

ALASKA ECONOMIC **TRENDS**

OCTOBER 2007

Population Projections 2007 to 2030

WHAT'S INSIDE

The Cost of Living in Alaska
It still costs a little extra to live here
Employment Scene
A pretty good summer season



ALASKA DEPARTMENT OF LABOR
& WORKFORCE DEVELOPMENT
Sarah Palin, Governor
Commissioner Click Bishop

ALASKA ECONOMIC TRENDS



ALASKA DEPARTMENT OF LABOR
& WORKFORCE DEVELOPMENT

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Cover: About 140 Sitka community members carry the 4,000-pound Kootéeyaa Project Wellbriety totem pole to its final spot in front of SouthEast Alaska Regional Health Consortium's Community Health Services building in Sitka in October 2006. Once they reached the building, about 400 people pulled six ropes to lift the pole into place.

Tlingit master carver Wayne Price of Haines, who had been carving the pole since the previous April, said at the time, "The design of this pole reflects very old, traditional Tlingit values. The shaman, the medicine woman, each of these is symbolic of Tlingit culture. Culture and art have the ability to heal people, to recover. It's a very healthy path people can take to getting well."

Photo courtesy of SEARHC

[Web site: almis.labor.state.ak.us](http://almis.labor.state.ak.us)

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Population Projections, 2007 to 2030	4
A look at Alaska's future	
The Cost of Living in Alaska	12
It still costs a little extra to live here	
Employment Scene	21
A pretty good summer season	



The Senior Tidal Wave – Alaska Must Prepare Now

By Governor Sarah Palin

Alaska's senior population (aged 65 and older) will almost triple by the year 2030, from 45,489 to 134,391. Overall, the state's population is expected to grow from 670,053 to 838,676, a 25 percent increase.

For Alaska government, the tidal wave of senior citizens presents significant challenges. For example, a report recently released by the Alaska Department of Health and Social Services found that the Alaska Medicaid program will fundamentally change over the next 20 years from a program that centers on children to one that is dominated by seniors. In calendar year 2005, approximately 42 percent of spending on Medicaid claims was devoted to children and 22 percent was devoted to seniors. By 2025, 45 percent of Medicaid spending will be devoted to seniors, and 30 percent will be devoted to children. Based largely on the senior tidal wave, total spending on Medicaid claims is projected to increase from \$975 million in 2005 to \$4.7 billion in 2025!

Significant workforce challenges are presented by this demographic shift. In fact, the age wave has already affected the State of Alaska. More than one in four executive branch employees are eligible to retire within the next five years. At the same time, the state is facing significant recruitment difficulties, with fewer than five qualified applicants for close to 40 percent of all 2006 job announcements. I recently signed an administrative order to address recruitment and retention of state employees. A group of seven cabinet officials, led by Administration Commissioner Annette Kreitzer, will identify the current challenges and offer alternatives for attracting and retaining executive branch employees.

The strength of any organization is its people – their knowledge, capability and dedication to service. This is a fundamental truth in both the public and the private sectors. As employers, we must all explore and develop mechanisms that maintain our organizations' long-term viability. Often, that means investing now in workforce development to obtain significant returns in the future.

An example of a significant and productive workforce investment is apprenticeship. Apprenticeship is simply employment and training under actual job conditions supervised by skilled workers and at wages commensurate with the apprentice's skills. In addition, the apprentice's knowledge and understanding of the occupation is enhanced through participation in approved courses of related and supplemental instruction.

According to the U.S. Department of Labor, "Registered Apprenticeship, a critical postsecondary education, training and employment option available in every state in the country, is an important component of talent development strategies. Registered Apprenticeship is business- and industry-driven, with more than 29,000 programs impacting 250,000 employers and almost 450,000 apprentices, predominantly in high-growth industries that face critical skilled worker shortages now and in the foreseeable future."

Through registered apprenticeships, Alaska employers can ensure workforce continuity, improve Alaska hire, and raise a new generation of dedicated, skilled workers. Apprenticeship is one key to our state's success. Let's use it.

A look at Alaska's future

What will Alaska's population look like in 2030? Projections by the Alaska Department of Labor and Workforce Development indicate that the state's total population will most likely increase by 25 percent, from 670,053 in 2006,¹ to 838,676 in 2030. The population age 65 and older is projected to experience the largest growth of any age group, with a near tripling in size as Alaska's baby boomers move into their retirement years. Growth is also expected to be substantial for Alaska's Native population, which is projected to increase by nearly 45,000 people by 2030.

Across the state, population growth is projected to vary significantly. Large population gains are

expected for the Anchorage/Mat-Su economic region, with a projected 36 percent growth between 2006 and 2030. A 7 percent population loss is projected for the Southeast region over the same period.

How Alaska reached its current population, and how its population will change in the future, may be understood as the sum of four distinct processes, or "components," of population change: births, deaths, in-migration and out-migration. The Department of Labor used historical data on each of these four components to project Alaska's population into the future.

Historical population change

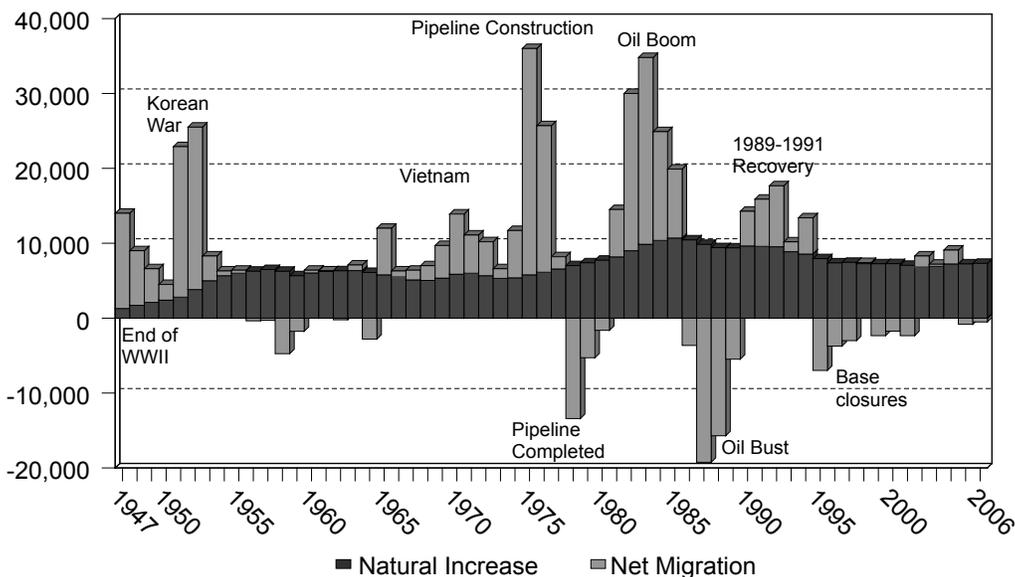
Since statehood in 1959, when Alaska's population stood at roughly 224,000, there has been great variation in the rate of the state's population growth. Both "natural increase" (the difference between births and deaths) and "net migration" (the difference between the number of people who migrate into and out of the state) have played important roles. (See Exhibit 1.) The impact of natural increase has been steady and powerful. Numbers of births and deaths haven't changed much from year to year, yielding a smooth, and to date positive-sided path, in the impact of natural increase on Alaska's population size.

In- and out-migration have been far more uncertain components of population change for Alaska. The rate and num-

¹ All population numbers in this article refer to the average annual resident population often referred to as the July 1 population.

1 Components of Population Change Alaska, 1947 to 2006

Population Change



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, Demographics Unit

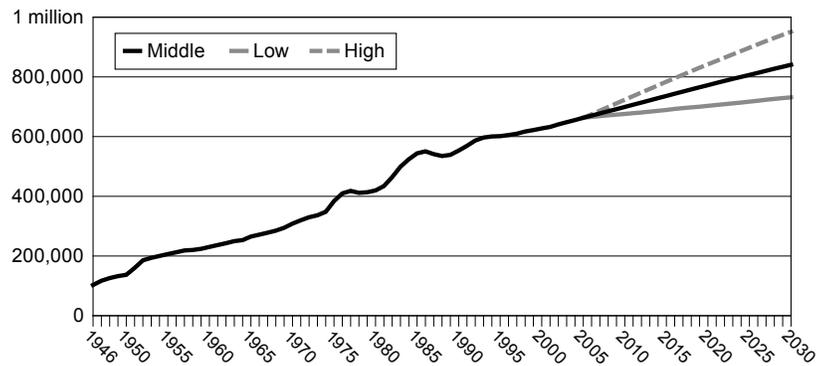
ber of people moving into and out of the state have varied greatly from year to year. In certain years, net out-migration has been strong enough to even reverse the trend of annual growth. As Alaska grows larger, it's expected that both in- and out-migration levels, and the consequent net migration levels, will experience less dramatic annual shifts.

The influence of the trans-Alaska oil pipeline

One historical event, and its impact on Alaska's population, was particularly important in shaping Alaska's current and future population. The discovery of oil in Prudhoe Bay in 1968, and the subsequent construction of the trans-Alaska oil pipeline in the 1970s, had a massive impact on Alaska's population. The impact was seen both in the immediate term and, less directly, in the two decades that followed. Tens of thousands of workers and their dependents poured into the state to build the pipeline, and many left the state when it was completed. In the

Alaska's Population 1946 to 2030¹ **2**

Alaska's Population



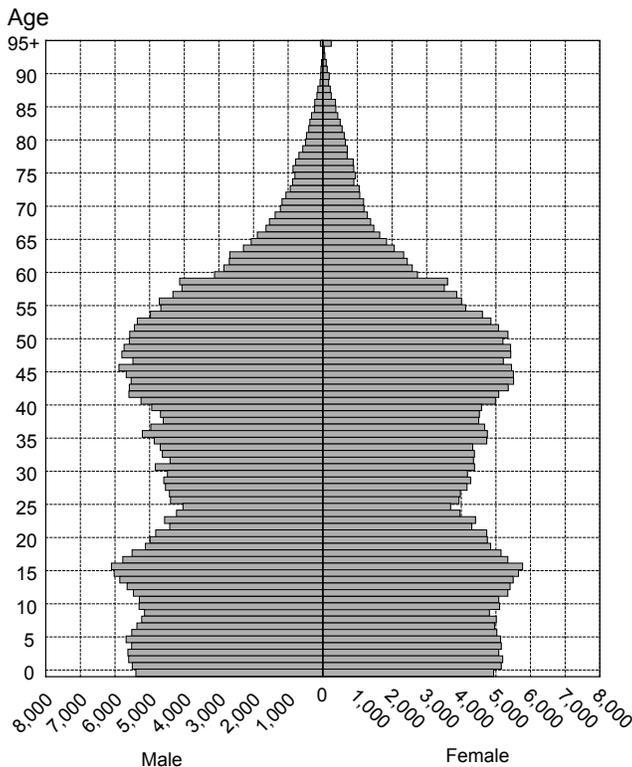
Note for Exhibits 2 and 4: Based on specific conditions, there is a 90 percent chance that the values will fall between the high and low boundaries.

Footnote for Exhibit 2:

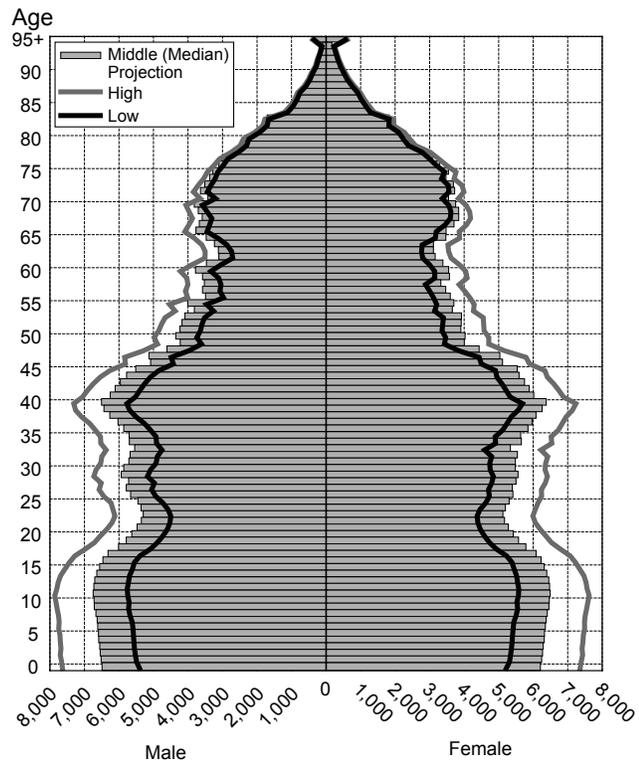
¹ The population for 1946 to 2006 is estimated; the population for 2030 is projected.

Source for Exhibits 2, 3 and 4: Alaska Department of Labor and Workforce Development, Research and Analysis Section, Demographics Unit

3 Population in 2006 By age and sex, Alaska



4 Population in 2030 By age and sex, Alaska



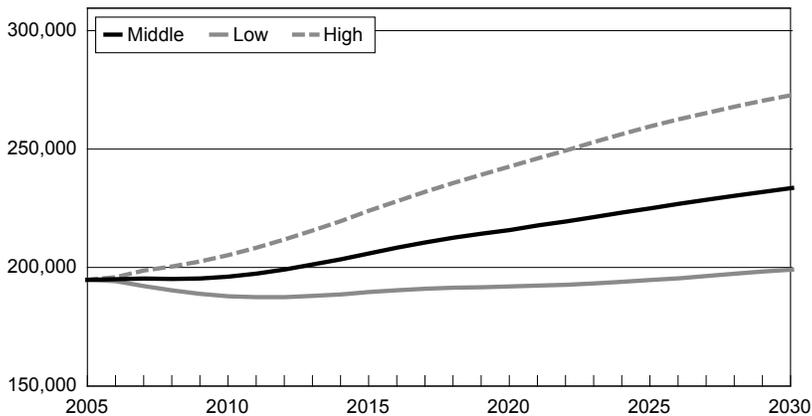
5 Alaska's Population by Age 2006 to 2030

Age	2006	2010	2015	2020	2025	2030
Birth to 4	53,456	55,002	58,595	61,051	62,528	64,425
5 to 9	52,163	55,710	57,609	61,448	63,885	65,535
10 to 14	54,302	53,422	57,724	59,796	63,706	66,203
15 to 19	55,565	53,656	51,528	55,794	57,752	61,530
20 to 24	45,492	51,541	50,093	47,884	51,947	53,698
25 to 29	42,340	46,890	55,069	53,923	51,919	56,124
30 to 34	44,985	45,936	50,719	59,151	58,215	56,400
35 to 39	47,820	47,399	47,874	52,828	61,324	60,484
40 to 44	52,713	47,254	46,753	47,299	52,215	60,614
45 to 49	55,878	51,919	44,426	43,903	44,353	49,094
50 to 54	52,304	52,234	48,293	40,833	40,183	40,493
55 to 59	41,352	46,927	48,275	44,336	36,980	36,251
60 to 64	26,194	35,359	43,061	44,317	40,560	33,434
65 to 69	16,550	21,872	31,865	39,135	40,455	36,954
70 to 74	11,099	13,251	19,091	28,193	35,020	36,363
75 to 79	8,302	8,854	10,924	15,916	23,880	29,953
80 to 84	5,290	6,026	6,655	8,278	12,264	18,645
85 to 89	2,706	3,435	4,033	4,475	5,635	8,414
90+	1,542	1,886	2,412	2,905	3,292	4,062
Total	670,053	698,573	734,999	771,465	806,113	838,676

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, Demographics Unit

6 Birth to Age 17 Alaska's population, 2005¹ to 2030

Population, Birth to Age 17



Note: Based on specific conditions, there is a 90 percent chance that the values will fall between the high and low boundaries.

¹ The year 2005 is shown for comparison purposes.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, Demographics Unit

years that followed, Alaska experienced a huge in-flow of migrants with new oil revenues and increased oil prices, and also a large out-flow of migrants when oil prices dramatically fell in 1985.

The conditions of these projections don't include any likely events on the scale of the oil pipeline, as it's considered unlikely – even with a natural gas pipeline – that Alaska will experience such a powerful occurrence in the next 23 years. At the same time, it should be recognized that events of great magnitude do happen, and often without much warning. The impact of the trans-Alaska oil pipeline helps to demonstrate that what is judged in these projections as unlikely should not be considered impossible.

Where the numbers come from

Rather than forecasting economic conditions, the projections presented here are based on the current population, and historical trends in each of the components of population change. Specifically, the population was aged forward in time, with projected births and in-migrants added, and deaths and out-migrants subtracted.

Because there's uncertainty in what the future level of each component of change will be, recent historical variation for each of the components was used to calculate high and low projection boundaries. Based on specific conditions, there is a 90 percent chance that the actual values will fall within the boundaries. This "uncertainty estimation" is based on variations within the projection model, which cannot account for all of the uncertainty in predicting the future. That is to say, there is no crystal ball involved.²

Statewide projections

Though the total statewide population is projected to increase through 2030 (see Exhibit 2), with the expected increase in deaths relative to births it's likely that the rate of growth will decline to some degree over the projection period. Still, putting migration aside, the most likely rates of births and deaths would yield unending growth. By 2010, the most likely scenario has a population of 698,573, with 771,465 people in 2020 and 838,676 by 2030. With time, uncertainty regarding Alaska's overall population size increases greatly.

² Technical details for the projections are provided on the Department of Labor's Research and Analysis Web site, almis.labor.state.ak.us.

Breaking down the population projections by age and sex (see Exhibits 3, 4 and 5), two general qualities are apparent: (1) as the “baby boom” generation ages, Alaska’s older-aged population will almost certainly grow greatly over the next 23 years, and (2) greatest uncertainty lies with regard to the population that’s yet to be born. The median age of Alaska’s population is projected to increase at a steady pace from 33.5 to 34.6 between 2006 and 2030. The ratio of males per 100 females is expected to decline at a steady pace from 105.2 in 2006 to 102.4 in 2030.

Projections for age groups

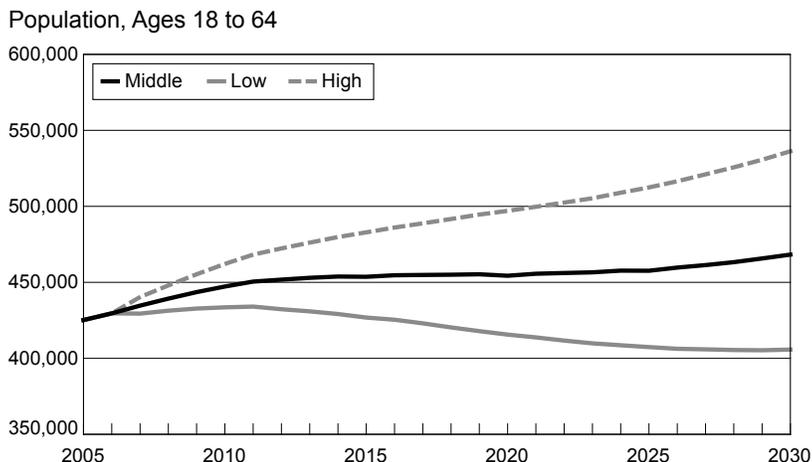
Alaska’s population under 4 years old is projected to increase by 21 percent, from 53,456 to 64,425 people between 2006 and 2030. (See Exhibits 5 and 6.) There is, however, relatively high uncertainty regarding this figure. High uncertainty for younger age groups is caused by the many possible future levels of both fertility and migration.

The population ages 5 to 17 represents school-age children. The most likely scenario for this group projects 20 percent growth, from 141,291 to 169,994 people between 2006 and 2030. With the “echo boom” cohort (the children of the baby boomers, as a group) currently aging beyond childhood, the short-term projection for this group includes no growth; but as time goes on, it’s expected that the total size of the school-age population will increase again.

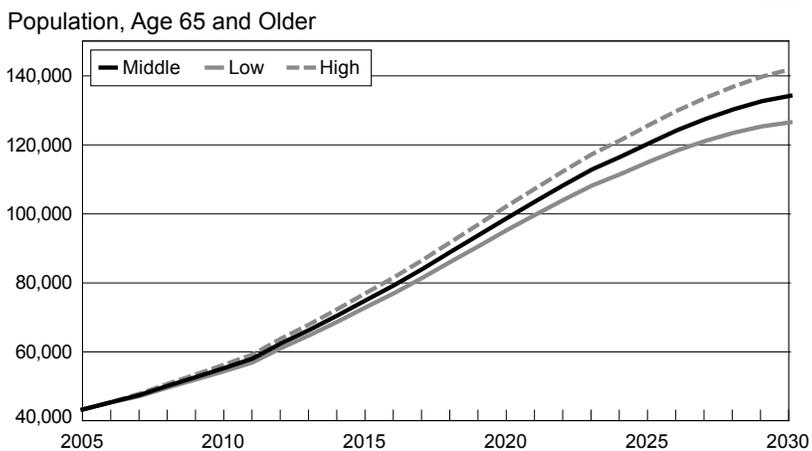
Alaska’s population ages 18 to 64 roughly represents the state’s working-age population. Alaska’s working-age population is currently 429,817 people, and is expected to grow by 9 percent over the projection period to 469,916 in 2030. (See Exhibit 7.) As the baby boomers move into retirement years, the echo boomers will be moving into the working ages, yielding almost no change in the working-age population for much of the period. It’s expected that growth in this age group will pick up again in the later years of the projection period.

Alaska’s population age 65 and older is largely made up of retirees. As mentioned earlier, the

Ages 18 to 64 Alaska’s population, 2005¹ to 2030



Age 65 and Older Alaska’s population, 2005¹ to 2030



Note for Exhibits 7 and 8: Based on specific conditions, there is a 90 percent chance that the values will fall between the high and low boundaries.

Footnote for Exhibits 7 and 8:

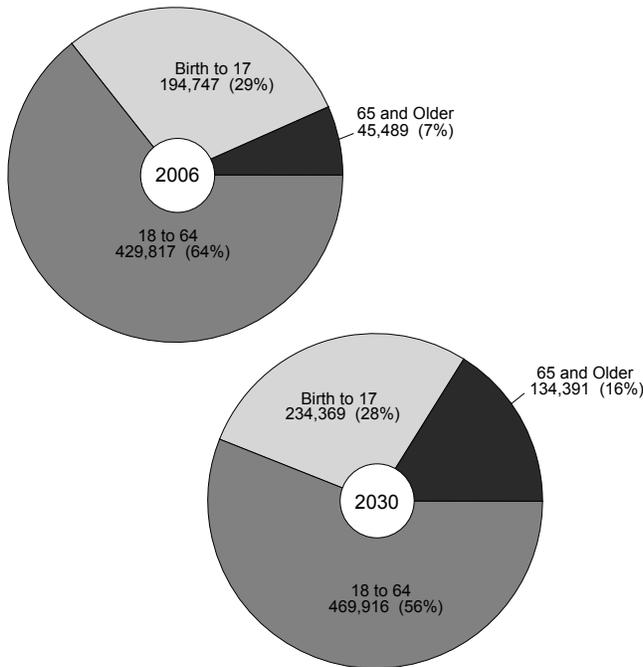
¹ The year 2005 is shown for comparison purposes.

Source for Exhibits 7 and 8: Alaska Department of Labor and Workforce Development, Research and Analysis Section, Demographics Unit

group’s near tripling by 2030 is attributable to Alaska’s large cohort of baby boomers reaching age 65 and beyond. (See Exhibits 8 and 9.) Alaska had 45,489 people age 65 and older in 2006, representing 7 percent of the state’s population. That number is projected to climb 195 percent to 134,311 by 2030, when it would represent 16 percent of the population.

The massive change in the size of Alaska’s population age 65 and older will no doubt

9 Population by Age, 2006 and 2030 Alaska, selected age groups



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, Demographics Unit

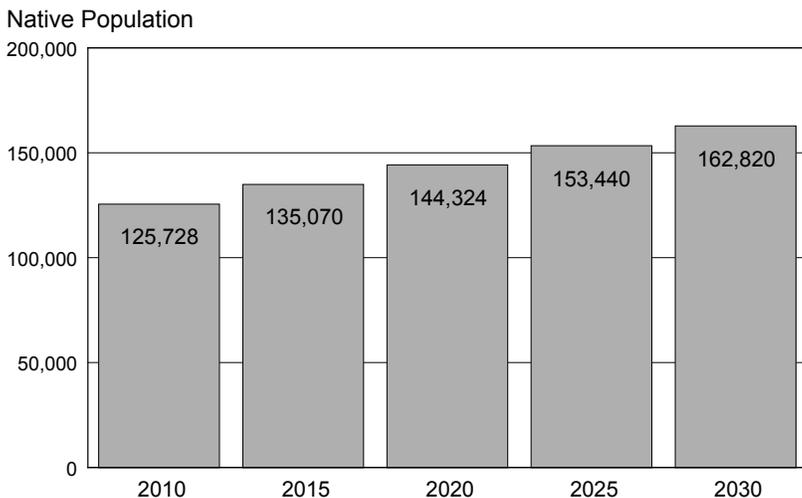
crease from 12 percent in 2006 to 20 percent in 2030.³

Increasing dependency ratios

Dependency ratios show how large a burden of support is placed on the working age population to care for the young and old, traditionally non-working populations. In 2006, every 100 Alaskans of working age supported 45.3 people under age 18, and 10.6 people over age 65, for a total dependency ratio of 55.9. Each of these figures is expected to rise over the next 23 years. (See Exhibits 8 and 9.)

With the aging of Alaska's "echo boom," the youth dependency ratio is projected to first decrease to 43.9 in 2010, then rise to 47.6 in 2020, and 49.9 in 2030. The aged dependency ratio is projected to increase to 12.4 by 2010, then 21.7 by 2020, and 28.6 by 2030. Though there is uncertainty in the specific figures for the aged dependency ratio, there is strong certainty that the old-age dependency ratio will increase dramatically over the next 23 years.

10 Alaska's Native Population Projected, 2010 to 2030



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, Demographics Unit

Alaska Native projections

Alaska Natives are projected to experience stable growth through the projection period, from 118,884 in 2006 to 162,820 in 2030, for an increase of nearly 37 percent. (See Exhibits 10 and 11.) Further, Natives are projected to grow as a share of the state's population, from 17.7 percent of the total state population in 2006, to 19.4 percent in 2030. As population change for Natives is relatively stable, uncertainty estimates weren't made for this group.

Though both annual births and annual deaths are projected to increase strongly, the numbers of births are consistently projected to be much higher than the numbers of deaths. While the projected increase in the Native population is primarily due to high birth rates, aging and increases in Native life expectancy are expected to play important roles as well. Migration, on the

play a major role in shaping the state's future. The rest of the United States is facing the same phenomenon. The U.S. Census Bureau projects that, for the nation as a whole, the proportion of the population age 65 and older will in-

³ According to the Census Bureau's *Annual Estimates of the Population by Five-Year Age Groups and Sex for the United States: April 1, 2000 to July 1, 2006 (2007)* and *U.S. Interim Projections by Age, Sex, Race, and Hispanic Origin (2004)*

other hand, has historically played a very small role in population change for Natives, with very small annual losses through out-migration.

The Native population age 65 and older is projected to follow the same broad trends as Alaska's population as a whole and the overall U.S. population. Specifically, the Native population is projected to grow from 7,212 in 2006 to 19,004 in 2030 – an increase of 164 percent. The proportion of Natives age 65 and older out of the total Native population is expected to increase from 6 percent in 2006 to nearly 12 percent in 2030.

The Native share of the total population under age 20 is expected to increase over the projection period, from 22.5 in 2006 to 23.5 in 2030. The median age for the population is projected to rise from 25.2 to 28.7 between 2006 and 2030.

Projections for regions, boroughs and census areas

Population change is projected to vary greatly across the state, following paths similar to those experienced in recent years. (See Exhibits 12 and 13.) Although aging plays an important role at the region, borough and census area level, much of the projected population change for each area is based on rates of migration.

It should be noted that with the added effects of intrastate migration, Alaska's regions, boroughs and census areas are susceptible to much greater volatility than the state as a whole. Because of that, there is great uncertainty for the future population levels of each of Alaska's regions, boroughs and census areas. Though the continuation of broad population trends yields certain growth for each region, it's quite possible that such trends will change dramatically in the future.

Uncertainty estimates weren't made at the region, borough or census area level, in part because such uncertainty is so great that those estimates would have little meaning.

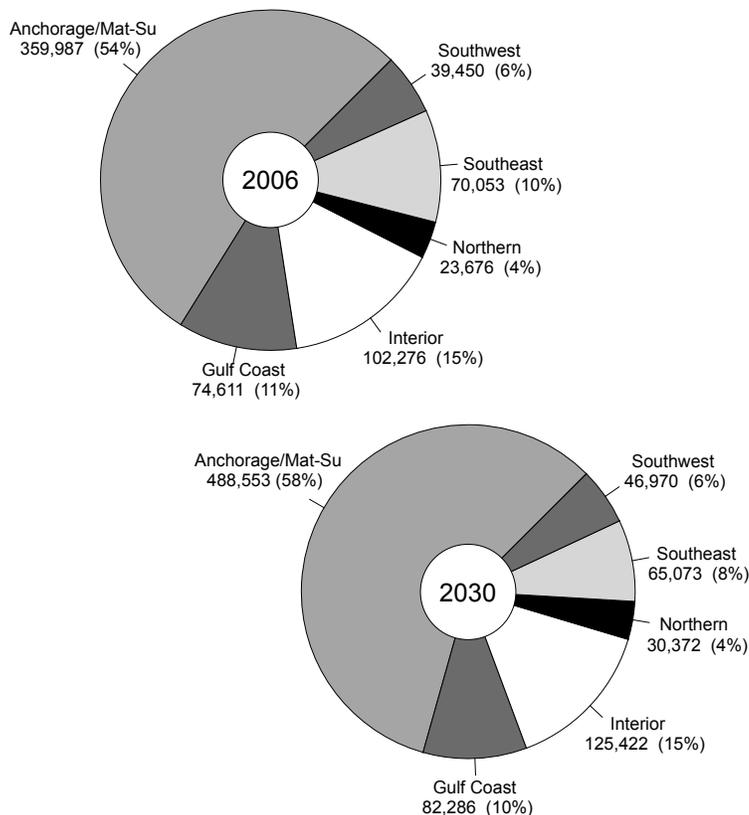
No change in the population rank-ordering of the regions is expected to occur over the period.

Alaska's Native Population 2010 to 2030 **11**

Age	2006	2010	2015	2020	2025	2030
Birth to 4	12,999	13,864	14,952	15,320	15,760	16,648
5 to 9	11,364	12,423	13,513	14,585	14,937	15,360
10 to 14	11,684	11,042	12,303	13,388	14,452	14,798
15 to 19	12,486	11,631	10,575	11,808	12,862	13,897
20 to 24	10,540	11,776	11,148	10,087	11,290	12,316
25 to 29	7,550	9,941	11,664	11,059	10,021	11,224
30 to 34	6,799	7,074	9,713	11,422	10,830	9,806
35 to 39	7,220	6,759	7,039	9,654	11,354	10,788
40 to 44	8,478	7,312	6,594	6,879	9,452	11,133
45 to 49	7,747	8,165	7,118	6,431	6,719	9,248
50 to 54	6,445	7,232	7,779	6,771	6,104	6,386
55 to 59	4,953	6,013	6,999	7,551	6,600	5,976
60 to 64	3,407	4,292	5,626	6,579	7,120	6,236
65 to 69	2,501	3,016	3,889	5,128	6,028	6,554
70 to 74	1,913	2,038	2,618	3,403	4,512	5,339
75 to 79	1,411	1,527	1,634	2,122	2,779	3,715
80 to 84	778	951	1,084	1,167	1,534	2,033
85 to 89	357	441	560	645	698	930
90+	252	231	262	325	388	433
Total	118,884	125,728	135,070	144,324	153,440	162,820

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, Demographics Unit

Alaska's 2006 and 2030 Population By economic region **12**



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, Demographics Unit

13 By Region, Borough and Census Area Alaska's Population, 2006 to 2030

	2006	2010	2015	2020	2025	2030	Percentage Change 2006 to 2030	Average Annual Growth Rate 2006 to 2030
State of Alaska	670,053	698,573	734,999	771,465	806,113	838,676	25.17%	0.93%
Anchorage/Mat-Su Region	359,987	377,651	404,745	433,588	462,005	488,553	35.71%	1.26%
Municipality of Anchorage	282,813	293,323	306,902	322,087	337,706	350,871	24.06%	0.90%
Matanuska-Susitna Borough	77,174	84,328	97,843	111,501	124,299	137,682	78.40%	2.35%
Gulf Coast Region	74,611	77,107	79,279	80,920	81,951	82,286	10.29%	0.41%
Kenai Peninsula Borough	51,350	53,607	55,951	57,883	59,339	60,268	17.37%	0.67%
Kodiak Island Borough	13,506	13,477	13,298	13,058	12,740	12,255	-9.26%	-0.40%
Valdez-Cordova Census Area	9,755	10,023	10,030	9,979	9,872	9,763	0.08%	0.00%
Interior Region	102,276	107,416	112,525	117,026	121,291	125,422	22.63%	0.85%
Denali Borough	1,795	1,786	1,739	1,676	1,601	1,536	-14.43%	-0.65%
Fairbanks North Star Borough	87,849	92,868	97,706	101,973	106,106	110,131	25.36%	0.94%
Southeast Fairbanks Census Area	6,772	6,863	7,314	7,782	8,222	8,644	27.64%	1.01%
Yukon-Koyukuk Census Area	5,860	5,899	5,766	5,595	5,362	5,111	-12.78%	-0.57%
Northern Region	23,676	24,904	26,299	27,607	28,854	30,372	28.28%	1.03%
Nome Census Area	9,535	9,902	10,412	10,908	11,405	12,024	26.10%	0.96%
North Slope Borough	6,807	7,291	7,722	8,095	8,433	8,867	30.26%	1.10%
Northwest Arctic Borough	7,334	7,711	8,165	8,604	9,016	9,481	29.27%	1.06%
Southeast Region	70,053	70,315	69,593	68,335	66,661	65,073	-7.11%	-0.31%
Haines Borough	2,241	2,095	1,978	1,854	1,712	1,571	-29.90%	-1.46%
Juneau Borough	30,650	31,691	32,078	32,252	32,227	32,260	5.25%	0.21%
Ketchikan Gateway Borough	13,174	12,836	12,507	12,088	11,587	11,095	-15.78%	-0.71%
Prince of Wales-Outer Ketchikan Census Area	5,477	5,261	4,996	4,658	4,274	3,894	-28.90%	-1.41%
Sitka Borough	8,833	8,964	8,948	8,864	8,740	8,658	-1.98%	-0.08%
Skagway-Hoonah-Angoon Census Area	3,020	2,862	2,657	2,415	2,180	1,945	-35.60%	-1.80%
Wrangell-Petersburg Census Area	6,024	5,960	5,785	5,580	5,340	5,076	-15.74%	-0.71%
Yakutat Borough	634	646	644	624	601	574	-9.46%	-0.41%
Southwest Region	39,450	41,180	42,558	43,989	45,351	46,970	19.06%	0.73%
Aleutians East Borough	2,643	2,675	2,688	2,676	2,645	2,632	-0.42%	-0.02%
Aleutians West Census Area	4,810	5,169	5,068	4,944	4,795	4,665	-3.01%	-0.13%
Bethel Census Area	17,031	17,774	18,590	19,457	20,333	21,354	25.38%	0.94%
Bristol Bay Borough	1,060	1,169	1,153	1,152	1,133	1,120	5.66%	0.23%
Dillingham Census Area	4,796	4,897	5,044	5,181	5,293	5,408	12.76%	0.50%
Lake and Peninsula Borough	1,557	1,586	1,560	1,510	1,443	1,364	-12.40%	-0.55%
Wade Hampton Census Area	7,553	7,910	8,455	9,069	9,709	10,427	38.05%	1.33%

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, Demographics Unit

The boroughs and census areas with the highest projected average annual growth rates over the period include the Matanuska-Susitna Borough (2.35 percent), Wade Hampton Census Area (1.33 percent) and North Slope Borough (1.10 percent). The boroughs and census areas with the greatest average annual population losses over the projection period include the Skagway-Hoonah-Angoon Census Area (-1.80 percent) and Haines Borough (-1.46 percent).

The Anchorage/Mat-Su region is expected to increase by more than 128,000 people – 36 percent, with a 1.26 percent average annual growth rate – from 359,987 in 2006 to 488,553 in

2030. Following Alaska's trend of rural to urban migration, Anchorage is projected to continue its strong growth. The Mat-Su Borough, with its abundant land and increasing service resources, has experienced especially strong growth throughout Alaska's history as a state, and is projected to continue such growth.

The Gulf Coast region experienced a strong boom in population during the 1980s, but in recent years the level of growth has become much more moderate. The projections yield an increase of roughly 7,700 people between 2006 and 2030 – a 10 percent increase – but as the strong population increases of the 1980s dem-

onstrate, the recent trends that were used could change significantly.

With population growth in the Fairbanks North Star Borough and the Southeast Fairbanks Census Area, Alaska's Interior region has grown steadily over recent years. The projections add more than 23,000 people between 2006 and 2030, a 26 percent increase. Changes in the large military population of the Fairbanks North Star Borough, which are especially hard to predict, may strongly impact the future population level of the Interior region.

Though somewhat strong net losses by migration for the Northern and Southwest regions are projected, the high birth rates found in these areas are projected to allow continued growth. The Northern region is projected to add about 6,700 residents (a 28 percent increase), and the Southwest region is projected to add just over 7,500 residents (a 19 percent increase).

The Southeast region has experienced steady population losses over recent years, and there's currently a great deal of uncertainty regarding its future population. With particularly low birth rates and a median age of 39.7 – the highest in the state – there would likely have to be a strong increase in net migration for the region to grow.

The Southeast region's projected loss of 5,000 people (a 7 percent decrease) between 2006 and 2030 depends largely on future economic and social developments. It's quite possible that the Southeast trends will change and these numbers may vary greatly.

A complete description of the methods and results for these population projections are available on the Research and Analysis Web site at almis.labor.state.ak.us. Click on "Population & Census" on the left, then "Estimates & Projections."

Trends Authors



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It still costs a little extra to live here

Everything costs more in Alaska, according to conventional wisdom, and for the most part it's true, though not to the extent it used to be. In fact, it's now significantly less expensive on average to live in Anchorage, Fairbanks or Juneau than it is to live in San Francisco, Manhattan or Honolulu – and a handful of other U.S. cities are at least slightly more expensive than Alaska cities.

In this annual article on the cost of living in Alaska, the subject is examined in two different ways. The first is to consider the inflation rate, or the rate at which prices are increasing over time. For that, the Consumer Price Index is the authoritative source. The second is to consider the cost differences between locations. There are a number of sources for that kind of data and several of them will be discussed.

Inflation at 3.2 percent in 2006

Inflation, as measured by the Anchorage Consumer Price Index,¹ rose 3.2 percent in 2006 after rising 3.1 percent in 2005. Inflation rates above 3 percent are a noticeable increase from Anchorage's 10-year average of 2.2 percent. (See Exhibits 1 and 2.) In fact, 2006's increase was the highest since 1992.

Prices were up in nearly all major categories. (See Exhibit 3.) Housing costs, the category with the largest weight (see Exhibit 4), rose by 4 percent. A subcategory of housing – fuels and utilities – experienced a hike of 11.9 percent over the year.

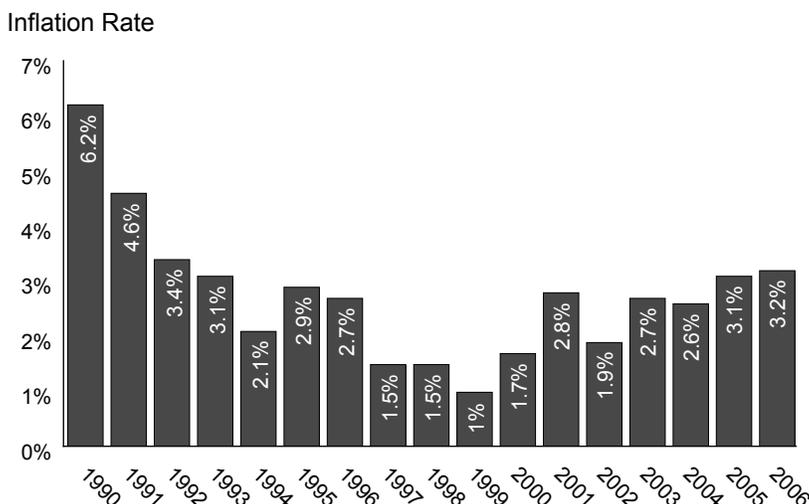
Energy costs way up

The broad energy category, which is an important part of several major CPI components, saw one of the sharpest increases in 2006 at 13.9 percent. After lower than average inflation rates for years, energy prices shot up in 2003 and continued on that trend through 2006. (See Exhibit 5.)

From 2002 to 2006, energy prices rose 51 percent compared to just 12 percent for the overall CPI. Those higher energy prices seeped into many of the other categories as well and likely drove much of the increase to the overall inflation rates over those years.

¹ All references to the CPI in this article are to the CPI-U (Consumer Price Index for all Urban Consumers), produced by the U.S. Department of Labor's Bureau of Labor Statistics. The CPI-U covers about 87 percent of the U.S. population and nearly all the Anchorage population. The Bureau of Labor Statistics also produces an index called the Consumer Price Index for all Urban Wage Earners and Clerical Workers, or CPI-W, which covers the subset of the CPI-U population who work in clerical or wage occupations.

1 Inflation Inches Higher in 2006 Anchorage Consumer Price Index



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

Medical costs are rising a little slower

For the first time in five years it was possible to calculate an annual change in medical care costs in 2006. A separate CPI for medical care was not published from 2002 to 2004 because of insufficient sample data. The 3.5 percent increase from 2005 to 2006 was slightly higher than the overall 3.2 percent rate, but a slowdown from recent years. Over the past decade, medical care costs in Anchorage have risen more than twice as fast as the city's overall index – 54 percent compared to 24 percent. (See Exhibit 5.)

Lower inflation likely for 2007

CPI data for the first half of 2007 were released in August and the numbers looked quite different from 2006. Prices for the first half of 2007 rose just 1.5 percent from the first half of 2006, the lowest over-the-year increase since 2000 and significantly lower than the national increase of 2.5 percent over the same period.

The softening of the housing market appears to have put downward pressure on housing costs, which rose just 2.4 percent, compared to 4 percent in 2006. Housing costs would have risen even less if it weren't for climbing home fuel costs. Piped gas, for example, rose 29.5 percent over the period.

Four of the eight major CPI categories were deflationary. The recreation and education and communications categories fell very slightly, while transportation prices fell 0.7 percent and apparel prices 2.8 percent. The transportation number may appear odd given the current high price of gasoline and other transportation fuels, but prices were already high during the first half of 2006, the base period for the over-the-year comparisons. Falling car and truck prices were also probably a factor.

The 1.5 percent number is significant because the annual CPI inflation rate is just a simple average of over-the-year changes for the first half of the year and the second half of the year. So, for the 2007 annual inflation rate to reach the 3 percent mark, the second half

Comparing Alaska and U.S. Inflation U.S. and Anchorage CPI, 1960 to 2006

2

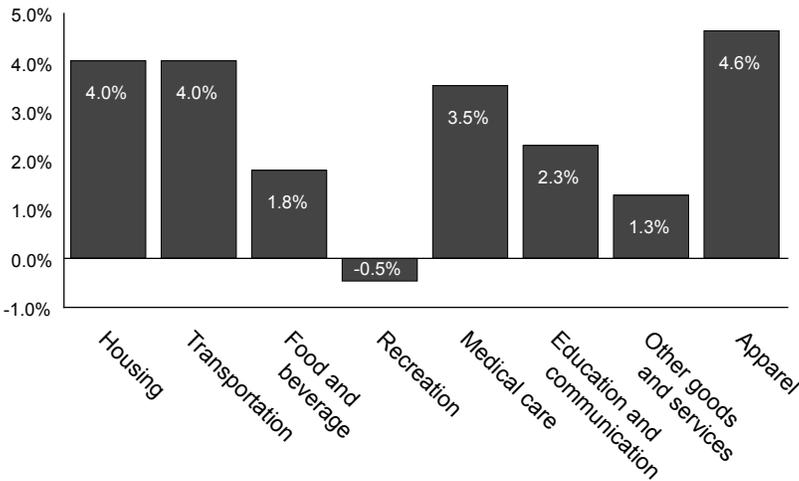
Year	Anchorage	Percentage Change from Previous Year	U.S.	Percentage Change from Previous Year
1960	34.0		29.6	
1961	34.5	1.5	29.9	1.0
1962	34.7	0.6	30.2	1.0
1963	34.8	0.3	30.6	1.3
1964	35.0	0.6	31.0	1.3
1965	35.3	0.9	31.5	1.6
1966	36.3	2.8	32.4	2.9
1967	37.2	2.5	33.4	3.1
1968	38.1	2.4	34.8	4.2
1969	39.6	3.9	36.7	5.5
1970	41.1	3.8	38.8	5.7
1971	42.3	2.9	40.5	4.4
1972	43.4	2.6	41.8	3.2
1973	45.3	4.4	44.4	6.2
1974	50.2	10.8	49.3	11.0
1975	57.1	13.7	53.8	9.1
1976	61.5	7.7	56.9	5.8
1977	65.6	6.7	60.6	6.5
1978	70.2	7.0	65.2	7.6
1979	77.6	10.5	72.6	11.3
1980	85.5	10.2	82.4	13.5
1981	92.4	8.1	90.9	10.3
1982	97.4	5.4	96.5	6.2
1983	99.2	1.8	99.6	3.2
1984	103.3	4.1	103.9	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

Note: The base years are 1982 to 1984.

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

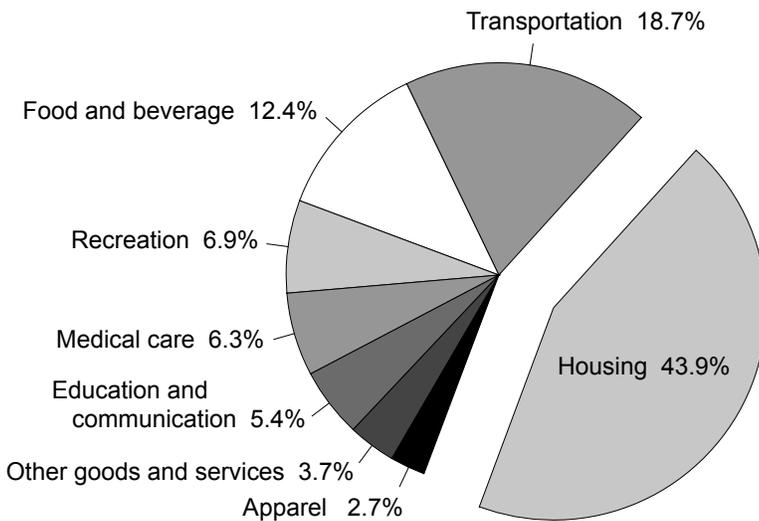
3 Behind the 3.2 Percent Increase Increase by major CPI components, 2006

Anchorage Consumer Price Index



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

4 Consumers Spend Most on Housing CPI weighting, December 2006



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

of the year would have to be at least 4.5 percent.

Whether the lower rate of inflation seen in the numbers for the first half of 2007 is the beginning of a new trend is impossible to predict with any degree of certainty. Given national predictions for the index and long-term observations of the Anchorage index, it is likely that inflation won't diverge too far from the 10-year average.

Consultants for the Alaska Permanent Fund Corporation, which uses the CPI to make sure the principal of the Permanent Fund keeps up with inflation, have forecasted a 2.8 percent inflation rate for the next five years.² But considering all the ingredients and forces that influence the CPI, forecasting inflation is more an art form than a science.

How the CPI is calculated

The CPI is undoubtedly the most commonly used measure of inflation.³ Along with the Permanent Fund Corporation, landlords, workers, unions and employers use the CPI to adjust rents and salaries, among other things.

Despite its wide use, the CPI has its limitations and detractors. The most common complaint is from individuals who say it doesn't accurately measure the price changes they themselves are experiencing – and unless their expenditures perfectly coincide with those of the average consumer, they are completely correct.

Inflation for a person who commutes a long distance and spends a larger than average percent of his income on health care, for example, will be much higher than the rate that's based on the consumption patterns of the average consumer in that area.

Conversely, a person who rarely needs medical care, has a short commute, and uses solar energy to heat her home may experience a personal rate of inflation well below the CPI. It's not necessarily that she spends less money as a consumer or is more frugal, but just that she spends less on the goods and services whose costs are rising at an especially high rate.

To produce the Anchorage CPI, the U.S. Department of Labor's Bureau of Labor Statistics conducts detailed surveys of Anchorage

² The forecast comes from the Permanent Fund Corporation's investment consulting firm, Callan Associates.

³ By federal statute, the CPI affects the income of at least 80 million people: 51.6 million Social Security beneficiaries, 21.3 million food stamp recipients, about 4.6 million military and federal civil service retirees and survivors, and more than two million workers with collective bargaining agreements that tie wages to the CPI. The CPI also plays a major role in collective bargaining negotiations for millions more.

consumers' spending habits. The surveys determine the city's "market basket" and the weight each item will have in the overall index. An item's or category's weight represents its percentage of the average consumer's total expenditures. (See Exhibit 4.)

Calculating housing CPI is especially complicated

The CPI weights housing highest, as one would expect, so housing has the most influence on the overall index. But tracking consumer expenditures on housing isn't as simple as just looking at housing prices.

Since 1999, the CPI housing component has been based primarily on the prices homeowners could charge if they rented their homes, or the "owners' equivalent rent."

The Bureau of Labor Statistics instituted this method, in part, because it determined that home purchases are a combination of a consumer expense for actual shelter and also an investment. Consumer expenditures on investments are excluded from the CPI, so the owner equivalent rent method was implemented to exclude the investment portion of what consumers were spending on housing.

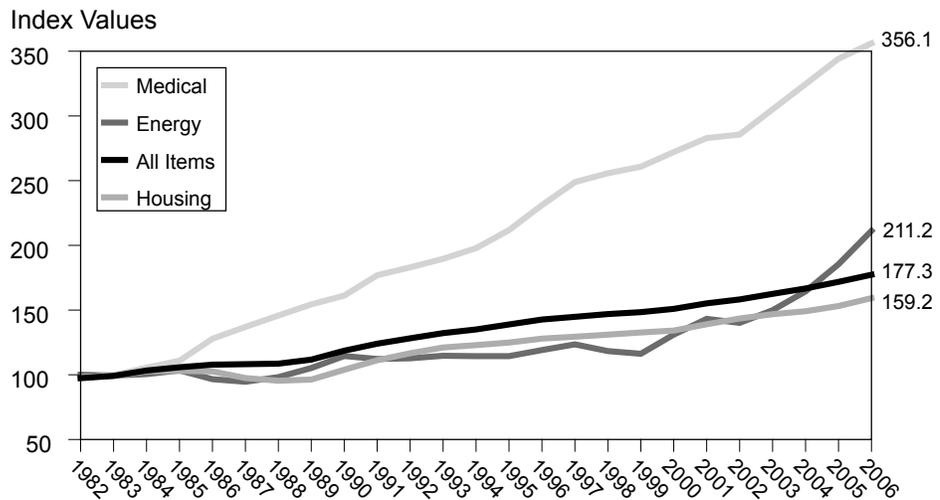
This method explains why, in recent years, CPI housing numbers have increased at a rate well below the dramatic increases in actual housing prices. Because the rental value of an owned home isn't easily determined and, in the end, can't be completely verified, the CPI housing numbers garner a lot of attention from those trying to understand what's behind changes to the overall CPI.

CPI housing numbers are also of special interest because they tend to give the CPI a local flavor. Costs for most other consumer expenditures are dictated more by national and international conditions than by local ones, but housing prices differ substantially throughout the country.

Health Care Increases Are in Their Own League

Selected components of the Anchorage CPI, 1982 to 2006

5



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

Rural Alaskans Pay More

Food Cost Survey, June 2007

6

	Food at Home for a Week ¹	Heating Oil, per Gallon
Naknek	\$273.36	\$3.94
Kotzebue	\$255.08	\$4.26
Bethel	\$236.56	\$4.59
Nome	\$207.93	\$3.70
Cordova	\$188.68	\$3.92
Dutch Harbor	\$185.13	\$5.94
Seward	\$165.50	\$2.84
Kodiak	\$162.73	\$3.00
Homer	\$160.42	\$2.75
Delta Junction	\$159.30	\$2.41
Haines	\$157.08	\$3.31
Sitka	\$153.78	\$3.35
Kenai-Soldotna	\$135.84	n/a
Ketchikan	\$132.81	\$3.18
Anchorage	\$122.95	\$3.61
Palmer-Wasilla	\$121.07	\$2.77
Fairbanks	\$120.64	\$2.68
Portland, Ore.	\$100.67	\$1.85

Note: Juneau wasn't included in the June 2007 Food Cost Survey.

¹The cost for a family of four with children ages 6 to 11.

Source: University of Alaska Fairbanks' Cooperative Extension Service

7 Fuel Extra Expensive in Rural Areas

DCCED fuel price survey, June 2007

Selected Communities ¹	Heating Fuel No. 1 (Residential, per Gallon)	Gasoline (Regular, per Gallon)	Method of Transportation for Importing Fuel
Arctic Village	\$6.36	\$7.00	air
Hughes	\$6.00	\$6.00	air
Nondalton	\$5.55	\$5.69	air
Hooper Bay	\$5.15	\$5.32	barge
Huslia	\$5.00	\$5.00	barge
Russian Mission	\$4.99	\$5.52	barge
Brevig Mission	\$4.80	\$5.10	barge
Emmonak	\$4.71	\$4.89	barge
Gambell	\$4.65	\$4.89	barge
Akiak	\$4.60	\$4.95	barge
Kotzebue	\$4.02	\$4.20	barge
Nelson Lagoon	\$3.98	\$4.26	barge
Dillingham	\$3.77	\$4.96	barge
Port Lions	\$3.70	\$4.00	barge
Hoonah	\$3.40	\$3.78	barge
Chenega	\$3.30	\$3.70	barge
Juneau	\$3.28	\$3.29	barge
Unalaska	\$3.17	\$3.20	barge
Petersburg	\$3.06	\$3.10	barge
Kodiak	\$2.93	\$3.64	barge
Valdez	\$2.69	\$3.20	refinery/barge
Homer	\$2.65	\$3.11	barge/truck
Nenana	\$2.64	\$3.16	truck
Delta Junction	\$2.58	\$3.01	truck
Fairbanks	\$2.47	\$2.89	refinery/truck
Atkasuk ²	\$1.40	\$4.10	barge/air
Barrow ³	--	\$4.55	barge

¹This is just a partial list of the 100 communities surveyed.

²The North Slope Borough subsidizes heating fuel prices in Atkasuk and all other communities in the borough.

³Barrow uses natural gas as a source of heat.

Source: Alaska Department of Commerce, Community and Economic Development's Current Community Conditions: Fuel Prices Across Alaska, June 2007 Update

This was evident in the late 1980s when Alaska was in the midst of a recession and housing prices plummeted. As a result, the overall inflation rate in both 1987 and 1988 was just 0.4 percent compared to 3.6 percent and 4.1 percent for the U.S. as a whole.

The second way to look at the cost of living: geographic differences

While the CPI gives the most authoritative answer to questions about how much prices are rising over time in one location, determining

cost differences between locations is a little more complicated. There's quite a bit of information on the subject – especially for the state's larger communities – but comprehensive and definitive answers are harder to come by because consumption patterns can be so different from one area to the next.

Naknek's food costs are more than double Anchorage's

Four times a year, the University of Alaska Fairbanks' Cooperative Extension Service surveys communities around the state and Portland, Ore., to determine price differences for a low-cost, nutritionally balanced diet. Prices are also gathered for electricity, heating oil, automobile gas, lumber and propane.

The food cost survey is useful because it covers so many different communities – for many of them there is very little other price comparison data – and because it has been produced consistently for so many years. As a broad cost-of-living measure, however, its use is limited since it is restricted to food and energy costs and because it uses an identical market basket for all the communities studied, despite the fact that there may be significant differences between the food items actually consumed by a family in Anchorage and that consumed by a family in Bethel.⁴

In recent years the study began including cost calculations for the wide-spread practice in rural Alaska of having grocery items shipped from urban merchants, but items that are imported as baggage or private cargo aren't included and neither is subsistence-harvested food.

Within Alaska, according to the June 2007 survey, a family of four enjoyed the lowest food costs in Fairbanks and Palmer-Wasilla, although all the Alaska communities surveyed had noticeably higher food costs than Portland. (See Exhibit 6.) The highest cost areas tend to be the most remote, requiring delivery by air or barge. Naknek, Kotzebue, Bethel, Nome and Dutch Harbor belong in this category, with food costs

⁴ Comparing prices using an individual market basket for each community would be significantly more complicated and labor intensive.

as high as twice those in the state's more urban and accessible areas.

Despite these communities' distance from the state's population centers, all of them are regional hubs, so to the extent transportation costs are responsible for high prices, Alaska's more remote villages would face even higher food and energy costs.

A semi-annual fuel price survey conducted by the Alaska Department of Commerce, Community and Economic Development confirms this. Arctic Village and Hughes, two small communities in the Yukon-Koyukuk Census Area that rely on air transportation for fuel deliveries, pay significantly more for heating fuel and gasoline than areas served by barge or truck. (See Exhibit 7.)

Rents lower in Wrangell-Petersburg and on Kenai Peninsula

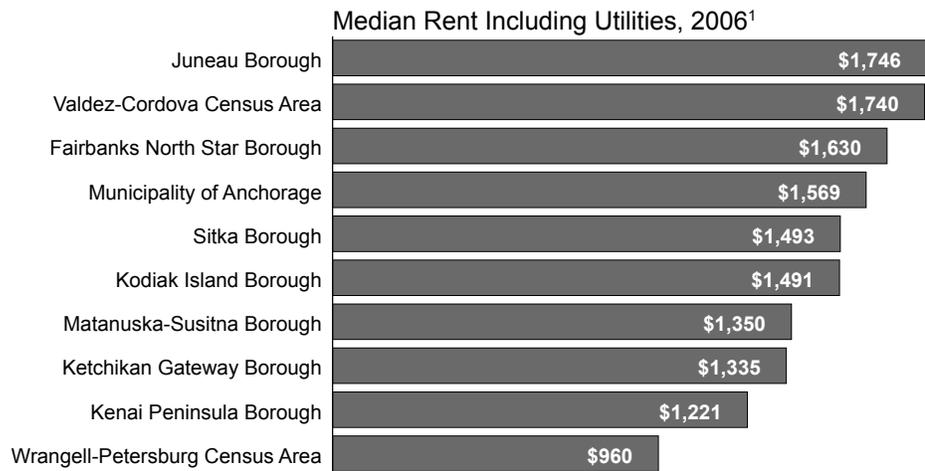
Housing costs can be a good proxy for a community's cost of living when making geographic comparisons because they make up such a large share of total household expenditures.

A 2006 survey of rental prices in 10 areas around the state, conducted by the Alaska Department of Labor and Workforce Development for the Alaska Housing Finance Corporation, shows that rent for both homes and apartments was highest in Juneau and lowest in the Wrangell-Petersburg Census Area. (See Exhibits 8 and 9). Rents were also low for both the Kenai Peninsula and Matanuska-Susitna boroughs.

Highest average sales price for homes in Anchorage

During the first quarter of 2007, Anchorage had the highest average sales price for single family homes and Ketchikan had the lowest. (See Exhibit 10.) The results from this survey of lenders'

Rents Highest in Juneau and Valdez-Cordova Median rent and utilities for a single-family home, 2006



¹ For a single-family home

Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and the Alaska Housing Finance Corporation's 2006 Rental Market Survey

activity, also conducted by the Department of Labor for the Alaska Housing Finance Corporation, are a little less useful as a proxy for cost-of-living comparisons because the number and quality of homes sold can vary widely, especially in the smaller communities surveyed.

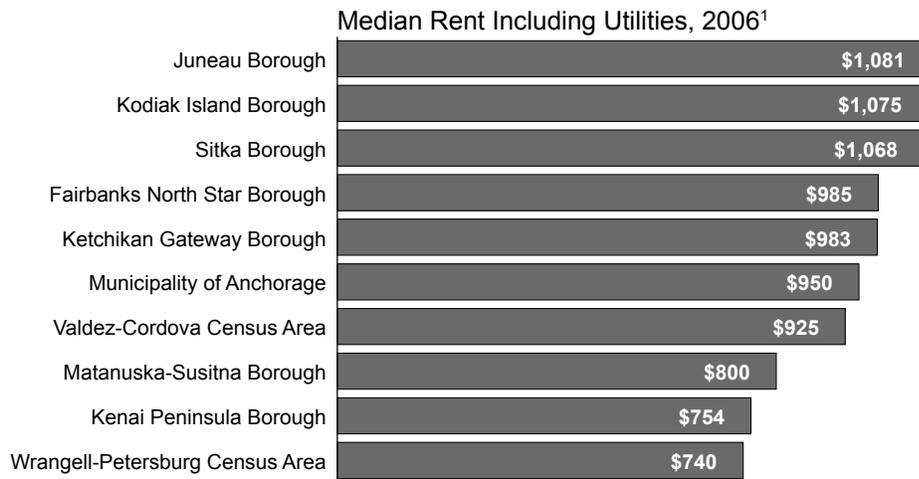
Due to the relatively small number of loans reported in the Bethel area, for example, average prices tend to rise and fall dramatically from quarter to quarter and year to year. The average home prices for larger communities will jump around less and be more useful for making comparisons, but no adjustments are made for the size, quality or age of the homes sold so the data should be viewed only as a rough approximation of actual housing costs.

ACCRA focuses on high income households

Every quarter the ACCRA⁵ Cost of Living Index provides comparisons of living costs for about 300 urban areas in the United States. ACCRA's focus, however, is on professional and managerial households with incomes in the top 20

⁵ The ACCRA Cost of Living Index was originally produced by the American Chamber of Commerce Researchers Association. It's now produced by The Council for Community and Economic Research.

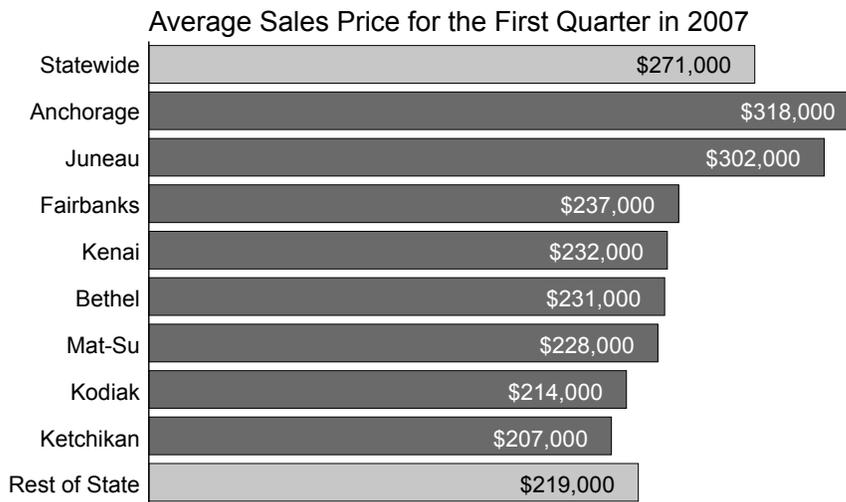
9 Apartments Cost Most in Juneau and Kodiak Rent for two-bedroom apartments and utilities, 2006



¹ For a two-bedroom apartment

Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and the Alaska Housing Finance Corporation's 2006 Rental Market Survey

10 Home Sales Prices Highest in Anchorage Average price for single-family home, first quarter 2007



Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and the Alaska Housing Finance Corporation's 2007 Survey of Lenders' Activity

percent for the area. Consequently, its market basket and the weights assigned to the different components are different than they would be if the focus was on the average consumer.

The ACCRA data continue to show that the four Alaska cities surveyed (Anchorage, Fairbanks, Juneau and Kodiak) are significantly more expen-

sive than the average ACCRA city. (See Exhibit 11.) Housing costs, which account for 28 percent of total costs, were as much as 50 percent higher than average for the Alaska cities. Costs were generally higher for all the components, with the one exception being Anchorage utilities.

Changes to the federal government COLA

For over four decades most federal workers in Alaska received a 25 percent cost-of-living adjustment to their wages. At some point in the state's history, that figure was probably related to broad cost-of-living differentials between Alaska and other states, but the federal government decided that was no longer the case and decided to phase out the adjustment in exchange for something a little more precise.

After conducting cost studies, it was determined that federal workers within a 50 mile radius of Juneau would receive an 18 percent cost-of-living adjustment, those within 50 miles of Fairbanks would get 16 percent, and those within 50 miles of Anchorage would get 14 percent. Federal workers in other parts of the state would continue to receive 25 percent.

The 25 percent adjustments for workers in Juneau, Fairbanks and Anchorage were scheduled to be reduced by 1 percent a year until the new levels were reached. The adjustments were reduced as scheduled in 2006, but the second reduction has been postponed until March 2008. An additional complication arose with proposed legislation to eliminate cost-of-living adjustments altogether and move

Alaska Cities More Expensive for Professional Households

ACCRA¹ cost of living index for selected cities, first quarter 2007



	Items Index Costs	Grocery Items	Housing	Utilities	Transportation	Health Care	Miscellaneous Goods and Services
Anchorage	126.1	124.7	143.8	94.0	110.2	131.7	125.4
Fairbanks	132.8	122.1	147.6	165.6	113.6	140.2	120.2
Juneau	134.5	135.8	150.0	137.8	127.1	144.6	121.7
Kodiak	122.7	145.5	115.1	127.6	132.4	135.0	114.7
West							
Portland, Ore.	121.7	122.3	133.3	104.8	125.0	110.3	117.5
Honolulu	165.3	152.9	250.1	139.3	127.8	110.0	126.7
San Francisco	172.1	148.7	273.2	88.6	131.8	126.2	140.4
Las Vegas, Nev.	109.0	96.4	129.6	110.4	112.7	107.5	95.8
Southwest/Mountain							
Salt Lake City	100.4	103.5	97.8	89.0	104.8	99.8	103.3
Phoenix	101.7	98.0	103.4	94.1	105.2	100.8	102.8
Denver	102.3	99.5	110.4	110.2	90.0	109.5	97.4
Dallas	92.5	96.7	76.1	99.3	104.0	98.5	98.1
Midwest							
St. Cloud, Minn.	98.8	94.6	90.4	105.2	97.0	96.2	106.2
Cleveland	98.1	108.3	88.4	112.7	95.6	102.6	98.2
Chicago	111.7	107.6	128.3	108.6	112.7	104.2	101.2
Southeast							
Orlando, Fla.	103.4	98.0	101.8	110.4	106.1	102.4	104.0
Mobile, Ala.	92.4	98.5	77.6	101.9	89.9	84.4	100.7
Atlanta	95.3	97.0	94.8	78.7	99.8	105.8	97.5
Atlantic/New England							
New York (Manhattan)	213.7	145.3	396.2	153.0	128.3	126.9	144.7
Boston	132.8	119.6	168.1	111.0	104.7	132.4	123.8
Philadelphia	124.8	127.8	143.6	117.0	112.7	109.0	116.2

Note: Index numbers represent a comparison to the average for all cities for which ACCRA volunteers collected data. For example, 117.4 means that city has 17.4 percent higher costs than average.

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

Source: ACCRA Cost of Living Index, First Quarter, 2007

Alaska to the locality pay system used in Lower 48 locations.

The military's cost-of-living index

In order to roughly equalize payments to military personnel, the Department of Defense produces a cost-of-living index for areas where troops may be stationed outside the Lower 48. (See Exhibit 12.) The index compares prices for about 120 goods and services, including food,

clothing, personal care, vehicles, transportation, medical care and utilities. The index doesn't include housing, which is treated separately by the military with specific housing allowances for different locations. It also doesn't cover taxes or insurance.

The military index is helpful because it includes data for so many Alaska locations – 23 in 2007 – and also because it's updated frequently. The highest prices, according to the index, were in Barrow, Bethel, Nome and Wainwright. The

12 Military Survey: Wasilla Last OCONUS¹ Index, Alaska 2007

Military Cost-of-Living Index	Index
Barrow	152
Bethel	152
Nome	152
Wainwright	152
Ketchikan	138
Sitka	136
Cordova	134
Homer	134
Kenai (includes Soldotna)	134
King Salmon (includes Bristol Bay Borough)	134
Seward	134
Valdez	134
Tok	132
Juneau	128
Kodiak	128
Spuce Cape (on Kodiak Island)	128
Unalaska	128
Delta Junction	126
Clear Air Station, USAF (south of Nenana)	124
College	124
Fairbanks	124
Anchorage	122
Wasilla	120

¹OCONUS is an acronym for Outside the Continental United States; Alaska is counted as an OCONUS location.

²An index number indicates the area's relationship to the average U.S. location. For example, an index of 120 means the location is 20 percent more expensive than the average U.S. location.

Source: Department of Defense, as posted in July 2007

lowest were in Wasilla, Anchorage, Fairbanks, Clear and College (within the Fairbanks North Star Borough).

With index numbers from 152 to 120, the military index indicates that even its lowest cost Alaska location is still 20 percent more expensive than average for the Lower 48.

In general, the military index confirms what the other surveys and reports show: that Alaska tends to be more expensive than the nation as a whole and that living costs are especially high in rural Alaska.

What would \$100 in 1980 equal today?

The Anchorage Consumer Price Index can help determine how much money it would take today to equal a dollar amount from some earlier year. To illustrate, this equation shows how \$100 in 1980 would be equal to \$203 in 2006.

$$\begin{array}{l} \text{2006 Anchorage CPI (see Exhibit 2)} \\ \text{Divided by 1980 Anchorage CPI} \end{array} \quad \frac{177.3}{85.5} = 2.03$$

The 2.03 is then multiplied by the number of 1980 dollars in order to find the 2006 equivalent (\$100 x 2.03 = \$203). Another way to describe this is to say that \$100 in 1985 had the same purchasing power as \$203 had in 2006.

A pretty good summer season

Alaska's seasonally adjusted unemployment rate rose two-tenths of a percentage point in August to 6.3 percent and payroll employment fell 400 jobs. In a typical year, the state's job count will reach its annual high point in July or August and then fall by 10 percent to 15 percent by the time it reaches its seasonal low point in January.

Unemployment rate changes little

Despite two consecutive small increases in the seasonally adjusted unemployment rates, the rates have been consistently lower in 2007 than in recent years. (See Exhibit 1.) With an error range of plus or minus eight-tenths of a percentage point, however, the numbers don't support strong conclusions about short-term changes in economic trends. A longer-term view shows gradually falling unemployment rates since early 2004.

The Denali Borough had the state's lowest unemployment rate in August at 1.8 percent¹ and the Wade Hampton Census Area had the highest at 20.3 percent. (See Exhibit 3.) Regionally, the Southwest and Northern regions had noticeably higher unemployment rates than the rest of the state at 9.7 percent and 8.6 percent, respectively.

Payroll jobs show solid over-the-year growth

August estimates of payroll jobs show over-the-year growth of 4,700, with the largest increase continuing to come from the oil and gas industry, which has added 1,100 jobs since last August. (See Exhibit 2.) The oil and gas industry is also re-

¹ Unemployment rates for boroughs and census areas are not seasonally adjusted.

sponsible for some of the strong growth in the professional and business services sector (1,000), where engineering firms and other technical support employers are categorized.

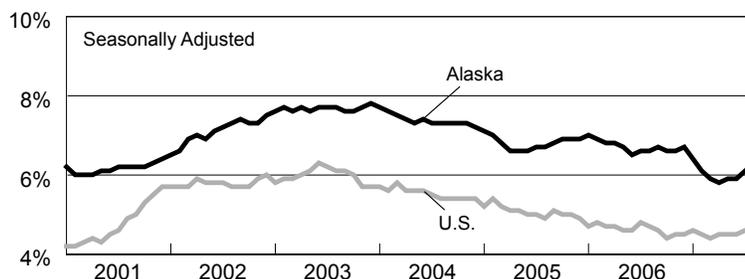
The 2007 tourist season appears to have been healthy, which contributed to job growth in the leisure and hospitality sector (800) and in retail trade (700). Very favorable exchange rates for international travelers helped and will likely do so again in 2008.

Despite a marked slowdown in construction activity, commercial building and public-sector projects managed to push August construction jobs slightly higher than year-ago levels. The estimated 21,700 construction jobs in August were 100 more than a year earlier.

Early numbers show that the 2007 salmon harvest of more than 200 million fish exceeded preseason forecasts and will be at least the fifth-largest in history. Those numbers don't immediately translate into a jump in seafood processing jobs,² however, since the major hiring decisions are made earlier in the year and the processing plants have limited space for workers.

² Commercial fishermen are not included in payroll employment estimates.

Unemployment Rates, Alaska and U.S. January 2001 to August 2007



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

2 Nonfarm Wage and Salary Employment

	Preliminary	Revised	Revised	Changes from:	
	8/07	7/07	8/06	7/07	8/06
Alaska					
Total Nonfarm Wage and Salary¹	342,000	342,400	337,100	-400	4,700
Goods-Producing ²	56,400	58,200	54,700	-1,800	1,700
Service-Providing ³	285,600	284,200	282,400	1,400	3,000
Natural Resources and Mining	14,200	14,100	12,900	100	1,300
Logging	300	300	400	0	-100
Mining	13,800	13,700	12,500	100	1,300
Oil and Gas	11,600	11,500	10,500	100	1,100
Construction	21,700	21,600	21,600	100	100
Manufacturing	20,500	22,500	20,200	-2,000	300
Wood Product Manufacturing	300	300	400	0	-100
Seafood Processing	16,300	18,200	16,100	-1,900	200
Trade, Transportation, Utilities	69,800	69,700	68,900	100	900
Wholesale Trade	7,100	7,200	7,000	-100	100
Retail Trade	38,000	38,100	37,300	-100	700
Food and Beverage Stores	6,600	6,700	6,600	-100	0
General Merchandise Stores	9,200	9,200	9,200	0	0
Transportation, Warehousing, Utilities	24,700	24,400	24,600	300	100
Air Transportation	6,900	6,900	6,900	0	0
Truck Transportation	3,500	3,500	3,400	0	100
Information	7,000	7,000	7,000	0	0
Telecommunications	4,200	4,200	4,200	0	0
Financial Activities	15,400	15,400	15,500	0	-100
Professional and Business Services	26,800	27,000	25,800	-200	1,000
Educational⁴ and Health Services	37,700	37,600	37,300	100	400
Health Care	27,300	27,000	26,900	300	400
Leisure and Hospitality	39,500	39,600	38,700	-100	800
Accommodations	11,500	11,600	11,500	-100	0
Food Services and Drinking Places	22,600	22,700	21,900	-100	700
Other Services	11,500	11,500	11,500	0	0
Government	77,800	76,400	77,800	1,400	0
Federal Government ⁵	17,300	17,400	17,400	-100	-100
State Government	23,800	23,900	23,600	-100	200
State Government Education ⁶	5,800	5,600	5,400	200	400
Local Government	36,700	35,100	36,800	1,600	-100
Local Government Education ⁷	18,200	16,700	18,300	1,500	-100
Tribal Government	3,700	3,600	3,800	100	-100

Notes for all exhibits on this page:

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

⁸ Fairbanks North Star Borough

Sources for all exhibits on this page: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and the U.S. Bureau of Labor Statistics

4 Nonfarm Wage and Salary Employment By region

	Preliminary	Revised	Revised	Changes from:		Percent Change:	
	8/07	7/07	8/06	7/07	8/06	7/07	8/06
Anch/Mat-Su	172,400	172,400	170,900	0	1,500	0.0%	0.9%
Anchorage	153,300	153,700	152,100	-400	1,200	-0.3%	0.8%
Gulf Coast	33,950	33,450	33,450	500	500	1.5%	1.5%
Interior	49,800	49,600	49,600	200	200	0.4%	0.4%
Fairbanks ⁸	40,200	40,200	40,000	0	200	0.0%	0.5%
Northern	19,150	18,850	17,750	300	1,400	1.6%	7.9%
Southeast	43,800	43,200	43,050	600	750	1.4%	1.7%
Southwest	22,450	24,700	22,450	-2,250	0	-9.1%	0.0%

3 Unemployment Rates By borough and census area

SEASONALLY ADJUSTED	Prelim.	Revised	Revised
	8/07	7/07	8/06
United States	4.6	4.6	4.7
Alaska Statewide	6.3	6.1	6.6
NOT SEASONALLY ADJUSTED			
United States	4.6	4.9	4.6
Alaska Statewide	5.4	5.4	5.8
Anchorage/Mat-Su	5.1	5.0	5.4
Municipality of Anchorage	4.8	4.6	5.1
Mat-Su Borough	6.2	6.5	6.8
Gulf Coast Region	5.5	5.7	5.8
Kenai Peninsula Borough	5.8	5.9	6.1
Kodiak Island Borough	4.7	5.5	5.6
Valdez-Cordova Census Area	5.1	5.3	5.2
Interior Region	5.0	5.1	5.5
Denali Borough	1.8	2.1	2.1
Fairbanks North Star Borough	4.6	4.6	5.1
Southeast Fairbanks Census Area	7.9	8.5	9.5
Yukon-Koyukuk Census Area	11.6	12.4	11.0
Northern Region	8.6	9.4	9.8
Nome Census Area	11.4	12.6	12.5
North Slope Borough	5.5	5.9	6.6
Northwest Arctic Borough	10.0	10.8	10.8
Southeast Region	4.5	4.5	4.9
Haines Borough	3.2	3.2	3.6
Juneau Borough	3.9	3.8	4.2
Ketchikan Gateway Borough	4.0	3.9	4.6
Prince of Wales-Outer Ketchikan CA	10.4	10.6	11.6
Sitka Borough	4.4	4.3	4.2
Skagway-Hoonah-Angoon CA	5.5	5.9	6.1
Wrangell-Petersburg Census Area	5.2	5.6	5.4
Yakutat Borough	4.3	4.0	5.5
Southwest Region	9.7	9.2	9.8
Aleutians East Borough	6.4	5.0	6.7
Aleutians West Census Area	3.8	3.6	4.1
Bethel Census Area	13.2	13.1	13.0
Bristol Bay Borough	2.3	1.5	2.5
Dillingham Census Area	7.5	7.1	8.3
Lake and Peninsula Borough	3.9	3.3	3.6
Wade Hampton Census Area	20.3	24.5	20.3

For more current state and regional employment and unemployment data, visit our Web site.

almis.labor.state.ak.us

A Safety Minute

Almost all of us have a ladder at home and at work, and many of us use ladders when we play – think tree stands for hunting, boat ladders and jungle gyms on playgrounds. Yet how many of us have been trained to use a ladder safely?

Safe Ladder Use

1. Use the correct ladder for the job. If you need an eight-foot ladder, don't compromise your safety by trying to make due with a six-foot ladder. Stepladders are designed to have both spreaders open with their four bases in place on a level surface. Extension ladders are designed to be used to access different heights, with both sections joined. Most ladders are designed to be used by only one person at a time.
2. Set up the ladder properly. Ladders should be set up on level, uncluttered work surfaces, away from power lines. If you're setting up a ladder in front of a door, barricade the door or have a spotter in place to direct people away from the ladder. If you're working in a high traffic area, such as in a warehouse, inform forklift and other equipment operators, maintain barricades and use a spotter.
3. Inspect the ladder. Ladders should be inspected before each use. Check the rungs and be sure they're in good condition with no broken rungs or damaged side rails, bases or spreaders. On extension ladders, the rope should be in good repair and it should move freely on the pulley.
4. Check your equipment. Use appropriate footwear and check the bottoms for grease, oil or tacks, or anything else that might interfere with your shoes or boots and the ladder rung surface.
5. Climb safely. Climb deliberately facing the ladder. You should have three points of contact – two feet and one hand, for instance – when climbing and working from a ladder. Work within the side rail and use the "belt buckle rule": If you lean far enough so that your belt buckle is outside the side rail, you must climb down and re-position the ladder. Don't climb higher than the second step from the top. If you're carrying tools, have them in a tool belt or tie them in a bucket and haul them up when you're in place on the ladder. Maintain a minimum safe approach distance of 10 feet from power lines and use non-conductive ladders when working around or near electrical power.

A fall from a ladder as little as six feet high can mean career-ending injuries, paralysis or death. Understand the risks, eliminate the hazards and work safely!