



# ALASKA'S PERMANENT FUND DIVIDEND

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# History

- Discovery of oil on Alaska's North Slope
- Creation of the Alaska Permanent Fund 1976 (Today: Assets: \$65.3 billion)
  - Purpose: to save wealth for all Alaskans, including future generations, and avoid cycles of boom and bust.
  - ~20% of oil royalties are deposited (80% funded state government)
  - 50% of interest annually has been available for dividends since 1982
- 1980: Permanent Fund Dividend, universal, unconditional, annual cash payment to all residents; a “partial basic income”; also a “resource dividend”
  - Purpose: to generate support for the APF
  - Broad bipartisan support
- first checks 1982
  - Average: around \$1200
  - 2019: \$1606
  - 2020: \$992

# Relevance of the PFD

- 1. As an example of long-term, universal, unconditional cash payments as a right of residency—regardless of the source of revenue.
- 2. As a resource dividend:
  - A way of sharing common wealth equitably
  - As a tool for resource conservation, for future generations, and a disincentive to pollution and other environmental or social bads. (cf. RGGI; carbon pricing and dividends)
  - It can, but need not be, combined with a Sovereign Wealth Fund (another example: Norway)



# What have we learned from the PFD?

## A. Poverty

1. take up rate: >90%; “nearly all eligible individuals do receive dividends”
2. Effects on poverty rates: PFD has reduced poverty by 2-3% compared to having no dividend.
3. 15-25,000 Alaskans lifted out of poverty annually, and especially important in mitigating poverty among Alaskan Native people. Without the PFD, 1/3 more would be in poverty.
4. Similar results for child poverty: without the PFD, 1/3 increase.
5. Share of households with incomes under \$10,000 was less than any other state (Goldsmith)
6. Income to those who “fall through the cracks” of the safety net: single men ineligible for unemployment insurance, women who have exhausted TANF benefits, some seniors. (Goldsmith)

# What have we learned from the PFD?

## B. Labor market participation

“no significant effect on labor supply, employment level or working hours”;

“one explanation is that **any disincentive effects** from cash transfers might be **offset by increased spending**, which leads to increased demand for workers (Jones & Marinescu, 2018).”

labor force participation rate has trended upward, despite rising number over 65. (Goldsmith)

consistent with other experiments, such as Dauphin, Manitoba (E. Forget)

# What have we learned from the PFD?

## C. Other economic effects

- 7000 jobs
- In rural areas especially, “a dividend, even one that fluctuates in value from year to year, can provide some stability as well as diversification of cash income sources.”
- Downward pressure on wages from in migration? “no evidend to show that this has occurred.”



## What have we learned from the PFD?

- D. Dividends are popular—once they are in place. (universal; not perceived as a handout or a transfer)
- E. Sustainable policies need ongoing support, and resource dividends need to be large enough to make a difference to voters.
- F. Resource dividends may face little opposition.
- G. Support from a spectrum of ideologies and partisan positions.

# Do you have to have oil? Other resources that could be part of a common assets trust

- Ground and surface water
- Land
- Forest harvesting
- Atmosphere
- Broadcast spectrum
- Other examples: see Vermont Common Assets Trust bill
- Potential dividend: \$2000-10,000 per capita annually in Vermont (Flomenhaft)



# Suggestions for the committee

- Consider **resource dividends** among policies to be considered in a feasibility study. (others: see Sec. 5 of LD 1324)
- Consider **other sources of funding** for cash transfers.
- Recommend a **feasibility study** to a) **identify opportunities** for modifying existing policies in the direction of cash vs. in kind, universal vs. targeted, and unconditional vs. conditional and b) **draw lessons** from basic income and related experiments, and c) make **recommendations**.

## SEC. 5. DUTIES.

- Resolved: That the committee shall examine and make recommendations on the feasibility of providing basic economic security through a direct cash payment system and other programs that are designed to help individuals and families become more economically secure, including, but not limited to:
  - **1. Tax rebates and credits**, including strengthening the earned income tax credit and a **negative income tax**;
  - **2. Universal basic income** and **unconditional cash transfers** to residents of the State; and
  - **3. Other direct cash benefit programs.**
- The committee shall also **investigate the effectiveness of existing safety net programs**, such as **tax credit, child care and food supplement programs**, and compare those programs to any recommended direct cash payment programs