

FAIRBANKS NORTH STAR BOROUGH

Box 1267, Fairbanks, Alaska 99707

IMPACT INFORMATION CENTER

Special Report No. 3

QUESTIONS AND ANSWERS

ABOUT

THE COST OF LIVING IN FAIRBANKS

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A manager wants to know how much more he should pay his employees who are being moved to Fairbanks from Anchorage. A worker wants to know how much the cost of living has increased in Fairbanks in the last year before new wage negotiations begin. Federal administrators experiencing a high turnover in employees need to substantiate their observation that a 25% cost of living allowance is inadequate. A business is establishing a new office in Fairbanks and the owner wants to know what salary in Fairbanks would be comparable to salaries he is paying his employees in Los Angeles. A traveling journalist observes the price of milk in the supermarket and wants to have more conclusive evidence of the high cost of living in Fairbanks for a story he is writing for a magazine, newspaper, or television station which receives national coverage. A sanitarian is considering taking a job in Fairbanks and he wants to know whether the salary he is being offered will be an improvement over his present salary after the cost of living is taken into consideration . . .

These situations, and many like them, occur commonly in Fairbanks as its economy expands to meet the demands created by pipeline construction activities. Often people who are seeking cost of living information request assistance from the Impact Information Center. This special report has been prepared to answer some of the most commonly asked questions about the cost of living in Fairbanks.

What is the cost of living in Fairbanks?

Nobody knows. The most accurate cost of living information is the annual three-budget series and consumer price index (CPI) prepared by the Bureau of Labor Statistics (BLS). The Bureau of Labor Statistics is the division of the U.S. Department of Labor designated to collect data, analyze, and interpret economic indicators related to wages and prices. The three-budget series is a standard procedure to determine the cost of living for average families living on three different incomes. BLS produces a yearly three-budget series for retired couples, as well as the series for families with employed heads of households. The three-budget series are updated annually by the consumer price index, which measures the rates of inflation. The BLS conducts these studies on a regular basis in 44 cities within the United States. Anchorage is one of the cities, Fairbanks is not.

Prior to 1970, the BLS conducted a CPI in Fairbanks and an inter-city index which compared the cost of goods in Fairbanks, Anchorage, Juneau and Ketchikan. The BLS studies are based upon econometric practices in which prices are weighted according to local consumer expenditure patterns. In 1970, it was felt that the consumer expenditure patterns had changed in Alaska to the point that the data were being weighted inaccurately and a new consumer expenditure survey was needed. The funds were not available for this costly undertaking, except for the Anchorage

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area. The cost of living data collected by the BLS prior to 1970 are now obsolete due to rapid economic change resulting from construction of the trans Alaska oil pipeline.

What is the difference in cost of living between Fairbanks and Anchorage?

This is a difficult question to answer, because, although there is accurate cost of living information for Anchorage, there is no good comparative data for Fairbanks.

The University of Alaska's Institute of Social, Economic, and Government Research produced a study entitled, "Consumer Prices, Personal Income and Earnings in Alaska." Although this study was published in 1974, it is based upon data which are, for the most part, pre-pipeline. Based upon 1972 data, the report shows that the cost of housing was 9-18% greater in Fairbanks than in Anchorage, and food cost 7-8% more in Fairbanks. Using 1970 data, the report indicates that total costs of goods and services in Fairbanks were 12% greater than in Anchorage. Some other indicators of differences in cost are the cost per unit of low rent public housing constructed by the U.S. Department of Housing and Urban Development in 1973 was 6.6 percent greater in Fairbanks than Anchorage, and the military has found that it costs 20% more for construction in Fairbanks than in Anchorage.

There has been no accurate data base on which to compare cost of living in Fairbanks and Anchorage since pipeline construction began. During the first year of construction, Fairbanks probably experienced a greater housing shortage and thereby a greater increase in housing costs than Anchorage. However, by the summer of 1975, Anchorage was experiencing a housing shortage which probably increased housing prices to the point that the relative difference between Fairbanks and Anchorage began to approximate the difference prior to the pipeline.

For the purpose of cost of living adjustments, the State of Alaska provides for a 4-step differential in pay between Anchorage and Fairbanks for classified employees in the University and general government employees working for the State, who are represented by the Alaska Public Employees Association. On the average, this is a 15.2% difference in wages between Anchorage and Fairbanks.

What is the difference in cost of living between Fairbanks and cities in the "lower 48" states?

One way to calculate the difference in cost of living between Fairbanks and cities in the "lower 48" states is to use the BLS data to determine the difference between Anchorage and one of the 44 cities studied by the BLS which is geographically near to the city in question. The difference between Anchorage and the designated city may then be added to the difference between Fairbanks and Anchorage to obtain the difference between Fairbanks and the designated city.

difference between Anchorage and the designated city	+	difference between Fairbanks and Anchorage	=	difference between Fairbanks and designated city
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figures for autumn 1974 for each of the three budgets are appended to this report. These figures show Anchorage to be 28-48% above the U.S. urban average and 29-44% above Seattle, depending upon the budgetary level. Based upon figures for retired couples for the high budget only, Anchorage was 23% higher than the U.S. urban average and 17% higher than Seattle in autumn 1974. More recent BLS figures for the difference in cost of living between Anchorage and the other 43 cities may be obtained by writing to BLS - U.S. Dept. of Labor, Box 36017, 450 Golden Gate Avenue, San Francisco, California 94102 or by calling 415-556-4678. BLS reports suggest that in October 1975, Anchorage was 34-55% above the U.S. urban average.

The Federal government gives employees in Anchorage a 22.5% cost of living allowance (COLA). Employees in Fairbanks receive the maximum COLA allowed by law, 25%. COLA means that federal employees in Fairbanks are receiving 25% more pay than their counterparts in the lower 48 states. In addition, that 25% COLA is non-taxable, which means that it results in a greater than 25% after-taxes income, depending upon the base pay. Federal executives in Fairbanks, who are experiencing a high turnover rate in their employees feel that the 25% COLA is inadequate for Fairbanks. A bill (S.2482) is currently before the U.S. Senate to eliminate the 25% maximum COLA in Alaska and review the civil service studies used to determine COLA.

How much has the cost of living increased in Fairbanks?

Again, there is no answer. Most people who ask this question are seeking a figure for the increase in cost of living over a year's period starting and ending when a particular wage contract started and ended. In general, the two annual periods which are used most commonly are the calendar year (January through December) and the fiscal year (July through June). The closest figures available are those for Anchorage, which showed a 6.7% increase in cost of living from January 1974 to July 1974, a 6.6% increase in cost of living from July 1974 to January 1975, and a 7.6% increase in cost of living from January 1975 to July 1975. From July 1975 to October 1975, there has been a 2.3% increase.

The Impact Information Center has conducted a Fairbanks market basket survey since September of 1974. In the last quarter of 1974, at home food prices increased by almost 6%. During the first six months of 1975, food prices increased by 10% (this figure does not take seasonal adjustments into consideration).

For these same periods in Anchorage, at home food prices increased by 3.7% for the last quarter of 1974 and by 1.9% for the first six months of 1975.

Of course, food is only one component in the cost of living. Housing probably consumes a greater percentage of income in Fairbanks than in Anchorage and the rest of the nation. With the pipeline-related housing shortage, the cost of housing has probably increased more rapidly in Fairbanks than in other places, thereby driving up the overall cost of living at a faster rate.

Since cost of living increases are used primarily in determining wages, some figures on increases in wages are presented here. Between August 1973 and January 1974 the State of Alaska granted increases totalling a 13.9% increase in wages. In August of 1974, the state granted a 4% cost of living increase. In February of 1975, the state granted another 4% cost of living increase and this was subsequently made retroactive to January 1, 1975. In August of 1975, the state granted a 9% cost of living increase which was retroactive to January, 1975. In addition, Fairbanks received a 3.75% cost of living adjustment. This is a 39.3% increase over a two year period, although it must be noted that there had been no increases in state wages from 1970 to 1974. Fairbanks city employees received a 50-60% increase in wages in 1974, and a 15% increase in 1975.

Where can I find additional information on the cost of living in Fairbanks?

Sources which have already been cited in this report include:

Bureau of Labor Statistics

Publications: (see Appendix II)

Location: 450 Golden Gate Avenue, San Francisco, Calif.

Mailing: Box 36017, San Francisco, Calif. 94102

Telephone: 415-556-4678

Institute of Social, Economic and Government Research

Publication: Alaska Review of Business and Economic Conditions

Location: 8th floor Gruening Bldg, U of A, Fairbanks

Mailing Address: Box 95451, Fairbanks, Ak. 99701

Telephone: 479-7420

In Anchorage: 3211 Providence Drive, Anchorage, Ak., 99504

Other organizations are engaged in research and have produced publications which may be helpful. These include:

Cooperative Extension Service

Publication: Quarterly Food Price Comparative Survey for 13 Communities in Alaska

Location: Eielson Bldg., U of A, Fairbanks

Mailing Address: Box 95151, Fairbanks, Ak. 99701

Telephone: 479-7246

Department of Labor, State of Alaska
Publication: Alaska Economic Trends
Mailing Address: P.O. Box 3-700, Juneau, Ak. 99802
Telephone: 586-1347 or 586-1349

Division of Personnel, Dept. of Administration, State of Alaska
Publication: Survey of Salaries & Benefits, Housing & Food Costs and Salary Recommendations (December 1972)
Mailing Address: Pouch C, Juneau, Alaska 99811
Telephone: 465-4421

Department of Community and Regional Affairs, State of Alaska
Publication: Regional Cost Indexes, Alaska House Districts (February 1974)
Mailing Address: Pouch B, Juneau, Ak. 99811
Telephone: 465-4700

Other people and organizations engaged in economic research which may be helpful include:

Department of Labor, State of Alaska
Economist: Dan Kupiszewski
Location: State Office and Court Bldg., Fairbanks
Mailing Address: Box 1010, Fairbanks, Ak. 99707
Telephone: 452-1501

Department of Economics, University of Alaska, Fairbanks
Economists: Dr. Richard Solie, Monica Thomas
Location: 6th Floor Gruening Bldg., U of A
Mailing Address: Box 95301, Fairbanks, Ak. 99707

National Bank of Alaska, Economics Department
Economists: Bob Richards, Bill Hall
Location: 6th & Cushman
Mailing Address: Pouch 1000, 6th & Cushman, Fairbanks 99701
Telephone: 452-4733

Eielson Air Force Base - Cost of Living Allowance Survey
Director: Fred Brantingham, Comptroller EAFB
Location: Eielson Air Force Base
Mailing Address: 5010 Combat Support Group/AC, Eielson AFB, Alaska 99702
Telephone: 377-4233

Statistical Reporting Service, U.S. Department of Agriculture
Statistician in charge: "Swede" Severson
Location: Hillstrom Bldg., Chugach & Fireweed, Anch, Ak.
Mailing Address: P.O. Box 799, Palmer, Ak.
Telephone: 907-745-4271

Alaska National Bank
Economist: Chris Stephens
Location: 4th & Lacy, Fairbanks
Mailing Address: 4th and Lacy, Fairbanks, Ak. 99701
Telephone: 456-6691

What can we do to obtain better information on the cost of living in Fairbanks?

Other people in the community are also looking for better answers to questions about the cost of living. They include the Fairbanks Chamber of Commerce, the Federal Executive Association, and the labor unions. Better information about the cost of living is a key to controlling the wage-price spiral of inflation in Fairbanks. Everybody would benefit from steps to control inflation.

The Bureau of Labor Statistics estimates that it would cost \$150,000 to do an initial study before a regular cost of living information program could be instituted in Fairbanks. It would then cost \$50,000 each year to collect and analyze the cost of living data. A report from the Senate Committee on Appropriations submitted during the first Session of the 94th Congress in relation to the 1976 budget states, "The committee recommends that Bureau of Labor Statistics initiate development of a quarterly Consumer Price Index measure of price change over time - not between areas - for the urban area of Fairbanks, Alaska, and directs that \$150,000 be used for this purpose" (p. 20). However, this does not insure that a program to measure prices in Fairbanks will be conducted by the BLS.

You can express your need for cost of living information by writing to U.S. Senators Ted Stevens and Mike Gravel, Alaska's Representative Don Young, and the U.S. Commissioner of Labor John T. Dunlop.

Appendix 1

Comparison of Three Budgets for Selected Urban Areas

(Note: This information, prepared by the Bureau of Labor Statistics from data gathered in Autumn 1974, is based upon annual total budgets for a precisely defined urban family of four, a 38-year-old husband employed full time, his non-working wife, a boy of 13, and a girl of 8. After about 15 years of married life, the family is well established and has average inventories of clothing, house furnishing, major durables and other equipment. The budgets are not intended to represent a minimum level of living.)

Area	Low Budget		Medium Budget		High Budget	
	Budget	Index	Budget	Index	Budget	Index
Anchorage, Alaska	\$13,687	149	\$19,092	133	\$26,595	128
Honolulu, Hawaii	11,383	124	17,019	119	25,572	123
San Francisco-Oakland, California	9,973	108	15,127	106	21,980	106
Boston, Massachusetts	9,933	108	16,725	117	24,708	119
New York-Northeastern New Jersey	9,852	107	16,648	116	25,470	123
Hartford, Connecticut	9,811	107	15,501	108	21,604	104
Washington, D.C.-Maryland-Virginia	9,723	106	15,035	105	21,725	105
Seattle-Everett, Washington	9,630	105	14,487	101	20,477	99
Chicago, Illinois-Northwestern Indiana	9,571	104	14,797	103	21,178	102
Los Angeles-Long Beach, California	9,524	104	14,068	98	20,801	100
Champaign-Urbana, Illinois	9,496	103	14,587	102	21,073	101
Baltimore, Maryland	9,496	103	14,398	100	20,886	101
Portland, Maine	9,436	103	14,697	103	20,367	98
Philadelphia, Pennsylvania-New Jersey	9,433	103	14,757	103	21,299	103
Minneapolis-St. Paul, Minnesota	9,366	102	14,917	104	21,700	104
Buffalo, New York	9,332	101	15,364	107	22,096	106
U.S. METROPOLITAN AREAS	9,324	101	14,645	102	21,381	103
Milwaukee, Wisconsin	9,300	101	15,024	105	21,794	105
San Diego, California	9,284	101	13,977	98	20,409	98
URBAN UNITED STATES	9,198	100	14,334	100	20,777	100
Lancaster, Pennsylvania	9,173	100	14,130	99	19,927	96
Detroit, Michigan	9,138	99	14,390	100	21,142	102
Cleveland, Ohio	9,124	99	14,617	102	20,732	100
WEST NONMETROPOLITAN AREAS	9,059	98	12,863	90	18,215	88
Kansas City, Missouri-Kansas	9,051	98	13,939	97	20,351	98
NORTHEAST NONMETROPOLITAN AREAS	9,041	98	14,196	99	19,478	94
Indianapolis, Indiana	9,026	98	14,120	99	20,020	96
Denver, Colorado	8,965	97	13,606	95	19,673	95
Durham, North Carolina	8,929	97	13,927	97	19,878	96
Pittsburgh, Pennsylvania	8,913	97	13,876	97	19,999	96
NORTHCENTRAL NONMETROPOLITAN AREAS	8,892	97	13,223	92	18,603	90
Green Bay, Wisconsin	8,870	96	14,180	99	21,016	101
Cedar Rapids, Iowa	8,867	96	14,092	98	20,324	98
St. Louis, Missouri-Illinois	8,862	96	13,859	97	19,848	96
Orlando, Florida	8,799	96	12,804	89	18,381	88
Wichita, Kansas	8,782	95	13,302	93	19,074	92
Dayton, Ohio	8,764	95	13,391	93	19,489	94
Bakersfield, California	8,701	95	13,000	91	18,414	89
Cincinnati, Ohio-Kentuck-Indiana	8,683	94	13,753	96	19,203	92
U.S. NONMETROPOLITAN AREAS	8,639	94	12,946	90	18,081	87
Atlanta, Georgia	8,608	94	13,098	91	18,825	91
Houston, Texas	8,483	92	12,872	90	18,469	89
Dallas, Texas	8,405	91	12,917	90	18,784	90
Nashville, Tennessee	8,402	91	12,996	91	18,668	90
Baton Rouge, Louisiana	8,307	90	12,928	90	19,034	92
SOUTH NONMETROPOLITAN AREAS	8,210	89	12,306	86	17,187	83
Austin, Texas	8,108	88	12,388	86	17,914	86

Appendix II
U.S. Dept. of Labor, Bureau of Labor Statistics

PUBLICATIONS AND ANNOUNCEMENTS LIST

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PACIFIC REGION MAILING LIST	Mailing List	Frequency of Issue
	Code and Domestic (U.S.) Subscription Price (Year)	
Regional Announcement of Publications -----	A	1 per month
Union Wage Scales, Building Trades -----	B	Quarterly
Consumer Price Index - Pacific Cities & U.S. Average ----- (S.F.-Oak., L.A.-L.B., San Diego, Portland, Seattle, Honolulu, Anchorage)	C	Monthly
Pacific States Employment ----- (Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Washington)	E	Monthly
Retail Food Prices - Pacific Cities ----- (S.F.-Oak., L.A.-L.B., San Diego, Portland, Seattle, Honolulu)	F	Monthly
Anchorage Consumer Price Index (Press Release) -----	G	Quarterly
Productivity (Press Release) -----	K	Quarterly

PUBLICATIONS CONTAINING SURVEY FINDINGS - WASHINGTON, D.C.

Consumer Price Index (Press Release) -----	302	Monthly
Department Store Inventory Price Indexes -----	303	Semiannual
Estimated Retail Food Prices by Cities -----	300	Monthly
Labor Turnover in Manufacturing (Press Release) -----	305	Monthly
Major Collective Bargaining Settlements (Press Release) -----	317	Quarterly
Occupational Outlook (Announcements) -----	322	Occasional
Occupational Safety & Health & Work Injuries -----	309	Annual
Productivity Studies -----	310	Annual
Real Earnings (Press Release) -----	325	Monthly
Retail Food Price Index - Washington, D.C. (Press Release) -----	333	Monthly
Retail Prices and Indexes of Fuels and Utilities -----	306	Monthly
Standard Family Budgets -----	388	Occasional
Special Labor Force Reports -----	308	Occasional
The Employment Situation (Press Release) -----	365	Monthly
Tuesday Spot Market Price Indexes and Prices -----	332	Weekly
Union Scales for Seven Selected Building Trades in 100 Cities -----	318	Quarterly
U.S. Department of State Indexes of Living Costs Abroad -----	391	Quarterly
Wholesale Prices and Price Indexes (Summary) -----	304	Monthly
Work Stoppages (also Annual Report) -----	313	Monthly

ANNOUNCEMENTS OF REPORTS - WASHINGTON, D.C.

Announcement of Publications for Sale -----	350	Occasional
Announcement of New Publications on Wages and Industrial Relations -----	314	Occasional
Automation and Technical Change (Announcement) -----	380	Occasional
Catalog of ELS Publications -----	321	Semiannual

MAJOR SALE PERIODICALS *

Consumer Price Index -----	\$11.55	Monthly
Wholesale Prices and Price Indexes -----	23.75	Monthly
Current Wage Developments -----	18.00	Monthly
Employment and Earnings -----	37.20	Monthly
Monthly Labor Review -----	22.35	Monthly
Chartbook on Prices, Wages, and Productivity -----	14.40	Monthly
Occupational Outlook Quarterly -----	5.40	Quarterly
Occupational Outlook Handbook -----	8.70	Biennial
Digest of Selected Pension Plans ----- (Including a year of revision sheets)	8.15	Occasional
Digest of Health and Insurance Plans ----- (Including a year of revision sheets)	14.00	Occasional
Directory of National Unions & Employee Associations -----	4.45	Occasional

* Subject to price change