.gov/research/seafood/seafood.htm.
[2]Goods-producing sectors include natural resources and mining, construction, and manufacturing.
[3]Service-providing sectors include all others not listed as goods-producing sectors.
[4]Private education only
[5]Excludes uniformed military
[6]Includes the University of Alaska
[7]Includes public school systems

Sources for Exhibits 3, 4, and 5: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and U.S. Department of Labor, Bureau of Labor Statistics

LABOR FORCE, continued

rate." Some choose not to participate because they are in school, caring for family full-time, retired, or simply don't want to work.

Those who have given up on finding work are also not considered part of the labor force, and according to CPS, they are approximately 10 percent of the 162,000 working-age Alaskans.

Alaska workers' education

According to the CPS, about 96 percent of Alaska workers have at least a high school education, and are almost evenly split among those with a diploma, those with some college or associate degree, and those with a bachelor's degree or higher. Labor force participation tends to increase with training and education.

5 Unemployment Rates
Boroughs and census areas

	Prelim.	Revised	
SEASONALLY ADJUSTED	**5/12**	**4/12**	**5/11**
United States	**8.2**	**8.1**	**9.0**
Alaska Statewide	**7.0**	**6.9**	**7.5**
NOT SEASONALLY ADJUSTED			
United States	**7.9**	**7.7**	**8.7**
Alaska Statewide	**7.1**	**7.2**	**7.3**
Anchorage/Mat-Su Region	**6.2**	**6.3**	**6.6**
Municipality of Anchorage	5.7	5.6	6.1
Matanuska-Susitna Borough	8.0	8.6	8.4
Gulf Coast Region	**7.8**	**8.3**	**8.4**
Kenai Peninsula Borough	8.1	8.8	8.7
Kodiak Island Borough	5.9	5.8	7.0
Valdez-Cordova Census Area	8.3	9.4	8.2
Interior Region	**7.1**	**7.5**	**7.1**
Denali Borough	7.6	16.2	6.9
Fairbanks North Star Borough	6.3	6.5	6.3
Southeast Fairbanks Census Area	9.6	10.8	10.1
Yukon-Koyukuk Census Area	14.7	15.4	15.1
Northern Region	**10.0**	**9.6**	**9.8**
Nome Census Area	12.0	11.4	12.5
North Slope Borough	5.3	5.0	5.2
Northwest Arctic Borough	15.3	15.2	14.4
Southeast Region	**6.2**	**7.0**	**6.5**
Haines Borough	7.0	9.2	7.2
Hoonah-Angoon Census Area[1]	13.6	19.7	13.5
Juneau, City and Borough of	4.5	4.8	5.0
Ketchikan Gateway Borough[1]	6.3	7.2	6.7
Petersburg Census Area[1]	10.5	9.3	9.3
Prince of Wales-Hyder Census Area[1]	13.2	14.9	13.5
Sitka, City and Borough of[1]	5.7	5.5	5.8
Skagway, Municipality of[1]	3.6	15.4	4.5
Wrangell, City and Borough of[1]	7.0	9.6	7.6
Yakutat, City and Borough of	8.2	8.8	9.1
Southwest Region	**15.1**	**13.7**	**14.1**
Aleutians East Borough	21.4	9.2	18.8
Aleutians West Census Area	16.5	10.2	13.9
Bethel Census Area	15.6	15.1	15.4
Bristol Bay Borough	4.1	7.2	3.3
Dillingham Census Area	10.4	11.0	10.3
Lake and Peninsula Borough	8.0	9.9	7.7
Wade Hampton Census Area	21.8	21.2	19.6

Employer Resources

How to qualify for and get workers' compensation insurance

The Alaska Workers' Compensation Act requires all employers with one or more employees in Alaska to have workers' compensation insurance — unless the employer has at least 100 employees and has been approved as a self-insurer.

Employers purchase workers' compensation insurance from commercial insurance carriers. Once employers have insurance, they're required to post in their workplaces an Employer's Notice of Insurance, which insurance companies provide. Employers must also submit proof of insurance to the Workers' Compensation Division, the administrative arm of the Workers' Compensation Board.

Executive officers of for-profit corporations are required to have workers' compensation insurance unless they choose to waive coverage by filing a waiver with the division.

If employers are unable to obtain insurance coverage from a commercial carrier, they can purchase insurance through a state-assigned risk pool. Also, if employers think their insurance premium is too high, they can request arbitration.

For more information or forms, call the Workers' Compensation Division at (907) 465-2790 or visit the department's "Links for Employers" Web site at www.labor.alaska.gov/employer/employer.htm and click on "Workers' Compensation."

On the Workers' Compensation page, the "Forms" and "Employer Information" links under "Quick Links" on the right are particularly helpful.

A Safety Minute

OSHA updates standards for labeling hazardous chemicals

The federal Occupational Safety and Health Administration has updated the hazard communication standard, changing employees' "right to know" to "the right to understand." The changes adopt the Globally Harmonized System of Classification, an international system of classifying chemical hazards and labeling contents and data sheets.

The new standard specifies how chemical manufacturers and importers are required to address health and physical hazards and classify chemical mixtures, and sets a consistent format with 16 sections for safety data sheets. It also specifies that for each hazard class and category, labels must include:

- **A signal word:** Danger or warning based on severity of the hazard
- **A pictogram:** Graphic that conveys the degree of chemical hazard
- **A hazard statement:** Assignment to a hazard class and category
- **A precautionary statement:** Phrase that explains how to minimize or prevent harm from exposure, improper handling, or storage of a hazardous chemical

Employees must be trained on the new labels and safety data sheet format by December 1, 2013, and all new measures must be in place by June 1, 2016.

The Alaska Occupational Safety and Health Consultation and Training program can assist with implementing the new hazard communication standard or with other workplace safety and health issues. Contact our Anchorage office at (907) 269-4955 or (800) 656-4972.