Appendix 16: Auto Insurance Calculation Worksheet

Appendix 17: Air Fares and Other

Transportation Expenses Cost Analysis Appendix 18: Transportation Analysis Appendix 19: Miscellaneous Expense

Analysis

Appendix 20: Final Indexes

Executive Summary

This report provides the results of the summer 1994 living-cost surveys and compares living costs in certain Pacific and Caribbean nonforeign cost-of-living allowance (COLA) areas relative to the

Washington, DC, area.

The surveys and analyses were conducted by Jack Faucett Associates (JFA), an economics consulting firm located in Bethesda, Maryland, and its subcontractor, Runzheimer International, a Wisconsin-based firm specializing in the collection and analysis of cost-of-living information. The study was conducted for the Office of Personnel Management (OPM) under contract OPM-94-BP-3816. The contract requires JFA to:

(1) Survey living costs in seven allowance areas and in the Washington, DC, area, and

(2) Compare living costs between the allowance areas and the DC area.

For this study, JFA and Runzheimer researched more than 3,000 outlets and gathered more than 12,000 prices on more than 200 items representing typical consumer purchases. These prices were then combined using consumer expenditure information developed by the Bureau of Labor Statistics. The final results of the study are a series of living-cost indexes, shown in the table below, which show the living-costs in each of the allowance areas relative to the Washington, D.C., area. The index for the DC area (not shown) is 100.00 because it is, by definition, the reference area.

TABLE E-1.—FINAL COST COMPARISON INDEXES

Allowance area	Index
City and County of Honolulu, Hawaii	119.56 112.56 116.35 118.84 119.39
change	113.40
Puerto Rico	99.63
U.S. Virgin Islands	112.08

CNMI = Commonwealth of the Northern Mariana Islands

OPM implemented a number of improvements for the summer 1994 survey. These included:

—Using a moving average to introduce new weights based on the results of the Bureau of Labor Statistics Consumer Expenditure Surveys;

Using new representative income levels based on the 1994 distribution of salaries of Federal employees in the allowance areas;

Selecting new living communities based on the results of the 1992 Federal Employee Housing and Living Patterns Survey;

-Incorporating historical housing data to reflect both newly purchased and previously purchased homes;

Using the median home value in place of trimming and trend analyses used in previous surveys; and

-Using the Goods and Services index to reflect relative expenditures for cash contributions.

These changes as well as the data collection and analysis procedures already employed in the survey are discussed in the various sections of this report.

1. Introduction

1.1 Report Objectives

This comprehensive report culminates data collection and research work undertaken in summer 1994 as required by Tasks 1 and 2 of contract OPM-94-BP-3816 between the Office of Personnel Management (OPM) and Jack Faucett Associates (JFA). This report only provides the results of the summer 1994 surveys. A listing of earlier reports that provided the results of previous surveys is shown in Appendix 1.

The analyses show the comparative living-cost differences between the Washington, DC, area and the following allowance areas:

- 1. City and County of Honolulu, Hawaii
- 2. Hawaii County, Hawaii
- 3. Kauai County, Hawaii
- 4. Maui County, Hawaii
- 5. Guam and the Commonwealth of the Northern Mariana Islands (CNMI) 6. Puerto Rico

7. U.S. Virgin Islands

By law, Washington, DC, is the base or "reference" area for the nonforeign area cost-of-living allowance (COLA) program.

The contract also required JFA to analyze living-costs of Federal civilian employees in Guam who have access to military commissaries and exchanges. Under OPM regulations, employees who have unlimited access to commissaries and exchanges because of their Federal civilian employment are paid a COLA rate that takes into consideration such purchasing privileges. These regulations do not apply to Federal employees who have limited access to commissaries and exchanges or who have access for other reasons, e.g., military dependents or retired military personnel.

1.2 Changes in This Year's Survey

One of the obvious changes this year was OPM's selection of a new contractor for living-cost surveys and analyses: JFA. JFA subcontracted a substantial portion of the work to Runzheimer International, OPM's previous contractor for the COLA program.

OPM directed JFA to make several changes to the survey and analyses. Some of the key changes this year included:

—Using a moving average to introduce new weights based on the results of the Bureau of Labor Statistics Consumer Expenditure Surveys (CES);

Using new representative incomes based on the 1994 distribution of salaries of Federal employees in the allowance areas;

Selecting new living communities based on the results of the 1992 Federal Employee Housing and Living Patterns Survey:

Incorporating historical housing data to reflect both newly purchased and previously purchased units;

Using the median home value in place of trimming and trend analyses used in previous surveys; and

Using the Goods and Services index to reflect relative expenditures for cash contributions.

Three of these changes are discussed further below. The other changes are discussed where applicable in the report.

1.2.1 Three-Year CES Moving Average

One change was the introduction of a three-year moving average of CES data in calculating the weights used to combine price indexes. In prior years, expenditure weights were based on the 1988 CES, and OPM wanted to use more current CES information.

Rather than simply replacing the 1988 CES data with the most recent (1992) CES data, OPM implemented a system that would allow the gradual introduction of new CES data over time, thereby reducing the impact that shortterm changes in CES might have on the living-cost indexes. In future surveys, OPM plans to include current CES information and drop the oldest CES data to maintain a three-year moving average. Appendices 3 and 4 show the CES data used in this study.

1.2.2 New Living Communities

Another change was the selection of new living communities based on the results of the 1992 Federal Employee Housing and Living Patterns Survey. In