

THE ALASKA PERMANENT FUND DIVIDEND PROGRAM:  
ECONOMIC EFFECTS AND PUBLIC ATTITUDES

by

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The views expressed in this report are entirely those of its authors and do not necessarily reflect the position of the Alaska Permanent Fund Corporation.



## EXECUTIVE SUMMARY

This study for the Alaska Permanent Fund Corporation examines public attitudes toward the Permanent Fund Dividend Program, the impacts of dividends on recipients, and the effects of dividends on the Alaska economy. The key findings are:

Attitudes - About 60 percent of Alaskans think the Permanent Fund Dividend Program is a good idea. Twenty-nine percent have mixed feelings. Ten percent think it is a bad idea.

Impacts - The "average" recipient saved \$200 of his 1982 dividend, paid \$200 in federal taxes, paid off \$50 in debt, and spent \$550. Of that \$550, \$450 went to day-to-day expenses (e.g., food, heat, clothing) and \$100 went to "special" items (e.g., airline tickets, VCRs).

Effects - Dividends create more spending money and jobs--and result in more population growth--than other ways of spending the same amount of public money, including bigger operating and capital budgets, tax reductions, and subsidizing economic activity.

Other major findings include:

### Attitudes

- A majority of Alaskans prefer the dividend program over more state and local construction projects, reduced property taxes, subsidized loan programs, or putting the money for dividends back into the Permanent Fund.
- Seventy-one percent of Alaskans would now choose to end the dividend rather than bring back the personal income tax. Fifty-five percent would be willing to give up some part of their dividends to pay for the longevity bonus for senior citizens. However, eighty-seven percent would not halt the "inflation-proofing" of the Permanent Fund so that the State could use the earnings for other purposes.

### Impacts

- The 1982 dividend distribution of \$450 million directly increased personal income in Alaska by 6.3 percent, about the same amount as the payroll of the Petroleum Industry.
- The relative benefits of the Permanent Fund Dividend Program to Alaskans vary widely. For one-third of all Alaskans, the 1982 dividends increased family income by less than five percent after taxes. But for one-eighth of all Alaskans, the dividends increased family income by more than twenty percent.
- Dividends substantially raised the incomes of many rural Alaskans. The 1982 dividends increased family income by more than twenty percent for over one-half of rural Alaska Natives.
- How Alaskans used their dividends varied with income. Lower-income Alaskans used more of the money to reduce their debt and for day-to day expenses while higher-income Alaskans used more of the money for taxes and savings.

### Effects

- The 1982 and 1983 dividends have been significant factors in the rapid economic growth of the early 1980s. As the dividends entered the Alaska economy, they created about five thousand jobs, primarily in support industries, and added about \$360 million to consumer purchasing power in 1983. Although the direct program effects impacted every corner of the state, the secondary effects have concentrated in the urban areas, which are the centers for economic support activities.
- Inflation and the desire to work were little affected by the dividends, and few people moved to Alaska solely to receive a dividend. However, because the dividend program stimulates employment more than other uses of public funds, it does have the effect of bringing more people to Alaska.
- No use of Permanent Fund earnings, including retaining dividends in the Fund, is able to arrest the projected decline in state revenues due to depletion of petroleum reserves if contributions to the Permanent Fund continue at the current rate.
- The use of current Permanent Fund earnings for dividends or public expenditures reduces the level of public wealth available in future years. Accumulation of dividends in the Permanent Fund increases future wealth but reduces current levels of economic activity.



### Purpose and Design of the Study

The purpose of this study was to examine economic effects of the Permanent Fund dividend program and public attitudes toward the program. The study was carried out by the Institute of Social and Economic Research of the University of Alaska.

In order to study dividend uses and public attitudes, we conducted a survey of 1,016 Alaska households. The limited budget restricted this survey to telephone interviews, which excluded some families from the sample but not sufficient numbers to significantly affect the reliability of the results. To ensure equal reliability of the results for all areas of the state, we conducted equal numbers of interviews in three different geographic classifications of the state: Anchorage, other urban areas, and rural areas. The overall results of the survey were then weighted to reflect the relative share of the total population represented by each geographic area. The results reported for the entire state are accurate within plus or minus three percentage points.

A second major source of information for the study was the Institute of Social and Economic Research's Man-in-the-Arctic Program (MAP) econometric model of the Alaska economy. We used the model to project changes in the Alaska economy resulting from the Permanent Fund Dividend Program.

Other major sources of information for the study included data on dividend distributions provided by the Alaska Department of Revenue, census data on the distribution of income in Alaska, sales data for rural stores provided by Alaska Commercial Company, banking data from a large number of sources, small community sales tax data, and public assistance payments data from the Alaska Department of Health and Social Services.

### Alaskans' Attitudes Towards the Dividend Program

We asked survey respondents three types of questions concerning their views on the dividend program: first whether they favored or opposed the program; second, whether they preferred the dividend program over a number of alternative uses for the dividend money; and, third, the extent to which they agreed or disagreed with various perceptions about the dividend program. Several well-known supporters and opponents of the dividend program reviewed the survey before it was conducted to assure maximum objectivity in the attitudinal questions. Our results reflect the attitudes of household members most responsible for household finances, whom we selected as our survey respondents.

A majority of those surveyed think the Permanent Fund dividend program is a good idea and favor it over such other public uses as reinvestment of Fund earnings, large state construction projects,



local construction projects, property tax reductions, or loans. Almost three-quarters would prefer that the state stop the dividend program, if necessary, to avoid reinstituting a state personal income tax. Only one in ten respondents favored limiting the dividend program to low-income households, but just over one of every two persons support the idea of using a portion of the money now spent on dividends to pay for longevity bonus checks.

A substantial majority of persons interviewed think that they are entitled to a share in the earnings of the Permanent Fund and have no problem with receiving money directly from the state. Most respondents emphatically believe that how residents use the money is of no concern to the state. In addition to viewing dividends as an entitlement, most respondents see the dividend program as a means of protecting the principal of the Permanent Fund and as a more effective vehicle for using public funds to benefit Alaska residents than legislative appropriations. They also think that the dividend program has made them pay closer attention to how the state spends the money it receives.

Survey respondents were mixed in their perceptions about whether dividends had been wasted on liquor or drugs, whether loss of dividend money in taxes to the Federal government is a problem with the dividend program, whether the dividends harm Alaska's image, and whether dividends are important sources of income in their communities. Rural residents were much more likely to see dividends as an important source of income.

Support for the dividend program is widespread among survey respondents, particularly among groups which tend to have lower incomes: rural residents, recent immigrants, persons with relatively less education, and younger and older Alaskans. Income itself is strongly related to attitudes toward the Permanent Fund dividend program, but even 45 percent of those living in households which received more than \$60,000 in income in 1983 supported the dividend program.

Three perceptions appear to be particularly important to those favoring the dividend program. Respondents were much more likely to favor dividends if they felt that (1) residents are entitled to a share in the state's wealth; (2) Alaska residents are better able to decide how to spend the state's money than the legislature; and (3) dividends are an important source of income. Household income did not explain any additional variation in public attitudes toward the dividends but accounts for much of the difference in perceptions about the importance of dividends as a source of income.

The importance of income and income-related perceptions in explaining support for dividends and the view that dividends are an entitlement suggest that much of the support for the dividend program will not diminish over time. Since support for the dividend program is apparently also a function of trust in the legislature's



motivations and abilities, public attitudes may shift in response to future state spending patterns, generally, and in response to specific proposals concerning the Permanent Fund in particular.

Finally, we observed that respondents who firmly expect that state revenues will decline in ten years were likely to oppose the dividend program in favor of increased savings while the reverse was true for those who firmly expect that state revenues will not decline. Less than half the persons we interviewed had either of these firm perceptions, however, and perceptions about future state revenues overall did not explain a substantial variation in attitude toward the dividend fund. This suggests that public expectations concerning future state revenues are not likely to substantially influence public attitudes toward the Permanent Fund dividend program, unless firmer public consensus on state revenue prospects should develop.

#### Effects of the Dividends on Income

The Alaska Permanent Fund Dividend Program has distributed more than 458 thousand 1982 dividend checks of \$1,000 and more than 430 thousand 1983 dividend checks of \$386.15 to Alaskans. More than \$15 million in 1982 dividend checks were distributed each month between June of 1982 and February of 1983, reaching a peak in December of 1982 at \$122 million. Almost all of the 1983 dividends were distributed between September and November of 1983.

About 31 percent of dividend recipients were children. Of all recipients, one-half had resided in Alaska for eleven or more years; one-fifth had resided in Alaska since 1959; and eight percent claimed only one year of residency. Two percent of the dividend checks were mailed to addresses outside Alaska.

Adults paid 28.4 percent of their 1982 dividends as federal income taxes. Since most children's dividend income was not taxed, the average tax rate for all dividend income was about 20.2 percent. Total federal income taxes were \$88 million on 1982 dividends and \$32 million on 1983 dividends.

The 1982 dividends directly increased Alaskans' after-tax income by about \$362 million, or by about 6.2 percent. However, the relative effects of dividends on after-tax income were much higher for large, low-income families. We prepared the estimates shown on the following table for the relative effects of 1982 Permanent Fund Dividends on after-tax income.

EFFECTS OF 1982 PERMANENT FUND DIVIDENDS  
ON AFTER-TAX INCOME OF ALASKANS

Percent Increase in After-tax Income of Individual's Family	Percent of All Alaskans	Percent of Rural Alaskans	Percent of Rural Alaska Natives
0 - 5%	35	29	12
6 - 10	26	23	11
11 - 15	15	15	15
16 - 20	6	7	11
21 - 25	4	5	11
26 - 30	4	5	8
31 - 35	3	4	7
36 - 40	2	4	8
41 - 45	1	1	3
46 - 50	-	-	1
> 50	<u>3</u>	<u>6</u>	<u>14</u>
Total	100	100	100

- Less than 0.5 percent.

NOTE: Totals may not add to 100 due to rounding.

As shown in the table above, the relative effects of dividends varied widely among Alaskan households. For 61 percent of Alaskans, 1982 Permanent Fund Dividend income represented less than a 10 percent increase in their families' after-tax incomes. For another 26 percent, the dividends represented an increase in after-tax income of between 10 and 25 percent. For the remaining 13 percent of Alaskans, the dividends represented more than a 25 percent increase in family income.

The contribution of dividends to family income was relatively greater in rural Alaska, and especially so for rural Alaska Natives. Our estimates suggest that dividends represented in 1982 more than a 25 percent increase in family income for 41 percent of rural Alaska Natives.

In sum, the 1982 dividends represented a substantial increase in family income for many Alaskans, especially in rural areas. However, for a majority of Alaskans, the dividends represented a relatively small increase in family income, especially after federal income taxes were paid. Since the 1983 dividends were about one-third the size of the 1982 dividends, their contribution to after-tax income was also smaller.



### How Alaskans Used Their Dividend Income

In each household surveyed, we spoke with the adult who knew the most about the use of the household's dividend checks and asked a series of questions about how much dividend income household members had used for the following categories:

- Special purchases
- Savings
- Debt reduction
- Day-to-day purchases
- Taxes

We asked separate questions about the uses of adults' and children's dividends and the uses of 1982 and 1983 dividends. Many interesting questions went unasked because the amount of time available in a telephone interview is limited.

As in any survey, respondents may not recall their households' purchases correctly. They may also avoid mentioning undesirable or illegal uses of income (none of our survey respondents mentioned any such uses). Similarly, many respondents may under- or overstate their total expenditures or have difficulty attributing purchases to special sources of income. To compensate for these limitations, we employed standard survey research techniques to internally check for the consistency of responses and referenced our survey responses to other secondary sources of information. We prepared several estimates of overall uses of dividend income based on different sets of assumptions about how to adjust for any overstated or understated uses.

Based on the survey results, between 5 and 15 percent of dividend income was used for special purchases, about one-fifth of which were airline tickets. Respondents mentioned a wide variety of other special purchases, among the most common of which were cars, furniture, houses, home additions, televisions, appliances, bicycles, snow-machines, and three-wheelers.

Between 15 and 25 percent of dividend income was saved, and about 5 percent was used to reduce debt. About 20 percent went to taxes. The remainder of dividend income--between 35 and 55 percent--was used for day-to-day purchases such as food, heat, clothing, and rent.

Lower-income and rural households used relatively less of their dividend income for taxes or savings and relatively more for debt reduction and special purchases.

Parents decided how their children's dividends would be used in over one-half of all households while children alone made the decisions in less than one-tenth. In the remainder of households, the decisions were made collectively. The greater the children's say in the use of the dividends, the greater the share of the



dividends which was spent, while the greater the parents' say, the greater the share which was saved or used to reduce debt.

In order to summarize the effects of the dividends, we asked each respondent the following question: "Overall, how would you say your household's spending, saving, and debt was changed by your dividend checks?" We categorized the answers in terms of the most significant effect which was mentioned. The following table summarizes the answers for the 1982 adults' and children's dividends, broken down by household income group. There were clear differences in the effects of dividends between income groups. The lower the income group, the greater the share of households which cited "reduced debt," "help with regular expenses," and "help with special purchases" as the most significant effects of dividends and the lower the share of households which cited "savings" or "little or no effect." Less than one-third of the lowest-income households thought that dividends had "little or no effect," compared to over half of the highest income households. The effects of adults' and children's dividends were also viewed differently: "reduced debt" and "help with regular expenses" were mentioned less frequently as effects of children's dividends while "increased savings" was mentioned more frequently.

MOST SIGNIFICANT OVERALL EFFECTS OF PERMANENT FUND  
DIVIDEND INCOME, AS SUMMARIZED BY SURVEY RESPONDENTS,  
BY HOUSEHOLD AND INCOME GROUP  
(Percent of Households)

Most Significant Overall Effect	1982 Adults' Dividends				1982 Children's Dividends			
	Under \$26,000	\$26,000- \$40,000	\$41,000- \$60,000	More Than \$60,000	Under \$26,000	\$26,000- \$40,000	\$41,000- \$60,000	More Than \$60,000
Reduced Debt	18.3	13.8	11.9	4.9	10.7	5.5	1.9	1.7
Increased Savings	9.1	19.3	25.0	15.8	20.1	24.5	28.9	21.7
Help with Regular Expenses	22.1	11.9	14.6	11.9	19.1	9.0	8.6	2.9
Special Purchases	10.8	9.8	4.9	5.1	7.2	5.5	9.4	1.7
Little or No Effect	27.9	36.3	33.5	49.3	31.7	41.1	38.7	52.6
Unaccounted for or No Answer Given	<u>11.8</u>	<u>8.9</u>	<u>10.1</u>	<u>13.0</u>	<u>11.2</u>	<u>14.4</u>	<u>12.5</u>	<u>19.4</u>
TOTAL	100	100	100	100	100	100	100	100



We examined dividend use in rural areas by comparing sales in twelve rural stores to dividend distributions using regression analysis. For eleven of these stores, we found that dividends significantly affected sales in at least some departments. In nine of the stores, total monthly sales increased by between \$83 and \$373 for every thousand dollars of dividends distributed locally during the month. Departments in which the effects on sales were greatest included groceries, soft goods, and hardware. Generally, the 1982 dividends had a greater direct effect on sales per dollar distributed than did the 1983 dividends. These results suggest that a large share of dividend income in rural areas was used to make purchases locally. They also serve to substantiate survey responses on how dividends were used in rural areas.

#### Economic Effects of the Dividend Program

This part of the study was divided into three sections which analyzed (1) the past and projected economic effects of the current dividend distribution program, (2) the relative economic effects of the program in comparison to other uses of an equivalent amount of Permanent Fund earnings, and (3) the economic effects of variations in the timing of the use of Permanent Fund earnings for dividends or other purposes.

The economic impact of the dividend program results primarily from the personal consumption spending it generates. Alaskans perceive dividend income to be some combination of permanent, transitory, and windfall income; and, consequently, less of it is spent than ordinary income. This is less so for lower-income Alaskans who consume most of their current income, including dividend income.

The dividends have been one of the most important sources of growth in disposable (after-tax) personal income in Alaska since the current economic boom began in 1980. The dividends directly accounted for 17 percent of the increase in disposable income for the years 1981-1983. Because of lags in both the distribution of dividends and personal expenditures, the spending of this income created 3 thousand jobs in 1982 and 5 thousand jobs in 1983. People moving to Alaska to fill these new jobs increased the state's population by 2 thousand in 1982 and another 2 thousand in 1983, resulting in higher government expenditures. In addition, the new jobs further increased disposable income by 9 percent in 1982 and by 23 percent in 1983.

The dividend program has not had any discernible effects on inflation. Few, if any, people have left the labor force as a result of dividend income. There is no evidence of substantial migration to Alaska by people hoping to receive dividends; at most, some people may have postponed their departure from Alaska in order to receive dividends. The secondary effects of dividends were felt



most in the support industries of trade, services, and finance which are concentrated in the urban parts of the state. Private holdings of wealth increased modestly and tended to be concentrated among the higher-income groups. The availability of funds resulted in a small amount of capital investment for business purposes.

Compared to the expenditure of an equivalent amount of public funds for other purposes, including government operations, capital projects, subsidies, local transfers, or nonpetroleum tax reductions, the dividends produce the largest increase in before- and after-tax income, employment, and population. Employment growth from dividends is in the support sector while government expenditures produce more jobs in government or construction-related industries. Our results are generalized for each sector as a whole. Particular government programs may have characteristics considerably different from the average, particularly for subsidies.

Because nearly all state revenues come from the production of finite petroleum reserves, total public spending--whether in the form of dividends or alternatives--is nonsustainable at its current level. Several long-term policies involving (1) different mixes of public and private uses of Permanent Fund earnings and (2) different mixes of current and future spending of Permanent Fund earnings were examined using simulation analysis. No alternatives are able to arrest the decline in public revenues, and none significantly alter the projected structural shift in the economy away from growth dominated by the public sector.

Permanent Fund earnings spent as dividends produce more employment, personal income, and expand the private economy more than public expenditure of the same funds but, as with all other spending alternatives, contribute to the future decline in the level of government services. If current public spending patterns--including paying dividends--continue, significant and continuing reductions in government expenditures will become inevitable in about 1993, cutting per capita real public spending to half its current level by the turn of the century. Saving of Permanent Fund earnings has the least effect on the economy in the present but increases future opportunities for public or private spending by enlarging state fund balances in the future--augmenting future public revenues projected to be much smaller than those of today. Thus, the use of Permanent Fund earnings involves a choice between public versus private and current versus future spending.



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## I. INTRODUCTION

The Alaska Permanent Fund Dividend Program has distributed over 458 thousand 1982 dividend checks of \$1000 and over 430 thousand 1983 dividend checks of \$386.15 to resident Alaskans. This study examines how Alaskans used their Permanent Fund dividend income, the effects of those and future dividends upon the economy of Alaska, and the attitudes of Alaskans toward the dividend program.

We carried out the study under an agreement with the Alaska Permanent Fund Corporation which specified that

[t]he primary objective of the study is to identify the economic effects of the program on different categories of individuals and upon the economy of the state as a whole, not only in the past but also in future years. These effects will be compared to those resulting from other uses of the funds. The results of the study will form a factual basis for policy deliberations over the benefits of the program. In addition, as part of the study, a sampling of public opinion regarding the program will be obtained.

The Permanent Fund Dividend Program has been highly controversial. At its heart, the debate over the program involves fundamental value judgments about the role of state government and the uses of public wealth. We did not address these issues in the study. Specifically, we did not attempt to evaluate the dividend program. Instead, we have attempted to present information about the diverse effects of the dividend program, on the basis of which individual citizens and policy makers can evaluate the program in accordance with their own values.

The project was carried out under the overall direction of Dr. Gunnar Knapp who also wrote Chapters III and IV of the report. Dr. Scott Goldsmith wrote Chapter V and prepared the Man-in-the-Arctic Program (MAP) econometric model computer simulations which underlie its findings. Dr. Jack Kruse designed and supervised the survey and wrote Chapter VI. Mr. Gregg Erickson, of Erickson and Associates, Juneau, prepared the initial draft of Chapter II and assisted in the initial study design.

In Chapter II, we briefly review the evolution of the Permanent Fund Dividend Program. In Chapter III, we discuss the 1982 and 1983 dividend distributions, federal income tax incidence of the dividends, and the contribution of the dividends to Alaskans' after-tax income. In Chapter IV, we discuss how Alaskans used their Permanent Fund dividend income. The basis for this chapter was a household survey of a representative sample of Alaskans.



In Chapter V, we examine the economic effects of the dividends already distributed as well as likely effects in future years from continuation of the program, compared to other uses of Fund earnings and strategies for use of the Fund. In Chapter VI, we discuss the findings of our survey about Alaskans' attitudes toward the Permanent Fund dividend program and underlying perceptions affecting these attitudes. The appendixes to the report include copies of regulations pertaining to the dividend program, data on the dividend program, a copy of the survey questionnaire, and documentation of analyses presented in the study.

## II. ORIGINS OF THE DIVIDEND PROGRAM<sup>1</sup>

The discovery and development of the Prudhoe Bay oil field bestowed a tremendous windfall on the state of Alaska. This sudden wealth was the necessary precondition for Alaska's Permanent Fund dividend--the program under which every Alaska resident who applied received \$1,000 in 1982 and \$386.15 in 1983. A score or more governments have received similar windfalls in recent years. Like Alaska, virtually all have increased public services, public investment, and transfer payments to citizens. Some have established public savings mechanisms similar to Alaska's Permanent Fund. Three--Alaska, British Columbia, and the Malaysian province of Sabah--have unconditionally transferred at least part of the wealth directly to citizens. Alaska alone has tied its per capita payments to the earnings of a government savings account.

### Nine Hundred Million Dollars--The First Windfall

The institutional and cultural origins of the dividend program extend as far back as 70 years in Alaska history. It was not until 1969, however, at a "Conference on the Future of Alaska," that the notion of distributing resource-related revenues directly to citizens on a per capita basis first surfaced in Alaska. In September of that year, the state had received \$900 million in bonus payments for petroleum leases on state land surrounding the recently discovered Prudhoe Bay field. The windfall amounted to \$3,055 per capita (\$7,600 in 1984 dollars) and was more than eight times the annual state budget of that time.

In the budget submitted to the 1970 legislature, Governor Keith Miller proposed that \$500 million of the bonus proceeds be invested in a "permanent fund," allowing only the interest income to enter the budget process.<sup>2</sup> The legislature had other ideas, however. Spending of the \$900 million proceeded in traditional ways, with the largest shares going to education and transportation.<sup>3</sup> By the

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<sup>1</sup>Sections of this chapter appeared in different form in "The Permanent Fund Dividend Program: Alaska's 'Noble Experiment' " by Clifford John Groh and Gregg Erickson (Alaska Journal, Summer 1983, pp. 141-145). The chapter author is also indebted to Groh for the opportunity to review and quote from his unpublished manuscript, "The Permanent Fund Dividend Story."

<sup>2</sup>Keith Miller, "Budget Message," Senate Journal Supplement No. 2, January 15, 1970.

<sup>3</sup>Jay Hammond, "State of the State Address," Senate and House Journal Supplement No. 1, January 13, 1976.



1974 legislative session, the windfall was gone. To avoid drastic service reductions, the legislature imposed a property tax on the value of undeveloped oil leaseholds.

The spending patterns of the early 1970s reflected expectations that oil would be flowing through the trans-Alaska pipeline by 1973, producing unprecedented tax and royalty income for the state. But oil production was delayed until 1977 by Native land claims and environmental questions. Despite these mitigating circumstances, many Alaskans felt that the \$900 million had been poorly spent.

#### Establishment of the Permanent Fund

By 1975, the pipeline was well under construction. With a renewed prospect of royalty and tax income from the Prudhoe Bay field, the debate began again. Efforts in the 1975 legislature to establish a permanent fund by statute failed when Governor Jay Hammond vetoed the bill. Governor Hammond liked the concept, but believed it violated the state's constitutional prohibition against dedicated funds. The following January, in his 1976 "State of the State" address, the Governor vowed to push for a constitutionally established "permanent fund." The constitutional amendment was adopted by the 1976 session and ratified by the voters later that year. The public savings account was established to receive at least 25 percent of all oil royalties, lease rental fees, and lease bonus payments collected in the future, an amount that, in practice, has worked out to approximately 11 percent of the state's total oil revenue.

Revenue from severance taxes, oil and gas property taxes, and corporate income taxes on oil producers was not dedicated to the Fund. Later, additional contributions were made from the state's general fund revenues, which included funds from these sources. Once contributions were a part of the Fund's principal, they were beyond reach of the normal appropriation process. Absent a future constitutional amendment, the principal of the Fund may only be used for "income-producing investments specifically designated by law as eligible for Permanent Fund investments."

The constitutional amendment directed that the Fund's income be deposited in the general fund "unless otherwise provided by law." Anticipating adoption of the amendment, the state government undertook several studies to define the state's options both for managing the Fund and the disposition of its income. One of the options considered was paying cash dividends to resident Alaskans."<sup>4</sup>

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<sup>4</sup>Alaska State Investment Advisory Committee, "Hearing Minutes of November 5 and 6, 1976."



### Alaska, Inc., and its Antecedents

In his "State of the State" address in January 1976, Governor Hammond had used the notion of "Alaska, Inc." and its "dividends" as rhetorical devices for focusing public attention on the feedback mechanism he believed was needed to restrain government spending of the oil windfall. Alaskans were portrayed as "stockholders" whose endorsement of government policies would depend on the extent to which the people's collective assets were managed to produce tangible benefits.

In late 1976, the notion of "Alaska, Inc." became more than a metaphor: gradually taking shape within administration councils was the idea of distributing some Permanent Fund earnings or general fund monies directly to Alaska residents. As originally structured, one "share" would be issued to all five-year residents who filed an income tax return and registered to vote in 1977, with persons over 65 receiving two shares. For each subsequent five years of residency after 1977, one additional share (two shares for those over 65) would be issued. The shares could not be traded, sold, or inherited, nor could dividends be received in any year that the holder did not reside in Alaska. The administration estimated that 100,000 shares would be issued initially and projected 250,000 shares outstanding by 1985. Half the income from the Permanent Fund would go to share "dividends."<sup>5</sup>

Governor Hammond's initial "Alaska, Inc." proposal, slightly modified, was submitted to the legislature in May 1977. The use of dividends to reward long-time residency and their denial to those who left the state was justified by the need to reduce the "constant turnover in population." These elements of the proposed program were designed to encourage a "stable" population and the preservation of "Alaskan" cultural characteristics and, in this sense, had similar objectives to several previously established programs like the Pioneers' homes and the longevity bonus.

For example, the longevity bonus adopted in 1972 attempted to achieve these goals through a direct generational entitlement conditioned on residency. Persons over 65 who had lived in Alaska at the time of Statehood and who had at least 25 years cumulative residence in the state were entitled to payments of \$100 per month. The bonus, later raised to \$250 per month, enjoyed wide popularity in Alaska. Except for upward adjustments to the payment amounts, the program remained virtually unchanged and unchallenged until 1982, despite the acknowledged likelihood of its unconstitutionality.

In addition to encouraging a "stable resident population," Alaska, Inc., was explicitly designed to give the public "a more

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<sup>5</sup>John Greely, "Alaska, Inc.," Alaska Advocate, January 20, 1977, p. 4.



direct and personal stake in the outcome of budget decisions" and to offset the perceived inequity in the distribution of other state benefits.

#### Alternate Schemes Considered--1979

Governor Hammond's Alaska, Inc., bill died at the end of the 1978 legislative session, having never moved from the original committees of referral. During the following year, the legislature's attention concentrated on the immediate problem of developing policy for managing the assets of the Permanent Fund. Throughout 1979, however, the issues surrounding the use of Permanent Fund earnings and the options for direct distribution became more clearly focused.

Under "Alaska, Inc.", cash benefits would flow directly to residents from the earnings on financial assets purchased with the revenue from public resources. This method of "direct distribution" allowed legal title to the assets in the public savings account to be retained by the government. However, this was not the only possible mechanism by which to give citizens a direct share in the wealth derived from public resources.

The major alternative considered in 1979 was exemplified by the British Columbia Resources Investment Corporation (BRIC). Under the B.C. plan, which the province adopted in its initial form in 1977, valuable petroleum and timber properties were turned over to the corporation and its shares distributed free to the public. Although sale of BRIC stock is subject to some restrictions (i.e., to prevent concentration of ownership), the shares are nevertheless easily traded.<sup>6</sup> This approach to distribution made citizens the owners of the wealth producing assets. The stock certificate which each citizen received represented a claim on the future earning of those assets, a claim that could be converted to cash through sale or taken with the citizen if he or she moved to another place and ceased to be a citizen of British Columbia.

Several variations on the BRIC plan were proposed for Alaska, including the creation of a "royalty trust" or a "natural resources trust" which would receive some or all of the state's royalty interests. Under the Alaska proposals, the state government would continue to manage the resources; the "trust" was simply a mechanism for passing earnings through to the beneficiaries. Otherwise, the proposals were similar in effect to the B.C. plan.<sup>7</sup>

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<sup>6</sup>T.M. Ohashi and T.P. Roth, Privatization: Theory and Practice (Vancouver: Frazer Institute, 1980).

<sup>7</sup>Clifford John Groh, "The Permanent Fund Dividend Study," August 1982, photocopied, p. 20.



One advantage of the "royalty trust" type proposal over the Alaska, Inc., scheme was widely recognized: It created no direct economic incentive for people to migrate to Alaska beyond that incentive created by the once-and-for-all distribution. This one-time incentive was minimized by establishing the date for determining eligibility as a beneficiary at some time before the enabling legislation was adopted. Legal advice suggested that the date of introduction of the enabling bill could constitutionally be used as the cut-off date. Persons establishing residency after that date would receive nothing. Although proposals along the lines of BRIC continued to be advanced through 1982, they never gained much legislative support.

Programs for transferring income are an established function of almost all modern governments, but the explicit transfer of public property rights from the government to its citizens is more unusual. Politicians and others supporting direct distribution throughout this period frequently made rhetorical references to "the people's resources," and their misuse in the hands of government. Few, however, were comfortable with actually transferring legal title to those resources directly to their "owners."

Some leaders argued that transferring title would impoverish future Alaska governments, leaving them unable to adequately serve future generations of Alaskans. Others felt that much of the wealth transferred to private hands would leave Alaska, as had the fruits of earlier resource booms in furs, gold, copper, and salmon. Others still, including Governor Hammond, viewed the disbursements of earnings to citizens as a substitute for the fiscal constraint forced upon governments elsewhere by the requirement to tax the citizenry. Responsible fiscal policies would increase the dividend to citizens who would thereby have an incentive to pressure for responsible fiscal policies. Under BRIC, government spending would create no such feedback to voters in the form of lower dividend payments or reduced "royalty trust" income since the assets that produced the payments would have already been transferred from government ownership.

#### The Revenue Explosion and the 1980 Distribution Plan

The feedback mechanism between dividends and responsible government that Governor Hammond and others wanted to create with the dividend program became even more important to them after the revenue explosion of late 1979 and 1980. At the beginning of the 1979 legislative session, the Department of Revenue estimated that Alaska's petroleum production income in fiscal 1980 would be \$533 million, with an outside chance that it might go as high as \$628 million. Actual production revenue that fiscal year was \$1.4 billion. It had been widely anticipated that growing Prudhoe Bay production would swell state coffers with royalty and tax revenue, but no one predicted that oil prices would soar to the heights experienced in 1980.



The deluge of money, with the prospect of even higher revenues in subsequent years, may have been the key to passage of the first dividend law in 1980. Even those who opposed any program of direct distribution were hard pressed to resist the program. There appeared to be enough money for everyone.

Moreover, pressure was building from the public. Despite substantial increases in state supplied services, capital spending, and subsidized loan programs, many Alaskans believed that too much of the benefit from the oil revenue was going to the "bureaucracy." An initiative petition was circulated by the Alaska Libertarian party in late 1979 to repeal the state's graduated individual income tax, then set at 16 percent of the federal tax liability, and replace it with a flat 1 percent tax. To achieve a place on the ballot, signatures from ten percent of the voters at the preceding election were needed, a goal that the Libertarians met in record time.

Governor Hammond proposed that the two issues, dividends and income tax, be considered together. Under the plan he initially offered to the 1980 legislature, every Alaskan over 18 with one year of residency would receive a \$50 dividend for each year he or she had been in Alaska since 1959, the year statehood was granted. Future dividend amounts would depend on the earnings of the Permanent Fund. Instead of directly repealing the income tax, dividends would be credited against the tax liability. Thus, an individual with the full 21 years of residence in Alaska would receive a \$1,050 reduction in state income tax. If the tax liability was less than the dividends, he or she would receive a check for the difference. The governor wanted to keep the income tax in place while finding some method to grant tax reductions tied to residency and Permanent Fund earnings.

The legislature decided to deal with the income tax issue in separate legislation and went considerably further than Governor Hammond had proposed. Every taxpayer would receive a rebate equal to one third of the tax for each year--up to three years--that he or she had lived in Alaska. The tax was, thus, effectively suspended for those with three or more years residency.

With respect to the distribution program, some legislators expressed concern that the residency provision would be held unconstitutional (as, indeed, it later was) and about the fairness of excluding minors from the distribution. In the end, however, the appeal of linking residency to benefits overcame these doubts; the dividend program adopted in 1980 almost exactly mirrored the governor's proposal except for its separation from the income tax issue.



The "purposes" recited at the beginning of the 1980 dividend act are as follows:

(b) The purposes of this Act are

- (1) to provide a mechanism for equitable distribution to the people of Alaska of at least a portion of the state's energy wealth derived from the development and production of the natural resources belonging to them as Alaskans;
- (2) to encourage persons to maintain their residence in Alaska and to reduce population turnover in the state;
- (3) to encourage increased awareness and involvement by residents of the state in the management and expenditure [sic] of the Alaska Permanent Fund.. . .

The legislature also stated its major findings:

- (c) The legislature finds that the accrual of Permanent Fund dividends . . . , based on full years of residency since January 1, 1959, fairly compensates each state resident for his equitable ownership of the state's natural resources since the date of statehood. It is in the public interest to distribute a portion of Alaska's energy wealth to the people of the state.
- (d) The legislature also finds that state residents have been paying increasingly high prices for fossil fuels, while few have received direct monetary benefits from the production and development of fossil fuels belonging to them as Alaskans. It is in the public interest to return to state residents a portion of the state's income from oil, gas, and other mineral production to help offset rising fuel costs.
- (e) The legislature also finds that there exists in the state a serious problem of population turnover. A substantial portion of the state's population is comprised of individuals who reside in Alaska for only a relatively short time. This constant turnover in population leads to political, economic, and social instability, and is harmful to the state. It is in the public interest for the state to promote a stable resident population by providing an incentive to encourage Alaskans to maintain their residency in the state.



### The Zobel Challenge and Restructuring

The 1980 dividend act was signed by Governor Hammond on April 16 of that year. Twelve days later, Ron and Patricia Zobel filed suit in an Anchorage superior court challenging the law. The two Anchorage lawyers believed that the creation of 21-plus classes of "Alaskans" based on residency was simply "constitutional nonsense."<sup>8</sup> In mid-1980, all payments were blocked pending resolution of the litigation. The state, however, continued to publicize the program and accept applications. By the November 15, 1980 deadline, 235,717 applicants of eligible age (over 18) had filed for their dividend payments. Had the program not later been overturned, approximately \$140 million would have been paid out in checks of \$50 to \$1,050.<sup>9</sup>

By the end of 1980, the Zobels had won their case on summary judgment in Superior Court and saw the judgment narrowly overturned by the State Supreme Court. As expected, they carried the appeal to the U.S. Supreme Court, where it awaited action throughout 1981. In the meantime, the federal court blocked all payments.

Most legislators and the governor were content to wait throughout 1981 for final legal resolution of the Zobel suit before considering any alternative distribution plans. The legislature was probably equally willing to wait through 1982. For the governor, however, 1982 would be the last of his eight years in office. Concern about the outcome of the Zobel litigation thus led the Hammond administration to introduce, in early 1982, another dividend bill designed to take effect if the original legislation was struck down by the Court. In essence, this "backstop" bill provided that every six-month resident would get a dividend.

The equal distribution scheme embodied in the "backstop" bill met with almost no enthusiasm from legislators. In February of 1982, it was estimated that there were less than ten votes (out of sixty in the entire legislature) for the proposal.<sup>10</sup> Some legislators feared that the equal direct distribution scheme proposed in the "backstop" bill would encourage in-migration to Alaska, plus touch off a negative reaction outside the state which would add fuel to a Congressional campaign to limit Alaska's oil revenues.

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<sup>8</sup>Zobel v. Williams, U.S. 102 S. Ct. 2309, 72 L. Ed. 2d 672 (1982). The Zobels also filed and won a similar suit in the state courts against the income tax rebate based on residency.

<sup>9</sup>Mary Ellen Frank, Permanent Fund Dividends Applicant Profile, (Alaska Department of Revenue, June 1981).

<sup>10</sup>Brian Rogers to Gregg Erickson, February 13, 1983.

Neither did this proposal draw much attention from the public at large. The dividend legislation's universal impact gave no individual or group any special incentive to seek its passage. It proved difficult for the bill's supporters to motivate citizens to work for a bill whose benefits--while substantial to the average person--were distributed so widely.

Governor Hammond threatened to call a special session during the upcoming election campaign and to veto funding for several key lawmakers' projects should the legislature not pass the legislation. The governor underscored his commitment by personally testifying before a legislative subcommittee, although he strongly favored the original plan and hoped it would be upheld.

The "backstop" bill passed the legislature with only two major changes from the governor's bill. Provisions were inserted to ensure that no one would lose federal public assistance payments because of the receipt of the dividends. Also, the provision requiring the state to retain children's dividends until they turned 18 was eliminated, allowing parents and guardians to collect dividends on behalf of minors.

Once on the floor, the legislation benefited from the governor's pressure as well as from a perception that voting against distributing cash to residents could be risky in an election year. The bill passed in the final hours of the session.

The Supreme Court ruled 8-1 against the original plan on June 14, 1982, less than two weeks after the session ended. Governor Hammond then signed the backstop bill, and the first dividend checks were mailed to Alaska residents shortly thereafter.





### III. THE 1982 AND 1983 DIVIDEND DISTRIBUTIONS: EFFECTS ON AFTER-TAX INCOME

In this chapter, we describe the 1982 and 1983 dividend distributions, the federal income tax incidence of the dividend program, and the effects of the dividends on Alaskans' after-tax income. Our major findings are as follows:

- Over 450 thousand 1982 dividend checks and 432 thousand 1983 dividend checks have been distributed. About 31 percent of these checks were distributed to children.
- About 4 percent fewer Alaskans received 1983 dividend checks than received 1982 dividend checks. The decline in the number of recipients may be due to the lower value of the 1983 dividends as well as the fact that the qualifying period for the 1983 dividends was shorter and occurred during the winter.
- About one-fifth of dividend income was paid to the federal government in increased income taxes. The average tax rate for adults on dividend income was about 28 percent.
- The 1982 dividends increased household after-tax income by less than 5 percent for about one-third of all Alaskans. However, they increased household after-tax income by more than 25 percent for about one-eighth of all Alaskans.
- The 1982 dividend distribution was especially beneficial to rural Alaska Natives. The dividends increased household after-tax income by more than 10 percent for about three-quarters of this group; by more than 25 percent for about two-fifths of this group; and by more than 50 percent for about one-eighth of this group.

#### The 1982 and 1983 Dividend Distributions

Table III.1 shows the number of dividend checks mailed to Alaskan addresses by month from June of 1982, when the first checks were mailed, until April of 1984 (the table does not include approximately 2 percent of dividend checks which were mailed to addresses outside Alaska). During this time period, approximately 450 thousand 1982 dividend checks were distributed, and approximately 432 thousand 1983 dividend checks were distributed.

TABLE III.1 NUMBER OF PERMANENT FUND DIVIDEND CHECKS  
MAILED TO ADDRESSES IN ALASKA, BY MONTH

	1982 Checks Total	1982 Adults' Checks	1982 Childrens' Checks	1983 Checks Total	1983 Adults' Checks	1983 Childrens' Checks
<u>1982</u>						
June	15,942	15,942	-	-	-	-
July	56,952	56,952	-	-	-	-
August	47,056	47,056	-	-	-	-
September	51,475	51,475	-	-	-	-
October	17,854	17,854	-	-	-	-
November	25,345	25,345	-	-	-	-
December	112,645	17,782	94,863	-	-	-
<u>1983</u>						
January	27,917	22,805	27,917	-	-	-
February	37,376	33,088	4,288	-	-	-
March	24,158	7,032	17,126	-	-	-
April	10,629	7,266	3,363	-	-	-
May	5,827	1,670	4,157	-	-	-
June	4,522	1,914	2,608	-	-	-
July	3,574	1,983	1,591	-	-	-
August	3,900	682	3,218	-	-	-
September	662	464	168	101,125	70,430	30,695
October	841	415	426	229,599	158,768	70,831
November	666	369	297	91,353	62,312	29,041
December	357	115	242	6,185	3,416	2,769
<u>1984</u>						
January	313	149	164	1,474	925	549
February	1,741	1,319	422	1,276	895	381
March	368	124	244	732	441	291
April	-	-	-	503	345	158
<u>TOTAL</u>	450,123	311,804	138,319	432,247	297,532	134,715
<u>ADJUSTED TOTAL*</u>	450,060	311,753	138,307	432,179	297,490	134,689

- No checks mailed.

NOTES: Table includes only dividends mailed prior to April 12, 1984. Totals include three 1982 adult checks, 1,431 1983 adult checks, and three 1983 children's checks for which the date of mailing was not reported. Totals also include fifty-one 1982 adults' checks, twelve 1982 children's checks, sixty-eight 1983 adults' checks, and twenty-six children's checks which were mailed to out-of-state addresses initially thought to be Alaskan addresses. See Table G.1 for mailing dates.

SOURCE: Alaska Department of Revenue.

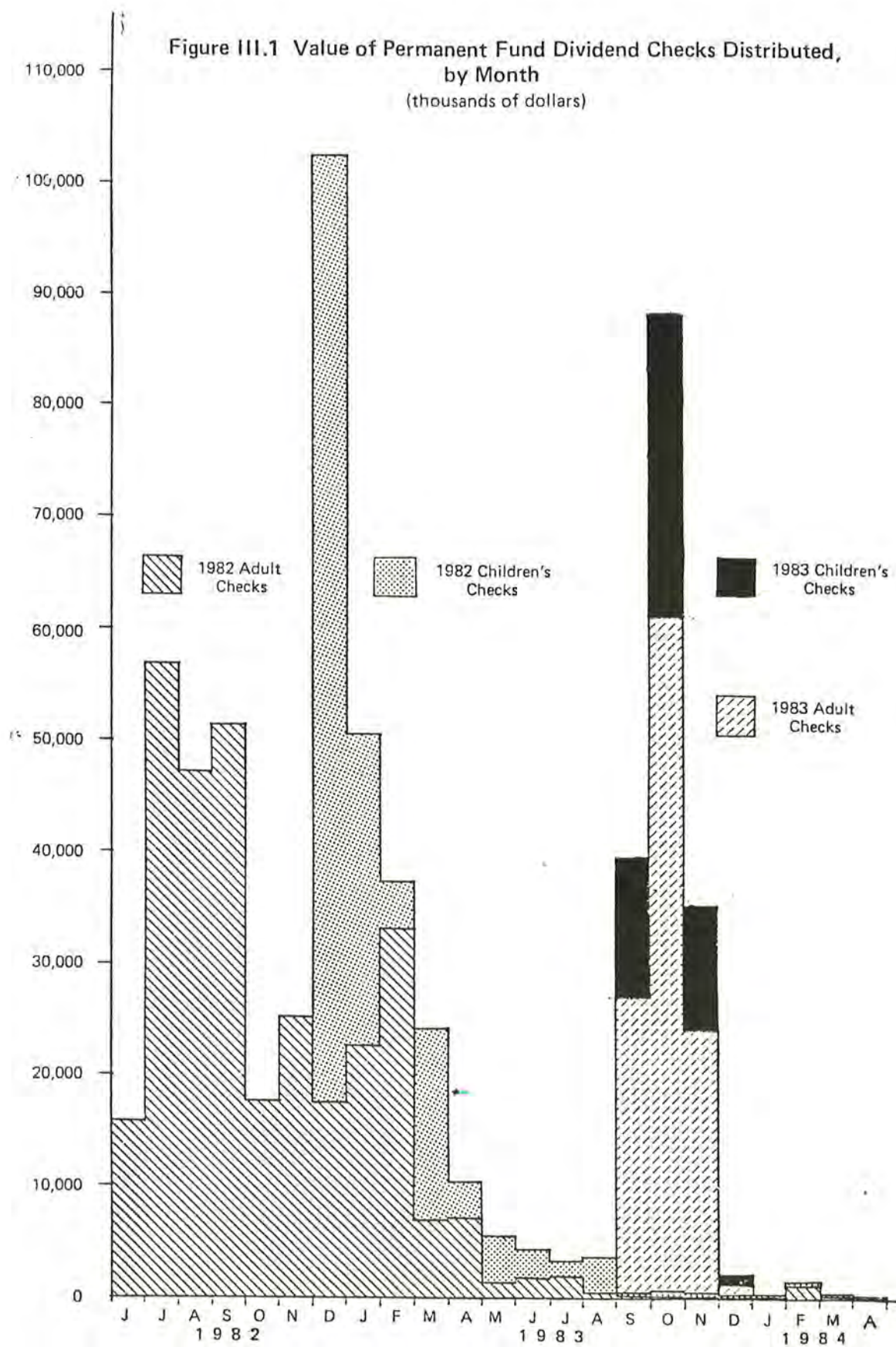


Figure III.1 shows the value of dividends mailed to Alaskan addresses, by month. The total value of dividends mailed peaked in December of 1982, when over \$112 million in dividends were distributed (of which \$94 million consisted of childrens' dividends). Over 120 thousand Alaskans (27 percent of recipients whose checks were mailed to Alaskan addresses) did not receive their 1982 dividend checks until 1983 or 1984. The 1983 dividend checks were distributed over a much shorter period (98 percent of all 1983 checks were distributed in September, October, or November of 1983). Appendix G provides detailed additional data on the timing, value, and destination of dividend mailings.

The Alaska Department of Revenue recently published a detailed report on the characteristics of 1982 Permanent Fund dividend recipients, entitled 1982 Permanent Fund Dividend Applicant Profile (July 1984). The report provides data on the age distribution, length of residency in Alaska, state in which social security numbers were issued, and mailing addresses of 1982 dividend recipients. Some of the major findings of the report were as follows:

- About 31 percent of 1982 dividend recipients were children. About 20 percent were between 18 and 27; 22 percent were between 28 and 37; and 13 percent were between 38 and 47. Only about 14 percent were older than 47.
- About one-half of adult dividend recipients had resided in Alaska for eleven or more years, and about one-fifth had resided in Alaska since 1959. About 27 percent had lived in Alaska for five years or less, and about 8 percent claimed only one year of residency.
- Over two-thirds of adult dividend recipients had social security numbers which were issued in states other than Alaska.
- About 2 percent of 1982 dividend checks were mailed to addresses outside Alaska. The largest number of checks mailed to non-Alaskan addresses were mailed to Washington, followed by California, New York, Texas, and Oregon. At least some dividend checks were mailed to every state, with the smallest number of checks (7) going to West Virginia.
- Permanent Fund dividend applications provide a wealth of information about population and age distribution in communities throughout Alaska.





Since this information has already been published by the Department of Revenue, we will not include further description of dividend recipients in this report. However, we recommend the Department of Revenue study to readers interested in obtaining further information about dividend recipients and as a source of data on Alaskan communities. As Appendix G to this report, we have included detailed tables on the timing, value, and destination of 1982 and 1983 Permanent Fund dividend mailings to Alaskan addresses.

#### The Decline in 1983 Dividend Recipients

As of April 12, 1984, only 432,000 Alaskans had received 1983 dividend checks, compared to 450,000 Alaskans who had received 1982 dividend checks. Although the estimated population of Alaska increased at an annual rate of 10 percent between 1981 and 1983, 4 percent fewer Alaskans received 1983 dividend checks than received 1982 dividend checks.<sup>1</sup>

Table III.2 shows the ratio of 1983 dividend receipts to 1982 dividend receipts for Alaska communities with more than 1,000 dividend recipients in either year. Table G.4 in Appendix G provides the same information for all Alaska communities. For some communities, there are obvious explanations for changes in the number of recipients. The ratios are low in communities which were experiencing economic difficulties, such as Unalaska (.79), while they are high in communities which were experiencing rapid growth, such as Wasilla (1.18) and Eagle River (1.08). The ratios appear to be particularly low for military bases (.74 for Elmendorf Air Force Base; .80 for Fort Richardson; .92 for Eielson Air Force Base; .75 for Fort Wainwright; and .86 for Clear Air Force Base), which may be due to high turnover of population, as discussed below. However, there is no consistent pattern to explain all the differences in the ratios between communities.

There are several possible explanations for the decline in the number of dividend recipients between the 1982 and 1983 distributions. One is that fewer eligible residents may have bothered to apply due to the fact that the value of the 1983 dividends was considerably lower. However, it is unlikely that the lower value of the 1983 dividend distribution could explain the entire decline, since the 1983 dividends still represented a substantial amount of money.

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<sup>1</sup>According to the Alaska Department of Labor, the population of Alaska was 422,187 in 1981, 460,837 in 1982, and 510,554 in 1983.



TABLE III.2. RATIO OF 1983 PERMANENT FUND DIVIDEND  
RECIPIENTS TO 1982 DIVIDEND RECIPIENTS  
FOR SELECTED COMMUNITIES

Mailing Address of Recipients	Ratio of 1983 Recipients to 1982 Recipients			Total Recipients	
	Total	Adult	Children	1982	1983
All Recipients	.96	.95	.98	459,452	442,526
Alaska	.96	.95	.97	450,123	432,247
Out-of-State	1.10	.99	1.35	9,329	10,279
Anchorage	0.94	0.94	0.95	169,822	160,147
Fairbanks	0.95	0.94	0.97	50,176	47,689
Juneau	0.96	0.97	0.95	25,865	24,956
Ketchikan	0.94	0.93	0.95	12,587	11,773
Palmer	1.05	1.03	1.08	11,650	12,217
Eagle River	1.08	1.08	1.08	11,185	12,100
Kenai	0.99	0.99	0.99	9,829	9,716
Kodiak	0.91	0.90	0.94	9,695	8,862
Wasilla	1.18	1.16	1.21	9,213	10,872
Soldotna	1.03	1.03	1.04	8,662	8,942
Sitka	0.92	0.92	0.94	7,266	6,721
Homer	1.00	1.00	1.02	5,898	5,921
Chugiak	1.03	1.02	1.06	4,996	5,165
Bethel	0.91	0.92	0.91	4,062	3,713
Valdez	0.91	0.91	0.92	3,645	3,329
Petersburg	0.94	0.92	0.99	3,229	3,047
Nome	0.98	0.96	1.00	3,206	3,132
Seward	0.92	0.91	0.95	2,893	2,667
Delta Jct.	0.92	0.92	0.92	2,836	2,610
North Pole	1.10	1.06	1.19	2,724	3,010
Barrow	0.91	0.91	0.90	2,711	2,461
Wrangell	0.91	0.91	0.90	2,670	2,418
Cordova	0.93	0.91	0.98	2,559	2,369
Kotzebue	0.99	1.00	0.97	2,458	2,429
Elmendorf AFB	0.74	0.72	0.77	2,385	1,773
College	0.89	0.91	0.81	2,246	1,994
Haines	0.95	0.96	0.92	2,118	2,004
Ft. Richardson	0.80	0.74	0.88	1,885	1,516
Dillingham	1.01	1.02	0.99	1,817	1,836
Eielson AFB	0.92	0.89	0.95	1,659	1,527
Anchor Point	1.00	1.02	0.98	1,553	1,558
Metlakatla	1.00	1.00	1.00	1,340	1,335
Ward Cove	0.93	0.92	0.96	1,271	1,185
Willow	1.02	1.03	1.02	1,226	1,256
Ft. Wainwright	0.75	0.67	0.86	1,169	882
Tok	0.98	0.96	1.03	1,112	1,094
Glennallen	0.88	0.88	0.86	1,083	948
Hoonah	0.97	0.96	0.97	1,031	995
Copper Center	0.94	0.93	0.95	1,030	967
Sterling	1.07	1.09	1.06	1,021	1,097

NOTES: Figures include only dividend checks mailed on or before April 12, 1984. Figures are shown for those individual communities in which there were more than one thousand 1982 dividend recipients.

A second factor which may help to explain the decline in recipients is stricter enforcement of qualifying standards and the well-publicized prosecution of a small number of 1982 dividend recipients for fraud.

Another possible explanation for the decline in dividend recipients is turnover in the Alaska population. If the number of 1982 dividend recipients who left Alaska too soon to receive 1983 dividends exceeded the number of persons who moved to Alaska too late to receive 1982 dividends but in time to receive 1983 dividends, then the total number of persons eligible for dividends may have declined between the 1982 and 1983 distributions.

Table III.3 shows key residency dates affecting eligibility for the two dividend distributions. If we assume that the earliest date on which an individual could end his Alaskan residency and yet still legally receive a dividend check is the first date on which the dividends were mailed, then conceivably any individuals who left Alaska between June 17, 1982, and September 11, 1983--nearly a fifteen-month period--could have received 1982 dividend checks but not have been eligible to receive 1983 dividend checks. In contrast, only individuals who arrived in Alaska between April 15, 1982, and October 3, 1982--less than a six-month period--would have been eligible for the 1983 dividends but not for the 1982 dividends. Even though the total population of Alaska was growing throughout this period, it is possible that out-migration over the fifteen-month period exceeded in-migration over the six-month period. Thus, differences in the timing of cut-off dates for establishing residency and the mailing of dividend checks may help to explain the decline in the number of dividend recipients between the 1982 and 1983 distributions.

A related explanation for the decline in the number of dividend recipients between the 1982 and 1983 programs is that the qualifying period for the 1982 dividends spanned a fifteen-and-one-half-month period while the qualifying period for the 1983 dividends spanned only a six-month period. As shown in Figure III.2, the 1982 qualifying period spanned the summer of 1982 while the 1983 qualifying period spanned the winter of 1982-1983. A substantial number of 1982 dividend recipients may have left the state during the 1983 qualifying period.

For some families who left Alaska after receiving 1982 dividends, it may not have been possible for the adults to retain Alaska residency, yet possible for the children to have done so. This might help to explain the dramatic rise in the number of children's checks mailed to out-of-state addresses. This could also serve as indirect evidence of substantial out-migration before the 1983 dividend program of Alaskans who had received 1982 dividend checks.

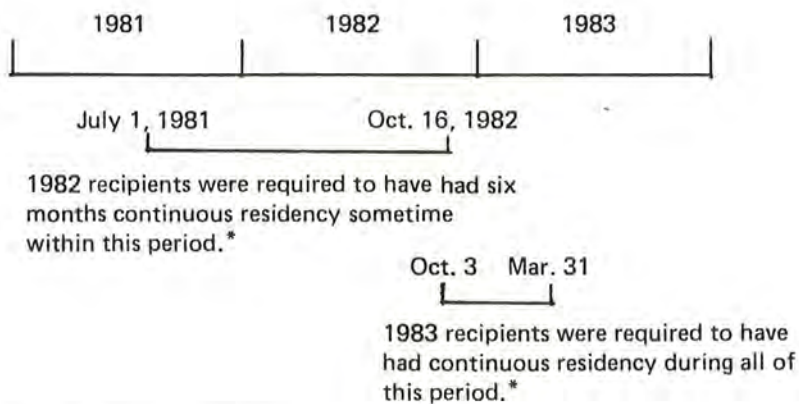


TABLE III.3. KEY RESIDENCY DATES AFFECTING ELIGIBILITY  
FOR THE 1982 AND 1983 PERMANENT FUND DIVIDENDS

	1982	1983
Latest Date on which Alaskan Residency Could Begin	April 15, 1982	October 3, 1982
Earliest Date on which Alaskan Residency Could End (first date on which checks were mailed)	June 17, 1982	September 11, 1983

SOURCE: Alaska Permanent Fund Dividend applications; Alaska Department of Revenue Data.

Figure III.2: Qualifying Periods for the 1982 and 1983 Permanent  
Fund Dividend Distributions



\*Except newborn children.

### Federal Income Taxation of Dividend Income

The taxes which individual Alaskans and Alaskan families paid on their Permanent Fund dividends depended upon the marginal tax rate brackets in which they fell. In general, marginal tax rates increase as income increases and decrease as family size increases (due to the additional exemptions which may be taken for each family member). Another factor which greatly affected taxes paid on Permanent Fund dividends was the fact that children's income was not taxed if they did not have other sources of income. Thus, even though families may have treated children's dividends as regular household income, in most cases this income was not taxed, or else was taxed at greatly lower rates than parents' income.

Table III.4 presents estimates of taxes paid on 1982 dividends, for selected family incomes and family sizes. These estimates are based on the assumptions that only the first two dividends received by a household were subject to taxation, that individuals and couples deducted either the standard deduction or 10 percent of their income (whichever is greater), and that one exemption was taken per family member. Thus, for any given family income level, total taxes on dividends were highest for two-person (i.e., adult-only) families and then tended to decline as family size increased, since more exemptions could be taken, lowering the family's tax bracket. In higher income groups, dividends were taxed at somewhat less than the marginal tax rates for this group since some of the dividend income was deducted.

According to the estimates in Table III.4, an individual with nondividend income of \$5,000 would have paid \$120 in federal income taxes on his 1982 dividend income. An individual with nondividend income of \$20,000 would have paid \$310 in taxes on his dividend. The highest amount of taxes paid on dividend income would have been \$450, for individuals in the 50 percent tax bracket. Similarly, for families, the maximum estimated taxes on dividend income would be \$900 for families in the 50 percent tax bracket. Estimated taxes on dividends for these individuals are less than 50 percent because some is assumed to be used in tax-deductible ways.

Table III.5 presents estimates of effective tax rates for 1982 dividends (defined as the tax share of total dividends received by the family), for different family incomes and family sizes. These estimates are based on the estimated taxes shown in Table III.4. For families with two or more persons, effective tax rates declined as family size increased since additional children's dividends were assumed not to be taxed. Thus, the effective tax rate for a family with two adults earning a total of \$35,000 of nondividend income would have been about 30 percent while the effective tax rate for a family with two adults and two children earning the same amount would have been only about 15 percent.



TABLE III.4. ESTIMATED TAXES PAID ON 1982 DIVIDENDS  
FOR SELECTED FAMILY INCOMES AND FAMILY SIZES

Family Income	Family Size							
	One	Two	Three	Four	Five	Six	Eight	Ten
5,000	120	120	72	0	0	0	0	0
10,000	190	320	308	288	270	260	72	0
15,000	230	380	380	353	323	320	308	270
20,000	310	440	440	440	410	380	380	323
25,000	315	516	300	500	494	464	440	410
30,000	335	584	580	580	580	556	500	494
35,000	360	594	594	594	594	554	525	522
40,000	396	702	702	702	654	594	594	574
45,000	450	702	702	702	702	702	702	624
50,000	450	792	702	702	702	702	702	702
70,000	450	882	882	882	882	882	802	792

NOTES: Estimates are based on the following assumptions:

1. For families with more than two persons, only the first two dividends are part of taxable income (the remaining dividends are assumed to be nontaxed childrens' dividends).
2. Individuals deduct either the standard deduction of \$2,300 or 10 percent of their income, whichever is greater. Families deduct either the standard deduction of \$3,400 or 10 percent of their income, whichever is greater.
3. One exemption is taken for each family member.
4. Tax rates are based on Schedule X (single taxpayers) for individuals and Schedule Y (married filing joint returns) for families of two or more, shown on page 29 of the 1982 Form 1040, Federal Income Tax Instructions.

TABLE III.5. ESTIMATED EFFECTIVE TAX RATES ON FAMILY  
1982 PERMANENT FUND DIVIDEND INCOME,  
FOR SELECTED FAMILY INCOMES  
AND FAMILY SIZES

Family Income	Family Size							
	One	Two	Three	Four	Five	Six	Eight	Ten
5,000	.120	.060	.024	0	0	0	0	0
10,000	.190	.160	.103	.072	.054	.043	.009	0
15,000	.230	.190	.127	.088	.065	.053	.039	.027
20,000	.310	.220	.147	.110	.082	.063	.048	.032
25,000	.315	.258	.167	.125	.099	.084	.055	.041
30,000	.335	.292	.193	.145	.116	.093	.063	.049
35,000	.360	.297	.198	.149	.119	.092	.066	.052
40,000	.396	.351	.234	.176	.131	.099	.074	.057
45,000	.450	.351	.234	.176	.140	.117	.088	.062
50,000	.450	.396	.234	.176	.140	.117	.088	.070
70,000	.450	.441	.294	.221	.176	.147	.100	.079

NOTES: See Table III.4 and text for assumptions used in preparing estimates.



In July 1983, the Alaska Department of Revenue released a report entitled 1982 Federal Tax Leakage Associated with the Permanent Fund Dividend Program. This report presented estimates of federal income taxes paid on 1982 dividend income, based on detailed federal income tax return information for 1978 (the latest year available at the time the study was done). In preparing these estimates, wage income, other income, and deduction totals were adjusted (inflated) to reflect 1982 values, and then tax liabilities were calculated with and without 1982 Permanent Fund dividend income. We feel that the methodology used by the Department of Revenue was appropriate and that the tax incidence estimates are reasonable. It was not feasible for us to duplicate these estimates, given the fact that federal income tax data are confidential and given the computing costs involved. Below, we summarize the Department of Revenue estimates briefly and extrapolate these estimates for the 1983 dividend distribution.

The Department of Revenue estimated that the 1982 Permanent Fund Dividend Program created a federal income tax liability of \$66.76 million for calendar year 1982. Table III.6 summarizes the calculation of this estimate, which was based on the 331,177 dividend payments actually distributed in 1982 (235,215 to adults and 95,962 to children). Thus, according to the Department of Revenue, the average federal income tax incidence for adults was 28.4 percent (\$284). As shown in Table III.7, if we assume that childrens' dividends were not taxed, the overall tax incidence on 1982 dividends was 20.2 percent, or \$202 per recipient. Assuming the same tax rates for both adults and children in subsequent years (while tax rates were lower, incomes were higher), total federal income tax payments on the 1982 dividends would have been about \$89 million, or 19.6 percent of the total amount distributed. Likewise, the average federal income tax incidence for 1983 adult dividends would have been \$110. Total federal income tax payments on the 1983 dividends would have been about \$33 million, or 19.5 percent of the total amount distributed.

According to the Department of Revenue estimates for 1982 dividends, tax incidence varied slightly for different locations, due primarily to differences in income distribution. Thus, the average estimated tax incidence for adults was \$307 in Kenai, \$301 in Anchorage, \$296 in Juneau, \$296 in Fairbanks, \$290 in Kodiak, \$275 in Ketchikan, and \$256 for the rest of the state. Average tax incidence was \$215 for adults filing singly, \$317 for married adults filing together, and \$253 for married adults filing separately.

TABLE III.6. ALASKA DEPARTMENT OF REVENUE ESTIMATES OF 1982 FEDERAL TAX  
LEAKAGE FOR 1982 ADULT RECIPIENTS OF PERMANENT FUND  
DIVIDENDS, BY ADJUSTED GROSS INCOME

Adjusted Gross Income Range	Estimated Number of Returns *	Estimated Taxable Income		Estimated Income Tax		Estimated Tax Leakage	
		Total	Avg. per Return	Total	Avg. per Return	Total	Avg. per Taxpayer
\$0 - \$10,000	36,711	\$143,900,042	\$3,920	\$9,978,638	\$272	\$3,423,353	\$85
\$10,001 - \$20,000	31,250	386,502,781	12,368	52,668,381	1,685	7,904,424	196
\$20,001 - \$30,000	25,453	533,233,600	20,950	94,150,021	3,699	9,750,743	260
\$30,001 - \$40,000	20,559	594,037,405	28,894	121,409,516	5,905	10,756,681	314
\$40,001 - \$50,000	16,494	609,877,408	36,976	140,850,016	8,539	11,094,884	372
\$50,001 - \$60,000	11,963	540,624,383	45,191	139,741,684	11,681	9,355,975	416
\$60,001 - \$100,000	14,053	843,223,143	60,003	255,805,149	18,203	12,667,683	468
Over \$100,000	<u>1,847</u>	<u>230,261,958</u>	<u>124,668</u>	<u>92,670,334</u>	<u>50,173</u>	<u>1,806,816</u>	<u>508</u>
TOTALS	<u>158,330</u>	<u>\$3,881,660,720</u>	<u>\$24,516</u>	<u>\$907,273,739</u>	<u>\$5,730</u>	<u>\$66,760,559</u>	<u>\$284</u>

\*The estimates presented in this table pertain to returns filed by adult applicants who were paid the 1982 PFD during calendar year 1982. Those who were paid after December 31, 1982, were excluded because the resulting tax leakage related to tax year 1983. Children PFD recipients were also excluded on the assumption that there was no tax leakage from the PFD distribution to children below eighteen years of age.

SOURCE: Alaska Department of Revenue, 1982 Federal Tax Leakage Associated with the Permanent Fund Dividend Program (July 1983), p. 2.



TABLE III.7. ESTIMATES OF FEDERAL INCOME TAX LEAKAGE ASSOCIATED WITH  
THE PERMANENT FUND DIVIDEND DISTRIBUTION PROGRAM

Distribution	Number of Dividends Distributed <sup>a</sup>	Value of Dividends Distributed <sup>a</sup> (thousands of dollars)	Estimated Federal Income Tax Leakage <sup>b</sup> (thousands of dollars)	Federal Income Tax Leakage as Percentage of Dividend Value <sup>c</sup>
1982 Adult Dividends Distributed in 1982	235,215	\$235,215	\$66,760	28.4
1982 Childrens' Dividends Distributed in 1982	<u>95,962</u>	<u>\$ 95,962</u>	<u>0</u>	0
All 1982 Dividends Distributed in 1982	331,177	\$331,177	\$66,760	20.2
All 1982 Adult Dividends	311,804	\$311,804	\$88,552	28.4
<u>All 1982 Childrens' Dividends</u>	<u>138,319</u>	<u>\$138,319</u>	<u>0</u>	0
All 1982 Dividends	450,123	\$450,123	\$88,552	19.7
1983 Adult Dividends	297,532	\$114,892	\$32,629	28.4
<u>1983 Childrens' Dividends</u>	<u>134,715</u>	<u>\$52,020</u>	<u>0</u>	0
All 1983 Dividends	432,247	\$166,912	\$32,629	19.5

<sup>a</sup>Includes only dividends distributed prior to April 12, 1984.

<sup>b</sup>Value for 1982 adult dividends distributed during 1982 estimated by the Department of Revenue. Other values estimated based on assumed tax leakage percentages.

<sup>c</sup>Values for children's dividends assumed to be zero. Values for adults' dividends assumed to be the same as estimated by the Department of Revenue for adult dividends distributed during 1982.

SOURCES: Alaska Department of Revenue, 1982 Federal Tax Leakage Associated with the Permanent Fund Dividend Program (July 1983); Department of Revenue data on dividend distributions from Table III.1.

### Effects of The Dividend Program on Alaskans' After-Tax Income

Perhaps the single-best measure of the direct benefits of the dividend program to Alaskans is the effects of the dividend program on Alaskans' after-tax income. In this section, we present estimates of the relative effects of dividends on after-tax income.

In 1982, estimated disposable personal income in Alaska (personal income minus taxes) was \$6,095 million.<sup>2</sup> According to the estimates in Table III.7, the total value of dividends distributed in 1982 was \$331 million, of which \$67 million were paid in taxes to the federal government. This implies that dividends contributed \$264 million to disposable personal income in 1982. Thus, 1982 disposable personal income from sources other than Permanent Fund dividends was about \$5,831.

Referring again to Table III.7, the estimated contribution to disposable personal income of all 1982 dividends (including those received after 1982) was about \$362 million. This represents about 6.2 percent of the value of 1982 individual disposable personal income. In other words, the 1982 Permanent Fund dividend distribution increased Alaskans' disposable personal income directly by an average of about 6.2 percent (although not all of this income was received in 1982).

For poorer Alaskans, the relative contribution of dividends to disposable personal income would have been much higher while for wealthier Alaskans, it would have been lower. Table III.8, which is based partly on Table III.4, shows how the estimated percentage increase in family after-tax income resulting from dividends varies with family size and income level. As shown in the table, for a family of four with an income of \$20,000, the 1982 dividends would have represented an increase in after-tax income of almost 20 percent. In contrast, for an individual with an income of \$40,000, the dividend would have represented an increase in after-tax income of only 2 percent.

We used the figures in Table III.8, together with 1980 census data on Alaska income distribution of family size to develop estimates of the overall effects of the 1982 dividend program on Alaskans' after tax income. For each combination of income and family size, we estimated how the dividend income would have affected family after-tax income (after first adjusting the census data for higher income levels in 1982). We describe our methodology for preparing these estimates in detail in Appendix F.

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<sup>2</sup>Institute of Social and Economic Research, "Alaska's Economy Since Statehood: The ISER MAP Economic Data Base," Alaska Review of Social and Economic Conditions, Vol. 2, No. 1, p. 19.



TABLE III.8. PERCENT INCREASE IN AFTER-TAX FAMILY INCOME  
DUE TO 1982 PERMANENT FUND DIVIDENDS,  
FOR SELECTED FAMILY INCOMES AND FAMILY SIZES

Before-Tax Family Income	Family Size							
	1	2	3	4	5	6	8	10
5,000	18.3	38.1	58.6	80.0	100.0	120.0	160.0	200.0
10,000	9.0	17.9	28.2	38.4	48.2	57.8	29.3	100.0
15,000	6.0	11.9	19.1	26.2	33.2	39.9	52.9	65.7
20,000	4.2	8.9	14.4	19.8	25.3	30.6	40.6	50.7
25,000	3.4	6.9	11.6	16.0	20.4	24.8	33.2	41.4
30,000	2.8	5.7	9.6	13.4	17.1	20.8	28.2	35.1
35,000	2.4	4.9	8.4	11.7	15.0	18.3	24.7	30.7
40,000	2.0	4.1	7.1	10.1	13.2	16.2	21.8	27.3
50,000	1.5	3.2	5.8	8.4	10.9	13.3	18.0	22.4
70,000	1.2	2.2	4.2	6.1	8.0	9.8	13.6	17.1

NOTE: Assumes 1982 tax rates for individuals and married couples filing together, a ten percent deduction or the standard minimum deduction (whichever is greater), and no taxation of dividend income beyond the first two dividends.

Our estimates, shown in Table III.9, suggest that for 61 percent of Alaskans (including children), 1982 Permanent Fund dividend income represented less than a 10 percent increase in their family's income. For another 26 percent of Alaskans, the dividends represented an increase in after-tax income of between 10 and 25 percent. For the remaining 13 percent of Alaskans, the dividends represented more than a 25 percent increase in family income.

The contribution of dividends to family income was relatively greater in rural Alaska, and especially so for rural Alaska Natives. Our estimates suggest that the dividends represented more than a 25 percent increase in family income for 41 percent of rural Alaska Natives.

Our estimates in Table III.9 are not precise because they are based on only limited data. The effects of dividend income were measured at the upper level of each income range, which might cause us to underestimate the effects of dividend income. On the other hand, our adjusted data on income distribution may overestimate the number of children in families, which might cause us to overestimate the effects of dividends on income.

Whether or not they overstate or understate the effects of dividends, the data in Table III.9 illustrate an important point: the 1982 dividends represented a substantial relative increase in family income for many Alaskans, especially in rural areas. However, for a majority of Alaskans, the dividends represented a relatively small relative increase in family income, especially after federal income taxes were paid.

Since the 1983 dividends were considerably smaller than the 1982 dividends, their relative contribution to income was also smaller. While they probably represented only a small fraction of disposable income for most Alaskans, their relative contribution to income in some households--especially those with a large number of children--may still have been substantial. Our survey data provide further information on the contribution of both 1982 and 1983 dividends to after-tax income, which we will discuss in Chapter IV.

These estimates do not take into account the indirect effects of the dividend program on income, which we address in Chapter V. In general, the indirect effects of the dividend program on income, resulting primarily from the spending of dividend income in Alaska, were probably strongest in urban areas, particularly Anchorage, where the multiplier effects of the spending of dividend income would have been greatest.



TABLE III.9. ESTIMATED EFFECTS OF 1982 PERMANENT FUND DIVIDEND PROGRAM ON ALASKANS' AFTER-TAX INCOME

Percent Increase in After-tax Income of Individual's Family	Percent of Alaskans		
	Total Alaska	Rural Alaska	Rural Alaska Natives
0 - 5	35	29	12
6 - 10	26	23	11
11 - 15	15	15	15
16 - 20	6	7	11
21 - 25	4	5	11
26 - 30	4	5	8
31 - 35	3	4	7
36 - 40	2	4	8
41 - 45	1	1	3
46 - 50	-	-	1
Greater than 50	<u>3</u>	<u>6</u>	<u>14</u>
Total	100	100	100

- Less than 0.5 percent.

NOTE: Totals may not add to 100 due to rounding.

SOURCE: 1980 Census data on family income by family size. See text for explanation of calculations.

### Effects of the Dividend Program on Public Assistance Programs

The net benefits of dividends are lower for higher-income Alaskans since they tend to pay a higher share of their dividends as federal income taxes. The net benefits of dividends for lower-income Alaskans could also have been reduced if they received fewer public assistance benefits as a result of receiving Permanent Fund dividend checks. The "hold harmless" provisions of the dividend legislation were designed to ensure that recipients of dividends did not suffer cuts in public assistance benefits. We briefly summarize the operation of those provisions below.

The dividend legislation stated that the Department of Health and Social Services

may not consider the dividend as an income or a resource in determining eligibility for Public Assistance programs unless required by federal law or regulation. It further provides that individuals found ineligible for Public Assistance solely because of receiving the dividend shall be eligible to receive cash assistance under the General Relief Assistance program and/or state funded Medical Assistance for a period not to exceed four months. The amount of assistance is to be the same as if the person had not received the dividend. After the four month period, the recipient must be able to once again meet all eligibility requirements for the program, or the benefits will be discontinued.<sup>3</sup>

In effect, the Department of Health and Social Services (DHSS) did not consider Permanent Fund income in determining eligibility for state-funded programs. However, they were required to do so in determining eligibility for federal-funded programs such as Food Stamps or Aid to Families with Dependent Children (AFDC). Where recipients lost eligibility for these federal programs, DHSS made up the difference for a period of up to four months. Thus, in order to retain the benefits of these programs, recipients were required to use most of their dividends within four months.

Public assistance recipients were required to report their dividend benefits to the Department of Health and Social Services (DHSS), using the form shown in Figure III.3 (these forms are a potential source of data on dividend uses by low-income Alaskans, but they are confidential information and have not been tabulated). For federally funded programs, where DHSS was able to develop administrative arrangements with the funding federal agencies, there

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<sup>3</sup>From Department of Health and Social Services, "The Permanent Fund Dividend and the Department of Health and Social Services," August 1982, p 3).



Figure III.3: Permanent Fund Dividend Information Form for Public Assistance Recipients

State of Alaska  
Department of Health and Social Services  
Division of Public Assistance

IMPORTANT NOTICE

PLEASE READ CAREFULLY AND FILL OUT OTHER SIDE.

As a recipient of Public Assistance which includes Aid to Families With Dependent Children (AFDC), Food Stamps, Supplemental Security Income (SSI), Medicaid, and Adult Public Assistance (APA), you are required to let us know when you receive your Permanent Fund Dividend. In most cases, the Permanent Fund Dividend check will not affect your eligibility for Public Assistance for up to the first four months. After the first four months, we may have to count any of the amount that you have left, and this could make you ineligible for continued assistance.

WHAT YOU NEED TO DO WHEN YOU GET YOUR CHECK

Within ten days from the time you get your check, you must tell your local Public Assistance office the following:

- (1) The date that you received your check.
- (2) The date that anyone else in your household received their check. This includes the checks for your children.
- (3) What you did with the dividend money, if spent.

The form on the other side of this notice will make it easier for you to report the needed information. All you need to do is fill it out and mail or bring it into your local office. It must be received by the local Public Assistance office by the 15th of each month.

If You Get AFDC, you must also fill out the AFDC-Food Stamp Change Report Form (AFDC-6/MMR). This is an extra form and it does not replace the regular change report.

PERMANENT FUND MONEY INFORMATION FORM

Program (Circle) AFDC SSI  
Food Stamps

Name \_\_\_\_\_ Case Number if known \_\_\_\_\_

Address \_\_\_\_\_ City \_\_\_\_\_ Zip \_\_\_\_\_

Telephone No. \_\_\_\_\_

List the people in your household who have received their money. Include the date it was received and the amount:

Name of Household Member	\$ Amount of Check	Date Received

(List additional members on a separate piece of paper if necessary)

HOW DID YOU SPEND THE MONEY? This may include such items as clothes, furniture, household appliances, heating fuel, dental work, cars, etc.

List Item Bought or Bill Paid	Amount	Date

PLEASE LIST WHAT YOU DID WITH THE MONEY IF YOU DID NOT SPEND IT ALL ON THOSE ITEMS LISTED ABOVE.

I deposited \$ \_\_\_\_\_ in bank account. Name of bank \_\_\_\_\_ Acct # \_\_\_\_\_

I kept \$ \_\_\_\_\_ in cash.

I paid back loans to friends, relatives, etc. Name \_\_\_\_\_ Amount \$ \_\_\_\_\_

I gave away all or part of my money to: Name \_\_\_\_\_ Amount \$ \_\_\_\_\_

Please list how much of the dividend money was used to buy:

An Automobile (Car, Truck)	\$ _____
A Boat	\$ _____
A Camper or Trailer	\$ _____
A Snowmachine or Sno-Go	\$ _____
A Motorcycle or Three-Wheeler	\$ _____
A Home (House & Lot; Condo; or Mobile Home)	\$ _____
Land	\$ _____
Other	\$ _____

If you have any questions, please call your worker. Thank you.

Signature \_\_\_\_\_

Date \_\_\_\_\_

was no change in the way in which benefits were received. DHSS subsequently reimbursed the federal agencies for those dividend recipients who were ineligible for benefits under federal standards. Cooperation between DHSS and the Social Security Administration was particularly successful.

Tables III.10 and III.11 show total caseloads for Aid to Families with Dependent Children (AFDC) and Food Stamps in Alaska from June of 1982 through April of 1984. AFDC hold-harmless cases peaked at 1,572 (30 percent of total cases) in February of 1983, and at 1,499 (28 percent of total cases) in December of 1983. The value of Food Stamp distributions to hold-harmless recipients peaked in February of 1983 and again in January of 1984. The total cost of the hold-harmless provisions for these two programs as of June 1984 totaled about \$6.7 million, or about one percent of the value of dividend distributions.

It is possible that some individuals did not apply for public assistance benefits as a result of receiving dividends. However, in a regression analysis of monthly AFDC and Food Stamp caseloads, we found no statistically significant effect of statewide Permanent Fund Dividend distributions on total caseloads.

In general, the hold-harmless provisions of the dividend legislation appear to have functioned smoothly for most recipients of public assistance benefits. In some cases, dividend recipients who neglected to report their dividends found that their benefits were cut off or delayed since DHSS obtained information on dividend check mailings directly from the Alaska Department of Revenue. Administration of the hold-harmless provisions added substantially to the work load of DHSS.

Some dividend recipients have encountered difficulties in obtaining full public assistance benefits as a result of their dividend income. For example, the U.S. Department of Housing and Urban Development waived 1982 dividends as income in calculating eligibility for public housing, but notified the Alaska State Housing Authority in October of 1983 that 1983 dividends would be included in income calculations. Subsequently, ASHA notified public housing residents that their rents might change as a result of this change.



TABLE III.10. AID TO FAMILIES WITH DEPENDENT CHILDREN  
CASELOAD, BY MONTH

	Total Caseload		Hold Harmless Caseload		Total Value of Permanent Fund Dividends Distributed (000)
	No. of Cases	Total Expenditures (000)	No. of Cases	Total Expenditures (000)	
June 1982	5,352	\$2,752.9	-	-	\$15,942
July 1982	5,440	2,821.4	-	-	56,952
August 1982	5,322	2,732.4	-	4.5	47,056
September 1982	5,253	2,675.2	414	226.7	51,475
October 1982	5,077	2,502.3	844	456.7	17,854
November 1982	5,116	2,794.1	518	276.5	25,345
December 1982	5,142	2,796.0	457	252.6	112,645
January 1983	5,175	2,698.6	680	382.4	27,917
February 1983	5,231	2,800.5	1,572	872.3	37,376
March 1983	5,320	2,812.0	1,129	606.0	24,158
April 1983	5,408	3,026.3	583	350.5	10,629
May 1983	5,408	3,009.3	619	364.3	5,827
June 1983	5,404	2,980.3	297	176.2	4,522
July 1983	5,318	2,914.5	413	243.6	3,574
August 1983	5,255	2,904.3	106	63.8	3,900
September 1983	5,224	2,994.1	158	94.8	39,711
October 1983	5,078	2,777.8	163	94.6	89,501
November 1983	5,245	2,987.6	570	314.3	35,942
December 1983	5,324	2,981.5	1,499	827.9	2,745
January 1984	5,398	3,094.9	957	531.8	882
February 1984	5,495	3,178.0	428	236.3	2,234
March 1984	5,585	3,305.7	89	45.5	651
April 1984	5,727	3,369.7	81	40.4	194
May 1984	5,688	3,436.6	47	23.4	NA
June 1984	5,601	3,323.6	9	4.4	NA
TOTAL				6,489.5	

NA = Not Available

SOURCE: Alaska Department of Health and Social Services

TABLE III.11. FOOD STAMPS CASELOAD, BY MONTH

	Total Caseload		Hold Harmless Caseload		Total Value of Permanent Fund Dividends Distributed (000)
	No. of Cases	Total Expenditures (000)	No. of Cases	Total Expenditures (000)	
June 1982	10,285	\$1,976.7	NA	-	\$15,942
July 1982	9,463	1,783.4	NA	1.2	56,952
August 1982	8,451	1,598.7	NA	5.1	47,056
September 1982	7,697	1,439.7	NA	3.5	51,475
October 1982	7,521	1,520.8	NA	1.7	17,854
November 1982	8,673	1,841.7	NA	4.8	25,345
December 1982	8,375	1,907.1	NA	1.7	112,645
January 1983	9,129	1,874.0	NA	6.2	27,917
February 1983	9,389	1,938.0	NA	30.7	37,376
March 1983	9,924	2,059.4	NA	34.0	24,158
April 1983	9,790	1,901.7	NA	18.0	10,629
May 1983	9,317	1,777.9	NA	25.6	5,827
June 1983	7,798	1,457.4	NA	10.7	4,522
July 1983	NA	NA	NA	NA	3,574
August 1983	NA	NA	NA	6.9	3,900
September 1983	NA	NA	NA	4.3	39,711
October 1983	NA	NA	NA	0.5	89,501
November 1983	NA	NA	NA	2.4	35,942
December 1983	NA	NA	NA	24.4	2,745
January 1984	NA	NA	NA	28.3	882
February 1984	NA	NA	NA	7.2	2,234
March 1984	NA	NA	NA	7.0	651
April 1984	NA	NA	NA	0.4	194
May 1984	NA	NA	NA	0.3	NA
June 1984	NA	NA	NA	0.2	NA
TOTAL				225.1	

NA = Not Available

SOURCE: Alaska Department of Health and Social Services





#### IV. HOW ALASKANS USED THEIR DIVIDEND INCOME

##### Introduction

These are the major findings of this chapter:

- Adults covered by our survey paid about 31 percent of their dividend income in taxes, and taxes accounted for about 20 percent of all dividend income. These estimates are similar to those made by the Alaska Department of Revenue. Likewise, our estimates for the percentage effects of dividends on survey respondents' incomes were similar to the estimates which we prepared using census data.
- Between 5 and 15 percent of dividend income was used for special purchases. About one-fifth of these purchases were airline tickets. Respondents mentioned a very wide variety of other special purchases, among the most common of which were cars, furniture, houses, home additions, televisions, appliances, bicycles, snow-machines, and three-wheelers.
- Between 15 and 25 percent of dividend income was saved, and about 5 percent was used to reduce debt. The remainder of dividend income--between 45 and 65 percent--was used for day-to-day purchases such as food, heat, clothing, and rent.
- Lower-income households used relatively less of their dividend income for taxes or savings, and relatively more for debt reduction and special purchases, than did higher-income households. These patterns also held for rural households, compared with Anchorage and other urban households.
- Parents alone made the decisions on the uses of their children's dividends in over one-half of all households while children alone made the decisions in less than one-tenth. The greater the children's say in the use of the dividends, the greater the share of the dividends which was spent; while the greater the parents' say, the greater the share which was saved or used to reduce debt.
- There were clear differences in the effects of dividends between income groups in their assessment of the overall effects of dividends. The lower the income group, the greater the share of households which cited "reduced debt," "help with regular expenses," and "help with special purchases" as the most significant effects of dividends and the lower the share of households which



cited "savings" or "little or no effect". Less than one-third of the lowest-income households thought that dividends had "little or no effect," compared to over half of the highest income households.

- In assessing the overall effects of dividends, respondents also viewed the effects of adults' and children's dividends differently: "reduced debt" and "help with regular expenses" were mentioned less frequently as effects for children while "increased savings" was mentioned more frequently.
- A large share of rural dividend income was spent in rural stores within a short period of time after the dividends were received. For eleven of twelve rural stores which we studied, dividends distributed locally during the month significantly affected sales in at least some departments. In nine of the stores, total monthly sales increased by between \$83 and \$373 for every thousand dollars of dividends distributed locally during the month. Departments in which the effects on sales were greatest included groceries, soft goods, and hardware. Generally, the 1982 dividends had a greater direct effect on sales per dollar distributed than did the 1983 dividends.

Our analysis of how Alaskans used their dividend income is primarily based on our survey results. In each household surveyed, we asked to speak with the adult who knew the most about the use of the household's dividend checks. We asked this person a series of questions about how much dividend income household members had used for each of five categories:

- Special purchases
- Savings
- Debt reduction
- Day-to-day purchases
- Taxes

In order to determine whether the uses which respondents reported actually resulted from the dividends, we also asked whether the special purchases which were mentioned would have been made even without the dividends and how much higher or lower the household's savings and debt were as a result of the dividends. We asked separate questions about the uses of adults' and children's dividends and the uses of 1982 and 1983 dividends. We were constrained in the questions we could ask by the limited amount of time available in a telephone interview and the limited complexity of questions which is feasible in a telephone interview.



A limitation to our survey is that respondents may not have remembered their households' dividend uses correctly. They may also have avoided mentioning undesirable or illegal uses of dividend income (none of our respondents mentioned any such uses). Another problem in interpreting our survey results was that many respondents either understated or overstated their total uses of the dividend funds. We prepared several estimates of overall uses of dividend income based on different sets of assumptions about how to adjust for overstated or understated uses.

During the design of this survey, we heard considerable interest in learning whether or not people squandered their Permanent Fund dividends on such socially undesirable uses as drugs and alcohol. As we discuss in Chapter VI, 45 percent of our survey respondents agreed with the statement, "Many people wasted a large part of their Permanent Fund dividend checks on liquor and drugs." The extent of this perception suggests that at least some Permanent Fund dividend income was used for these purposes.

In our discussion of dividend uses, we do not present any estimates of the extent to which dividends were used for illegal or undesirable uses. There are several reasons for this. First, there is no clear definition of what constitutes undesirable dividend uses. Second, for those uses which are generally perceived as undesirable, there are no reliable data. For example, we heard stories of uses of dividends for drinking binges, but these stories do not provide a basis for calculating the total extent of such uses. However, we believe that these incidents are likely to have attracted attention out of proportion to the number of dividend checks they represent. In an analysis of Alaska Department of Revenue data on wholesale liquor sales, we found no statistically significant relationship between quarterly Permanent Fund dividend distributions and wholesale liquor sales in Alaska. There is no indication that a greater share of dividend income was used for liquor or drugs than of other income. As we mentioned above, our household survey is also not necessarily a reliable measure of undesirable dividend uses.

Eighty-seven percent of our survey respondents agreed with the statement, "How people spent their Permanent Fund checks should not determine whether or not the dividend program continues."



### Defining Dividend "Use"

In order to discuss how Alaskans used their dividend income, we must first define what we mean by "use." Many people may perceive their "use" of their dividends as what they first did with the money from their checks such as paying the rent, buying a stereo, or depositing the money in a savings account. However, some of these "uses" (such as paying the rent) might have occurred even if Alaskans had not received dividends. Therefore, we distinguish between "perceived uses" of dividend income and "actual uses" of dividend income. "Perceived uses" are how people perceive that they used their dividend income. "Actual uses" of dividend income are the changes in spending, savings, and debt over time which occur as a result of the dividends (that is, which would not have occurred without the dividends). Below are several examples which contrast possible perceived uses of dividend income with actual uses for an Alaskan whom we will call "Sourdough."

- Sourdough's perceived use of his dividend income was to pay his rent. However, if he hadn't received a dividend check, he would have paid his rent out of his savings. Initially, the actual use of his dividend income was to increase his savings. Subsequently, he spent more money over the year (since he had more to spend), and he also paid more taxes.
- Sourdough's perceived use of his dividend income was to pay off his credit card account. However, over the year, he built the amount owed on his credit card back up to the limit. His actual use of his dividend income was initially a reduction in his debt. Subsequently, however, he was able to spend more by going back into debt--and he also paid more taxes.
- Sourdough's perceived use of his dividend income was to open an Individual Retirement Account (IRA). Since he would not have opened the account otherwise and since he did not pay taxes on his dividend income, his actual use of his dividend income was the same as his perceived use.

As these examples illustrate, Alaskans' perceived uses of their dividend income may have differed from their actual uses. In this study, we are interested in both perceived and actual uses. Perceived uses are likely to have affected how Alaskans view the dividend program while actual uses determined the overall economic effects of the program.

There are a variety of possible patterns of "actual uses" of dividend income, several of which are illustrated in Figure IV.1. In the figure, the left-hand graphs show changes in spending over time, resulting from the dividends, while the right-hand graphs show changes in total savings over time, resulting from the dividends (investments such as stocks may be thought of as a form of savings; debt may be thought of as negative savings).

In example A, all of the dividend income is saved. Spending does not change while total savings increases by the value of the dividend check, beginning at time  $t$ , when the dividend is received. An IRA would be an example of this pattern of dividend use.

In example B, the dividend income is saved for a short period of time and then used for a major purchase such as a vacation trip. In this case, spending does not change until time  $t^*$ , when the money is spent. Total savings are higher by the amount of the dividend until time  $t^*$ , after which they fall back to their normal level.

In example C, the dividend income is used to increase spending over a period of time for purchases such as groceries. Total savings increase initially by the amount of the dividends but are gradually drawn down towards their normal level as the money is spent.

In example D, the recipient anticipates the dividend in advance and increases his spending before receiving the dividend by drawing down his savings below their normal level. When the dividend arrives, his savings rise to above their normal level, but they are gradually drawn down as he continues to spend more than usual.

In example E, the dividends cause the individual to spend more than the value of the dividend. As a result, his total savings fall rather than rise.

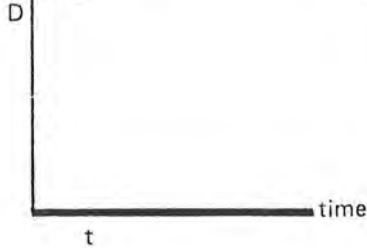
As the examples in Figure IV-1 illustrate, the "use" of dividend income depends upon the period of time which is considered. Income which is initially used to increase savings or reduce debt may subsequently be spent. The longer the time period which is considered, the greater the share of dividend income which is likely to be spent.



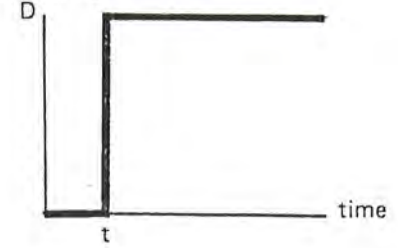
Figure IV.1 Possible Patterns of Use of Dividend Income Over Time:  
Changes in Spending and Total Savings

- A. Spending stays the same; total savings increases by the amount of the dividend. Example: IRAs.

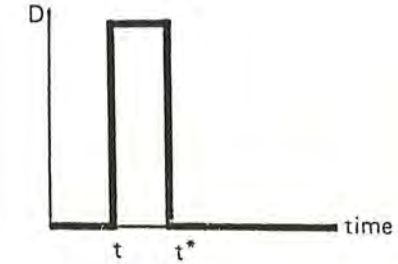
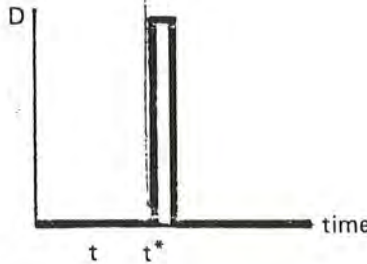
Change in  
Spending



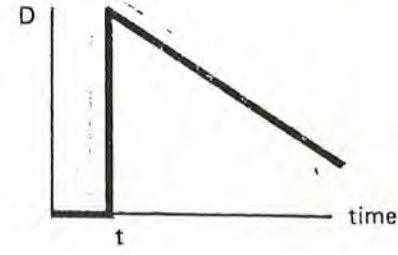
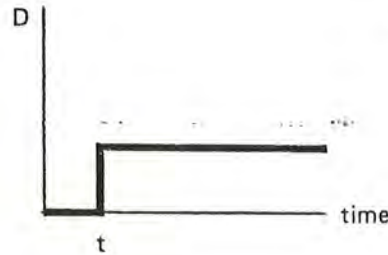
Change in  
Total Savings



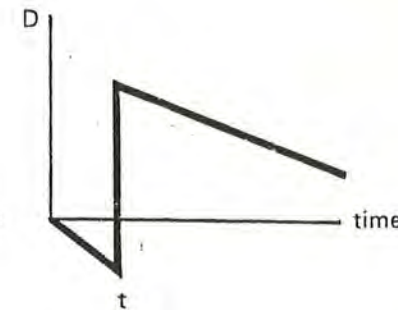
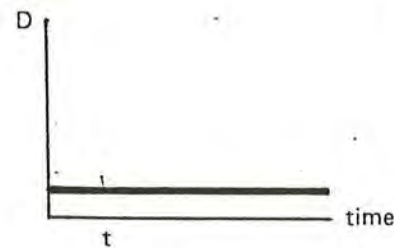
- B. At first, spending stays the same and total savings increase by the amount of the dividend. Then, the income is spent for a major purchase, and savings drop to what they would have been without the dividends. Example: vacations.



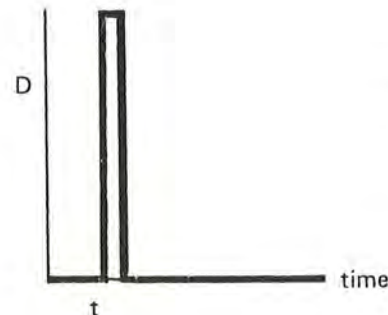
- C. Spending increases over a period of time; total savings increase at first by amount of dividends but are gradually drawn down. Example: groceries.



- D. Because the dividend is anticipated, spending increases even prior to receipt of the dividends; total savings decline at first, then rise when the dividend is received, and are gradually drawn down. Example: groceries.



- E. The dividends stimulate a purchase exceeding the dividend value. Total savings decline. Example: vacations.



### Survey Design

In order to learn how Alaskans used their Permanent Fund dividend income, we conducted a household survey of a representative sample of Alaskans. Before we present the results of this survey, it is important for the reader to be aware of the extent to which all Alaskans are represented by the survey results and the degree to which the results reliably represent the dividend uses of the population covered by the survey.

The population covered by the survey includes all households which have telephones and are located in areas (excluding military bases) in which at least 60 percent of all households have residential telephone service. This means that approximately 3 percent of all Alaskan households had no chance of selection because they were located in communities with less than 60 percent telephone coverage. Another 17 percent of the Alaskan households had no chance of selection because they lacked telephone service although they were located in communities with at least 60 percent telephone coverage. Thus, about 20 percent of the households of the state are not directly represented in the survey results. This represents a potential bias in the survey results.

The only way to improve the population coverage of the survey and reduce this potential bias would have been to sample households rather than telephone numbers and to conduct face-to-face interviews. This option was not feasible, given available study funds. Thus, in considering the survey results, readers should keep in mind that they do not reflect the dividend uses and attitudes of that portion of the population of Alaska which does not have telephones.

In planning the survey, we decided that we should try to obtain equally reliable results for three population groups: (1) persons living in Anchorage; (2) persons living in the boroughs of Fairbanks, Juneau, Matanuska-Susitna, Kenai, Ketchikan, or Sitka; and (3) persons living anywhere else in Alaska. We expected that dividend expenditure patterns might differ among the populations living in these three areas and, therefore, wanted to reliably differentiate between regional expenditure patterns in our analysis. The implication of this decision was that we conducted an equal number of interviews among each population group.

We solicited proposals from public opinion polling firms to administer a survey following the design described above. The winning proposal contained an offer to conduct 1,000 interviews, or 333 in each of the three sampling areas. Hellenthal and Associates, the polling firm selected to conduct the survey, successfully completed interviews with 1,016 households using random digit dialing techniques between May 1 and May 25, 1984. The response



rate for the survey was 76 percent.<sup>1</sup> We estimate that the maximum sampling error for results reported for the entire sample is plus or minus 3 percentage points. This means that the true value corresponding to a reported value of 55 percent may be as much as 58 percent or as little as 52 percent.

Since we deliberately oversampled rural Alaskan households and undersampled Anchorage households in order to obtain equal sample sizes for each population group, it was necessary to assign different weights to interviews conducted among each group. While the actual number of interviews conducted in each group was approximately equal (339 or 338), the properly weighted number of interviews is 447 in Anchorage, 376 interviews in other urban and roaded areas, and 193 in rural Alaska. The rural weight reflects the total population living in rural areas, including all households located in communities with less than 60 percent telephone coverage. All results reported in this document are properly weighted to reflect the actual population distribution, not the original sample distribution.

In each household in which we conducted interviews, we spoke with one individual. We asked this individual questions about dividend uses for all individuals in the household who had received dividends. Thus, the number of dividend recipients covered by the survey exceeded the number of households. Table IV.1 summarizes the number of interviews conducted for the survey, by region and by household income group, as well as the number of dividend recipients covered by the survey.

#### Survey Questions About Dividend Uses

In designing the survey, we attempted to develop questions which would allow us to determine Alaskans' perceived and actual uses of dividend income for each of the four distributions (1982 adults, 1982 children, 1983 adults, and 1983 children), broken down into five categories:

- Special purchases
- Savings
- Debt reduction
- Day-to-day purchases
- Taxes

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<sup>1</sup>Response rate is the number of interviews completed divided by the sum of the number of interviews completed, the number of households contacted which declined to be interviewed, and the number of households telephoned but not contacted.

TABLE IV.1. SUMMARY DATA ON INTERVIEWS CONDUCTED  
FOR THE PERMANENT FUND  
DIVIDEND SURVEY

	Region				Household Income Group			
	Total	Anchorage	Other Urban	Rural	Less than \$26,000	\$26,000-\$40,000	\$41,000-\$60,000	More than \$60,000
<u>Weighted by Region</u>								
Number of Households Interviewed	1,016	447	376	193	323	216	208	168
Number of Households Interviewed in which Dividends were Received								
1982 Adult Dividends	851	364	318	169	250	188	180	149
1982 Childrens' Dividends	432	177	156	98	120	101	96	77
1983 Adult Dividends	857	364	320	173	255	183	189	149
1983 Childrens' Dividends	423	172	155	96	122	92	101	73
Number of Dividends Received by Households Interviewed								
1982 Adult Dividends	1,724	742	636	345	451	373	383	347
1982 Childrens' Dividends	834	327	297	210	231	190	197	140
1983 Adult Dividends	1,658	728	596	335	431	364	377	329
1983 Childrens' Dividends	804	303	301	200	226	173	195	139
<u>Not Weighted by Region (actual)</u>								
Number of Households Interviewed	1,016	339	338	339	340	212	202	163
Number of Households Interviewed in which Dividends were Received								
1982 Adult Dividends	857	279	283	295	268	185	177	146
1982 Childrens' Dividends	447	136	139	172	131	104	96	77
1983 Adult Dividends	866	279	285	302	275	181	185	146
1983 Childrens' Dividends	438	132	138	168	132	96	100	73
Number of Dividends Received by Households Interviewed								
1982 Adult Dividends	1,739	569	566	604	495	369	369	341
1982 Childrens' Dividends	882	251	264	367	259	198	201	146
1983 Adult Dividends	1,673	558	530	585	479	352	362	324
1983 Childrens' Dividends	850	232	268	350	253	183	196	145

\*Household income data were not available for all households interviewed.

NOTE: All survey results presented in the study were weighted by region to reflect the actual population distribution.

SOURCE: Permanent Fund Dividend Survey. See text for description.



In developing these questions, we were constrained by the limited amount of time available in a telephone interview as well as the limited complexity of questions which is feasible in a telephone interview.

In each selected household, we asked to speak with the adult who knew the most about the use of the household's dividend checks. We asked this person how many adults (18 years or older) and children (younger than 18 years) in the household had received Permanent Fund dividend checks in 1982 and 1983. We then asked a series of questions about how adults and children in the household had used their dividend checks. We asked the same questions for each of the four dividend distributions (1982 adults, 1982 children, 1983 adults, and 1983 children). A copy of the survey questionnaire is included as Appendix C to this report.

We first asked whether the checks had been used to make any special purchases (as examples we suggested furniture, airplane tickets, or a television). If they had, we asked what these purchases were and what they had cost. We then asked whether these items would have been purchased even without the dividend checks. We interpreted all special purchases which were mentioned as perceived uses of dividend income. However, we only included those special purchases which would not have been purchased without the dividend checks as actual uses of dividend income.

Next, we asked how much of the dividend income was saved before taxes. We interpreted the answers to this question as perceived uses of dividend income for savings. However, the responses to this question may exaggerate the extent to which savings were actually a perceived use of dividend income since they may include households which saved a portion of their dividend income specifically for the purpose of paying taxes, but do not perceive these savings as a "use" of their dividends. We also asked whether, without the checks, household savings would be "higher, lower, or no different than they are now," and how much higher or lower "household savings are because of the checks." We interpreted the answers to these questions as actual uses of dividend income for savings. Thus, our estimates of actual uses of dividend income for savings do not include those households which saved their dividend income for a period of time before spending it.

Next, we asked how much of the dividend income "went to pay off household debt." We interpreted the answers to this question as perceived uses for debt reduction. We then asked whether, without the checks, the household's debt would be "lower, higher or no different," and how much lower or higher household debt "is because of the checks." We interpreted the answers to this question as actual uses of dividend income for debt reduction. Thus, as with savings, our estimates of actual uses for debt reduction do not include those households which actually reduced their debt, but did so only temporarily.



We next asked how much of the dividend income had been spent on "day-to-day household expenses like food, gasoline and clothes," and how much went as taxes to the federal government. We did not attempt to distinguish between perceived and actual day-to-day expenses or taxes.

In order to summarize households' perceptions of the effects of their dividend income, we also asked the question "Overall, how would you say your household's spending, saving, and debt was changed by your dividend checks?"

In addition to these questions about the uses of the dividend income, we asked a number of other questions concerning whether respondents had expected to receive dividends, who made the decisions about the use of children's checks, when the dividends were received, effects of the dividends on decisions about seeking employment and moving to or from Alaska, and various background household information. We incorporate the answers to these questions in our analysis of how the dividends were used. We also asked a series of questions about respondents' attitudes about the dividend program, which are discussed in Chapter VI.

#### Limitations of the Survey

Before discussing the survey results as to how Alaskans used their dividends, we wish to point out several limitations to the survey. First, as mentioned above, the survey covered only households with telephone service. Thus, the results are biased to the extent that households without telephone service differ from households with telephone service.

Second, although we asked questions designed to tell us about both perceived and actual uses of dividend income, there are inherent difficulties in asking about actual uses of dividend income. In general, respondents may not have perceived correctly how household members used their dividend income. They may not know whether or not special purchases would have been made even without the dividend income, or how much higher or lower their savings and debt would have been without the dividends. In addition, respondents may remember special or exotic uses of their dividend income better, causing them to exaggerate the relative importance of these uses. In some cases, respondents stated that they were not familiar with how some household members had used their dividend checks. For our analysis, we assumed that these household members had used their dividend income in the same way as other household members. However, this assumption represents a possible source of error.

Third, the same survey responses may have different meanings for different households. If a respondent stated that dividend income was used to purchase an automobile, it is uncertain whether all or



only some of the household's dividend checks were used for that purpose.

Fourth, respondents may not have mentioned uses of dividend income which they felt might appear to be illegal, improper, or undesirable. For example, no respondents stated that they had used their dividend income to purchase illegal drugs or that they gambled away their children's dividend income. However, this does not necessarily mean that no dividend income was used in these ways. Presumably, our survey results understate illegal or undesirable uses of dividend income, although we do not know by how much.

Fifth, our survey asked about the "uses" of dividend income as if these uses were fixed. However, as we discussed above, the uses of dividend income depend upon the period of time which is considered since income which is initially saved may later be spent. It is difficult to learn from our survey the extent to which dividend income was saved initially and later spent or the rate at which it was spent. Our "actual use" questions about savings and debt reduction provide an indication of the extent to which household savings and debt were higher or lower at the time of the survey as a result of the dividends. However, the answers to these questions may understate the extent to which dividend income was saved or used to reduce debt for shorter periods of time.

Sixth, the survey questioned only a random sample of Alaskans. Aside from the possibility of bias due to the use of telephone interviews, there may be sample error resulting from chance differences between our sample group and the entire population. The smaller the subgroup of respondents which is considered, the larger the associated sample error. For example, the sample error associated with regional subgroups is larger than that for the survey as a whole. The summary data in Table IV.1 on the number of respondents in different subgroups should be considered in assessing the extent to which survey answers are likely to represent the population of that subgroup as a whole.

Many of these problems are unavoidable in carrying out a survey on a complicated topic such as the use of Permanent Fund dividend income. Respondents do not have unlimited time to answer survey questions and cannot be asked overly complicated financial questions over the telephone. These inherent limitations should be kept in mind when interpreting the survey results. They do not provide perfect information about how Alaskans used their dividend income. Because there are several different possible sources of error, it is not possible to determine precisely how reliable the survey results are. It is possible that they may occasionally be misleading. Nevertheless, we believe that the survey results represent a rich source of information about Alaskans' perceived and actual uses of their Permanent Fund dividend income.



### Overall Effects of Permanent Fund Dividend Income

In order to summarize Alaskans' perceptions as to the overall effects of their dividend income, we asked each respondent the following question for each of the four dividend distributions (1982 adults, 1982 children, 1983 adults, and 1983 children): "Overall, how would you say your household's spending, saving, and debt was changed by your dividend checks?" For each household, we summarized in a brief phrase the most significant effect reported by the respondent. We then grouped these responses in different categories. Table IV.2 shows the share of households with responses in each category, by distribution.

Since the responses to this question are household responses, they are not necessarily representative of dividend recipients. Recipients in larger households are underrepresented while recipients in smaller houses are overrepresented. However, the table provides a general indication of the effects of Permanent Fund dividend income, as perceived by Alaskans.

Table IV.2 shows a wide variation among households in their assessment of the overall effects of the dividends. Many respondents cited significant and wide-ranging benefits as a result of their dividend checks such as "able to eat better," "able to have medical treatment," "helped make it through the winter," "able to buy property and build house," and "helped pay for college." However, for each distribution, over one-third of respondents stated that the Permanent Fund dividends had little or no effect on their households' spending, saving, and debt.

Those differences are not surprising. Since household incomes and wealth vary widely, we would also expect wide variation in the effects of additional income (later in this chapter, we will examine how responses to this question varied among income groups). However, they suggest that there were considerable differences among households in the use of dividend income.

After "little or no effect," the next largest share of respondents cited "savings" as the most important effect of the dividends. This share was about 17 percent for the two adult distributions and 24 percent for the two children's distributions.

For the adult distributions, the next largest share of households cited "debt reduction" as the most important overall effect of dividends (over 10 percent), followed by "unspecified regular expenses" (about 8 percent). For the children's distributions, the third most important effect was "unspecified spending" (about 5 percent), followed by "debt reduction" (also about 5 percent).



TABLE IV.2. MOST SIGNIFICANT OVERALL EFFECTS OF PERMANENT FUND  
DIVIDEND INCOME, AS SUMMARIZED BY RESPONDENTS

(percent of households)

	1982 Adults	1982 Children	1983 Adults	1983 Children
<u>Debt Reduction and Savings</u>	<u>29.3</u>	<u>29.1</u>	<u>28.3</u>	<u>28.5</u>
Debt Reduction	12.1	5.4	10.3	4.5
(Able to pay bills; lowered debt; paid off car; helped pay off car; decreased amount paid on house; didn't have to pay out as much each month; helped with bills; back taxes; prevented debt; school debts lowered; didn't have to borrow money)				
Savings	17.2	23.7	18.0	24.0
(Able to save more; higher savings; helped start an IRA; didn't have to use savings for honeymoon; saved entire amount for son's future; opened two children's savings accounts; security for later on)				
<u>Regular Expenses</u>	<u>8.8</u>	<u>5.4</u>	<u>9.0</u>	<u>3.3</u>
Specified Regular Expenses	1.1	1.9	1.2	0.5
(Able to put money away for taxes; helped pay taxes; able to eat better; buy more food; eased medical expenses; able to have medical treatment; bought extra oil and gas; spent entire amount on clothing and shoes; purchased clothing; school clothes; bought clothes wouldn't have had other- wise; spent on winter gear; able to buy fuel; pay property taxes; purchased necessities for the baby; able to have dental work done in Seattle)				
Unspecified Regular Expenses	7.7	3.5	7.8	2.8
(Improved living situation; helped a lot; eased family living; helped make it through the winter; bought more of what was needed; helped in day-to- day expenses; lived off money while unemployed; a little more security; helped with transportation; bought household items couldn't have had other- wise; improved standard of living)				

Table IV.2. (Continued)  
Page 2 of 4

	1982 Adults	1982 Children	1983 Adults	1983 Children
<u>Special Purchases</u>	<u>6.0</u>	<u>4.4</u>	<u>4.1</u>	<u>1.9</u>
Homes and Property	2.9	1.1	0.9	0.3
(Able to buy property sooner; able to afford a house; able to add on to the house; bought a condo and now have house payments; home improvement; able to make a larger down payment on land; made down payment on a house; able to buy property and build a house)				
Long-term Special Purchases	1.4	1.5	1.9	0.9
(Able to buy furniture; helped pay for repairs; remodeling; purchased a computer that helped with school work and job; able to buy an electric generator; able to buy a car; purchased washer and dryer; purchased a new bedroom set; bought a boat; bought a three-wheeler; helped mother get established; helped with household repairs and improvements; repaired car; helped buy a furnace; bought tires for the trailer; bought a motorcycle; added a bathroom; fixed up track)				
Other Special Purchases	1.7	1.8	1.3	0.7
(Able to take a trip; provided luxuries; made Christmas nicer; able to buy a wedding ring; able to attend grandparents' 50th wedding anniversary; made the trip easier and more pleasant; baby items couldn't have had otherwise; kids stayed at camp longer; bought candy bars for children; life insurance; purchased airline tickets; gave children a trip; used part for recreation; Christmas presents)				
<u>Other Uses</u>	<u>9.6</u>	<u>6.9</u>	<u>1.3</u>	<u>6.1</u>
Investments	0.6	-	0.4	0.6
(see following page)				



Table IV.2. (Continued)  
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	1982 Adults	1982 Children	1983 Adults	1983 Children
(Started a business and improved living condition; helps ability to invest; put into real estate; helped out with the business; purchased stock; increased investments)				
Education	1.2	1.3	0.4	0.8
(Education for children; helped with school expenses; able to learn a second trade; future education; helped pay for college; increased school fund; lowered school debts)				
Charity	0.2	0.3	.0.2	-
(Increased charity contributions; gave to charity)				
Unspecified Spending	7.6	5.3	0.3	4.7
(Extra spending money; spending increased; bought something wouldn't ordinarily have had; able to do things not able to do otherwise; needed at the time; able to make purchases that would have had to be put off; improved children's situation; money would have come off something else; changed style of living; helped pay for a lot of goods; better off financially; took off pressure; increased purchasing power)				
<u>Little or No Effect</u>	<u>34.8</u>	<u>39.6</u>	<u>42.8</u>	<u>42.8</u>
(No difference; helped out a little, not too much; really didn't need the money; no change in spending or debts; very minimal change; savings didn't change)				
<u>Other Effects</u>	=	<u>0.3</u>	<u>0.3</u>	<u>0.1</u>
Collateral or Credit	-	-	-	0.1

Table IV.2. (Continued)  
Page 4 of 4

	1982 Adults	1982 Children	1983 Adults	1983 Children
Reduced Savings	-	0.3	0.2	-
(Savings decreased)				
Better Off Without Check	-	-	0.1	-
(Would have been better off without it)				
Unaccounted for or No Answer Given	<u>11.5</u>	<u>14.3</u>	<u>14.2</u>	<u>17.3</u>
(Don't know; refused to answer)				
	100	100	100	100

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SOURCE: Permanent Fund Dividend Survey; see text for description.



For all distributions, the great majority of households cited either "little or no effect," "savings," "debt reduction," or "regular uses" as the most significant effects of the dividends. All other effects such as "special purchases," "investments," "charity" and "unspecified spending" were mentioned by less than 15 percent of all households.

#### Taxes Paid on Permanent Fund Dividend Income

Having summarized households' responses as to the overall effects of the dividend checks, we may now turn to a detailed examination of the uses of dividend income. We begin with a brief examination of survey responses about taxes paid on dividend income. We discussed taxes on dividend income earlier in Chapter III. Because of the limitations of our survey methodology, the survey is likely to provide relatively less reliable information on tax incidence on dividend income. However, the survey does provide an indication of survey respondents' perceptions of taxes on dividends, as well as a check on the "reasonableness" of the information provided by survey respondents.

For each distribution, we asked survey respondents how much of their households' dividend income went as taxes to the federal government. The responses to this question are summarized in the top half of Table IV.3. In some cases, the responses to these questions appeared unreasonable. For example, some respondents stated that recipients in their households had paid more than 50 percent of their dividend income in federal income taxes, although the highest marginal income tax rate was 50 percent. In other cases, respondents stated that adult household dividend recipients had not used any of their dividend income for taxes, even though total household income was high. In other cases, respondents stated that they did not know how much income had been used for taxes.

In order to correct for these problems, we estimated taxes paid on dividend income for those recipients for whom the survey responses appeared unreasonable or for whom the uses of taxes were not known. We based our estimates on assumed marginal tax rates for the reported household income group. The bottom half of Table IV.3 shows the breakdown of recipients by estimated taxes paid on dividends.

We estimated that over 90 percent of children paid no taxes on either dividend while most of those children who did pay taxes paid less than 10 percent of their dividend income in taxes. In contrast, most adults paid at least some taxes on their dividend income; the largest share of adults were in the 20-to-29 percent category. However, about half of all adults paid more than 30 percent of their dividend income in taxes. Thus, for about half of all adults,

TABLE IV.3. PERCEIVED AND ESTIMATED TAXES, AS SHARE OF  
DIVIDEND INCOME, BY DISTRIBUTION

(Percent of Recipients)

Taxes as Percent of Dividend Income	1982 Adults	1982 Children	1983 Adults	1983 Children
<u>Perceived Taxes</u>				
50 or more	11.7	0	8.4	0
40 - 49	8.0	0.4	8.2	0.6
30 - 39	14.3	0.6	13.5	0.5
20 - 29	15.4	0.8	14.4	0.8
10 - 19	6.0	2.3	7.0	1.8
0 - 9	1.0	8.3	0.6	6.1
0	20.6	78.9	26.6	82.1
Less than half*	<u>23.0</u>	<u>8.9</u>	<u>21.3</u>	<u>8.0</u>
TOTAL	100	100	100	100
<u>Estimated Taxes</u>				
50 or more	12.8	0.0	12.5	0.0
40 - 49	22.3	0.1	7.2	0.5
30 - 39	21.1	0.5	29.1	0.4
20 - 29	28.9	0.7	36.8	0.6
10 - 19	12.6	1.9	13.5	1.5
0 - 9	1.5	6.8	0.4	4.9
0	<u>0.7</u>	<u>90.1</u>	<u>0.6</u>	<u>92.0</u>
TOTAL	100	100	100	100

\*Response category for recipients unable to estimate an actual tax percentage or figure.

SOURCE: Permanent Fund Dividend Survey; see text for description.



after-tax dividend income in 1982 was between \$500 and \$700, rather than \$1,000, while after-tax dividend income in 1983 was between \$190 and \$270, rather than \$386.

The average estimated tax rate on dividend income was 31 percent for the 1982 adult distribution and 30 percent for the 1983 adult distribution. The average estimated tax rate on children's dividends for both distributions was 1 percent. These rates are close to the average tax rate estimated by the Department of Revenue for the 1982 distribution of 28.4 percent for adults and the assumed zero percent rate for children. The slightly higher rates estimated for our survey sample might be explained in part by the exclusion from our survey population of households without telephones, which probably had relatively lower incomes as a group.

#### Effects of the Dividends on After-Tax Income

As an indication of the relative significance of dividend income to our sample households, we estimated percentage increases in after-tax income due to the 1982 and 1983 dividends. We estimated the after-tax value of dividends by subtracting estimated taxes paid on dividends from the value of dividends received. We estimated after-tax nondividend income by applying assumed average tax rates based on total household income and household size.

Our estimates are shown in Table IV.4. We did not have income data for approximately 10 percent of all households and recipients. Thus, the share of each group in the table may be underestimated slightly. For the 1982 distribution, the dividends represented between a 5 and 10 percent increase in household after-tax income for about one-quarter of all recipients and between a 10 and 20 percent increase in household income for another quarter. For about 14 percent of all recipients, the dividends represented more than a 20 percent increase in household after-tax income.

For the 1983 distribution, relative increases in after-tax income were lower. After-tax income increased by more than 10 percent for only about 8 percent of recipients.

At the bottom of Table IV.4, we compare our estimates of the effects of dividends on after-tax income with the estimates which we presented in Chapter III (Table III.9), which were based on income distribution data collected by the 1980 census. If we assume that most of the sample recipients for whom income data were not known were in the 0-5 percent category, then the two sets of estimates are remarkably similar. Our earlier estimates show a substantially higher share for the "greater than 50 percent" category. However, it is likely that our sample underrepresents the share of these households since the poorest households are least likely to have telephones. The similarity of the two sets of estimates tends to support the reliability of each.

TABLE IV.4. ESTIMATED PERCENT INCREASES IN HOUSEHOLD AFTER-TAX  
INCOME DUE TO PERMANENT FUND DIVIDENDS

(Percent of Recipients and Households)

Results Expressed as Percent of	Percentage Increase in Household After-tax Income	1982 Dividends	1983 Dividends		
<hr/>					
<u>Dividend Recipients</u>	0-5	24.0	64.6		
	6-10	27.3	17.7		
	11-20	25.4	6.6		
	21-30	7.5	1.5		
	31-50	5.7	-		
	50 +	0.5	0.1		
	Not known*	<u>9.7</u>	<u>9.5</u>		
	Total	100	100		
<u>Households</u>	0-5	34.2	71.7		
	6-10	25.8	14.2		
	11-20	21.0	4.1		
	21-30	5.5	0.4		
	31-50	3.8	0.1		
	50 +	0.3	0.1		
	Not known*	<u>9.5</u>	<u>9.5</u>		
	Total	100	100		
		Total Alaska	Rural Alaska		
		<hr/>	<hr/>		
		Sample Chapter III	Sample Chapter III		
		Estimates Estimates	Estimates Estimates		
<hr/>					
<u>Comparison of Sample</u>	0-5	24.0	35	17.2	29
<u>Estimates for 1982</u>	6-10	27.3	26	24.0	23
<u>Recipients with</u>	11-20	25.4	21	25.0	22
<u>Estimates Developed</u>	21-30	7.5	8	13.0	10
<u>in Chapter III</u>	31-50	5.7	6	10.4	9
	50 +	0.5	3	1.8	6
	Not Known*	<u>9.7</u>	<u>-</u>	<u>8.6</u>	<u>-</u>
	Total	100	100	100	100

- Less than 0.5 percent.

\*The survey did not obtain income data for these households.

NOTE: Totals may not add exactly to 100 due to rounding.

SOURCE: Permanent Fund Dividend Survey; also, estimates developed in Chapter III,  
shown in Table III.9.



Our estimates of the relative effect of the dividends upon sample recipients' after-tax household incomes suggest again the point that we made in the previous chapter: The dividends represented only a relatively small contribution to after-tax income for many Alaskans in 1982; and for most Alaskans in 1983, the 1982 dividends represented a very substantial contribution to after-tax incomes, as did the 1983 dividends for a small share of Alaskans.

#### Nontax Uses of Permanent Fund Dividend Income

In this section, we discuss nontax uses of Permanent Fund dividend income. We used the survey responses to develop estimates of households' perceived and actual uses of dividend income for four nontax categories:

- o Special purchases
- o Day-to-day purchases
- o Savings
- o Debt reduction

We then divided dividend recipients covered by the survey into eleven groups, based on the perceived uses of dividend income which they had reported. These groups are shown below.

<u>Number of Uses</u>	<u>Group</u>
0	No reported uses
1	Special purchases only Day-to-day purchases only Savings only Debt reduction only
2 or more	Savings and special purchases only Savings and day-to-day purchases only Savings and debt reduction only Debt reduction and special purchases only Debt reduction and day-to-day purchases only All other combinations of uses

We also divided dividend recipients into eleven similarly labeled groups, based on the actual uses of dividend income which they had reported.

Table IV.5 shows the percentage breakdown of dividend recipients among these groups, for each of the four dividend distributions. In order to provide a sense of the organization and interpretation of this table, we will begin by discussing the uses of 1982 adult dividend income in some detail. Subsequently, we will discuss the uses of the other three distributions.

As shown in Table IV.5, for perceived uses of the 1982 adult dividends (shown in the top left-hand column of the table), the "special purchases only" group accounted for the largest share of dividend recipients--26.8 percent. The "savings only" group accounted for the next largest share--18.8 percent. The "day-to-day purchases only" group accounted for 6.9 percent of dividend recipients, and the "debt reduction only" group accounted for 6.7 percent of dividend recipients. Over half of dividend recipients had only one nontax perceived use.

Most of the remaining dividend recipients had two or more perceived uses of their dividends. Among these, the "savings and special purchases only" group accounted for 7.4 percent of recipients while the "debt reduction and day-to-day purchases only" group accounted for 5.0 percent of recipients. Only 5.6 percent of dividend recipients had no reported perceived uses of their dividend income.

Table IV.5 also shows the percentage of recipients who reported at least some special purchases, day-to-day purchases, savings, or debt reduction as perceived uses. Since these groups overlap, the individual percentages may total more than 100. Nearly half (46.7 percent) of all recipients perceived that they had used part of their dividends for special purchases. Two-fifths (40.4 percent) perceived that they used part of their dividends for savings, and nearly one-quarter perceived that they used part of their dividends for day-to-day expenses or debt reduction (26.7 percent and 24.9 percent).

A different pattern emerges when we consider "actual uses" of the 1982 adult dividends, shown in the bottom left-hand column of Table IV.5. The share of recipients who reported at least some special purchases as actual uses (18.9 percent) was much smaller than the share who reported at least some special purchases as perceived uses (46.7 percent). Thus, over one-quarter of all 1982 adult dividend recipients associated some special purchase with the Permanent Fund dividend but would have made this purchase even if they had not received their dividend income. Similarly, only 28.1 percent of recipients felt that their household savings were higher as a result of their dividends, although 40.4 percent of recipients reported savings as a perceived use of their dividend income. Only 15.1 percent of recipients felt that their household debt was lower as a result of their dividend income, although 24.9 percent of recipients reported debt reduction as a perceived use of their dividend income.



TABLE IV.5. REPORTED NONTAX USES OF PERMANENT FUND  
DIVIDENDS, BY DISTRIBUTION

(Percent of Recipients)

Reported Nontax Uses*	1982 Adults	1982 Children	1983 Adults	1983 Children
<b>PERCEIVED USES</b>				
No reported uses	5.6	6.2	5.2	6.5
Special purchases only	26.8	13.6	17.4	12.4
Day-to-day purchases only	6.9	6.3	14.3	9.1
Savings only	18.8	42.4	26.6	47.1
Debt reduction only	6.7	2.1	8.3	2.7
Savings and special purchases only	7.4	10.2	3.7	5.3
Savings and day-to-day purchases only	3.3	4.1	5.6	4.5
Savings and debt reduction only	4.3	0.8	3.2	0.4
Debt reduction and special purchases only	2.7	1.3	1.0	0.4
Debt reduction and day-to-day purchases only	5.0	1.9	7.5	3.1
<u>All other combinations of uses</u>	<u>12.5</u>	<u>11.0</u>	<u>7.2</u>	<u>8.5</u>
Total	100	100	100	100
At least some special purchases	46.7	35.4	27.0	26.1
At least some day-to-day purchases	26.7	23.4	33.9	24.7
At least some savings	40.4	63.6	43.5	61.3
At least some debt reduction	24.9	10.4	23.8	9.6
<b>ACTUAL USES</b>				
No reported uses	36.0	40.5	35.8	45.2
Special purchases only	9.5	11.5	4.6	5.2
Day-to-day purchases only	13.7	12.3	22.6	14.3
Savings only	15.7	18.5	17.6	22.2
Debt reduction only	5.5	2.2	4.6	1.1
Savings and special purchases only	2.5	3.1	0.8	1.3
Savings and day-to-day purchases only	4.2	2.8	4.5	2.2
Savings and debt reduction only	1.8	0.4	1.8	0.0
Debt reduction and special purchases only	1.7	0.3	.3	0.3
Debt reduction and day-to-day purchases only	2.3	1.9	3.5	1.6
<u>All other combinations of uses</u>	<u>7.1</u>	<u>6.5</u>	<u>3.9</u>	<u>6.7</u>
Total	100	100	100	100
At least some special purchases	18.9	20.8	8.1	12.5
At least some day-to-day purchases	26.7	23.4	33.9	24.7
At least some savings	28.1	26.4	27.0	27.6
At least some debt reduction	15.1	6.8	12.7	4.4

\*See text for definitions of uses.

SOURCE: Permanent Fund Dividend Survey; see text for description.



The "no reported uses" group accounted for 36.0 percent of actual uses, compared with only 5.6 percent of perceived uses. This does not mean that these recipients did not use their dividend income, but rather that survey respondents for these households reported no special purchases that recipients would not have made without the dividends, and they reported that the current savings and debt of their households were no higher or lower than they would have been without the dividends. Presumably, dividend income for which no actual uses were reported was spent in ways which respondents did not associate with the dividends, or resulted in changes in savings and debt which respondents did not associate with the dividends. Since an additional 13.7 percent of recipients were in the "day-to-day purchases only" group, nearly half of 1982 adult dividend recipients did not report any actual uses of dividend income for special purchases, savings, or debt reduction.

Having examined uses of 1982 adult dividends, we may next examine dividend uses for other distributions. Comparing the 1982 and 1983 adult distributions, the most striking difference is that a relatively smaller share of recipients reported special purchases as a perceived use (27.0 percent compared to 46.7 percent). Since the 1983 dividend checks were smaller, it is likely that fewer kinds of special purchases were possible with these checks. Correspondingly, the share of recipients reporting day-to-day purchases as a perceived use was larger for the 1983 adult distribution.

The differences between the 1982 and 1983 distributions for actual uses were similar to those for perceived uses. An even greater share of the 1983 adult dividend recipients (58.4 percent) did not report any actual uses of dividend income for special purchases, savings, or debt reduction.

The use patterns for the two children's distributions were similar to each other, but differed in several ways from those for the adult distributions. Among perceived uses, the "savings only" group accounted for 42.4 percent of 1982 children recipients and 47.1 percent of 1983 children recipients. Savings was a perceived use of dividend income for nearly two-thirds of all children. In contrast, the share of children for whom special purchases were reported as perceived uses (35.4 percent in 1982 and 26.4 percent in 1983) was lower than for adults. Similarly, debt reduction was reported as a perceived use of dividend income for a smaller share of children than for adults.

Considering actual uses of children's dividends, the shares of the "no-reported uses" group was even larger than for the adult distributions (40.5 percent in 1982 and 45.2 percent in 1983). The relative difference between perceived and actual uses for savings was greater for children than for adults. This suggests that a larger share of children's checks may have been saved initially than for adults' checks, but that much of this income was later spent.



### Special Purchases Using Permanent Fund Dividend Income

Respondents reported special purchases using Permanent Fund dividend income for approximately one-half of 1982 adult dividend recipients, one-third of 1982 children's dividend recipients, and one-quarter of 1983 adults' and children's dividend recipients. Table IV-6 summarizes the kinds of special purchases which were reported as perceived and actual uses of dividend income. Since the percentages shown in the table are for households, special purchases shown by dividend recipients in larger households may be under-represented compared to those made by dividend recipients in smaller households. For those households for which respondents mentioned more than one special purchases associated with a dividend distribution, we included only the first special purchase in the table.

Respondents associated a wide variety of special purchases with their Permanent Fund dividend income. For the adult distributions, the single largest category of perceived special purchases was airplane tickets, which accounted for one-fifth of special purchases for 1982 adult dividends and one-fourth for 1983 adult dividends. Other categories accounting for at least 3 percent of special purchases in either adult distribution included cars, furniture, houses, car parts and repairs, home additions and repairs, building supplies, televisions, and other appliances. The share of higher-priced special purchases (houses and cars) was greater for the 1982 distribution than for the 1983 distribution.

In 1982, the leading perceived special purchase using children's dividends was bicycles, followed by airplane tickets. In 1983, this order was reversed. Other categories accounting for at least 3 percent of perceived special purchases using children's income included cars, houses, home additions and repairs, stereo equipment, other appliances, vacations, education, Christmas gifts, three-wheelers, and general business investments. Some of these special purchases appear to be items purchased specially for children, while others appear to have been purchased for the household.

TABLE IV.6. REPORTED SPECIAL PURCHASES USING PERMANENT FUND  
DIVIDEND INCOME, BY DISTRIBUTION

(Percent of Households)

	Perceived Effects				Actual Effects			
	1982 Adults	1982 Children	1983 Adults	1983 Children	1982 Adults	1982 Children	1983 Adults	1983 Children
<u>Investments</u>	<u>4.0</u>	<u>1.2</u>	<u>3.3</u>	<u>5.6</u>	<u>5.3</u>	<u>1.2</u>	<u>5.6</u>	<u>5.0</u>
Stocks	1.1	0.4	1.0	1.1	1.5	0.6	1.9	-
General business investments	0.4	0.4	2.3	3.4	0.7	0.6	3.7	2.7
Miscellaneous business investments (gun and trapping supplies, commercial fishing investments, livestock, boat and guide service, gold, and unspecified investments)	2.5	0.4	-	1.1	3.1	-	-	2.3
<u>Education, tuition, books or lessons</u>	<u>7.6</u>	<u>1.5</u>	<u>1.8</u>	<u>5.6</u>	<u>1.1</u>	-	<u>0.8</u>	<u>5.4</u>
<u>Real estate</u>	<u>10.4</u>	<u>6.3</u>	<u>4.7</u>	<u>3.2</u>	<u>13.5</u>	<u>2.8</u>	<u>5.9</u>	<u>2.3</u>
Houses or condos	7.8	5.6	2.7	3.2	11.7	2.8	4.0	2.3
Property, land or real estate	2.6	0.7	2.0	-	1.8	-	1.9	-
<u>Vehicles</u>	<u>15.3</u>	<u>16.9</u>	<u>9.9</u>	<u>11.7</u>	<u>15.2</u>	<u>14.7</u>	<u>9.1</u>	<u>7.0</u>
Cars or trucks	9.5	11.3	4.0	4.0	8.9	9.6	3.2	1.2
Car parts and repairs	2.1	-	3.3	2.1	0.8	-	1.6	2.3
Trailer or camper	0.3	-	0.6	1.2	-	-	-	-
Airplane or airplane parts	0.6	-	0.6	1.1	1.1	-	1.9	-
Boat or boat parts	1.3	0.8	0.7	-	2.0	-	-	-
Motorcycle or motorcycle parts	-	0.4	-	2.8	-	1.2	-	2.3
Snow machines	0.7	0.7	0.2	-	1.4	-	0.8	-
Three-wheelers	0.8	3.7	0.5	0.5	1.0	3.9	1.6	1.2



Table IV.6 (Continued)  
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	Perceived Effects				Actual Effects			
	1982 Adults	1982 Children	1983 Adults	1983 Children	1982 Adults	1982 Children	1983 Adults	1983 Children
<u>Home improvements</u>	<u>8.3</u>	<u>3.2</u>	<u>12.5</u>	<u>9.0</u>	<u>7.0</u>	-	<u>6.2</u>	<u>6.2</u>
Additions and repairs	4.7	3.2	7.8	6.1	4.2	-	3.5	3.5
Building supplies	2.8	-	3.3	1.7	2.2	-	1.9	-
Other (wood stove, water heater, well, generator, electric power, water storage tanks, and phone connections)	0.8	-	1.4	1.2	0.6	-	0.8	2.7
<u>Furniture</u>	<u>9.8</u>	<u>9.0</u>	<u>11.0</u>	<u>2.8</u>	<u>13.5</u>	<u>7.1</u>	<u>13.1</u>	-
<u>Appliances</u>	<u>7.6</u>	<u>9.6</u>	<u>9.9</u>	<u>10.6</u>	<u>8.4</u>	<u>13.1</u>	<u>9.4</u>	<u>11.1</u>
Televisions	3.6	1.6	3.8	0.5	3.9	2.7	4.0	-
Video cassette recorders	1.2	0.8	1.8	-	2.1	-	1.9	-
Stereo equipment	0.6	4.8	0.5	5.7	0.3	7.6	-	6.1
Other appliances (computer equipment, refrigerators, freezers, washers, dryers, and general appliances)	2.2	2.4	3.8	4.4	2.1	2.8	3.5	5.0
<u>Travel</u>	<u>21.1</u>	<u>14.9</u>	<u>28.0</u>	<u>20.8</u>	<u>18.7</u>	<u>13.3</u>	<u>34.2</u>	<u>10.8</u>
Airplane tickets	20.8	12.6	27.4	19.0	18.7	10.9	32.3	9.6
Other travel	0.3	2.3	0.6	1.8	-	2.4	1.9	1.2
<u>Recreation</u>	<u>3.1</u>	<u>5.9</u>	<u>3.0</u>	<u>1.1</u>	<u>5.0</u>	<u>8.0</u>	<u>3.8</u>	<u>1.2</u>
Vacations	2.5	5.9	2.4	1.1	4.3	8.0	1.9	1.2
Other recreation (honeymoons, hunting, fishing, parties, summer camp)	0.6	-	0.6	-	0.7	-	1.9	-
<u>Medical Expenses</u> (General medical expenses, dental work and contact lenses)	<u>0.7</u>	<u>0.8</u>	<u>1.6</u>	-	<u>1.7</u>	<u>1.4</u>	<u>0.8</u>	-

Table IV.6 (Continued)  
Page 3 of 3

	Perceived Effects				Actual Effects			
	1982 Adults	1982 Children	1983 Adults	1983 Children	1982 Adults	1982 Children	1983 Adults	1983 Children
<u>Contributions and Gifts</u>	<u>2.1</u>	<u>1.8</u>	<u>4.7</u>	<u>9.4</u>	<u>2.1</u>	-	<u>5.9</u>	<u>14.8</u>
Christmas gifts	-	1.8	3.0	9.4	-	-	2.4	14.8
Other (general contributions and gifts, charity, church tithes, and gifts to family members)	2.1	-	1.7	-	2.1	-	3.5	-
<u>Day-to-day expenses</u> (household items, personal items, clothing, fuel oil, gas, firewood, rent, condo fees, insurance)	<u>2.4</u>	<u>2.6</u>	<u>2.8</u>	-	<u>0.8</u>	<u>3.2</u>	-	-
<u>Miscellaneous Purchases</u>	<u>2.5</u>	<u>17.9</u>	<u>2.4</u>	<u>11.6</u>	<u>2.3</u>	<u>19.5</u>	<u>2.7</u>	<u>30.8</u>
Toys	-	1.1	-	1.6	-	1.8	-	7.7
Bicycles	-	14.4	-	10.0	-	14.3	-	18.0
Other miscellaneous (rafts, skis, dog sleds, rifles, tools, video games, musical instruments, weddings, moving expenses)	1.4	2.0	1.9	-	1.0	2.8	2.7	5.1
Beer, gambling, or lost the money	1.1	0.4	0.5	-	1.3	0.6	-	-
<u>Savings</u>	<u>0.3</u>	<u>2.0</u>	-	-	-	-	-	-
<u>Debts, loans, and bills</u>	<u>2.3</u>	-	-	-	<u>1.8</u>	-	-	-
<u>Taxes</u>	-	-	<u>1.6</u>	-	-	-	-	-
<u>Unaccounted for and rounding error</u>	<u>2.5</u>	<u>6.4</u>	<u>2.8</u>	<u>8.6</u>	<u>3.6</u>	<u>15.7</u>	<u>2.5</u>	<u>5.4</u>

- Less than 0.5 percent.

NOTE: Table is based on first special use reported for those purchases.

SOURCE: Permanent Fund descriptions.



### Overall Uses of Permanent Fund Dividend Income

In this section, we present estimates of the overall actual uses of Permanent Fund dividend income for savings, debt reduction, special purchases, day-to-day purchases, and taxes.

Table IV.7 shows the breakdown of total perceived and actual uses of income for each of the four distributions, as a percentage of the total value of recipients' dividends. For both the perceived and actual uses, the shares of total dividend value used for taxes are based on the estimated taxes discussed above (which also formed the basis for the figures in Table IV.3). The shares of total dividend value for the other perceived use and actual use categories were obtained by summing the values of perceived uses and actual uses for each dividend recipient. We will use the reported actual use values in developing estimates of overall uses of dividend income.

For savings and debt reduction, there are both positive and negative actual use categories. In the survey, the actual use questions were phrased "Without the dividend checks, would your household savings (or debt) be higher, lower, or the same as they are now?" and "How many dollars higher or lower do you think your household savings (or debts) are because of the dividend checks?" Some respondents answered that their household savings were lower as a result of the checks or that their household debt was higher. For these households, recipients' actual uses for savings and debt reduction were negative.

It is unclear to what extent some recipients really did reduce their savings or increase their debt as a result of their dividend checks. It is possible that for some households, the dividend checks stimulated spending of an amount greater than the checks for major purchases such as automobiles or homes, causing household savings to decline or debt to rise. Some households may have used the entire amount of their checks for day-to-day purchases, and then had to draw down their savings in order to pay the taxes on their dividend income. However, another possible explanation for why some respondents stated that their household savings were lower or that their debt was higher is simply that they misunderstood the question; they may have meant that without the dividends their savings would have been lower or their debt higher. In estimating overall uses of dividend income, we will assume that respondents answered the question correctly--that is, we will use the net values of positive and negative changes in savings and debt.

Not all respondents reported actual uses of household dividend income equaling the value of dividend income received. For those households with reported actual uses totaling less than the value of dividends received, the share of income which was "unaccounted for" was positive. For those households with reported actual uses totaling more than the value of dividends received, the share of

TABLE IV.7. REPORTED USES OF PERMANENT FUND DIVIDEND INCOME,  
BY DISTRIBUTION

(Percent of Value of Dividend Income)

Distribution	Special Purchases	Day-to-Day Purchases	Change in Savings		Reduction in Debt		Taxes	Unaccounted for	
			Positive	Negative	Positive	Negative		Positive	Negative
Including uses which would have occurred even without dividends									
1982 Adults	37	12	28	–	14	–	31	6	29
1982 Children	20	11	53	–	6	–	1	13	–4
1983 Adults	23	21	36	–	15	–	30	7	–33
1983 Children	17	14	54	–	5	–	1	13	–3
Excluding uses which would have occurred even without dividends									
1982 Adults	16	12	21	–3	10	–1	31	34	–19
1982 Children	11	11	22	–4	4	–1	1	58	–2
1983 Adults	7	21	22	–4	10	–2	30	35	–20
1983 Children	7	13	24	–4	2	–1	1	59	–2

SOURCE: Permanent Fund Dividend Survey; see text for description.



income which was "unaccounted for" was negative as shown in Table IV.7. In developing estimates of overall dividend use, we had to account for this income which was not accounted for by the survey.

There was no clear, single-best assumption to make about the uses of this income. Therefore, we developed three different sets of estimates for the overall uses of dividend income, based on three different sets of assumptions about the uses of positive and negative "unaccounted for" income. These estimates are shown in Table IV.8.

For the first set of estimates (A), we assumed that positive "unaccounted for" income had been used for day-to-day purchases. In other words, for those households for which reported actual uses of dividend income were less than the total value of the income, the remaining income was used for regular expenses which did not stand out in the minds of the respondents. We also assumed that negative "unaccounted for" income reflected a decline in day-to-day expenses. In other words, those households for which reported actual uses of dividend income exceeded the total value of the income must have reduced their day-to-day expenses in order to afford the other uses.

For the second set of estimates (B), we kept the same assumption about positive "unaccounted for" income, but we subtracted negative "unaccounted for" income proportionately from reported nontax actual uses. In other words, we assumed that those respondents who had reported actual uses of dividend income exceeding the value of the income had simply overestimated these uses.

For the third set of estimates (C), we kept this same assumption about negative "unaccounted for" income, but we added positive "unaccounted for" income proportionately to reported nontax actual uses. In other words, we assumed that those respondents who had reported actual uses of dividend income less than the value of the income had simply underestimated these uses.

Although they do not allow us to determine precisely how dividend income was used, the three sets of estimates shown in Table IV.8 provide a range within which it is likely that actual uses of dividend income fell. Considering first the 1982 adult distribution, almost one-third of the distribution--31 percent--was paid to the federal government as income taxes. Between 11 and 18 percent of total dividend income was saved. Between 5 and 9 percent of dividend income was used to reduce debt. Between 10 and 16 percent of dividend income was used for special purchases. The remaining income--between 27 and 43 percent of the total--was used for day-to-day purchases. Thus, about one-third of the 1982 adult dividends were used for taxes; between one-third and one-half was spent; and the remainder was either saved or used to reduce debt.

TABLE IV.8. ESTIMATED AGGREGATE USES OF PERMANENT FUND  
DIVIDEND INCOME, BY DISTRIBUTION

(Percent of Value of Dividend Income)

Assumptions about Unaccounted-for Income

Positive (actual uses less than value of dividend)	Negative (actual uses more than value of dividend)	Distribution	Uses as Percent of Aggregate Value of Dividend Income				
			Special Purchases	Savings	Debt Reduction	Day-to-Day Purchases	Taxes
A. Added to day- to-day purchases	A. Subtracted from day-to-day purchases	1982 Adults	16	18	9	27	31
		1982 Children	11	18	3	67	1
		1983 Adults	7	18	8	36	30
		1983 Children	7	20	1	70	1
B. Added to day- to-day purchases	B. Subtracted from nontax actual uses propor- tionately	1982 Adults	10	11	5	43	31
		1982 Children	11	17	3	68	1
		1983 Adults	5	10	4	51	30
		1983 Children	7	20	1	71	1
C. Added to nontax actual uses proportionately*	C. Subtracted from nontax actual uses propor- tionately	1982 Adults	11	16	7	35	31
		1982 Children	14	27	5	53	1
		1983 Adults	5	17	7	41	30
		1983 Children	9	29	6	55	1

\*For recipients with no reported actual uses, all positive unallocated income was added to day-to-day purchases.

SOURCE: Permanent Fund Dividend Survey; see text for description.



For the 1983 adult distribution, the estimated shares for taxes, savings, and debt reduction were about the same as for the 1982 adult distribution. However, only about 5 percent was used for special purchases while the share of day-to-day purchases was higher--between 36 and 51 percent.

Comparing the uses of children's dividends with adults' dividends, the most striking difference is that only a very small share--about 1 percent--was used for taxes. In addition, a smaller share of children's dividends was used to reduce debt. In contrast, estimated savings from children's dividends were higher--between 18 and 29 percent. Day-to-day purchases were also higher--between 53 and 71 percent. Special purchases were in about the same range for children's dividends as for adult dividends in 1982--between 11 and 14 percent. They accounted for a slightly lower share of children's dividends in 1983--less than 9 percent.

#### Decisions on the Uses of Children's Dividends

For both the 1982 and 1983 children's distributions, we asked the question "Who decided what to do with your children's checks: your children alone, parents and children together, or parents alone?" Table IV.9 summarizes the answers to this question, broken down by the age of the youngest child in the household. For the 1982 distribution, decisions were made by parents alone in about 53 percent of all households; by parents and children together in about 53 percent of all households; and by children alone in only about 6 percent of all households. For the 1983 distribution, the decision making was similar, although decisions were made by children alone in a slightly higher share of households.

As the age of the youngest child in the household increased, the share of households in which parents alone made the decision decreased while the share of households in which children alone made the decision increased. However, even among children aged 16 and 17, children made the decisions alone in only about one-fifth of all households for the 1982 dividends, and in slightly over one-third of all households for the 1983 dividends.

Table IV.10 shows how perceived and actual uses of children's checks differed depending upon whether the decisions were made by children alone, by parents and children together, or by parents alone. There were dramatic differences in the uses of children's dividends among the three kinds of households, especially for the 1983 dividends. The greater the children's say in the use of dividends, the more the money was used for special purchases and day-to-day purchases. The greater the parents' say in the use of dividends, the more the money was used for savings and debt reduction.

TABLE IV.9 DECISIONS ON THE USE OF CHILDREN'S DIVIDEND CHECKS,  
BY AGE OF YOUNGEST CHILD AND DISTRIBUTION

(Percent of Households)

Distribution	Age of Youngest Child	Decision Made by Children Alone	Decisions Made by Parents & Children Together	Decision Made by Parents Alone	Total	Number of Households in Sample
1982	0-17	6	41	53	100	366
	0- 5	0	11	89	100	120
	6-13	3	50	47	100	150
	14-15	15	60	25	100	40
	16-17	21	70	9	100	56
1983	0-17	9	40	51	100	394
	0- 5	2	11	87	100	123
	6-13	6	49	45	100	166
	14-15	6	63	31	100	48
	16-17	37	56	7	100	57

NOTE: Totals may not add exactly to 100 due to rounding.

SOURCE: Permanent Fund Dividend Survey; see text for description.



TABLE IV.10. REPORTED NONTAX USES OF CHILDREN'S PERMANENT FUND DIVIDENDS,  
BY DECISION MAKING AS TO USE

(Percent of Recipients)

	<u>1 9 8 2</u>		
Reported Nontax Uses*	Children Alone	Parents & Children Together	Parents Alone
<b>PERCEIVED USES</b>			
No reported uses	9.6	5.5	4.0
Special purchases only	35.1	14.2	10.8
Day-to-day purchases only	8.9	4.7	7.7
Savings only	31.6	38.4	48.5
Debt reduction only	0.0	1.0	3.6
Savings and special purchases only	0.0	13.6	9.0
Savings and day-to-day purchases only	11.4	3.4	3.6
Savings and debt reduction only	0.0	0.4	1.5
Debt reduction and special purchases only	0.0	0.4	2.5
Debt reduction and day-to-day purchases only	0.0	2.2	1.9
<u>All other combinations of uses</u>	<u>3.4</u>	<u>16.3</u>	<u>7.1</u>
Total	100	100	100
At least some special purchases	38.5	44.5	27.8
At least some day-to-day purchases	23.7	26.6	20.2
At least some savings	43.0	64.5	67.5
At least some debt reduction	0.0	9.3	12.5
<b>ACTUAL USES</b>			
No reported uses	43.5	40.3	38.8
Special purchases only	18.4	13.3	9.4
Day-to-day purchases only	21.6	10.4	12.6
Savings only	14.4	13.1	24.5
Debt reduction only	0.0	1.0	3.8
Savings and special purchases only	0.0	5.0	2.0
Savings and day-to-day purchases only	2.1	4.4	1.9
Savings and debt reduction only	0.0	0.6	0.3
Debt reduction and special purchases only	0.0	0.0	0.6
Debt reduction and day-to-day purchases only	0.0	1.6	2.6
<u>All other combinations of uses</u>	<u>0.0</u>	<u>10.2</u>	<u>3.4</u>
Total	100	100	100
At least some special purchases	18.4	28.6	14.3
At least some day-to-day purchases	23.7	26.6	20.2
At least some savings	16.5	25.2	30.3
At least some debt reduction	0.0	6.5	8.9

\*See text for definitions of uses.

SOURCE: Permanent Fund Dividend Survey; see text for description.

TABLE IV.10. (Continued)  
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	<u>1 9 8 3</u>		
Reported Nontax Uses*	Children Alone	Parents & Children Together	Parents Alone
<b>PERCEIVED USES</b>			
No reported uses	13.0	5.0	4.1
Special purchases only	15.5	16.1	8.5
Day-to-day purchases only	8.2	9.3	9.6
Savings only	23.3	42.3	56.8
Debt reduction only	1.9	0.7	4.9
Savings and special purchases only	10.3	5.8	4.0
Savings and day-to-day purchases only	16.1	5.6	1.3
Savings and debt reduction only	0.0	0.6	0.3
Debt reduction and special purchases only	0.0	0.5	0.4
Debt reduction and day-to-day purchases only	0.0	2.5	4.3
<u>All other combinations of uses</u>	<u>11.7</u>	<u>11.4</u>	<u>5.6</u>
Total	100	100	100
At least some special purchases	37.5	33.4	17.9
At least some day-to-day purchases	36.0	28.9	19.8
At least some savings	54.6	60.1	65.0
At least some debt reduction	1.9	7.6	13.7
<b>ACTUAL USES</b>			
No reported uses	40.3	41.5	48.4
Special purchases only	11.4	8.1	1.4
Day-to-day purchases only	18.5	16.0	12.8
Savings only	9.1	20.5	25.8
Debt reduction only	0.0	0.0	2.3
Savings and special purchases only	3.3	1.1	1.2
Savings and day-to-day purchases only	10.7	1.7	1.2
Savings and debt reduction only	-	-	-
Debt reduction and special purchases only	0.0	0.0	0.6
Debt reduction and day-to-day purchases only	0.0	1.2	2.4
<u>All other combinations of uses</u>	<u>6.8</u>	<u>10.0</u>	<u>3.8</u>
Total	100	100	100
At least some special purchases	21.5	18.0	6.3
At least some day-to-day purchases	36.0	28.9	19.8
At least some savings	23.0	25.8	30.0
At least some debt reduction	0.0	2.9	6.9

\*See text for definitions of uses.



#### Differences Among Income Groups in the Uses of Dividend Income

As shown in Table IV.11, the relative contribution of dividends to household after-tax income varied substantially among income groups. Among our sample, the 1982 Permanent Fund dividends increased after-tax household income by more than 20 percent for over half of recipients in households with incomes of less than \$26,000. In higher-income groups, the relative increase in after-tax income was less than 20 percent for almost all recipients. The 1983 dividends increased after-tax household income by more than 10 percent for one-quarter of recipients in the lowest household income quarter, but by less than 5 percent for most other recipients.

Table IV.12 compares the most significant overall effects of dividends reported by respondents for different income groups. For all distributions, the shares of respondents reporting debt reduction or regular expenses as the most significant overall effects fell sharply as household income rose. In contrast, the share of respondents reporting savings or "little or no effect" as the most significant effects of dividend income tended to rise sharply as income rose. For all distributions, over half of all respondents in the highest household income groups reported that the dividends had little or no effect.

Table IV.13 compares reported nontax uses of dividend income for different income groups. For all four dividend distributions, the same patterns hold. As income rises, the share of recipients for whom special purchases were reported as a use tends to fall. Similarly, the share of recipients for whom some day-to-day purchases and debt reduction is reported as uses tend to rise. In contrast, the share of recipients for whom there are no reported uses tends to rise with income, as does the share of recipients for whom savings is reported as a use. For the 1982 adult distribution, over half of all recipients in the highest household income group had no reported actual use, compared to less than one-third of recipients in the lowest household income group.

Table IV.14 shows estimated aggregate uses of Permanent Fund dividend income by income group, for three different sets of assumptions about the uses of "unaccounted for" income. The patterns are similar although not exactly the same under all three sets of estimates. In general, the share of income used for taxes rose as income rose, while the share used for debt reduction fell. The patterns are less clear for the other use categories: in general, the lowest-income households saved a smaller share of their dividend income, while using a larger share for special purchases.

TABLE IV.11. ESTIMATED PERCENT INCREASES IN HOUSEHOLD AFTER-TAX  
INCOME DUE TO PERMANENT FUND DIVIDENDS,  
BY INCOME GROUP

(Percent of Recipients and Households)

Results Expressed as Percent of	Percentage Increase in Household After-tax Income	1982 Dividends				1983 Dividends			
		Less than \$26,000	\$26,000- \$40,000	\$41,000- \$60,000	More than \$60,000	Less than \$26,000	\$26,000 \$40,000	\$41,000 \$60,000	More than \$60,000
<u>Dividend Recipients</u>									
	0-5	4.1	17.7	30.6	63.1	29.8	69.9	97.2	100.0
	6-10	9.9	33.7	46.3	35.6	44.4	24.1	2.8	-
	11-20	37.2	45.6	23.1	1.4	24.1	0.8	-	-
	21-30	25.5	3.0	-	-	1.3	5.2	-	-
	31-50	21.4	-	-	-	0.1	-	-	-
	50 +	1.8	-	-	-	0.3	-	-	-
<u>Households</u>									
	0-5	11.0	32.5	48.5	75.9	48.9	84.1	98.8	100.0
	6-10	18.5	35.7	39.0	23.4	36.0	14.9	1.2	-
	11-20	38.9	30.6	12.5	0.8	13.7	0.3	-	-
	21-30	17.8	1.2	-	-	0.9	0.7	-	-
	31-50	12.7	-	-	-	0.2	-	-	-
	50 +	1.1	-	-	-	0.2	-	-	-

- Less than 0.5 percent.

NOTE: Totals may not add exactly to 100 due to rounding.

SOURCE: Permanent Fund Dividend Survey.



TABLE IV.12. MOST SIGNIFICANT OVERALL EFFECTS OF PERMANENT FUND  
DIVIDEND INCOME, AS SUMMARIZED BY RESPONDENTS,  
BY DISTRIBUTION AND INCOME GROUP

(Percent of Households)

	1982 Adults				1982 Children			
	Under \$26,000	\$26,000- \$40,000	\$41,000- \$60,000	More Than \$60,000	Under \$26,000	\$26,000- \$40,000	\$41,000- \$60,000	More Than \$60,000
Overall Effect								
<u>Debt Reduction and Savings</u>								
Debt reduction	18.3	13.8	11.9	4.9	10.7	5.5	1.9	1.7
Savings	9.1	19.3	25.0	15.8	20.1	24.5	28.9	21.7
<u>Regular Expenses</u>								
Specified regular expenses	2.3	1.3	0.6	1.3	4.4	1.1	1.7	-
Unspecified regular expenses	12.0	4.9	6.6	4.2	8.6	3.4	1.1	0.7
<u>Special Purchases</u>								
Homes and property	2.4	4.6	2.7	1.7	-	2.7	2.5	-
Long-term special purchases	2.1	1.8	0.7	0.9	1.9	2.3	1.1	-
Other special purchases	2.0	2.0	1.2	1.6	4.8	-	1.3	-
<u>Other Uses</u>								
Investments	1.7	-	0.3	-	-	-	-	-
Education	2.6	1.4	-	-	0.5	0.5	3.4	-
Charity	-	-	-	0.9	-	-	1.1	-
Unspecified spending	7.8	5.7	7.4	6.4	6.1	4.5	5.8	2.2
<u>Little or No Effect</u>	27.9	36.3	33.5	49.3	31.7	41.1	38.7	52.6
<u>Other Effects</u>								
Collateral or credit	-	-	-	-	-	-	-	-
Increased debt	-	-	-	-	-	-	-	-
Reduced savings	-	-	-	-	-	-	-	1.7
Better off without check	-	-	-	-	-	-	-	-
<u>Unaccounted for or No Answer Given</u>	<u>11.8</u>	<u>8.9</u>	<u>10.1</u>	<u>13.0</u>	<u>11.2</u>	<u>14.4</u>	<u>12.5</u>	<u>19.4</u>
TOTAL	100	100	100	100	100	100	100	100

Table IV.12. (Continued)  
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	1983 Adults				1983 Children			
	Under \$26,000	\$26,000– \$40,000	\$41,000– \$60,000	More Than \$60,000	Under \$26,000	\$26,000– \$40,000	\$41,000– \$60,000	More Than \$60,000
Overall Effect								
<u>Debt Reduction and Savings</u>								
Debt reduction	17.9	11.0	7.8	4.2	5.8	4.3	5.7	2.6
Savings	12.2	17.8	19.8	23.0	16.3	27.3	30.4	20.9
<u>Regular Expenses</u>								
Specified regular expenses	1.4	0.7	–	1.7	1.3	0.6	–	–
Unspecified regular expenses	12.2	9.0	6.2	0.8	7.7	1.9	–	–
<u>Special Purchases</u>								
Homes and property	1.1	–	2.2	0.8	0.9	–	–	–
Long-term special purchases	2.2	0.9	2.5	1.8	0.8	1.8	1.2	–
Other special purchases	1.8	1.6	0.7	0.8	0.9	–	1.2	–
<u>Other Uses</u>								
Investments	1.0	–	–	–	2.0	–	–	–
Education	0.5	–	0.6	0.4	0.9	1.2	1.0	–
Charity	–	–	–	0.9	–	–	–	–
Unspecified spending	6.4	4.8	7.6	3.5	7.4	3.0	3.8	1.5
<u>Little or No Effect</u>	33.3	46.1	45.2	52.8	33.4	48.7	36.4	60.9
<u>Other Effects</u>								
Collateral or credit	–	–	–	–	–	0.6	–	–
Increased debt	–	–	–	–	–	–	–	–
Reduced savings	–	–	–	0.9	–	–	–	–
Better off without check	–	–	0.3	–	–	–	–	–
<u>Unaccounted for or No Answer Given</u>	<u>10.0</u>	<u>8.1</u>	<u>7.1</u>	<u>8.4</u>	<u>22.6</u>	<u>10.6</u>	<u>20.3</u>	<u>14.1</u>
TOTAL	100	100	100	100	100	100	100	100

SOURCE: Permanent Fund Dividend Survey; see text for description.



TABLE IV.13. REPORTED NONTAX USES OF PERMANENT FUND  
DIVIDENDS, BY INCOME GROUP  
(Percent of Recipients)

Reported Nontax Uses*	1982 Adults			
	Less than \$26,000	\$26,000- \$40,000	\$41,000- \$60,000	More than \$60,000
<b>PERCEIVED USES</b>				
No reported uses	5.0	4.2	4.7	5.5
Special purchases only	28.5	29.0	29.6	26.4
Day-to-day purchases only	9.1	5.8	5.1	5.6
Savings only	10.3	19.3	19.6	24.5
Debt reduction only	8.8	9.0	5.3	4.8
Savings and special purchases only	6.2	4.1	8.4	12.8
Savings and day-to-day purchases only	0.7	3.6	3.9	5.8
Savings and debt reduction only	1.9	3.3	6.0	4.8
Debt reduction and special purchases only	3.4	1.5	4.0	1.9
Debt reduction and day-to-day purchases only	6.7	7.3	5.0	0.3
<u>All other combinations of uses</u>	<u>19.3</u>	<u>12.8</u>	<u>8.3</u>	<u>7.6</u>
Total	100	100	100	100
At least some special purchases	54.2	44.3	49.1	45.4
At least some day-to-day purchases	34.3	29.2	19.5	19.3
At least some savings	28.5	36.6	44.1	53.4
At least some debt reduction	28.7	28.1	25.3	15.8
<b>ACTUAL USES</b>				
No reported uses	29.6	34.8	30.4	50.1
Special purchases only	11.0	10.3	13.0	5.3
Day-to-day purchases only	14.9	12.2	11.5	11.5
Savings only	9.7	13.1	22.1	17.7
Debt reduction only	6.3	8.9	6.7	1.1
Savings and special purchases only	1.7	0.8	5.0	3.8
Savings and day-to-day purchases only	4.7	5.3	3.6	4.3
Savings and debt reduction only	3.8	0.9	1.3	1.2
Debt reduction and special purchases only	2.9	1.3	0.7	1.5
Debt reduction and day-to-day purchases only	3.3	2.7	2.7	1.3
<u>All other combinations of uses</u>	<u>12.2</u>	<u>9.7</u>	<u>3.2</u>	<u>2.1</u>
Total	100	100	100	100
At least some special purchases	23.6	18.8	21.9	12.3
At least some day-to-day purchases	34.3	29.2	19.5	19.3
At least some savings	26.4	26.1	34.3	27.8
At least some debt reduction	24.5	17.9	12.6	5.5

\*See text for definitions of uses.

NOTE: Totals may not total exactly 100 due to rounding.

SOURCE: Permanent Fund Dividend Survey; see text for description.

TABLE IV.13. (Continued)  
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1982 Children				
Reported Nontax Uses*	Less than \$26,000	\$26,000- \$40,000	\$41,000- \$60,000	More than \$60,000
<b>PERCEIVED USES</b>				
No reported uses	6.4	8.7	2.9	5.1
Special purchases only	14.5	15.0	19.0	7.9
Day-to-day purchases only	11.1	7.6	1.1	2.7
Savings only	28.1	42.8	41.4	67.1
Debt reduction only	4.6	0.0	1.1	0.0
Savings and special purchases only	6.7	11.1	13.7	9.0
Savings and day-to-day purchases only	4.3	3.0	5.9	0.8
Savings and debt reduction only	1.2	1.5	0.7	0.0
Debt reduction and special purchases only	1.8	0.0	2.0	1.6
Debt reduction and day-to-day purchases only	3.8	2.8	0.6	0.8
<u>All other combinations of uses</u>	<u>17.5</u>	<u>7.5</u>	<u>11.6</u>	<u>5.1</u>
Total	100	100	100	100
At least some special purchases	40.5	33.6	44.6	22.0
At least some day-to-day purchases	36.8	20.9	19.3	9.4
At least some savings	46.6	64.9	69.3	82.0
At least some debt reduction	19.1	7.3	8.1	5.7
<b>ACTUAL USES</b>				
No reported uses	31.7	37.1	44.1	57.1
Special purchases only	14.1	14.4	13.9	3.7
Day-to-day purchases only	16.8	14.5	5.3	5.1
Savings only	9.9	22.9	16.8	25.7
Debt reduction only	3.1	1.5	2.4	1.6
Savings and special purchases only	3.2	2.1	2.9	2.4
Savings and day-to-day purchases only	3.1	1.2	7.2	0.0
Savings and debt reduction only	0.6	1.2	0.0	0.0
Debt reduction and special purchases only	0.7	0.0	0.0	0.0
Debt reduction and day-to-day purchases only	4.5	1.6	0.0	1.6
<u>All other combinations of uses</u>	<u>12.3</u>	<u>3.6</u>	<u>7.3</u>	<u>2.7</u>
Total	100	100	100	100
At least some special purchases	30.4	19.4	23.0	8.0
At least some day-to-day purchases	36.8	20.9	19.3	9.4
At least some savings	19.0	29.1	28.7	29.0
At least some debt reduction	12.2	5.8	5.3	4.0

\*See text for definitions of uses.

NOTE: Totals may not total exactly 100 due to rounding.

SOURCE: Permanent Fund Dividend Survey; see text for description.



TABLE IV.13. (Continued)  
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1983 Adults				
Reported Nontax Uses*	Less than \$26,000	\$26,000- \$40,000	\$41,000- \$60,000	More than \$60,000
<b>PERCEIVED USES</b>				
No reported uses	2.5	5.7	6.7	4.3
Special purchases only	23.0	16.1	15.6	19.3
Day-to-day purchases only	17.8	13.8	15.6	8.9
Savings only	14.7	27.5	28.9	36.7
Debt reduction only	12.7	9.9	5.4	4.6
Savings and special purchases only	1.7	3.0	6.0	5.8
Savings and day-to-day purchases only	3.0	6.4	1.6	11.0
Savings and debt reduction only	3.3	1.6	3.6	1.7
Debt reduction and special purchases only	1.1	2.0	1.2	0.0
Debt reduction and day-to-day purchases only	9.4	8.6	7.1	4.4
<u>All other combinations of uses</u>	<u>10.9</u>	<u>5.4</u>	<u>8.3</u>	<u>3.3</u>
Total	100	100	100	100
At least some special purchases	35.6	23.6	26.9	26.9
At least some day-to-day purchases	39.6	33.5	31.9	27.6
At least some savings	26.7	43.3	46.5	57.4
At least some debt reduction	30.2	25.7	22.6	13.0
<b>ACTUAL USES</b>				
No reported uses	32.5	36.5	31.5	44.4
Special purchases only	2.8	5.6	7.8	2.5
Day-to-day purchases only	25.4	22.3	20.6	19.4
Savings only	12.5	18.5	21.4	21.1
Debt reduction only	6.5	4.0	3.3	2.6
Savings and special purchases only	1.4	0.3	0.3	0.7
Savings and day-to-day purchases only	2.1	6.1	4.3	4.5
Savings and debt reduction only	2.1	1.2	2.9	1.0
Debt reduction and special purchases only	0.8	0.3	0.3	0.0
Debt reduction and day-to-day purchases only	4.7	3.2	4.7	2.8
<u>All other combinations of uses</u>	<u>9.2</u>	<u>1.9</u>	<u>3.0</u>	<u>0.8</u>
Total	100	100	100	100
At least some special purchases	10.7	6.9	10.2	4.0
At least some day-to-day purchases	39.6	33.5	31.9	27.6
At least some savings	23.9	27.4	30.7	27.4
At least some debt reduction	19.9	10.0	12.9	6.5

\*See text for definitions of uses.

NOTE: Totals may not total exactly 100 due to rounding.

SOURCE: Permanent Fund Dividend Survey; see text for description.

TABLE IV.13. (Continued)  
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1983 Children				
Reported Nontax Uses*	Less than \$26,000	\$26,000- \$40,000	\$41,000- \$60,000	More than \$60,000
<b>PERCEIVED USES</b>				
No reported uses	7.8	3.5	4.3	7.7
Special purchases only	15.3	12.9	10.9	11.6
Day-to-day purchases only	16.4	9.7	3.2	5.3
Savings only	27.3	43.1	59.3	63.6
Debt reduction only	3.0	4.8	2.5	1.2
Savings and special purchases only	6.6	6.8	6.2	2.5
Savings and day-to-day purchases only	4.8	8.5	1.5	4.3
Savings and debt reduction only	0.0	0.6	0.0	0.0
Debt reduction and special purchases only	0.8	0.8	0.0	0.0
Debt reduction and day-to-day purchases only	4.8	4.3	1.7	1.7
<u>All other combinations of uses</u>	<u>13.2</u>	<u>4.9</u>	<u>10.3</u>	<u>2.1</u>
Total	100	100	100	100
At least some special purchases	35.9	24.4	26.2	16.2
At least some day-to-day purchases	39.2	25.2	16.8	13.3
At least some savings	41.0	63.1	75.6	72.5
At least some debt reduction	12.1	14.4	7.0	5.0
<b>ACTUAL USES</b>				
No reported uses	39.5	34.9	50.6	56.7
Special purchases only	5.1	8.9	2.6	5.1
Day-to-day purchases only	18.7	21.9	7.3	8.8
Savings only	12.4	25.8	28.9	22.8
Debt reduction only	1.3	2.3	0.0	1.2
Savings and special purchases only	2.0	1.6	1.2	0.8
Savings and day-to-day purchases only	5.1	0.7	0.9	2.4
Savings and debt reduction only	0.0	0.0	0.0	0.0
Debt reduction and special purchases only	0.0	1.3	0.0	0.0
Debt reduction and day-to-day purchases only	3.3	1.0	1.7	0.0
<u>All other combinations of uses</u>	<u>12.7</u>	<u>1.6</u>	<u>6.8</u>	<u>2.1</u>
Total	100	100	100	100
At least some special purchases	19.8	12.5	7.8	8.0
At least some day-to-day purchases	39.2	25.2	16.8	13.3
At least some savings	20.0	29.8	36.0	26.0
At least some debt reduction	6.4	5.5	4.6	1.2

\*See text for definitions of uses.

NOTE: Totals may not total exactly 100 due to rounding.

SOURCE: Permanent Fund Dividend Survey; see text for description.



TABLE IV.14. ESTIMATED AGGREGATE USES OF PERMANENT FUND  
DIVIDEND INCOME, BY DISTRIBUTION AND INCOME CLASS

(Percent of Value of Dividend Income)

Assumptions about Unaccounted-for Income

Positive (actual uses less than value of dividend)	Negative (actual uses more than value of dividend)	Distribution and Income Class	Uses as Percent of Aggregate Value of Dividend Income				
			Special Purchases	Savings	Debt Reduction	Day-to-Day Purchases	Taxes
A. Added to day- to-day purchases	A. Subtracted from day-to-day purchases	<u>1982 Adults</u>					
		< \$26,000	19.0	15.4	13.3	31.2	21.0
		\$26,000-\$40,000	18.3	15.3	11.5	24.3	30.6
		\$41,000-\$60,000	17.6	25.4	6.2	13.3	37.5
		> \$60,000	9.4	13.8	3.2	31.7	41.8
		<u>1982 Children</u>					
		< \$26,000	14.8	11.2	4.6	68.9	0.4
		\$26,000-\$40,000	10.2	24.4	5.8	58.8	0.8
		\$41,000-\$60,000	13.0	19.1	1.8	65.0	1.2
		> \$60,000	4.2	19.4	1.7	74.2	0.4
		<u>1983 Adults</u>					
		< \$26,000	9.0	18.9	12.8	38.7	20.7
		\$26,000-\$40,000	6.2	18.7	6.1	40.4	28.6
		\$41,000-\$60,000	10.2	18.6	8.5	27.2	35.4
		> \$60,000	3.4	17.0	1.3	37.0	41.3
		<u>1983 Children</u>					
		< \$26,000	10.7	14.1	1.2	73.3	0.7
		\$26,000-\$40,000	8.7	22.4	2.0	65.9	1.1
		\$41,000-\$60,000	5.1	29.7	0.6	63.4	1.2
		> \$60,000	5.6	15.1	1.1	77.9	0.4

SOURCE: Permanent Fund Dividend Survey; see text for description.

Table IV.14 (Continued)  
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Assumptions about Unaccounted-for Income

Positive (actual uses less than value of dividend)	Negative (actual uses more than value of dividend)	Distribution and Income Class	Uses as Percent of Aggregate Value of Dividend Income				
			Special Purchases	Savings	Debt Reduction	Day-to-Day Purchases	Taxes
B. Added to day- to-day purchases	B. Subtracted from nontax uses proportionately	<u>1982 Adults</u>					
		< \$26,000	13.8	9.5	8.7	47.0	21.0
		\$26,000-\$40,000	11.4	9.0	6.9	42.0	30.6
		\$41,000-\$60,000	10.7	14.5	3.0	34.3	37.5
		> \$60,000	5.6	7.8	0.3	44.4	41.8
		<u>1982 Children</u>					
		< \$26,000	14.5	11.1	4.6	69.4	0.4
		\$26,000-\$40,000	10.0	23.0	3.5	62.8	0.8
		\$41,000-\$60,000	12.7	17.0	2.2	66.9	1.2
		> \$60,000	3.2	18.8	1.2	76.3	0.4
		<u>1983 Adults</u>					
		< \$26,000	5.5	11.0	6.6	56.1	20.7
		\$26,000-\$40,000	4.2	12.0	2.8	52.3	28.6
		\$41,000-\$60,000	5.9	9.3	4.1	45.2	35.4
		> \$60,000	1.9	8.1	1.1	47.7	41.3
		<u>1983 Children</u>					
		< \$26,000	9.4	12.5	0.6	76.8	0.7
		\$26,000-\$40,000	8.5	21.4	1.7	67.4	1.1
		\$41,000-\$60,000	4.8	29.3	0.4	64.3	1.2
		> \$60,000	5.6	15.1	1.0	77.9	0.4



Table IV.14 (Continued)  
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Assumptions about Unaccounted-for Income

Positive (actual uses less than value of dividend)	Negative (actual uses more than value of dividend)	Distribution and Income Class	Uses as Percent of Aggregate Value of Dividend Income				
			Special Purchases	Savings	Debt Reduction	Day-to-Day Purchases	Taxes
C. Added to non- tax actual uses proportionately*	C. Subtracted from nontax actual uses propor- tionately	<u>1982 Adults</u>					
		< \$26,000	14.7	13.5	12.2	38.5	21.0
		\$26,000-\$40,000	11.9	15.6	8.6	33.3	30.6
		\$41,000-\$60,000	11.7	18.5	6.3	26.0	37.5
		> \$60,000	5.2	16.0	3.2	33.8	41.8
		<u>1982 Children</u>					
		< \$26,000	17.7	16.5	8.9	56.5	0.4
		\$26,000-\$40,000	16.2	26.4	3.7	53.0	0.8
		\$41,000-\$60,000	15.7	30.9	3.2	49.1	1.2
		> \$60,000	5.6	37.6	2.4	53.9	0.4
		<u>1983 Adults</u>					
		< \$26,000	5.6	14.3	11.8	47.6	20.7
		\$26,000-\$40,000	4.5	17.8	5.3	43.8	28.6
		\$41,000-\$60,000	6.0	20.2	5.2	33.1	35.4
		> \$60,000	1.9	17.8	4.1	34.9	41.3
		<u>1983 Children</u>					
		< \$26,000	13.6	18.5	18.6	48.5	0.7
		\$26,000-\$40,000	10.4	34.7	-0.7	54.6	1.1
		\$41,000-\$60,000	5.2	33.2	3.4	57.0	1.2
		> \$60,000	7.5	33.0	-	59.2	0.4

\*For recipients with no reported actual uses; all positive unallocated income was added to day-to-day purchases.

### Differences Among Regions in the Uses of Dividend Income

Table IV.15 shows the distribution of household income by region for households in our survey sample. The share of households with incomes less than \$26,000 was 25 percent in Anchorage, 27 percent in other urban areas, and 41 percent in the rural areas. We would expect rural households' dividend uses to reflect the relatively greater share of lower-income households.

As shown in Table IV.16, the relative effects of dividends on household after-tax income were greater in rural areas than in other parts of Alaska. Among our sample dividend recipients, the 1982 dividends increased household income by more than 20 percent for over 25 percent of all rural households, compared with 13 percent of Anchorage households and 7 percent of other urban households.

TABLE IV.15. DISTRIBUTION OF HOUSEHOLD INCOME BY REGION

(Percent of 1982 Adult Dividend Check Recipient)

Household Income	Region			Total
	Anchorage	Other Urban	Rural	
Under \$26,000	24.8	26.9	41.3	29.0
\$26,000 - \$40,000	27.1	21.7	22.5	24.2
\$41,000 - \$60,000	23.8	29.5	17.4	24.6
<u>More than \$60,000</u>	<u>24.4</u>	<u>21.9</u>	<u>18.8</u>	<u>22.3</u>
TOTAL	100	100	100	100

SOURCE: Permanent Fund Dividend Survey; see text for description.



TABLE IV.16. ESTIMATED PERCENT INCREASES IN HOUSEHOLD AFTER-TAX  
INCOME DUE TO PERMANENT FUND DIVIDENDS,  
BY REGION

(Percent of Recipients and Households)

Results Expressed as Percent of	Percentage Increase in Household After-tax Income	1982 Dividends			1983 Dividends		
		Anchorage	Other Urban	Rural	Anchorage	Other Urban	Rural

Dividend Recipients

0-5	27.1	24.5	17.2	65.4	69.9	54.0
6-10	25.6	31.3	24.0	14.7	18.1	22.8
11-20	23.5	27.7	25.0	6.4	3.2	12.8
21-30	6.5	5.3	13.0	2.8	0.2	1.1
31-50	6.8	1.6	10.4	-	-	0.1
50 +	-	0.2	1.8	-	-	0.4
Not known *	10.5	9.4	8.6	10.8	8.6	8.6

Households

0-5	38.6	33.3	26.2	72.3	75.4	63.7
6-10	22.7	29.4	25.5	12.2	13.7	19.0
11-20	17.7	23.4	23.5	4.0	2.5	7.7
21-30	5.1	3.9	9.5	0.4	0.4	0.7
31-50	4.7	1.4	6.1	-	-	0.3
50 +	-	0.4	1.0	-	-	0.3
Not known *	11.2	8.2	8.1	11.2	8.1	8.4

- Less than 0.5 percent.

\*The survey did not obtain income data for these households.

NOTE: Totals may not add exactly to 100 due to rounding.

SOURCE: Permanent Fund Dividend Survey.

Table IV.17 shows differences between regions in the most significant overall effects of Permanent Fund dividends as summarized by respondents. The differences between rural and urban Alaska appear to reflect the differences between income groups which were shown in Table IV.12. The share of respondents who reported "debt reduction" as the most significant effect was consistently higher in rural areas. Similarly, the shares for "specified regular expenses," "unspecified regular expenses," and "homes and property" tended to be higher. While the share of households reporting "savings" as the most significant effect tended to be lower in rural areas for adults, it tended to be higher for children. The share of households reporting "little or no effect" tended to be lower in rural areas.

Table IV.18 shows differences between regions in reported nontax uses of dividend income. Again, the differences between regions appear to parallel the differences between income groups. Debt reduction and day-to-day purchases were reported more frequently as uses in rural areas than in urban areas. Special purchases tended to be reported more frequently in rural areas, with the exception of the 1982 children's distribution. Savings tended to be reported less frequently in the rural areas, with the exception of the 1982 children's distribution.

Table IV.19 compares estimated aggregate uses of Permanent Fund dividend income for different regions, for three different sets of assumptions about the uses of "unaccounted for" income. As in the similar table comparing income groups (Table IV.14), the patterns are similar for each of the three sets of estimates. Taxes accounted for a lower share of dividend income in rural regions, while debt reduction accounted for a greater share. Day-to-day purchases also tended to account for a greater share of rural dividend income. Special purchases tended to account for a higher share of rural dividend income, except for the 1982 children's dividend distribution, where this pattern was reversed. With the exception of the 1982 children's distribution, savings tended to account for a lower share of rural dividend income.



TABLE IV.17. MOST SIGNIFICANT OVERALL EFFECTS OF PERMANENT FUND DIVIDEND INCOME,  
AS SUMMARIZED BY RESPONDENTS, BY DISTRIBUTION AND REGION

(Percent of Households)

Overall Effect	1982 Adults			1982 Children			1983 Adults			1983 Children		
	Anchorage	Other Urban	Rural	Anchorage	Other Urban	Rural	Anchorage	Other Urban	Rural	Anchorage	Other Urban	Rural
<u>Debt Reduction and Savings</u>												
Debt reduction	11.2	11.3	15.6	5.6	2.8	9.1	6.4	12.1	15.5	4.3	3.5	6.9
Savings	17.9	16.7	16.5	20.4	25.9	26.8	18.6	18.6	15.2	21.2	26.9	24.1
<u>Regular Expenses</u>												
Specified regular expenses	1.5	1.6	1.7	1.4	2.1	2.4	1.2	0.4	2.3	-	-	2.3
Unspecified regular expenses	6.5	8.9	7.7	2.8	2.8	6.3	6.8	7.8	9.9	2.1	2.8	4.0
<u>Special Purchases</u>												
Homes and property	1.8	4.0	3.4	0.7	1.4	1.7	0.4	1.8	0.7	-	0.7	-
Long-term special purchases	1.5	1.9	1.0	1.4	2.1	-	2.2	1.8	1.3	0.7	0.7	1.8
Other special purchases	2.6	1.1	0.6	2.8	1.4	-	1.1	1.5	1.3	0.7	0.7	0.7
<u>Other Uses</u>												
Investments	0.8	0.4	0.7	-	-	-	0.8	-	-	1.4	-	-
Education	1.5	1.1	0.6	0.7	2.1	1.1	0.4	0.4	0.3	-	2.1	-
Charity	0.4	-	-	-	0.7	-	0.4	-	-	-	-	-
Unspecified spending	6.5	9.3	7.1	2.8	9.1	3.5	4.4	7.2	6.5	2.8	6.3	5.1
<u>Little or No Effect</u>	35.8	33.2	35.6	45.1	36.4	34.7	48.5	40.0	35.8	45.3	40.7	41.4
<u>Other Effects</u>												
Collateral or credit	-	-	-	-	-	-	-	-	-	-	-	0.6
Reduced savings	-	-	-	0.7	-	-	0.4	-	-	-	-	-
Better off without check	-	-	-	-	-	-	-	-	0.3	-	-	-
<u>Unaccounted for or No Answer Given</u>	<u>12.0</u>	<u>10.5</u>	<u>9.5</u>	<u>15.6</u>	<u>13.2</u>	<u>14.4</u>	<u>8.4</u>	<u>8.4</u>	<u>10.9</u>	<u>21.5</u>	<u>15.6</u>	<u>13.1</u>
TOTAL	100	100	100	100	100	100	100	100	100	100	100	100

SOURCE: Permanent Fund Dividend Survey; see text for description.

TABLE IV.18. REPORTED NONTAX USES OF PERMANENT FUND DIVIDENDS,  
BY DISTRIBUTION AND REGION

(Percent of Recipients)

1982 Adults

Reported Nontax Uses*	Anchorage	Other Urban	Rural
<b>PERCEIVED USES</b>			
No reported uses	4.9	6.2	6.1
Special purchases only	25.1	29.3	25.8
Day-to-day purchases only	5.8	6.4	10.3
Savings only	23.4	16.1	13.7
Debt reduction only	6.2	6.2	8.8
Savings and special purchases only	7.7	8.7	4.1
Savings and day-to-day purchases only	2.6	4.6	2.3
Savings and debt reduction only	5.3	3.5	3.6
Debt reduction and special purchases only	2.6	2.8	2.6
Debt reduction and day-to-day purchases only	5.1	4.2	6.3
<u>All other combinations of uses</u>	<u>11.2</u>	<u>12.0</u>	<u>16.2</u>
Total	100	100	100
At least some special purchases	44.6	50.0	45.0
At least some day-to-day purchases	23.0	26.5	34.8
At least some savings	45.5	39.0	31.8
At least some debt reduction	25.7	22.3	28.0
<b>ACTUAL USES</b>			
No reported uses	38.3	36.2	30.8
Special purchases only	9.3	9.5	9.6
Day-to-day purchases only	12.1	12.7	18.7
Savings only	17.6	16.4	10.4
Debt reduction only	5.1	4.2	8.4
Savings and special purchases only	1.4	4.1	1.8
Savings and day-to-day purchases only	4.6	4.2	3.5
Savings and debt reduction only	1.4	1.9	2.5
Debt reduction and special purchases only	3.2	0.7	0.5
Debt reduction and day-to-day purchases only	0.2	3.9	4.0
<u>All other combinations of uses</u>	<u>6.9</u>	<u>6.0</u>	<u>9.8</u>
Total	100	100	100
At least some special purchases	18.6	18.9	19.4
At least some day-to-day purchases	23.0	26.5	34.8
At least some savings	29.2	29.7	22.7
At least some debt reduction	13.0	14.7	20.5

\*See text for definitions of uses.

NOTE: Totals may not total exactly 100 due to rounding.

SOURCE: Permanent Fund Dividend Survey; see text for description.



TABLE IV.18. (Continued)  
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1982 Children

Reported Nontax Uses*	Anchorage	Other Urban	Rural
<hr/>			
PERCEIVED USES			
No reported uses	4.8	8.0	6.0
Special purchases only	19.9	11.7	6.3
Day-to-day purchases only	3.2	6.1	11.4
Savings only	41.8	44.7	40.1
Debt reduction only	0.8	2.7	7.3
Savings and special purchases only	14.7	7.6	6.8
Savings and day-to-day purchases only	4.0	4.9	3.3
Savings and debt reduction only	0.4	1.1	1.1
Debt reduction and special purchases only	1.6	0.0	2.7
Debt reduction and day-to-day purchases only	0.8	1.5	4.4
<u>All other combinations of uses</u>	<u>8.0</u>	<u>11.7</u>	<u>14.7</u>
Total	100	100	100
At least some special purchases	44.2	29.9	29.4
At least some day-to-day purchases	15.9	24.2	33.8
At least some savings	64.1	65.5	59.9
At least some debt reduction	6.8	7.6	20.2
ACTUAL USES			
No reported uses	42.2	42.0	35.7
Special purchases only	16.7	9.8	5.7
Day-to-day purchases only	7.2	12.1	20.4
Savings only	19.1	17.0	19.6
Debt reduction only	1.2	3.4	1.9
Savings and special purchases only	4.0	2.7	2.2
Savings and day-to-day purchases only	1.2	3.8	4.1
Savings and debt reduction only	0.4	0.8	0.0
Debt reduction and special purchases only	0.0	0.0	1.1
Debt reduction and day-to-day purchases only	2.4	1.5	1.6
<u>All other combinations of uses</u>	<u>5.6</u>	<u>6.8</u>	<u>7.6</u>
Total	100	100	100
At least some special purchases	26.3	18.9	15.0
At least some day-to-day purchases	15.9	24.2	33.8
At least some savings	25.1	25.0	30.5
At least some debt reduction	4.4	6.8	10.6

\*See text for definitions of uses.

NOTE: Totals may not total exactly 100 due to rounding.

SOURCE: Permanent Fund Dividend Survey; see text for description.

TABLE IV.18. (Continued)  
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1983 Adults

Reported Nontax Uses*	Anchorage	Other Urban	Rural
<hr/>			
PERCEIVED USES			
No reported uses	5.2	5.5	4.8
Special purchases only	17.7	19.2	13.2
Day-to-day purchases only	11.3	13.6	21.9
Savings only	31.2	24.5	20.5
Debt reduction only	7.3	8.1	10.9
Savings and special purchases only	3.4	4.3	3.4
Savings and day-to-day purchases only	6.3	4.9	5.1
Savings and debt reduction only	3.9	3.4	1.0
Debt reduction and special purchases only	0.7	1.1	1.4
Debt reduction and day-to-day purchases only	5.7	7.9	10.6
<u>All other combinations of uses</u>	<u>7.2</u>	<u>7.4</u>	<u>7.2</u>
Total	100	100	100
At least some special purchases	26.7	29.6	23.1
At least some day-to-day purchases	29.6	33.2	44.4
At least some savings	48.7	42.1	34.5
At least some debt reduction	21.3	24.3	28.2
ACTUAL USES			
No reported uses	40.7	36.0	25.0
Special purchases only	6.6	1.9	5.1
Day-to-day purchases only	20.1	21.1	30.8
Savings only	16.5	19.4	16.6
Debt reduction only	4.5	4.0	5.8
Savings and special purchases only	0.4	1.3	0.7
Savings and day-to-day purchases only	5.7	3.6	3.2
Savings and debt reduction only	1.1	3.4	0.7
Debt reduction and special purchases only	0.0	0.0	1.7
Debt reduction and day-to-day purchases only	1.6	4.5	6.0
<u>All other combinations of uses</u>	<u>2.9</u>	<u>4.7</u>	<u>4.4</u>
Total	100	100	100
At least some special purchases	9.1	5.7	10.3
At least some day-to-day purchases	29.6	33.2	44.4
At least some savings	25.1	31.1	23.9
At least some debt reduction	8.6	14.9	17.6

\*See text for definitions of uses.

NOTE: Totals may not total exactly 100 due to rounding.

SOURCE: Permanent Fund Dividend Survey; see text for description.



TABLE IV.18. (Continued)  
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1983 Children

Reported Nontax Uses*	Anchorage	Other Urban	Rural
<b>PERCEIVED USES</b>			
No reported uses	6.9	6.0	6.9
Special purchases only	14.2	14.2	7.1
Day-to-day purchases only	6.0	10.4	11.7
Savings only	53.0	45.5	40.6
Debt reduction only	2.2	3.0	3.1
Savings and special purchases only	3.9	6.3	5.7
Savings and day-to-day purchases only	6.0	3.4	3.7
Savings and debt reduction only	0.0	1.1	0.0
Debt reduction and special purchases only	0.4	0.0	0.9
Debt reduction and day-to-day purchases only	1.7	2.6	5.7
<u>All other combinations of uses</u>	<u>5.6</u>	<u>7.5</u>	<u>14.6</u>
Total	100	100	100
At least some special purchases	24.1	28.0	26.3
At least some day-to-day purchases	18.1	23.9	35.7
At least some savings	66.8	60.1	54.9
At least some debt reduction	6.5	7.1	18.3
<b>ACTUAL USES</b>			
No reported uses	49.1	45.1	39.1
Special purchases only	7.3	3.4	4.6
Day-to-day purchases only	10.3	15.3	18.9
Savings only	23.7	23.9	17.4
Debt reduction only	1.3	0.0	2.3
Savings and special purchases only	0.0	3.0	0.9
Savings and day-to-day purchases only	1.7	2.6	2.3
Savings and debt reduction only	0.0	0.0	0.0
Debt reduction and special purchases only	0.0	0.7	0.0
Debt reduction and day-to-day purchases only	1.7	0.7	2.9
<u>All other combinations of uses</u>	<u>4.7</u>	<u>5.2</u>	<u>11.7</u>
Total	100	100	100
At least some special purchases	11.2	12.3	14.9
At least some day-to-day purchases	18.1	23.9	35.7
At least some savings	26.7	31.0	24.0
At least some debt reduction	4.3	1.9	8.3

\*See text for definitions of uses.

NOTE: Totals may not total exactly 100 due to rounding.

SOURCE: Permanent Fund Dividend Survey; see text for description.

TABLE IV.19. ESTIMATED AGGREGATE USES OF PERMANENT FUND  
DIVIDEND INCOME, BY DISTRIBUTION AND REGION

(Percent of Value of Dividend Income)

Assumptions about Unaccounted-for Income

Positive (actual uses less than value of dividend)	Negative (actual uses more than value of dividend)	Distribution and Region	Uses as Percent of Aggregate Value of Dividend Income				
			Special Purchases	Savings	Debt Reduction	Day-to-Day Purchases	Taxes
A. Added to day- to-day purchases	A. Subtracted from day-to-day purchases	<u>1982 Adults</u>					
		Anchorage	14.8	17.8	7.2	28.7	31.5
		Other Urban	15.9	20.3	8.5	22.9	32.4
		Rural	17.0	12.6	10.8	30.6	28.9
		<u>1982 Children</u>					
		Anchorage	15.7	20.0	2.1	61.1	1.2
		Other Urban	9.6	14.7	5.3	70.2	0.1
		Rural	5.7	20.5	3.1	69.7	1.0
		<u>1983 Adults</u>					
		Anchorage	8.2	17.0	6.7	37.2	30.9
		Other Urban	5.3	21.6	9.0	33.2	30.9
		Rural	8.6	16.5	7.6	39.7	27.6
		<u>1983 Children</u>					
		Anchorage	6.9	19.9	0.6	71.8	0.8
		Other Urban	7.4	24.7	-0.8	68.1	0.5
		Rural	8.4	15.1	4.7	70.5	1.3

SOURCE: Permanent Fund Dividend Survey; see text for description.



Table IV.19 (Continued)  
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Assumptions about Unaccounted-for Income

Positive (actual uses less than value of dividend)	Negative (actual uses more than value of dividend)	Distribution and Retention	Uses as Percent of Aggregate Value of Dividend Income				
			Special Purchases	Savings	Debt Reduction	Day-to-Day Purchases	Taxes
B. Added to day- to-day purchases	B. Subtracted from nontax actual uses propor- tionately	<u>1982 Adults</u>					
		Anchorage	10.2	10.7	3.8	43.7	31.5
		Other Urban	10.2	12.3	4.4	40.7	32.4
		Rural	10.4	7.1	7.7	45.8	28.8
		<u>1982 Children</u>					
		Anchorage	14.9	18.7	2.2	63.0	1.2
		Other Urban	9.5	13.5	4.0	72.9	0.1
		Rural	5.4	20.4	2.8	70.4	1.0
		<u>1983 Adults</u>					
		Anchorage	5.6	8.9	3.1	51.5	30.9
		Other Urban	2.6	12.1	4.3	50.5	30.9
		Rural	5.2	9.7	6.1	51.3	27.6
		<u>1983 Children</u>					
		Anchorage	6.5	19.4	0.3	72.9	0.8
		Other Urban	6.6	23.7	-0.9	70.1	0.5
		Rural	8.1	14.1	4.3	72.3	1.3

Table IV.19 (Continued)  
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Assumptions about Unaccounted-for Income

Positive (actual uses less than value of dividend)	Negative (actual uses more than value of dividend)	Distribution and Retention	Uses as Percent of Aggregate Value of Dividend Income				
			Special Purchases	Savings	Debt Reduction	Day-to-Day Purchases	Taxes
C. Added to non- tax actual uses proportionately*	C. Subtracted from nontax actual uses propor- tionately	<u>1982 Adults</u>					
		Anchorage	11.6	16.5	6.1	34.3	31.5
		Other Urban	9.9	16.4	8.2	33.2	32.4
		Rural	10.6	13.6	9.2	37.7	28.8
		<u>1982 Children</u>					
		Anchorage	20.3	23.7	2.9	51.9	1.2
		Other Urban	11.9	29.0	5.7	53.2	0.1
		Rural	7.0	29.6	5.8	56.6	1.0
		<u>1983 Adults</u>					
		Anchorage	5.9	16.4	4.9	41.8	30.9
		Other Urban	2.6	19.6	7.4	39.5	30.9
		Rural	5.6	15.3	10.4	41.1	27.6
		<u>1983 Children</u>					
		Anchorage	9.7	33.5	0.8	55.2	0.8
		Other Urban	7.7	29.4	11.8	50.6	0.5
		Rural	10.6	21.8	5.0	61.3	1.3

\*For recipients with no reported actual uses, all positive unallocated income was added to day-to-day purchases.



Table IV.20 compares perceived special purchases using Permanent Fund dividend income for the three regions. There are several clear differences in patterns of special purchases between regions. Categories of special purchases which were reported by a relatively greater share of households in rural areas included snow machines, three-wheelers, boats or boat parts, televisions, and bicycles. For other categories of special purchases, the differences between regions were not consistent between dividend distributions.

#### Effects of the Dividend Distribution Upon Sales of Rural Stores

Our estimates in the previous section suggest that the dividend program provided a significant increase in after-tax household income for many rural families. Rural adults spent about one-half of their dividend income, and rural children spent about one-half of their dividend income. Although some of this income was spent for special purchases, most of it was spent for day-to-day purchases. If these estimates are correct, we would expect the dividends to have significantly affected the sales of rural stores. Furthermore, these changes in sales could provide additional insights into how rural Alaskans used their dividend income.

In order to learn more about the uses of dividend income in rural areas, we undertook a statistical analysis of the effects of dividend distributions upon sales of rural stores. Alaska Commercial Company (ACC), the largest retailer in rural Alaska, provided us with detailed sales data for twelve rural stores. For each store, we used regression analysis to examine the relationship between monthly total sales and monthly dividend distributions in the community in which the store was located. We also examined the relationship between monthly sales in selected store departments and monthly dividend distributions.

In our regression analysis, we estimated the extent to which monthly variations in dividend distributions explained that portion of monthly variations in sales which was not explained by variations in local wages and which was not characteristic of all years for that month or of all months for that year. In other words, we examined the effects of dividends on sales after first accounting for the effects of local wages, regular seasonal fluctuations, and annual fluctuations. We describe our analysis in detail in Appendix L.

TABLE IV.20. REPORTED PERCEIVED SPECIAL PURCHASES USING PERMANENT FUND  
DIVIDEND INCOME, BY REGION

(Percent of Households Reporting Perceived Special Purchases)

	1982 Adults			1982 Children			1983 Adults			1983 Children		
	Anch.	Other Urban	Rural	Anch.	Other Urban	Rural	Anch.	Other Urban	Rural	Anch.	Other Urban	Rural
<u>Investments</u>	<u>3.6</u>	<u>4.6</u>	<u>3.6</u>	-	-	<u>5.7</u>	<u>3.7</u>	<u>3.7</u>	<u>1.5</u>	<u>3.2</u>	<u>7.8</u>	-
Stocks	1.5	1.4	-	-	-	1.9	1.2	1.2	-	-	2.6	-
General business investments	-	-	2.2	-	-	1.9	2.5	2.5	1.5	3.2	2.6	-
Miscellaneous business investments (gun and trapping supplies, commercial fishing investments, livestock, boat and guide service, gold, and unspecified investments)	2.1	3.5	1.4	-	-	1.9	-	-	-	-	2.6	-
<u>Education, tuition, books or lessons</u>	<u>6.7</u>	<u>9.8</u>	<u>5.1</u>	<u>1.7</u>	<u>2.3</u>	-	<u>2.5</u>	-	<u>4.5</u>	<u>6.4</u>	<u>5.2</u>	<u>5.2</u>
<u>Real estate</u>	<u>11.8</u>	<u>9.8</u>	<u>8.6</u>	<u>8.5</u>	<u>7.0</u>	-	<u>2.4</u>	<u>8.6</u>	<u>1.5</u>	-	<u>7.9</u>	-
Houses or condos	8.9	7.0	7.2	8.5	4.7	-	1.2	4.9	1.5	-	7.9	-
Property, land or real estate	2.9	2.8	1.4	-	2.3	-	1.2	3.7	-	-	-	-
<u>Vehicles</u>	<u>13.3</u>	<u>14.6</u>	<u>20.8</u>	<u>22.0</u>	<u>14.0</u>	<u>11.2</u>	<u>8.6</u>	<u>11.0</u>	<u>13.5</u>	<u>9.6</u>	<u>13.1</u>	<u>12.9</u>
Cars or trucks	9.7	11.1	5.8	18.6	7.0	-	2.5	4.9	6.0	3.2	2.6	7.7
Car parts and repairs	2.9	2.1	-	-	-	-	3.7	4.9	1.5	-	5.3	-
Trailer or camper	-	-	1.4	-	-	-	1.2	-	-	3.2	-	-
Airplane or airplane parts	0.7	-	1.4	-	-	-	1.2	-	-	-	2.6	-
Boat or boat parts	-	0.7	5.8	1.7	-	-	-	1.2	1.5	-	-	-



Table IV.20. (Continued)  
Page 2 of 4

	1982 Adults			1982 Children			1983 Adults			1983 Children		
	Anch.	Other Urban	Rural	Anch.	Other Urban	Rural	Anch.	Other Urban	Rural	Anch.	Other Urban	Rural
Motorcycle or motorcycle parts	-	-	-	-	-	1.9	-	-	-	3.2	2.6	2.6
Snow machines	-	-	3.6	-	-	3.7	-	-	1.5	-	-	-
Three-wheelers	-	0.7	2.8	1.7	7.0	3.7	-	-	3.0	-	-	2.6
<u>Home improvements</u>	<u>5.8</u>	<u>11.1</u>	<u>8.5</u>	<u>-</u>	<u>9.3</u>	<u>1.9</u>	<u>11.0</u>	<u>14.7</u>	<u>10.5</u>	<u>9.6</u>	<u>7.9</u>	<u>10.3</u>
Additions and repairs	2.2	8.3	2.8	-	9.3	1.9	7.3	9.8	3.0	3.2	7.9	7.7
Building supplies	2.9	2.1	4.3	-	-	-	2.5	3.7	4.5	3.2	-	2.6
Other (wood stove, water heater, well, generator, electric power, water storage tanks, and phone connections)	0.7	0.7	1.4	-	-	-	1.2	1.2	3.0	3.2	-	-
<u>Furniture</u>	<u>6.7</u>	<u>11.1</u>	<u>14.3</u>	<u>10.2</u>	<u>9.3</u>	<u>5.6</u>	<u>12.3</u>	<u>8.6</u>	<u>11.9</u>	<u>3.2</u>	<u>2.6</u>	<u>2.6</u>
<u>Appliances</u>	<u>11.0</u>	<u>2.8</u>	<u>9.3</u>	<u>15.3</u>	<u>-</u>	<u>11.1</u>	<u>7.2</u>	<u>6.7</u>	<u>14.4</u>	<u>9.7</u>	<u>7.9</u>	<u>18.1</u>
Televisions	5.2	0.7	5.8	1.7	-	3.7	1.1	1.9	6.7	-	-	2.6
Video cassette recorders	1.5	1.4	-	1.7	-	-	2.5	1.2	1.5	-	-	-
Stereo equipment	0.7	-	1.4	6.8	-	7.4	-	1.2	-	6.5	2.6	10.3
Other appliances (computer equipment, refrigerators, freezers, washers, dryers, and general appliances)	3.6	0.7	2.1	5.1	-	-	3.6	2.4	6.2	3.2	5.3	5.2
<u>Travel</u>	<u>23.9</u>	<u>18.8</u>	<u>20.9</u>	<u>11.9</u>	<u>21.0</u>	<u>13.0</u>	<u>29.6</u>	<u>25.9</u>	<u>28.4</u>	<u>19.3</u>	<u>23.7</u>	<u>18.0</u>
Airplane tickets	23.9	17.4	20.9	10.2	16.3	13.0	28.4	25.9	28.4	16.1	23.7	15.4
Other travel	-	0.7	-	1.7	4.7	-	1.2	-	-	3.2	-	2.6

Table IV.20. (Continued)  
Page 3 of 4

	1982 Adults			1982 Children			1983 Adults			1983 Children		
	Other			Other			Other			Other		
	Anch.	Urban	Rural	Anch.	Urban	Rural	Anch.	Urban	Rural	Anch.	Urban	Rural
<u>Recreation</u>	<u>3.7</u>	<u>3.5</u>	<u>0.7</u>	<u>6.8</u>	<u>4.7</u>	<u>5.6</u>	<u>4.9</u>	<u>1.2</u>	<u>1.5</u>	-	-	<u>5.1</u>
Vacations	3.0	2.8	0.7	6.8	4.7	5.6	3.7	1.2	1.5	-	-	5.1
Other recreation (honeymoons, hunting, fishing, parties, summer camp)	0.7	0.7	-	-	-	-	1.2	-	-	-	-	-
<u>Medical Expenses</u> (General medical expenses, dental work and contact lenses)	-	<u>1.4</u>	<u>0.7</u>	<u>1.7</u>	-	-	-	<u>3.7</u>	<u>1.5</u>	-	-	-
<u>Contributions and Gifts</u>	<u>2.9</u>	<u>2.1</u>	-	-	<u>4.7</u>	<u>1.9</u>	<u>3.7</u>	<u>6.1</u>	<u>4.5</u>	<u>16.1</u>	<u>7.9</u>	-
Christmas gifts	-	-	-	-	4.7	1.9	2.5	3.7	3.0	16.1	7.9	-
Other (general contributions and gifts, charity, church tithes, and gifts to family members)	2.9	2.1	-	-	-	-	1.2	2.4	1.5	-	-	-
<u>Day-to-day expenses</u> (household items, personal items, clothing, fuel oil, gas, firewood, rent, condo fees, insurance)	<u>3.6</u>	<u>2.1</u>	<u>0.7</u>	<u>1.7</u>	<u>4.6</u>	<u>1.9</u>	<u>2.4</u>	<u>2.4</u>	<u>4.5</u>	-	-	-
<u>Misc. Purchases</u>	<u>1.4</u>	<u>3.5</u>	<u>2.8</u>	<u>14.0</u>	<u>18.6</u>	<u>26.0</u>	<u>2.4</u>	<u>2.4</u>	<u>1.5</u>	<u>9.7</u>	<u>15.7</u>	<u>25.3</u>
Toys	-	-	-	-	2.3	1.9	-	-	-	-	2.6	2.6
Bicycles	-	-	-	10.6	16.3	22.2	-	-	-	6.5	7.9	20.5
Other misc. (rafts, skis, dog sleds, rifles, tools, video games, musical instruments, weddings, moving expenses)	1.4	1.4	1.4	3.4	-	1.9	2.4	1.2	1.5	3.2	5.2	2.2



Table IV.20. (Continued)  
Page 4 of 4

	1982 Adults			1982 Children			1983 Adults			1983 Children		
	Other			Other			Other			Other		
	Anch.	Urban	Rural	Anch.	Urban	Rural	Anch.	Urban	Rural	Anch.	Urban	Rural
Beer, gambling, or lost the money	-	2.1	1.4	-	-	1.9	-	1.2	-	-	-	-
<u>Savings</u>	-	.7	-	<u>3.4</u>	-	<u>1.9</u>	-	-	-	-	-	-
<u>Debts, loans, and bills</u>	<u>2.2</u>	<u>2.1</u>	<u>2.9</u>	-	-	-	-	-	-	-	-	-
<u>Taxes</u>	-	-	-	-	-	-	<u>2.4</u>	<u>1.2</u>	-	-	-	-
<u>Unaccounted for and rounding error</u>	<u>3.4</u>	<u>2.0</u>	<u>1.1</u>	<u>2.8</u>	<u>-2.5</u>	<u>12.3</u>	<u>6.9</u>	<u>3.8</u>	<u>0.3</u>	<u>13.2</u>	<u>0.3</u>	<u>2.5</u>

NOTE: Table is based on first special use reported for those households reporting special uses. Fewer than half of all households reported special purchases.

SOURCE: Permanent Fund Dividend Survey. See text for description.

Table IV.21 summarizes our regression results. The numbers in the table show the estimated effects on monthly sales per thousand dollars of Permanent Fund dividends distributed locally during the month. The number of \*'s next to these estimates indicates their level of statistical significance. Where the estimated effects were not statistically significant, we did not present them in the table.

The "All Dividends" column shows the average effect of all Permanent Fund dividends from both the 1982 and the 1983 distributions. The "Adults' Dividends" and "Children's Dividends" columns separate the average effects of adults' and children's dividends while the "1982 Dividends" and "1983 Dividends" columns separate the effects of the two distributions.

The stores are represented by the letters "A" through "K." They are located in twelve of the seventeen rural communities in which the Alaska Commercial Company has stores: Aniak, Barrow, Bethel, Cordova, Dillingham, Dutch Harbor, Emmonak, Fort Yukon, Kotlik, Kotzebue, McGrath, Naknek, Nome, St. Mary's, St. Michael, Tanana, and Unalakleet.

In all of the communities except one, the Permanent Fund dividends had statistically significant effects on sales in at least one department. In some stores, the estimated increases in total sales due to Permanent Fund dividends were quite large. For example, in store "K," for every thousand dollars of Permanent Fund dividends distributed during the month, total sales increased by an average of \$373.

The departments in which dividends had significant effects on sales varied between stores; and for individual departments, the distributions which had significant effects varied between stores. In addition, the magnitudes of the estimated effects on sales varied between stores. There are many possible reasons for the differences between stores in the estimated effects of the dividends on sales. ACC stores differ from each other in many ways, including the income, tastes, and needs of local customers; the number of nonlocal customers; the extent of competition from other local stores and from nonlocal stores; the quality of products offered for sale; and the extent to which special promotional offers were made in association with the dividend program.



TABLE IV.21. ESTIMATED INCREASE IN ALASKA COMMERCIAL COMPANY  
MONTHLY SALES PER THOUSAND DOLLARS OF  
PERMANENT FUND DIVIDENDS DISTRIBUTED  
LOCALLY DURING THE MONTH

(dollars)

Store	Department	All Dividends	Adults' Dividends	Children's Dividends	1982 Dividends	1983 Dividends
A	<u>All Departments</u>	133***	127*	140**	153***	-
	Groceries	-	-	-	-	-
	Produce	-	-	-	-	-
	Meat	-	20**	-	-	-
	Footwear	9***	13***	4*	10***	7**
	Furniture	-	-	-	-	-
	Audio/Video	19***	-	26***	20***	17**
	Soft Goods	6**	-	13***	9***	-
	Hardware	-	-	-	-	-
	Women's Wear	-	-	-	28*	-
	Men's Wear	17***	19***	16***	19***	13**
B	<u>All Departments</u>	188***	229***	165***	210***	-
	Groceries	41**	77**	-	41**	-
	Produce	-	-	-	-	-
	Meat	-	-	-	-	-
	Footwear	7***	13***	-	9***	-
	Furniture	-	-	-	-	-
	Audio/Video	34***	52***	24**	43***	-
	Soft Goods	9**	-	13***	8**	14**
	Hardware	29**	41**	23*	35***	-
	Women's Wear	17***	-	26***	20***	-
	Men's Wear	28***	-	40***	32***	14*

\*\*\* Statistically significant at 1-percent level.

\*\* Statistically significant at 5-percent level.

\* Statistically significant at 10-percent level.

- Estimate not statistically significant

NOTE: Regressions were not run for departments for which less than three years of sales data were available. Thus, the sum of estimated effects for individual departments may be lower than the estimated effects for "all departments."

SOURCES: Alaska Commercial Company sales data; Department of Revenue data on dividend distributions by community; Department of Labor data on wages and salaries for Alaska Census Divisions. See Appendix J for technical documentation of analysis.

Table IV.21. (Continued)  
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Store	Department	All Dividends	Adults' Dividends	Children's Dividends	1982 Dividends	1983 Dividends
C	<u>All Departments</u>	83*	129*	-	95*	-
	Liquor	24**	53***	-	36***	-
	Groceries	-	-	-	-	54**
	Meat	-	-	-	-	-
	Soft Goods	-	-	-	-	19*
	Hardware	51***	63**	42*	52**	48*
D	<u>All Departments</u>	107*	-	295***	221***	-
	Groceries	43**	-	112***	103***	-
	Soft Goods	17*	-	-	37***	-
	Hardware	-	-	-	-	-
E	<u>All Departments</u>	350***	349***	351***	354***	337***
	Groceries	57***	-	95***	89***	-
	Soft Goods	27***	33***	22**	24***	37***
	Hardware	83***	135***	-	78**	97*
F	<u>All Departments</u>	-	-	-	71*	-
	Groceries	78***	107***	55*	84***	-
	Soft Goods	-	-	-	-	-
	Hardware	-	-	-	-	-
G	<u>All Departments</u>	-	-	-	-	-
	Groceries	-	-	-	-	-
	Soft Goods	-	-	39*	-	-
	Hardware	-	-	-	-	-
H	<u>All Departments</u>	210***	117*	306***	208***	219***
	Groceries	56**	-	98***	67**	-
	Soft Goods	61***	42***	80***	62***	56***
	Hardware	120***	-	199***	121***	118***

\*\*\* Statistically significant at 1-percent level.

\*\* Statistically significant at 5-percent level.

\* Statistically significant at 10-percent level.

- Estimate not statistically significant



Table IV.21. (Continued)  
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Store	Department	All Dividends	Adults' Dividends	Children's Dividends	1982 Dividends	1983 Dividends
I	<u>All Departments</u>	222**	-	320**	209*	-
	Groceries	61**	109**	-	64*	-
	Soft Goods	42***	-	74***	37**	53**
	Hardware	-	-	-	-	-
J	<u>All Departments</u>	241**	-	278*	245*	-
	Groceries	-	-	-	-	103*
	Soft Goods	52**	-	63***	50***	57*
	Hardware	120**	164*	-	127*	-
K	<u>All Departments</u>	373***	239**	455***	466***	-
	Groceries	53*	137**	-	76**	-
	Soft Goods	38***	-	55***	33**	52**
	Hardware	-	-	-	68*	-
L	<u>All Departments</u>	-	-	-	-	-
	Groceries	-	-	-	-	-
	Produce	-	-	-	-	-
	Meat	-	-	-	-	-

\*\*\* Statistically significant at 1-percent level.

\*\* Statistically significant at 5-percent level.

\* Statistically significant at 10-percent level.

- Estimate not statistically significant

Tables IV.22 through IV-24 summarize the information presented in Table IV.21 in several different ways. Table IV.22 shows, for each department, the number of stores for which regression equations were estimated and the number of stores for which the estimated effects of Permanent Fund dividends were statistically significant. Eight of the stores had only three departments: groceries, soft goods, and hardware. Dividends had statistically significant effects in 7 of 12 stores for groceries, in 6 of 11 stores for soft goods, and in 4 of 11 stores for hardware. Thus, dividends significantly affected sales in these three major departments in about half of all stores.

In stores with other departments, Permanent Fund dividends did not significantly affect sales of produce, meat, or furniture (except that adults' dividends significantly affected sales of meat in Store "A"). However, dividends did significantly affect sales of footwear, audio/video, women's wear, men's wear, and liquor in at least one or more stores.

Table IV.23 shows the estimated ranges for increases in ACC monthly sales per thousand dollars of Permanent Fund dividends distributed locally during the month for those stores for which the estimated effects were statistically significant. Effects of all dividends on sales of all departments ranged from \$83 to \$373; thus, \$1,000 dollars of Permanent Fund dividend income distributed locally during the month increased sales of nine of the stores by between \$83 and \$373. The estimated effects of dividends on sales of individual departments were smaller. The maximum estimated effects were greatest for hardware and groceries; for other departments, the estimated effects were generally less than \$60. Thus, although the effects of dividends on sales of footwear were statistically highly significant, footwear sales increased by only about \$10 for each \$1,000 of dividends distributed locally during the month.

Our regression estimates may overstate the share of dividend income which was used for local purchases since increased sales may partly reflect the spending of dividend income from other communities. However, they understate the effects of dividend income on sales to the extent that this income was not spent during the month in which it was received. Our estimates of the effects of dividends on sales may also partly reflect a multiplier effect of dividends on income within communities. Although immediate multiplier effects are likely to be fairly small in rural communities, increased dividend sales did contribute to retail employment opportunities.

Table IV.24 compares the estimated effects of adults' and children's dividends as well as the estimated effects of 1982 and 1983 dividends for those stores in which the estimated effects were statistically significant. For total sales as well as for all departments except soft goods, the 1982 dividends had a greater effect on sales, per dollar distributed, than did the 1983



TABLE IV.22. SUMMARY OF REGRESSION ANALYSIS OF EFFECTS OF PERMANENT  
FUND DIVIDENDS ON SALES OF ALASKA  
COMMERCIAL COMPANY STORES

Department	Number of Stores for which Analysis was done	Number of Stores in which Permanent Fund Dividends Had a Statistically Significant Effect on Sales				
		All Dividends	Adults' Dividends	Children's Dividends	1982 Dividends	1983 Dividends
All Departments	12	9	6	8	10	2
Groceries	12	7	4	4	7	2
Produce	3	-	-	-	-	-
Meat	4	-	1	-	-	-
Footwear	2	2	2	1	2	1
Furniture	2	-	-	-	-	-
Audio/Video	2	2	1	2	2	1
Soft Goods	11	6	2	8	8	7
Hardware	11	4	5	3	5	3
Women's Wear	2	1	-	1	2	-
Men's Wear	2	2	1	2	2	2
Liquor	1	1	1	-	1	-

- Zero

SOURCE: Table IV.21.

TABLE IV.23. ESTIMATED RANGES FOR INCREASES IN ALASKA COMMERCIAL  
COMPANY MONTHLY SALES PER THOUSAND DOLLARS OF  
PERMANENT FUND DIVIDENDS DISTRIBUTED  
LOCALLY DURING THE MONTH

Department	Number of Stores for which Analysis Was Done	Estimated Ranges for Effects				
		All Dividends	Adults' Dividends	Children's Dividends	1982 Dividends	1983 Dividends
All Departments	12	83-373	127-349	140-455	71-466	219-337
Groceries	12	41-78	77-137	55-112	41-103	54-103
Produce	3	-	-	-	-	-
Meat	4	-	20	-	-	-
Footwear	2	7-9	13	4	9-10	7
Furniture	2	-	-	-	-	-
Audio/Video	2	19-34	52	24-26	20-43	17
Soft Goods	11	6-61	33-42	13-80	8-62	14-57
Hardware	11	29-120	41-164	23-199	35-127	48-118
Women's Wear	2	17	-	26	20-28	-
Men's Wear	2	17-28	19	16-40	19-32	13-14
Liquor	1	24	53	-	36	-

SOURCE: Table IV.21.



TABLE IV.24. COMPARISON OF ESTIMATED EFFECTS OF PERMANENT FUND DIVIDENDS  
ON SALES OF ALASKA COMMERCIAL COMPANY STORES:  
ADULTS' DIVIDENDS VS. CHILDREN'S DIVIDENDS  
AND 1982 DIVIDENDS VS. 1983 DIVIDENDS

Department	Number of Stores for Which Analysis Was Done	Number of Stores for which Estimated Effects Were Strongest for: <sup>a</sup>			
		Adults' Dividends	Children's Dividends	1982 Dividends	1983 Dividends
All Departments	12	2	7	9	1
Groceries	12	4	3	7	2
Produce	3	-	-	-	-
Meat	4	1	0	-	-
Footwear	2	2	0	2	0
Furniture	2	-	-	-	-
Audio/Video	2	1	1	2	0
Soft Goods	11	1	7	3	6
Hardware	11	4	1	5	1
Women's Wear	2	-	1	2	0
Men's Wear	2	1	1	2	0
Liquor	1	1	0	1	0

- No significant estimated effects.

<sup>a</sup>If estimated effects were statistically significant for only one of the two categories of dividends, they were considered stronger for that category.

SOURCE: Table IV.21.

dividends. A possible reason for the greater estimated effects of the 1982 dividends is that people may have anticipated the dividend checks and increased their purchases prior to receiving the money.

For most stores, the effects of dividends on total sales were stronger for children's dividends than for adults' dividends. This suggests that a greater share of children's dividends may have been spent locally during the month in which they were received. Children's dividends had the strongest effects on sales of soft goods in seven-out-of-eight stores while adults' dividends had the strongest effects on sales of hardware in four-out-of-five stores.

The consistency of significant effects of dividends on ACC stores and the magnitude of these effects suggests that a large share of rural dividend income was spent in local stores within a short period of time after receipt of the dividends. Dividend income was spent in a wide variety of departments on both special and day-to-day purchases.

These regression results confirm the impressions of rural store managers with whom we discussed the effects of the dividend program. Stores aggressively pursued dividend income with promotional offers. For example, some stores offered a free watch to persons cashing their dividend checks at the stores. Some stores offered bonus store money to persons spending dividend income. Managers observed that large numbers of dividend checks were cashed at local stores, with dramatic effects upon sales. They also observed that the dividend checks--especially the 1982 dividends--were a major increase in income for many rural families and provided an opportunity for these families to make purchases which would never have been possible without the dividend income.

Alaska Commercial Company is also a major holder of rural debt through its customer accounts. We obtained monthly data for three rural stores on payments on contract purchases accounts (debt incurred for major purchases such as televisions and three-wheelers, on which monthly payments are made). As shown in Table IV.25, monthly dividend distributions had small but significant effects on debt payments in two of these stores. This supports our survey findings that some dividend income was used to reduce debt.



TABLE IV.25. ESTIMATED INCREASE IN MONTHLY PAYMENTS ON ALASKA  
COMMERCIAL COMPANY CONTRACT PURCHASES ACCOUNTS  
PER THOUSAND DOLLARS OF PERMANENT FUND DIVIDENDS  
DISTRIBUTED LOCALLY DURING THE MONTH

Store	All Dividends	Adults' Dividends	Children's Dividends	1982 Dividends	1983 Dividends
A	17***	-	25***	21***	-
D	5*	-	9**	-	-
H	-	-	-	-	-

SOURCE: Alaska Commercial Company data. See text and Appendix J for documentation of analysis.

## V. EFFECTS OF THE DIVIDEND PROGRAM UPON THE ECONOMY OF ALASKA

### V.1. Introduction

This chapter deals with the economic effects of past dividend distributions as well as projected economic effects of dividends and other uses of Permanent Fund earnings in future years. The analysis is divided into three major sections which, respectively, measure the effect of the current program, compare the effects of dividends to other uses of Fund earnings, and contrast the effects of a number of spending strategies for Fund earnings involving current-future spending tradeoffs as well as type of spending variations.

Two difficulties encountered during this analysis were determining how individuals' spending patterns were affected by perceptions of how dividend income differed from income from other sources and isolating the economic effects of the dividend program from the many other factors impacting the economy in the early 1980s. Because a portion of the analysis of economic effects was retrospective, we were required to rely upon the recollections of consumers, scattered economic data, and economic theory to determine how consumers treated dividend income. Isolation of the effects of the dividend program from other factors such as the federal tax cut, growth in the petroleum industry, and increases in state capital and operating budgets was accomplished through use of an econometric model of the economy as well as interpretation of general economic indicators of economic activity.

Section 2 addresses the question of how dividend income was treated in budgetary decisions. Since the major economic impact of the dividends occurs as personal consumption expenditures increase, when and how dividend income is spent is important. Dividends add more to after-tax income than other sources of income generally, but a higher percentage is saved.

In addition to federal taxes, several other factors can affect the effect of dividends on disposable income of Alaskans, including adjustments in work effort and migration. A short analysis in section 3 concludes that these effects are minor so that dividend distributions net of federal taxes is an accurate measure of net direct effect of the program on individuals. For government, the direct effect is the cost of dividends plus the cost of the "hold harmless" program.

Section 4 investigates the effects of the 1982 and 1983 distributions as well as future distributions if current conditions continue. The primary effects on the economy have been to increase employment, primarily in support industries, aggregate and per



capita disposable income, and population. The dividends directly accounted for 17 percent of the gain in disposable personal income between 1981 and 1983 and, consequently, a significant amount of overall growth.

The economic effects of Permanent Fund earnings distributed as dividends is contrasted with other uses of the earnings in section 5. Dividends increase employment, income, and population more than the alternatives of increasing the operating or capital budgets, including subsidies, or reducing nonpetroleum taxes. These results are based upon average measures of effects of these broad expenditure categories. For particular programs, the impacts could be different.

The final section investigates the economic effects of different options involving variation in the timing of spending Permanent Fund earnings as well as the form of spending. Decisions about when and how earnings are spent do not significantly alter the course of evolution of the economy. They do affect on the size of the economy at any point in time, the mixture of public and private goods produced and consumed, and the amount of public wealth available to cushion petroleum revenue declines.

## V.2. Treatment of Dividend Income in Budget Decisions

The way in which individuals treat dividend income in spending and savings decisions is determined by both the type of income they perceive it to be and the habitual ways by which people budget--or allocate their expenditures across goods and over time. The analysis of expenditure patterns for dividend income is potentially complicated by the inclusion of children in the dividend program since they generally have little previous experience with budgeting, and economic theories of consumer behavior have not been constructed with them in mind. Table V.1 shows that of survey respondents who had children in their households, the decision on how the children's dividend money would be allocated was made by parents alone almost half the time. This is not to say, however, that children did not influence these decisions.

TABLE V.1. WHO DECIDED HOW CHILDREN'S DIVIDEND  
CHECKS WOULD BE ALLOCATED?

(percent of households)

	1982 Dividend	1983 Dividend
Children Alone	6.9	8.8
Parents and Children	44.5	44.9
Parents Alone	48.5	46.3

SOURCE: Permanent Fund Dividend Survey.

There are three ways dividend income may have been viewed by a recipient. It may have been interpreted as a permanent increase in income such that he expected to receive a dividend in all succeeding years. It could have been seen as a windfall in the sense that it was an unexpected, one-time, instantaneous increase in wealth. Finally, it might have been viewed as transitory income, a random increase to income in one year, independent of the total lifetime income of the recipient.



There is little evidence that dividends were consciously viewed as transitory income by Alaskans, in part, due to the fact that, particularly with the large 1982 dividend, each recipient was very aware of getting a check. Consequently, to view the income as a random change, one would need to reason that an offsetting decline in future income would offset the gains from the dividend. The most likely candidate for a drop in future income would be the imposition of the income tax or a decline in state-provided public services. The rational response to such a perception would be to save the entire dividend amount and spend nothing since it would be reclaimed at a later date through a new tax or lower service levels. Although survey respondents, by a margin of two to one, do consider it unlikely that the dividend program will be in effect five years from now (Table V.2), there is little evidence from the survey that those who feel the dividend program is unlikely to continue spent their dividends in a significantly different pattern from those who feel the program will continue.

Neither is it the case that most people have considered the dividends to be permanent additions to income, based upon the survey results. Among the 11 percent who felt it likely the program would be in existence in five years, no pattern of behavior different from other respondents emerges. It seems likely that if people expected the dividend to be permanent, a smaller portion of dividend income would be saved and a larger portion spent on day-to-day purchases. In 1982, those who felt it very likely the program would continue did save less, but they also spent less on day-to-day purchases. The reverse pattern appears for the 1983 dividends. These results appear to be inconsistent with consistent consumer expenditure behavior and suggest either that people's expectations did not influence how they allocated their dividend, that the survey did not elicit detailed enough responses to this question, or that people's perceptions of how their behavior changed did not match reality.

For the majority of Alaskans, the dividends, particularly the first one in 1982, appear to fall into the category of a windfall--an unexpected instantaneous increase in assets. Several factors will then determine the extent to which a windfall is allocated among expenditures and saving differently than ordinary income. First, the expenditure on consumption of such an addition to wealth will be spread over time to yield the maximum satisfaction to the consumer. A young person, with many years to live, might spread this consumption out over many years while an older person would consume a larger percentage for each of a few years. Age also affects consumer demands in other ways, however, as for example by the fact that young people just establishing families may have many expenses while older people who have finished raising children have fewer needs for current consumption. In addition, older people may be concerned with bequeathing income to their descendants and thus spend less in order to be able to leave some of their wealth to their children. The desire to take risks may vary with age as well. Young people may be more willing to risk having a smaller



TABLE V.2. REPORTED NONTAX USES OF ADULTS' PERMANENT FUND DIVIDENDS,  
BY PRIOR EXPECTATION OF DIVIDEND CHECKS

(Percent of Recipients)

1982 Adult Checks

Reported Nontax Uses	Very Likely	Somewhat Likely	Unlikely
<hr/>			
PERCEIVED USES			
No reported uses	5.9	5.6	4.0
Special purchases only	27.2	29.1	27.1
Day-to-day purchases only	5.0	4.6	8.8
Savings only	19.2	19.5	17.6
Debt reduction only	4.6	6.2	8.0
Savings and special purchases only	10.4	6.1	6.6
Savings and day-to-day purchases only	3.1	5.8	2.4
Savings and debt reduction only	6.4	2.7	4.2
Debt reduction and special purchases only	2.1	3.0	2.6
Debt reduction and day-to-day purchases only	4.7	3.8	5.9
<u>All other combinations of uses</u>	<u>11.2</u>	<u>13.7</u>	<u>12.9</u>
Total	100	100	100
At least some special purchases	48.5	48.1	46.6
At least some day-to-day purchases	22.3	27.0	29.0
At least some savings	45.1	41.4	37.9
At least some debt reduction	23.9	21.7	26.7
ACTUAL USES			
No reported uses	39.9	33.7	35.8
Special purchases only	11.0	9.4	9.0
Day-to-day purchases only	11.7	13.8	15.0
Savings only	14.6	17.7	14.2
Debt reduction only	5.0	6.1	5.1
Savings and special purchases only	1.1	1.5	4.1
Savings and day-to-day purchases only	3.1	5.5	4.4
Savings and debt reduction only	1.2	2.7	1.4
Debt reduction and special purchases only	4.3	1.8	0.1
Debt reduction and day-to-day purchases only	2.2	2.5	2.4
<u>All other combinations of uses</u>	<u>5.8</u>	<u>5.3</u>	<u>8.3</u>
Total	100	100	100
At least some special purchases	20.0	16.2	20.1
At least some day-to-day purchases	22.3	27.0	29.0
At least some savings	23.3	29.9	29.0
At least some debt reduction	15.4	16.8	13.6

SOURCE: Permanent Fund Dividend Survey; see text of Chapter IV for description.



TABLE V.2. (Continued)  
Page 2 of 2

<u>1983 Adult Checks</u>			
Reported Nontax Uses	Very Likely	Somewhat Likely	Unlikely
<u>PERCEIVED USES</u>			
No reported uses	4.8	4.8	6.1
Special purchases only	19.5	16.2	15.6
Day-to-day purchases only	11.8	16.9	13.9
Savings only	26.9	24.1	29.6
Debt reduction only	7.5	10.1	6.9
Savings and special purchases only	3.0	3.1	6.3
Savings and day-to-day purchases only	6.3	5.3	4.7
Savings and debt reduction only	3.0	2.9	4.2
Debt reduction and special purchases only	0.3	2.3	0.9
Debt reduction and day-to-day purchases only	9.1	6.8	5.5
<u>All other combinations of uses</u>	<u>7.8</u>	<u>7.4</u>	<u>6.4</u>
Total	100	100	100
At least some special purchases	28.2	27.0	26.6
At least some day-to-day purchases	34.0	36.2	39.7
At least some savings	43.9	39.5	49.4
At least some debt reduction	24.3	25.6	20.6
<u>ACTUAL USES</u>			
No reported uses	36.3	32.0	40.2
Special purchases only	3.6	5.4	5.8
Day-to-day purchases only	21.0	22.7	24.7
Savings only	18.1	17.4	17.8
Debt reduction only	4.4	5.9	2.9
Savings and special purchases only	1.1	0.5	0.6
Savings and day-to-day purchases only	5.6	5.0	1.1
Savings and debt reduction only	1.7	1.7	1.8
Debt reduction and special purchases only	0.2	0.5	0.6
Debt reduction and day-to-day purchases only	3.8	3.7	3.0
<u>All other combinations of uses</u>	<u>4.3</u>	<u>5.2</u>	<u>1.6</u>
Total	100	100	100
At least some special purchases	7.5	9.6	7.7
At least some day-to-day purchases	34.0	36.2	29.7
At least some savings	13.4	8.1	5.6
At least some debt reduction	12.3	15.5	9.7
<u>Current Expectation of Dividend</u>			
<u>Five Years from Now: All</u>			
<u>Respondents at Time of Survey</u>	11.3	24.6	64.1

level of wealth to draw upon in the event of an economic downturn because they have more time and opportunity to "bounce back." This is related to general expectations about the future. Positive feelings about the future generally result in higher spending.

The relationship between the size, variability, and trend of other income and the windfall is also important in determining the extent to which it is treated like other regular income rather than an increase in assets. The smaller the windfall compared to other income, the less likely it is to be singled out by the individual as a one-time increase in assets and the more likely it is to be simply rolled in with other income, viewed as transitory income, and not affect current spending levels or patterns. Likewise, a windfall added to a growing income is likely to be viewed as less "special" than if other income is falling. The larger the percentage of income which a person receives in the form of perceived windfalls, the more likely that particular windfall will be spent in the same fashion as other income.

Some families are prevented from consuming the mix of goods they desire because of an inability to borrow. In such cases, a windfall may allow them to purchase a durable good such as an automobile or a television set with cash, which they were previously prevented from buying because they could not get credit. In this case, it would appear that the windfall was largely spent on consumption, but one must be careful not to confuse an expenditure with consumption. The purchase of services and nondurable goods (lasting less than one year) is consumption. The purchase of durable goods is generally consumption as well, but the benefits derived from the good, such as a television set or a piece of furniture, flow over a period of years. Thus, the expenditure of a windfall on a consumer durable actually represents the purchase of a flow of consumption spread over several years rather than just the present and in that sense is largely a form of saving or deferred consumption. Finally, the purchase of some durables and nondurables as well (postage stamps) may be an investment if there is no intent to use up the good through use. Particularly in areas where normal savings institutions are not well-established, savings must take other forms, such as a gun collection.

Finally, no matter what people eventually do with a windfall, immediately after receipt it will go first into liquid savings. Then over a period of time, it will be allocated to other uses.

Several economic studies have addressed the question of how income from windfalls and transfers has been treated by consumers. Most conclude that durable goods expenditures increase. Studies of the veterans' bonuses paid in the years following World War II showed that a large part of it went toward saving, but in the form of housing. This was the purchase of a good and, in fact, an



addition to liabilities which produced a flow of consumption services over a large number of years.<sup>1</sup>

A large tax cut in the early 1960s was made to stimulate the economy by putting more money into the hands of consumers. Consumer behavior in response to this relatively permanent income was monitored in a series of surveys. The analysis showed that, because of "commingling," many people were unable to identify separately the income from the tax cut, particularly because of substantial fluctuations in other income, some of which was perceived as sustained and some as transitory. This fluctuation of income was inversely related to age and a function of occupations. The study concluded that the initial response to the tax cut was an increase in liquid savings. Over time, the largest expenditure increase was for consumer durables, and new consumer debt actually increased. The authors hypothesized that, due to the persistence of habit, day-to-day expenditures, nondiscretionary spending, and contractual saving (life insurance, etc.) increased by smaller amounts, at least in the short run.<sup>2</sup>

In the late 1960s and early 1970s, a series of income maintenance experiments were undertaken in various parts of the nation during which lower-income people were given monthly guaranteed incomes and their behavior patterns compared to people not taking part in the program. Generally, it was concluded that people spent this income in about the same ways that they spent other income, except that expenditures for housing and related durables increased. It was hypothesized that this income was relatively permanent for the recipients and that it added a modicum of stability to their income flow.<sup>3</sup>

Unfortunately, little detailed information exists on the income and expenditure patterns of Alaskans from which to independently draw inferences about how dividend income might have been treated. The information which is available suggests some important differences from national averages, which may be significant.

One source of information on income is derived from the federal income tax returns. From this, we see that Alaska is unusual in sources of income in several respects. First, wages and salaries

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<sup>1</sup>Margaret Reid, "Consumption, Saving, and Windfall Gains," American Economic Review, September 1982, pp. 728-737.

<sup>2</sup>George Katona and Eva Mueller, Consumer Response to Income Increases, Brookings, Washington, D.C., 1968.

<sup>3</sup>Harold Watts and Albert Rees, editors, The New Jersey Income Maintenance Experiment, Vol. III: Expenditures; Health and Social Behavior; and the Quality of the Evidence, Academic Press, 1977.



account for a much more significant proportion of income subject to the personal income tax in Alaska than nationally. Second, dividends and interest, pensions, and tax refunds are a much smaller proportion of income. If we examine the percent of returns reporting various types of income, we see that Alaska exceeds the national average in wages and salaries, business income, partnerships, sale of assets, dividends and interest, rents, tax refunds, and unemployment compensation and is under the national average for pension income (Table V.3). What this table reveals is that, although there are some differences in the sources of income between Alaska and the United States, the pattern in the aggregate is not so different that one could readily associate it with different consumption patterns. Specifically, it is not possible to say that Alaskan sources of personal income are more or less volatile than elsewhere. For example, wage and salary income volatility depends upon the industry; and Alaska has large volatile industries, like construction, and also large stable industries, like government.

Turning to an examination of expenditures, Table V.4 shows the disposition of personal income in 1982 for the nation. Of total personal income of \$2.6 trillion, \$402 billion went to personal taxes, leaving disposable personal income of \$2.2 trillion. Personal consumption expenditures was 91.5 percent of disposable personal income; savings, 5.8 percent; and the remaining 2.7 percent was spent on interest payments to businesses by consumers and personal transfers to foreigners (Table V.5). Personal consumption expenditures can be categorized as durable goods, nondurable goods, and services, including housing. The largest individual items of consumption were food, 19.9 percent of personal consumption expenditures; housing, 16.8 percent; and unspecified services, 22.1 percent. Services accounted for almost half of personal consumption expenditures, with nondurables accounting for three-fourths of the remainder and durables, one-fourth.

A breakdown of consumption showing income-related variation is shown in Table V.6. Based on 1972 data, it shows that as income increases, current consumption expenditures decline as a portion of income from over 100 percent for families with incomes under \$3,000 (dissavings is occurring among these families) to less than 69 percent for families with incomes in excess of \$25,000. These higher-income families put substantial amounts into insurance, retirement, and pensions as well as gifts and contributions. Among current expenditure categories, some--such as food away from home, home furnishings, clothing, recreation, and education--increase more rapidly than total expenditures. A second group declines as a percentage of total expenditures. In this category are total food, food at home, tobacco products, total housing, shelter, fuel and utilities, housing operations, dry cleaning, and health care. A final group shows no distinct pattern. This group includes alcoholic beverages, transportation, personal care, and reading.



TABLE V.3. COMPARISON OF SELECTED SOURCES OF PERSONAL INCOME

Sources of Income	Alaska				United States			
	No. of Returns	Dollars <sup>a</sup> (10 <sup>3</sup> )	Percent of Returns Reporting	Percent of AGI <sup>b</sup>	No. of Returns (10 <sup>3</sup> )	Dollars <sup>a</sup> (10 <sup>6</sup> )	Percent of Returns Reporting	Percent of AGI <sup>b</sup>
Returns/AGI <sup>b</sup>	196,403	4,988			95,396	1,772,604		
Wages and Salaries	183,375	4,564	93.4	91.5	84,209	1,486,100	88.3	83.8
Business Net Profit	38,796	189	19.8	3.8	9,571	53,072	1.0	3.0
Farm Net Profit	1,775	-20	.9	-.4	2,641	-7,812	2.8	-.4
Partnership Net Profit	16,221	8	8.3	.2	3,752	-138	3.9	0
Sales								
Capital Assets	21,755	82	11.1	1.6	9,485	30,819	9.9	1.7
Other Assets	5,696	1	2.9	0	1,150	232	1.2	0
Dividends/Interest <sup>c</sup>	61,592	207	31.4	4.2	34,144	178,098	35.8	10.1
Rent	19,628	-64	10.0	-1.3	7,778	-2,765	8.2	-.2
Royalties	1,191	2	.6	0	831	5,827	.9	.3
Estate	403	4	.2	.1	771	3,966	.8	.2
Pension	8,665	81	4.4	1.6	8,157	51,886	8.6	2.9
Small Business	1,086	-6	.6	-.1	778	-817	.8	-.1
Tax Refunds	23,390	23	16.5	.5	11,560	4,371	12.1	2.5
Unemployment <sup>c</sup>	7,813	10	4.0	.2	2,245	2,315	2.4	.1

<sup>a</sup>Categories of income reported do not sum to total reported Adjusted Gross Income.

<sup>b</sup>Adjusted Gross Income

<sup>c</sup>In AGI

SOURCE: U.S. Department of Treasury, Statistics of Income, 1981 Individual Income tax Returns.

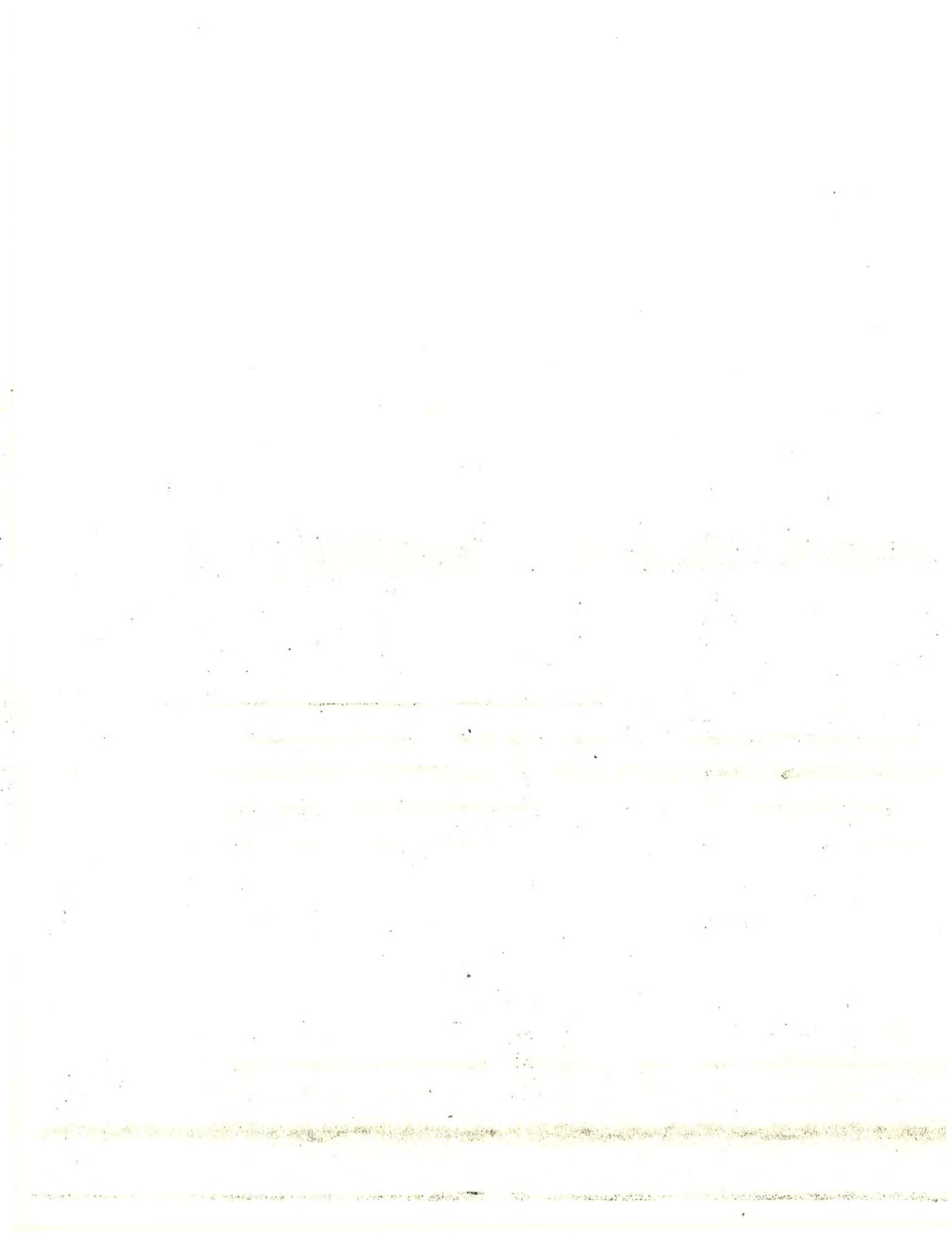




TABLE V.4. U.S. PERSONAL INCOME AND ITS DISPOSITION: 1982

(billion \$)

<u>PERSONAL INCOME</u>		\$2,578.6
Wages and Salaries	\$1,568.1	
Other Labor and Proprietor Income	265.6	
Interest, Dividends, Rent	482.5	
Transfers	374.5	
Less: Personal Contributions to Social Security	112.0	
<u>LESS: PERSONAL TAX AND NONTAX PAYMENTS</u>		402.1
<u>EQUALS: DISPOSABLE PERSONAL INCOME</u>		2,176.5
<u>PERSONAL CONSUMPTION EXPENDITURES</u>		1,991.9
Durables	244.5	
motor vehicles and parts	\$109.9	
furniture & household equip.	93.5	
other	41.1	
Nondurables	761.0	
food	396.9	
clothing and shoes	119.0	
gasoline and oil	91.5	
other	133.5	
fuel oil and coal	20.0	
Services	986.4	
housing	334.1	
electricity and gas	76.3	
other housing operation	68.0	
transportation	68.4	
other	439.6	
<u>INTEREST PAID TO BUSINESS BY CONSUMERS</u>		58.1
<u>PERSONAL TRANSFERS TO FOREIGNERS</u>		1.1
<u>PERSONAL SAVINGS</u>		125.4

SOURCE: U.S. Department of Commerce, Survey of Current Business,  
Vol. 63, No. 12, December 1983, p. 10.

TABLE V.5. THE DISTRIBUTION OF PERSONAL CONSUMPTION  
EXPENDITURES AND DISPOSABLE PERSONAL INCOME, 1982

(percent)

	Percent of Disposable Personal Income	Percent of Personal Consumption Expenditures
Disposable Personal Income	100%	
Durables	11.2	12.3
Motor Vehicles and Parts	5.0	5.5
Furniture and House- hold Equipment	4.3	4.7
Other	1.9	2.1
Nondurables	34.9	38.2
Food	18.2	19.9
Clothing and Shoes	5.5	6.0
Gasoline and Oil	4.2	4.6
Other	6.1	6.7
Fuel Oil and Coal	0.9	1.0
Services	45.3	49.5
Housing	15.4	16.8
Electricity and Gas	3.5	3.8
Other Housing Operations	3.1	3.4
Transportation	3.1	3.4
Other	20.2	22.1
Interest Paid to Business By Consumers	2.7	
Personal Transfers to Foreigners	0.1	
Personal Savings	5.8	

SOURCE: Table V.4.



TABLE V.6. ANNUAL EXPENDITURES BY SELECTED INCOME GROUPS:  
THE 1972 CONSUMER EXPENDITURE SURVEY

Expenditure Category	Family Income Before Taxes					
	Under \$3,000		\$10,000 - \$12,000		\$25,000 and Over	
	Dollars	Percent of Expenditures	Dollars	Percent of Expenditures	Dollars	Percent of Expenditures
<u>Current Consumption Expenditures</u>	3,211	100.0	8,284	100.0	17,290	100.0
Food	722	22.5	1,656	20.0	2,845	16.5
at home	598	18.6	1,209	14.6	1,793	10.4
away from home	115	3.6	427	5.2	1,016	5.9
meals as pay	9	.3	20	.2	36	.2
Alcoholic Beverages	36	1.1	124	1.5	265	1.5
Tobacco Products	67	2.1	144	1.7	161	.9
Housing	1,258	39.2	2,467	29.8	5,158	29.8
shelter	735	22.9	1,266	15.3	2,603	15.1
fuel and utilities	218	6.8	413	5.0	685	4.0
operations	206	6.4	415	5.0	954	5.5
furnishings and equipment	99	3.1	373	4.5	915	5.3
Clothing	141	4.4	539	6.5	1,427	8.3
Dry Cleaning and Laundry	47	1.5	81	1.0	149	.9
Transportation	438	13.6	1,733	20.9	3,156	18.3
Health Care	234	7.3	536	6.5	966	5.6
Personal Care	63	2.0	169	2.0	341	2.0
Recreation	155	4.8	638	7.7	2,000	11.6
vacation home	1	-	6	.1	47	.3
vacations and pleasure trips	46	1.4	202	2.4	836	4.8
boats, aircraft, etc.	10	.3	68	.8	241	1.4
other recreation	97	3.0	362	4.4	876	5.1
Reading	16	.5	45	.5	112	.7
Education	11	.3	62	.8	500	2.9
Miscellaneous	26	.8	92	1.1	210	1.2
<u>Personal Insurance, Retirement, Pensions, Total</u>	67	-	746	-	2,121	-
<u>Gifts and Contributions</u>	137	-	403	-	1,894	-

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey: Integrated Diary and Interview Survey Data, 1972-73, Bulletin 1992, Table 1.

From this, it appears that expenditure patterns are closely related to income and that as incomes increase, the additional or marginal income is spent differently than average income. Complicating the picture is that people with higher incomes have other characteristics also related to expenditure levels and patterns. In particular, family size, age of head of household, race of head of household, housing tenure (owner or renter), and region significantly affect consumption patterns as well.

Economists have expended considerable effort trying to quantify the relationship between income and expenditures for particular commodities. Results of a typical analysis of this type, presented in Table V.7, show that both the amount and percentage of income spent on different commodity groups varies substantially. The derivative shows the change in consumption from a change in income. The elasticity measures the percent change in consumption from a 1 percent income change. Unfortunately, the data used in many of these studies is quite old so that they cannot serve as specific guides to current income sensitivities. This particular study also reveals that the response of expenditures to income change differs in the short and the long run. This lag in adjustment of expenditure to income is based upon the ideas of habit formation and stock adjustment occurring over a period of years. In the period before habits change and institutionalized consumption patterns such as a fixed mortgage change, a significant amount of discretionary spending may result. For example, in the short run, expenditures on automobiles goes way up. In the long run, the response is much less.

Consumption patterns in Alaska do not correspond to the national averages reflected in these figures because of differences in income, demographics, tastes, relative prices, and availabilities of goods and services. Table V.8 shows this by comparing information from 1979 tax returns for Alaska and the United States. Comparisons using the itemized deduction information from the tax returns are, at best, suggestive because Alaskans are much more likely to itemize deductions than people elsewhere because of the higher nominal incomes in Alaska. Nonetheless, some interesting differences emerge: Alaskans appear to spend somewhat more of their adjusted gross income on home mortgage payments, income taxes (this was prior to the elimination of the personal income tax), and union dues. On the other hand, they spend less of their adjusted gross income on real estate and sales taxes, contributions, and medical expenses.

The fragmentary data on expenditure patterns in rural Alaska shows much greater variance from the national averages. A survey conducted in the early 1980s in Southwest Alaska indicated that food, subsistence gear, and fuel accounted for over 60 percent of expenditures. In contrast, housing was less than 5 percent; health care, less than 1 percent; and savings, .6 percent (Table V.9). Although some were critical of the methods used in this survey, the high proportion of expenditures for fuel reported is confirmed in



TABLE V.7. INCOME RESPONSIVENESS OF EXPENDITURE GROUPS

Commodity Group	Short Run		Long Run	
	Derivative	Elasticity	Derivative	Elasticity
Automobiles and Parts	.39	6.3	.11	1.8
Furniture and Household Equipment	.17	2.4	.09	1.3
Other Durable Goods	.03	1.2	.03	1.5
Food and Beverages	.26	.7	.27	.7
Clothing and Shoes	.16	1.2	.06	.4
Gasoline and Oil	.02	.4	.05	1.4
Other Nondurable Goods	.10	.8	.11	.9
Housing	.01	.1	.13	.8
Household Operations	.06	.9	.11	1.6
Transportation	.03	.8	.03	.7
Other Services	.16	.8	.39	1.9

SOURCE: H.S. Houthakker and Taylor, Consumer Demand in the U.S.: Analysis and Projections, Harvard, 1970, p. 207.

TABLE V.8. COMPARISON OF EXPENDITURES: ALASKA AND THE UNITED STATES, 1979

	Alaska				United States			
	No. of Returns (10 <sup>3</sup> )	Dollars <sup>a</sup> (10 <sup>6</sup> )	Percent of Returns Reporting <sup>b</sup>	Percent of AGI <sup>a,b</sup>	No. of Returns (10 <sup>6</sup> )	Dollars <sup>a</sup> (10 <sup>9</sup> )	Percent of Returns Reporting <sup>b</sup>	Percent of AGI <sup>b</sup>
Adjusted Gross Income	188.3	3,854.9			92.694	1,465.4		
Returns with Itemized Deductions	65.2	2,470.1	100.0	100.0	26.484	796.1	100.0	100.0
Total Deductions	-	557.6	-	22.6	-	184.2		23.1
Interest Paid	63.2	263.8	97.0	10.7	24.512	74.4	92.6	9.3
Home Mortgages	51.3	10.1	78.7	7.2	20.854	48.5	78.7	6.1
Credit Card	43.6	178.6	66.9	.4	16.766	4.0	63.3	.5
Other	-	75.1	-	3.0	-	21.9		2.8
Taxes	65.1	171.5	99.9	6.9	26.314	60.7	99.4	7.6
Real Estate	53.0	41.5	81.3	1.7	23.154	19.0	87.4	2.4
Sales	32.8	12.7	50.3	.5	25.346	10.3	95.7	1.3
Income	62.8	110.4	96.3	4.5	22.267	29.2	84.1	3.7
Personal Property	31.9	2.8	48.9	.1	11.155	1.4	42.1	.2
Cash Contributions	53.3	47.5	81.7	1.9	24.296	19.2	91.7	2.4
Medical	32.5	17.1	49.8	.7	17.969	12.9	67.8	1.6
Miscellaneous	57.9	51.0	88.8	2.1	22.391	13.9	84.2	1.7
Union Dues	28.3	13.5	43.4	.5	8.561	1.8	32.3	.2
Other	-	37.5	-	1.5	-	12.1	-	1.5

<sup>a</sup>Individual categories do not sum to total because of exclusions of several minor categories.

<sup>b</sup>Adjusted Gross Income reported on itemized returns.

SOURCE: U.S. Department of Treasury, Statistics of Income, 1979 Individual Income tax Returns, Table 5.2.



TABLE V.9. SAMPLE RURAL HOUSEHOLD EXPENDITURE  
DISTRIBUTION: 1980

<u>Expenditures</u>	<u>Percent</u>
Food	30.4
Subsistence Gear	16.7
Fuel	16.0
Transport/Travel	6.4
Clothing	5.1
Utilities	4.9
Housing	4.8
Household Goods	4.0
Entertainment	1.7
Health	.8
Savings	.6
Other	8.7

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SOURCE: Association of Village Council Presidents Survey.

another study which reviewed other earlier surveys of rural expenditure patterns. Four separate surveys estimated that between 17 and 22 percent of incomes in rural Alaska were spent on energy.<sup>4</sup> In contrast, only 6 percent of income in Fairbanks was spent on energy.<sup>5</sup>

Based on the analysis of the survey presented in the previous chapter and the information presented in this section, there appear to be some differences between how normal income and dividend income, viewed as a windfall, is allocated. The complexity of consumption patterns, our reliance upon a retrospective survey, and limited econometric evidence (presented in appendixes) prevents us

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<sup>4</sup>Scott Goldsmith, Will Nebesky, and Teresa Dignan, "Impact of Rising Energy Costs on Rural Alaska," Institute of Social and Economic Research, report to Alaska Growth Policy Council, 1980, Table 1.

<sup>5</sup>Ibid, Table 15.

from drawing more than general conclusions regarding these differences. Basically, it appears that a higher proportion of dividend income was allocated to savings and special purchases than normal income. This is partly the result of the unique distribution of dividend income. Not only is dividend income treated somewhat differently by an individual but in addition a large portion of the income went to low-income individuals. In percentage terms, this increase was heavily weighted in the lower-income groups, most obviously children. Since lower-income groups, with the exception of children, have a higher propensity to spend out of income, this partially offsets the tendency in the aggregate for the windfall to be put into savings.



### V.3. How Much Money from Dividends Entered the Alaska Economy

The personal income taxes paid on dividends received was discussed in an earlier chapter. Three other factors affect how much money leaks out of the economy before it has a chance to impact economic activity--out-of-state distributions, public programs with an income test, and behavioral changes. These effects are all relatively modest.

About 2 percent of checks distributed in 1982 were mailed to addresses outside the state (Table V.10), presumably to residents temporarily absent from the state but some undoubtedly to nonresidents who recently had moved from Alaska and had not yet changed their official residence. For those residents who were temporarily absent, the out-of-state distribution does not necessarily represent a "leak" of money out of the economy. If they spent their checks upon their return to the state, the effect would be the same as that of the dividends of residents present in the state.

A number of federal and state assistance programs are based upon an income test either for program eligibility or, as in the case of low-income subsidized housing, for the determination of the level of the subsidy. In anticipation of this problem, the Alaska legislature established a "hold harmless" program to compensate Alaskans for any loss in income or benefits from federally funded programs resulting from a higher income calculated by including the dividend amounts. The program covered direct assistance payments, and based upon the survey, it was successful in compensating for losses in benefits received.

Certain federally subsidized housing programs administered by the Department of Housing and Urban Development (HUD) require that a family participating in the program make a monthly payment on a sliding scale based upon annual income. HUD did not include the value of the 1982 dividend in the calculation of income for the determination of the monthly payment, but it did include the 1983 dividend. The result was a slight increase in housing payments for individuals participating in these programs and a reduction in the addition to income resulting from the dividends. No survey respondent mentioned being affected by income tests associated with these programs, so we can assume the income loss stemming from these tests was small.

A third factor affecting the amount of money entering the economy from dividends involves changes in behavior resulting from the program--either working less or remaining in the state. If an individual chose to work less because of the program, in some cases that person's loss of income would be balanced by an increase in income to the person who replaced him. In some instances, this would not occur, particularly because those with the most flexibility about determining how much they want to work are self-employed. An

TABLE V.10. NUMBER OF OUT-OF-STATE 1982 PERMANENT  
FUND DIVIDEND RECIPIENTS

<u>ALASKA</u>	<u>449,254</u>		
<u>NONALASKA</u>	<u>8,947</u>		
Washington	1,635	Maine	71
California	1,144	Mississippi	68
New York	514	Indiana	67
Texas	427	South Carolina	65
Oregon	410	Kentucky	64
Virginia	394	Tennessee	63
Colorado	293	Wisconsin	61
Alabama	243	District of Columbia	60
Hawaii	243	South Dakota	57
Florida	205	Iowa	53
North Carolina	202	Other Country	47
Arizona	201	North Dakota	45
Utah	200	Wyoming	43
Georgia	177	Arkansas	40
Maryland	152	New Hampshire	39
Oklahoma	149	New Jersey	32
Missouri	132	Delaware	24
Michigan	125	Connecticut	15
Kansas	124	Vermont	12
Montana	105	Rhode Island	8
Idaho	104	Other U.S. Territories	7
Illinois	102	West Virginia	7
Ohio	102	Unknown	7
New Mexico	99		
Minnesota	90	ALL RECIPIENTS	<u>458,201</u>
Nebraska	87		
Nevada	87		
Massachusetts	84		
Pennsylvania	82		
Louisiana	79		

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SOURCE: 1982 Permanent Fund Dividend Applicant Profile, Alaska  
Department of Revenue, Table 6.2.



unknown number of individuals probably stayed on in Alaska for a period of months in order to collect their dividends, particularly in 1982. During this waiting period, they continued to spend money on living expenses in Alaska that they would not have spent in the absence of the dividend program. Although the level of spending associated with this waiting is unknown, it is not unreasonable to assume that it was on the same order of magnitude (and relatively small) as the "leak" associated with dividend checks sent to out-of-state addresses.

The net effect on money entering the Alaskan economy from these factors seems, from the available evidence, to be minimal and at least partially compensating. Consequently, it seems clear that the dividends are very well "targeted" to the resident population with very little waste. The amount spent on the dividends is, after the federal income tax, quite close to the amount of income that the program actually adds directly to the economy. However, the fiscal effect of the program is underestimated by the dividends themselves. To this cost must be added two additional costs. The first is the expenditures associated with the "hold harmless" program for maintaining nondividend income of public assistance recipients at their pre-dividend income level. The second is the net cost (expenditures minus revenues) from population growth stimulated by the dividends.





#### V.4. The Economic Effects of the Current Program

##### BEHAVIORAL EFFECTS

Economic theory as well as empirical analysis suggests that economic behavior will be affected by the receipt of lump sum transfers. First, individuals will work less for income and spend more time in leisure-related activities if they receive a dividend. Second, people will move to and stay longer in Alaska in order to receive a dividend.

Individuals were asked in the survey whether anyone in their household spent less time working for pay as a result of receiving dividends. About 1 percent of respondents replied affirmatively (Table V.11). This can be interpreted as a lower bound for at least two reasons. First, some people might decide to work less but not attribute it to the dividend. Second, some people might not want to admit that they worked less. Even making a reasonable adjustment to account for these biases, the reduction in labor supply appears to be very small. The cutback is some (presumably small) portion of 1 percent of total labor effort because we can reasonably assume these people did not stop work altogether.

TABLE V.11. SHARE OF RESPONDENTS REPORTING LESS TIME  
SPENT WORKING FOR PAY BY SOMEONE IN HOUSEHOLD  
AS A RESULT OF PERMANENT FUND DIVIDENDS

(percent)

	Yes	No
<u>1982 Dividends: Total</u>	<u>1.2</u>	<u>98.9</u>
Anchorage residents	.7	99.3
Other urban	1.4	98.6
Rural	1.7	98.3
<u>1983 Dividends: Total</u>	<u>1.0</u>	<u>99.0</u>
Anchorage residents	1.4	98.6
Other urban	.7	99.3
Rural	.7	99.3

SOURCE: Permanent Fund Dividend Survey.

This conclusion is supported by economic theory, the nature of labor markets, and the size of the dividends relative to total income. It is reasonable to assume that leisure is a "normal good." This means that people will devote more time to leisure as their incomes rise. This, in turn, requires a cutback in the amount of time spent working for income. This cutback will partly depend upon the size of the dividend and its regularity relative to other income. In 1982, the \$1,000 dividend was indeed significant in comparison to total per capita disposable income of \$14,032 (income after taxes); but in 1983, the \$386 dividend was a much smaller percentage of the per capita disposable income of \$14,386.

Looking only at averages is misleading, however, because of the varied circumstances of individuals at different income levels. For higher-income level individuals, the increment to income from the dividends is small enough to be insignificant, particularly when viewed over a period of years. Furthermore, this is a very transitory source of income relative to their other sources. For most employed Alaskans, wage and salaries is their primary source of income, and it is not easy for most salaried employees to change the number of hours they work.

For lower-income individuals, the percent of income from dividends is larger, so one would expect more of a reduction in hours worked; but a significant number of lower-income people are, in fact, working fewer hours than they desire to work, as reflected by recent unemployment figures for the state (Table V.12). These rates are actually a lower bound due to the discouraged worker effect. Some people simply drop out of the labor market because there is so little chance of getting a job. For these people as well as those on fixed incomes from pensions, etc., the desire or opportunity to reduce hours spent in labor may not exist. For children, of course, there are no opportunities to work fewer hours.

This result is also consistent with the findings of other studies. In a recent review of studies of the labor supply effects of transfer programs such as public assistance, 5 percent was the estimated reduction in labor supply due to the combined effects of all such programs.<sup>6</sup>

Turning to the question of migration, it is first necessary to clearly distinguish two types of migration. In this section, we are interested in examining migration which occurred as a direct response to the income distributed in the form of dividends. This is a separate phenomenon from the migration which occurred in response to the jobs and other economic activity that the dividends

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<sup>6</sup>Sheldon Danziger, Robert Havemen, and Robert Plotnick, "How Income Transfer Programs Affect Work, Savings, and the Income Distribution: A Critical Review," Journal of Economic Literature, Vol. XIX (Sept. 1981), pp. 975-1028.



created once they began churning through the economy. In the former category are both those people who remained in Alaska longer than they otherwise would have because of the prospect of receiving a dividend and those who moved into the state because of the prospect of receiving a dividend.

Less than 1 percent of survey respondents said they did not leave the state in order to receive a dividend, with the percentage higher in 1982 and in the urban, more transient parts of the state (Table V.13). In contrast, no one said that they moved to Alaska to take advantage of the dividend program.

TABLE V.12. ALASKA UNEMPLOYMENT RATES  
June 1983

(percent of labor force)

Anchorage	7.7	Angoon	16.6
Matanuska-Susitna	13.8	Haines	15.0
		Ketchikan	11.0
Cordova	7.1	Outer Ketchikan	17.2
Kenai	13.9	Prince of Wales	16.5
Kodiak	9.7	Sitka	8.5
Seward	12.2	Skagway	9.8
Valdez	9.1	Wrangell-Petersburg	13.0
Fairbanks	15.4	Aleutian Islands	5.3
Southeast Fairbanks	12.0	Bethel	12.3
Upper Yukon	20.6	Bristol Bay Borough	4.4
Yukon-Koyukuk	13.9	Bristol Bay	6.1
		Kuskokwim	12.9
Barrow	6.4	Wade Hampton	13.5
Kobuk	10.3		
Nome	8.6		

SOURCE: Alaska Department of Labor, Economic Trends, August 1984.

TABLE V.13. SHARE OF RESPONDENTS REPORTING MIGRATION TO  
ALASKA IN RESPONSE TO DIVIDENDS

(percent of households)

Part A. Outmigration

Did Anyone in Your Household Decide not to Move from  
Alaska so that They Could Receive a Dividend Check?

	<u>Yes</u>	<u>No</u>
<u>1982 Dividends: Total</u>	.8	99.0
Anchorage Residents	1.5	98.5
Other Urban	.4	99.4
Rural	.3	99.7
<u>1983 Dividends: Total</u>	.6	99.4
Anchorage Residents	.7	99.3
Other Urban	.7	99.3
Rural	0.0	100.0

Part B. Immigration

Did You Move to Alaska Partly Because of Dividends?

<u>Total</u>	0.0	100.0
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SOURCE: Permanent Fund Dividend Survey



In interpreting these results, it is important to keep in mind expectations as well as the probable bias in responses against attributing behavior to the dividends. Among those interviewed, nearly half (46.1 percent) thought it not likely in early 1982 that a 1982 dividend would be distributed while only one-quarter (26.1 percent) thought it very likely (Table V.14).

TABLE V. 14. SURVEY RESPONDENTS' EXPECTATIONS OF  
FUTURE PERMANENT FUND DIVIDENDS,  
BY TIME PERIOD

(percent of households)

	Very Likely	Somewhat Likely	Not Likely
Expectation of 1982 dividend in early 1982, before dividend program began	26.1	27.7	46.2
Expectation of 1983 dividend after receiving 1982 dividend	33.2	34.0	32.8
Expectation of 1983 dividend in early 1983	45.6	28.8	25.6
Current expectation of 1984 dividend	60.9	29.5	9.6

SOURCE: Permanent Fund Dividend Survey

Since that time, the expectations of dividends in each succeeding year have increased so that, at the time of the survey in early 1984, less than 10 percent felt a 1984 dividend was not likely while over 60 percent considered it very likely. To the extent that uncertainty existed and continues to exist in the minds of people about the existence and continuation of the program, locational decisions will be less affected by the prospect of dividends. Because of the small sample, it is impossible to distinguish the perceptions of in-migrants and potential out-migrants regarding the program, so we cannot say whether Alaska residents or new migrants were more likely to feel that dividends would, in fact, be distributed.

The positive response to the out-migration question and no response to the in-migration question are reasonable, given the way the program is structured. Most individuals resident in the state during the months prior to the announcement of the program were automatically eligible for a dividend, and the decision to leave the state--often associated with quitting a job, retirement, or going to school--might for some be easily postponed for a short period of time at little cost. Likewise, the decision to change state of legal residence from Alaska could be postponed. It is not unreasonable to find, as the survey suggests, that between two and four thousand people still living in the state decided not to move, partially to receive the dividend. This does not mean the population is consequently any higher than it otherwise would not have been. This is because those employed people who chose not to move because of the dividends have not been replaced by new migrants moving in to fill vacated jobs.

An unknown number postponed their move in order to receive the 1982 dividend but have since left the state. This is some fraction of the many thousands of people who move through the state annually. As a consequence, several million dollars in dividend checks was paid to people who otherwise would have left the state and people who postponed leaving, but the impact on aggregate population of these individual decisions is unknown and short lived.

With respect to in-migrants, the survey again does not capture those people whose behavior was temporarily affected by the dividends--people who moved in and then out of the state. The movement of people into the state to receive dividends was reduced by the six-month eligibility requirement which necessitated an unusual amount of planning and foresight by anyone thinking of taking advantage of the program. The uncertainty of this source of income tended to reduce the benefits of a move.

This is consistent with studies of behavioral responses conducted elsewhere. Behavioral changes are more likely if the source of income is viewed as permanent rather than transitory and if the costs associated with the changed behavior are low relative to the benefits. The fact that fewer applications were received for 1983 dividends may partially be a reflection of this relation between benefits and costs in affecting behavior.



## AGGREGATE ECONOMIC EFFECTS

The starting point for this analysis is the Permanent Fund dividend distribution itself as it affects the level of personal income available for consumption. Table V.15 compares the contribution of dividends to personal income and to the growth in personal income net of transfers. If we arbitrarily define the starting point for the current Alaska business cycle as the first quarter of 1980, we see that about 17 percent, or \$619 million, of the \$3,036 million growth in personal income since that time<sup>7</sup> has resulted directly from the dividends. This suggests that the dividends have been a significant factor in the unprecedented growth which has occurred in the Alaska economy since 1980. In addition, the dividends entered the economy in lumps and with a lag so that some 1982 dividends were received in 1983 and some 1983 dividends in 1984.

Table V.16 shows that the amount of the 1982 dividend was equivalent to the payroll in the petroleum and mining industry or larger than the payroll growth in construction, the fastest growing industry of the state between 1980 and 1982. The 1983 dividend was somewhat smaller than the payrolls in the finance and wholesale trade industries but still larger than the payroll growth in almost all industries between 1980 and 1982. The federal personal income tax cut put more than \$200 million into the pockets of Alaskans, compared to \$450 million and \$167 million for the 1982 and 1983 dividends, respectively.

Its direct contribution could be more accurately determined by estimating how much it has contributed to final demands, the driving force which determines activity levels in the economy. Although personal consumption expenditures which are closely related to income are the single-most important component of final demand, the other components must be added in. Unfortunately, estimates of the other elements of final demand--government spending, investment, and net exports--do not currently exist for the state, so we cannot estimate the strength of its effect on final demand.

Projecting ahead, we have estimated the level of the dividend in future years and how that will compare to per capita personal income (Table V.17). The calculation of the amount available for the dividend is based upon a five-year moving average of Permanent Fund earnings, so with continued growth of the Fund, dividend payments will average about 40 percent of current-year earnings. In the next few years, the dividend amount will grow rapidly as the calculation formula more fully reflects the recent years of high fund growth and high earnings. Independently, growth in personal income per capita will slow. Consequently, dividends as a percentage of personal

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<sup>7</sup>Net of nondividend transfers.

TABLE V.15. COMPARISON OF PERSONAL INCOME AND DIVIDENDS

	Personal Income: Net of Transfers		Dividends	Dividends as Percent of Growth
	Annual Level (million \$) [1]	Quarterly Change [2]	Level (million \$) [3]	<u>[3]</u> [2+3]
1980:1	4,542	—	0	0
2	4,676	134	0	0
3	4,793	117	0	0
4	5,111	318	0	0
1980 TOTAL		569		
1981:1	5,233	122	0	0
2	5,563	330	0	0
3	5,789	226	0	0
4	6,042	253	0	0
1981 TOTAL		931		
1982:1	6,161	119	0	0
2	6,507	346	15.9	4.4
3	6,685	178	155.5	46.6
4	6,730	45	155.8	77.6
1982 TOTAL		688		
1983:1	6,898	168	89.5	34.8
2	7,094	196	21.0	9.7
3	7,307	213	47.2	18.1
4	7,447	140	128.1	47.8
1983 TOTAL		717		
1984:1	7,578	<u>131</u>	<u>3.8</u>	<u>2.8</u>
TOTAL SINCE 1980		3,036	616.8	16.9

SOURCES: Bureau of Economic Analysis. Major Sources of Personal Income in Alaska, Table 2A, April and July 1984.

Permanent Fund Dividend Survey.



TABLE V.16. COMPARISON OF DIVIDENDS WITH PERSONAL  
INCOME FROM OTHER SOURCES IN ALASKA

(million \$)

Permanent Fund Dividend (before taxes)	
1982	450
1983	167
Disposable Personal Income	
1981	5,019
1982	6,095
1983	6,893
Payroll Level: 1982 Total	5,938
Construction	792
Services	762
Local Government	650
State Government	555
Retail Trade	476
Petroleum and Mining	450
Federal Civilian	428
Military	418
Transportation	401
Manufacturing	297
Communications and Public Utilities	242
Wholesale Trade	212
Finance	208
Other	49
Payroll Growth: 1980 to 1982 Total	1,658
Construction	364
Services	259
Local Government	186
Mining	145
Retail Trade	144
State Government	128
Military	96
Transportation	93
Wholesale Trade	69
Finance	62
Federal Civilian	49
Communications and Public Utilities	45
Other	32
Manufacturing	-13
Federal Tax Cut, 1981 to 1983 <sup>a</sup>	204
Final ANCSA Payment by State <sup>b</sup>	293

<sup>a</sup>Estimated reduction in federal liability of Alaskans in 1981 if 1983 tax schedule had been in effect in 1981. The annual increment to Alaska disposable personal income in 1983 and succeeding years exceeds this amount.

<sup>b</sup>This was the payment to Native Corporations. Only a portion of this amount became personal income of individuals.

TABLE V.17. ACTUAL AND PROJECTED CONTRIBUTION OF  
DIVIDENDS TO PER CAPITA INCOME

	Permanent Fund Dividend		Per Capita Personal Income		Dividends as a Percentage of Personal Income
	Nominal \$	1984 \$	Nominal \$	1984 \$	
1982	1,000	1,102	16,257	17,909	6.2
1983	386	408	17,516	18,562	2.2
1984	389	389	17,569	17,576	2.2
1985	380	358	18,324	17,270	2.1
1986	475	421	19,164	17,012	2.5
1987	551	457	20,027	16,631	2.8
1988	606	474	21,488	16,821	2.8
1989	664	490	23,230	17,152	2.9
1990	726	506	25,312	17,654	2.9
1991	786	517	27,635	18,199	2.8
1992	842	523	29,699	18,476	2.8
1993	927	544	31,128	18,286	3.0
1994	1,018	564	33,371	18,511	3.1
1995	1,106	579	35,937	18,835	3.1
1996	1,197	593	38,468	19,067	3.1
1997	1,290	604	41,210	19,322	3.1
1998	1,390	616	44,075	19,544	3.2
1999	1,497	627	47,048	19,731	3.2
2000	1,607	637	50,279	19,945	3.2
2005	2,212	665	71,579	21,529	3.1
2010	2,882	658	101,200	23,118	2.8

SOURCE: Simulation PFSB4; Variables EXTRNS, PDRPI, POP, P.PI, DF.PIP.



income will increase from 2.2 percent in 1984 to 3.2 percent at the end of the century before beginning a slow decline.

The nominal value of a dividend grows to nearly \$3 thousand by 2010; however, this is primarily a reflection of an annual inflation rate in excess of 6 percent. The inflation-adjusted dividend would be \$506 in 1990, \$637 in 2000, and \$658 in 2010, compared to \$389 in 1984.<sup>8</sup>

The amount of the dividend is related to population and earnings, with the latter more subject to variation through changes in both the rate of return and the balance in the Permanent Fund. Table V.18 shows that as the balance in the Fund grows (it reaches a nominal balance of \$52 billion in 2010 with reinvestment of the undistributed income account), additions to the Fund will increasingly come from earnings rather than from special appropriations, the largest source in the recent past, or resource revenues. In fact, annual earnings already exceed resource revenue additions to the Fund. Even with the distribution of earnings through dividends, Fund earnings will be twice resource revenues by 1992, four times by 2000, and nearly eight times larger by 2010. Consequently, modest changes in the rate of return on the Fund will have substantial effect on dividends through both earnings directly and the balance in the Fund.

The primary way in which the dividends influence the economy is through their contributions to personal consumption expenditures as disposable income grows. We assume children's dividends go untaxed and that half of their dividends as well as between 5 and 10 percent more than usual after-tax adult income goes into savings. As people increase their spending and implement savings and investment decisions through the local economy, sales of goods and services result which produce jobs and incomes through additional wage payments and returns to other factors of production. The economic opportunities thus produced stimulate a movement of population into the state. The combination of additional income and population gives rise to additional responses in both the private and public sectors. In the private sector, there will be expansion of firms

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<sup>8</sup>The primary assumptions underlying this projection are a 3 percent real return on the Permanent Fund balance, March 1984 50 Percent Revenue Projections of the Department of Revenue and reinvestment of the undistributed income account. Full details of assumptions may be found in Matthew Berman and Teresa Hull, Alaska Statewide and Regional Economic and Demographic Systems: Effects of OCS Exploration and Development for Minerals Management Service, Alaska OCS Office, by Institute of Social and Economic Research, April 1984; and Scott Goldsmith and Brian Reeder, ISER MAP Alaska Economic Model: State Model Documentation Version A84.2: May 1984, for Alaska Power Authority, July 1984.

TABLE V.18. SOURCES OF PERMANENT FUND ADDITIONS

(million \$)

	Year-End Permanent Fund Balance	Annual Permanent Fund Earnings		Resource Revenues	Special Appropriations
		Total	Retained		
1982	3198	318	177	394	800
1983	4228	466	251	378	400
1984	5259	529	387	343	300
1985	6072	541	347	366	100
1986	6832	617	370	389	0
1987	7712	739	450	429	0
1988	8636	769	449	474	0
1989	9679	861	508	534	0
1990	10793	955	561	552	0
1991	11979	1069	629	555	0
1992	13217	1176	692	545	0
1993	14591	1300	764	609	0
1994	16035	1429	836	607	0
1995	17535	1564	910	589	0
1996	19089	1686	970	583	0
1997	20734	1833	1052	593	0
1998	22470	1989	1139	596	0
1999	24295	2153	1230	593	0
2000	26222	2326	1327	600	0
2005	37455	3337	1880	598	0
2010	51918	4637	2592	600	0

SOURCE: Simulation PFSB4; Variables BALPF, RSIP, RSIPPF, RP7SPF, EXPFCONX



providing goods and services to those businesses which directly sell goods and services to consumers. This includes goods like bakery items and services like advertising and accounting. In addition, firms will identify opportunities for expansion of existing activities and movement into new markets, resulting in the stimulation of private-sector investment. In Alaska, this primarily takes the form of construction and building up for inventories.

On the public-sector side, the additional income, investment activity, and population will produce a demand for expansion of current operations as well as additions to the capital stock. Schools become overcrowded, more teachers must be hired, and new schools constructed. These private- and public-sector activities pump further additions of income into the economy and contribute to a further expansion through the multiplier. The process does not continue forever, however, because the new money eventually "leaks" out of the economy into savings, taxes, and purchases outside the region. The "leaks" out of the region are particularly relevant for Alaska because of the small size of the manufacturing sector. Virtually all consumer goods, both durable and nondurable, with the exceptions of housing and some types of energy, are manufactured in the Lower 48 and shipped into the state. Consequently, when a consumer good is purchased, a large proportion of the money involved in the sale leaves the state when the firm replenishes its inventory.

This economic activity can be measured by a variety of standard indicators. These indicators will not all move together, however, and so a more complete description of program effects is gained by looking at more than one indicator. In addition, these multiplier effects may be substantially different from the primary program effects. For example, a study of national tax transfer alternatives concluded that although the primary effects favored the low-income populations and regions of the country, the secondary or multiplier effects favored the high-wage, more affluent regions of the country. This was because those goods and services consumed by the less affluent were largely produced by the more affluent.<sup>9</sup>

We have estimated most of the aggregate economic effects of the program on the economy through simulation using the MAP econometric model. By simulating both with and without the dividend program, the difference can be taken as the economic effect of the dividends. It must be remembered that these effects are contingent upon the many assumptions which it has been necessary to make about consumer behavior and expenditure patterns in response to the dividends—factors about which we have a general understanding, but about which precise information is impossible to obtain. Thus, the

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<sup>9</sup>Robert Haveman and Fredrick Golladay, The Economic Impacts of Tax-Transfer Policy: Regional and Distributional Effects, New York, Academic Press, 1977.



simulations reveal more about general patterns of response than particular quantities.

The total dividend amount is estimated at \$458 million in 1982, \$167 million in 1983, about \$192 million in 1984, and in succeeding years a smoothly increasing function of Fund earnings. In 1990, nearly \$400 million is distributed and by 2000, nearly \$1 billion (Table V.19). The impact of this on the economy is amplified by the multiplier so that both personal and disposable personal income increase by a larger margin than the dividend in spite of a significant "leak" to the federal government in additional taxes. In inflation-adjusted dollars (1984 \$), disposable income is higher each year of the dividend program in the 1980s by from \$300-to-\$400 million (Table V.20, Part A).

This increase in personal income is accompanied by growth in employment (Table V.20, Part B). Because the amount of dividends is increasing over time and the multiplier effects of the program are spread over a number of years, the total employment impact grows over time, in spite of the fact that the initial distribution in 1982 was much larger than in 1983 and in projections for future years. Only a portion of the 1982 checks were distributed in 1982. Based on this simulation, by the middle of the decade, the continuation of the \$200 million (1984 \$) dividend program has resulted in the contribution to the economy of over 7 thousand jobs. The employment effect impacts three of the four sectors of the economy. Support employment receives the majority of the growth followed by infrastructure and government. Basic employment is unaffected by the dividends. The government employment increase is largely the result of the increase in population and the subsequent increase of the state appropriation spending limit as well as expansion of services at the local level. Infrastructure employment growth is largely investment in response to the increase in population. Growth in support employment is in direct response to personal income growth and the most readily observable component of the total expansion of employment. The growth in support employment is concentrated in trade and services with smaller additions in finance, among proprietors, and very modest growth in the manufacturing sector (Table V.20, Part C). The jump in disposable income caused by the dividends has accelerated the process of maturation and development of the support sector, as measured by employment, by a couple of years.

The large size of the employment effect can partially be traced to the labor intensity in those sectors of the economy most influenced by demand--trade and services--as well as to the way the dividends act as a permanent addition to disposable income of all Alaskans. Labor use in trade and services is high although average hours worked and wage rate are generally low. For example, a number of those jobs created by the dividends are in eating and drinking establishments. These jobs have very different characteristics than those in the petroleum industry. The dividend increases the



TABLE V.19. DIVIDEND AMOUNTS: TOTAL AND PER CAPITA

	Dividend Value (10 <sup>6</sup> )	Dividend Per Capita (\$)	Dividend Real Per Capita (1984 \$)
1982	458.	1000	1101
1983	167.	386	409
1984	192.405	388	388
1985	194.189	380	358
1986	247.383	475	421
1987	289.558	551	457
1988	319.848	606	474
1989	353.078	664	490
1990	394.5	726	506
1991	439.654	786	517
1992	483.275	842	524
1993	536.407	927	544
1994	593.212	1018	564
1995	654.075	1106	579
1996	715.769	1197	593
1997	781.545	1290	605
1998	850.437	1390	616
1999	922.826	1497	628
2000	999.058	1607	637
2001	1081.31	1721	646
2002	1167.97	1839	653
2003	1259.2	1960	685
2004	1355.22	2085	662
2005	1456.25	2212	665
2006	1562.51	2341	666
2007	1674.29	2472	666
2008	1791.87	2605	664
2009	1915.54	2742	661
2010	2045.62	2882	658

SOURCE: Simulation, PFSB4; Variables EXTRNS, PDRPI

TABLE V.20, PART A. DIVIDEND IMPACT: TOTAL PERSONAL INCOME

(million \$)

	Personal Income	Real Personal Income (1984 \$)	Disposable Personal Income	Real Disposable Personal Inc. (1984 \$)	Federal Income Taxes
1981	0.	0.	0.	0.	0.
1982	398.73	439.309	350.047	385.672	40.322
1983	427.844	453.406	356.855	378.176	61.98
1984	348.57	348.84	293.113	293.34	48.083
1985	399.184	376.902	333.848	315.207	56.853
1986	493.648	439.879	412.789	367.805	70.395
1987	548.82	457.398	459.43	382.875	77.787
1988	602.246	473.133	503.559	395.582	85.933
1989	673.836	499.836	562.32	417.082	97.199
1990	759.094	531.969	632.152	442.973	110.85

SOURCE: Simulation PFSN4-PFSB4; Variables PI, DF.PI, DPI, DF.DPI, RTPIF

TABLE V.20, PART B. DIVIDEND IMPACT: TOTAL EMPLOYMENT

(thousands)

	Total Employment	Basic Employment	Government Employment	Infrastructure Employment	Support Employment
1981	0.	0.	0.	0.	0.
1982	2.981	0.	0.214	0.782	1.985
1983	4.948	0.	0.555	1.119	3.274
1984	5.288	0.	0.669	1.144	3.475
1985	6.553	0.	1.125	1.369	4.059
1986	7.471	0.	1.089	1.636	4.746
1987	7.507	0.	1.081	1.667	4.759
1988	7.555	0.	1.125	1.684	4.745
1989	7.967	0.	1.181	1.804	4.981
1990	8.443	0.	1.228	1.929	5.286

SOURCE: Simulation PFSN4-PFSB4; Variables EM99, EM9BASE, EM9GOV, EM9INFR, EM9SUPRT



TABLE V.20, PART C. DIVIDEND IMPACT: SUPPORT EMPLOYMENT

(thousands)

	Trade	Finance	Services	Manufacturing	Proprietors
1981	0.	0.	0.	0.	0.
1982	1.173	0.	0.564	0.078	0.172
1983	1.733	0.196	1.099	0.089	0.289
1984	1.507	0.422	1.451	0.068	0.311
1985	1.547	0.582	1.86	0.075	0.387
1986	1.781	0.697	2.208	0.087	0.443
1987	1.871	0.657	2.139	0.09	0.444
1988	1.92	0.623	2.083	0.093	0.447
1989	2.016	0.651	2.184	0.097	0.472
1990	2.136	0.69	2.318	0.102	0.504

SOURCE: Simulation PFSN4-PFSB4; Variables EMD9, EMFI, EMS9, EMMO, EMPRO1

disposable income of every Alaskan, with the largest percentage increases in the lower income groups with the highest tendencies to spend out of income, the highest likelihood of having instability in income, and the highest likelihood of having fewer consumer durables than desired because of credit restrictions.

The additional employment results in growth in population which occurs primarily in the early 1980s through a temporary increase in net migration (Table V.20, Part D), although the higher population does positively influence the rate of natural increase. The simulation may somewhat overestimate population growth because the majority of jobs created are in trade and services which are generally lower paying, have shorter hours, and thus may be filled by spouses or other dependents of people currently employed. On the other hand, the incentive for the elderly to remain in the state may be underestimated in the simulation. The population growth is the cause of the growth in government employment and also accounts for some of the infrastructure growth in the form of private investment in housing and other goods to meet the needs of the new migrants.

In spite of the increase in population, there is not much dilution of the personal income growth when viewed in per capita terms (Table V.20, Part E). Real per capita personal income and disposable personal income increase substantially, although not as much as the per capita amount of the dividend.<sup>10</sup> The value of real per capita state expenditures falls an insignificant amount as the total level expands with population under the expenditure limit rule.<sup>11</sup>

In terms of fiscal impact on the general fund, the growth in expenditures with population is not matched by revenue growth so the general fund balance declines (Table V.20, Part F).<sup>12</sup> An initial increase in revenues is due to transfers from the Permanent Fund to partially pay for the dividends in early years. In subsequent years, a smaller general fund balance implies reduced earning. The flows in and out of the general fund are shown in inflation-adjusted dollars in Table V.20, Part G. The net fiscal impact on the general fund in real dollars is about \$130 million annually in the latter part of the decade, not counting the "hold harmless" cost of the program. This reflects the fact that the public needs of the population are met by oil revenues which do not grow with population. The larger the population, the more quickly they are used up.

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<sup>10</sup>The new population in lower-than-average-paying jobs accounts for this.

<sup>11</sup>The simulation shows a spike in real per capita state general fund expenditures in 1982 as that is when all general fund appropriations to the dividend program are assumed to occur.

<sup>12</sup>Capital expenditure additions are assumed to begin in response to the dividends with a significant lag.



TABLE V.20, PART D. DIVIDEND IMPACT: POPULATION

(thousands)

	Net Migration	Population			
		Total	Adults	Children	Elderly
1981	0.	0.	0.	0.	0.
1982	2.393	2.397	1.788	0.604	0.005
1983	3.824	6.289	4.671	1.602	0.015
1984	2.863	9.315	6.883	2.402	0.029
1985	1.263	10.811	7.948	2.819	0.044
1986	1.264	12.344	9.051	3.232	0.062
1987	0.504	13.124	9.601	3.443	0.08
1988	0.303	13.721	10.028	3.593	0.1
1989	0.489	14.506	10.606	3.779	0.121
1990	0.534	15.344	11.231	3.969	0.144

SOURCE: Simulation PFSN4-PFSB4; Variables POPMIG, POP, POPADS, POPKIDS, POPGER

TABLE V.20, PART E. DIVIDEND IMPACT: PER CAPITA INCOME

(1984 \$)

	Real Per Capita Personal Income	Real Per Capita Disposable Personal Income	Real Per Capita State General Fund Expenditures
1981	0.	0.	0.
1982	903.617	798.086	1048.2
1983	727.387	608.711	-56.715
1984	380.371	325.074	-75.828
1985	380.484	322.676	-71.297
1986	451.637	382.785	-22.199
1987	466.348	396.305	-22.742
1988	471.16	400.191	-24.77
1989	484.926	411.125	-27.16
1990	494.504	418.531	-27.238

SOURCE: Simulation PFSN4-PFSB4; Variables DF.PIP, DF.DPIP, DF.EXGFP

TABLE V.20, PART F. DIVIDEND IMPACT: STATE FISCAL MEASURES

(million \$)

	General Fund Expenditures	General Fund Operating Expenditures	General Fund Capital Expenditures	General Fund Revenues
1981	0.	0.	0.	27.525
1982	439.998	0.	0.	70.94
1983	23.825	23.825	0.	113.403
1984	37.305	37.305	0.	-16.926
1985	45.845	45.845	0.	-22.782
1986	79.166	55.203	23.963	-27.724
1987	90.223	63.053	28.35	-38.883
1988	99.375	69.779	32.05	-45.277
1989	110.441	78.06	35.592	-57.238
1990	124.23	87.411	39.83	-69.961

SOURCE: Simulation PFSN4-PFSB4; Variables EXGFBM, EXGFOPS, EXGFCAP, RSGFBM

TABLE V.20, PART G. DIVIDEND IMPACT:  
INFLATION ADJUSTED FISCAL MEASURES

(1984 million \$)

	Real General Fund Revenues (1984 \$)	Real General Fund Expenditures (1984 \$)
1981	32.045	0.
1982	78.16	484.781
1983	120.179	25.249
1984	-16.879	37.379
1985	-21.205	43.483
1986	-23.956	70.9
1987	-31.604	75.551
1988	-34.777	78.427
1989	-41.333	82.398
1990	-47.814	87.557

SOURCE: Simulation FPSN4-PFSB4; Variables DF.RSGFB, DF.EXGFB



The net result of the dividend program on state fund balances is shown in Table V.20, Part H. We are assuming in this particular analysis that in the absence of the dividend program, those funds paying for it would remain in the general and Permanent Funds to accrue interest. Consequently, the impacts are all negative and show the cumulative dividend program cost. By the end of the 1984 distribution, it is in excess of \$900 million in foregone balances in the general and Permanent Funds. The cost passes \$2 billion in 1984 dollars by 1988 and \$3 billion two years later in 1990. The acceleration of cumulative cost is the result of the foregone earnings on the amounts spent for the dividends themselves and for the larger state budgets.

TABLE V.20, PART H. DIVIDEND IMPACT: FUND BALANCE

(million \$)

	General Fund		Permanent Fund	
	Balance	Real Balance (1984 \$)	Balance	Real Balance (1984 \$)
1981	0.	0.	0.	0.
1982	-369.057	-406.618	-141.102	-155.462
1983	-279.477	-296.176	-369.949	-392.051
1984	-333.711	-333.807	-598.09	-598.23
1985	-402.337	-379.038	-851.25	-801.785
1986	-509.229	-451.628	-1182.57	-1048.37
1987	-638.332	-529.636	-1596.29	-1324.08
1988	-782.984	-612.487	-2070.66	-1619.33
1989	-950.664	-701.282	-2624.18	-1935.23
1990	-1144.86	-797.739	-3270.6	-2278.3

SOURCE: Simulation PFSN4-PFSB4; Variables BALGF9, DF.BALGF, BALPF, DF.BALPF

## INFLATION

The effect of the dividend program on inflation and the cost of living is difficult to gauge partly because of the inadequacy of the existing measure of price levels and movements, the Anchorage Consumer Price Index (CPI), caused by its small sample size and inaccurate measure of housing costs.<sup>13</sup> Historically, those components of consumer budgets most expensive in Alaska relative to the rest of the United States have been housing, health care, and federal taxes. This continues to be the case, and the cost of these items should be insensitive to the dividend program.

In terms of the overall rate of inflation, the historical pattern has been for Alaska prices to increase more slowly than prices nationally, so that over time, the price level has fallen relative to the United States. This has been attributed to the growth in the market size in Alaska and the increased competition and economies of scale which result from that growth. In periods of boom growth, that trend has been temporarily reversed by excess demand driving up demand for goods and services in short supply as well as the general wage level.

Against this background, one would not expect the dividend program to have a noticeable effect on the price level in the aggregate. In Table V.21, a comparison of the growth of the U.S. and Anchorage Consumer Price Indexes in recent years shows the Anchorage index has displayed no unusual pattern if housing is excluded. Individual monthly changes are unimportant because of the small sample from which the CPI is drawn. The dividends have not created excess demand for labor or housing, those goods which have traditionally increased in price during booms. On the contrary, the program has increased the level of discretionary income, leading to the introduction of new firms into the marketplace in competition with existing firms as well as the threat of competition. The result has been an increase in choices available to the consumer and a probable reduction in cost. This is reflected in the promotional campaigns of many Alaska retailers during the dividend distribution, offering special prices and discounts in an attempt to lure customers with dividend checks into their stores. The slight hesitation in the downward trend in the ratio is more likely the result of the overall rapid growth of the economy in 1982 and 1983 than the dividends.

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<sup>13</sup>See "The Anchorage Consumer Price Index--How Accurate," Institute of Social and Economic Research, Research Summary No. 14.



TABLE V.21, PART A. INFLATION INDICATORS:  
ALL ITEMS

(1967=100)

	U.S. CPI		Anchorage CPI		Relative Change Anchorage/U.S. [4/2]
	[1] Level	[2] Annual Change	[3] Level	[4] Annual Change	
1980:1	233.2	13.9	218.2	10.1	.73
2	239.8	14.7	223.5	11.2	.76
3	244.9	14.4	226.5	11.3	.79
4	247.8	13.2	228.4	10.1	.77
5	251.7	12.7	230.9	8.3	.65
6	256.2	12.6	236.5	10.7	.85
1981:1	260.5	11.7	240.1	10.0	.86
2	265.1	10.6	241.1	7.9	.75
3	269.0	9.8	244.6	8.0	.82
4	274.4	10.7	246.1	7.7	.72
5	279.3	11.0	250.5	8.5	.77
6	280.7	9.6	253.7	7.3	.76
1982:1	282.5	8.4	253.0	5.4	.64
2	283.1	6.8	260.0	7.8	1.15
3	287.1	6.7	263.8	7.8	1.16
4	292.2	6.5	263.6	7.1	1.09
5	293.3	5.0	263.4	5.1	1.02
6	293.6	4.6	257.2	1.4	.30
1983:1	293.1	3.8	257.6	1.8	.47
2	293.4	3.6	261.0	0.4	.11
3	297.1	3.5	262.5	-0.5	-.14
4	299.3	2.4	265.8	0.8	.33
5	301.8	2.9	267.9	1.7	.59
6	303.1	3.2	270.4	5.1	1.59
1984:1	305.2	4.1	271.5	5.4	1.32
2	307.3	4.7	274.4	5.1	1.09
3	309.7	4.2	275.3	4.9	1.17
4	311.7	4.1	275.5	3.6	.88

SOURCE: U.S. BLS Consumer Price Index, All Urban Consumers.

TABLE V.21, PART B. INFLATION INDICATORS  
ALL ITEMS EXCEPT SHELTER

(1967=100)

	U.S. CPI		Anchorage CPI		Relative Change Anchorage/U.S. [4/2]
	[1] Level	[2] Annual Change	[3] Level	[4] Annual Change	
1980:1	223.4	12.0	227.5	9.3	.78
2	229.6	12.7	233.0	10.4	.82
3	233.4	12.0	236.6	10.8	.90
4	236.4	11.1	240.0	10.2	.92
5	241.0	11.5	243.1	8.8	.77
6	243.6	11.4	247.7	10.2	.89
1981:1	247.6	10.8	249.9	9.8	.91
2	253.3	10.3	253.1	8.6	.83
3	256.2	9.8	257.8	9.0	.92
4	259.9	9.9	260.3	8.5	.86
5	263.5	9.3	264.3	8.7	.94
6	265.4	8.9	267.6	8.0	.90
1982:1	267.4	8.0	268.4	7.4	.93
2	268.5	6.0	268.0	5.9	.98
3	270.6	5.6	269.5	4.5	.80
4	275.3	5.9	273.2	5.0	.85
5	276.9	5.1	273.8	3.6	.71
6	278.1	4.8	275.6	3.0	.63
1983:1	278.5	4.2	276.2	2.9	.69
2	278.7	3.8	278.1	3.8	1.00
3	282.4	4.4	279.3	3.6	.82
4	284.5	3.3	281.7	3.1	.94
5	286.8	3.6	284.5	3.9	1.08
6	287.8	3.5	288.0	4.5	1.29
1984:1	289.8	4.1	287.9	4.2	1.02
2	291.9	4.7	291.3	4.7	1.00
3	294.0	4.1	292.1	4.6	1.12
4	-	-	292.8	3.9	-

SOURCE: U.S. BLS Consumer Price Index, All Urban Consumers.



## REGIONAL EFFECTS

Dividends are distributed to each region of the state based upon population. The subsequent (secondary or multiplier) economic effects are distributed regionally based upon the structure of the economy and the ways in which the dividends are spent. In general, the smaller the place, the larger is the "leak" of money out of the region as the multiplier effect generates economic impact. Consequently, the economic impacts after initial distribution will tend to be concentrated in the larger urbanized economies of the state. We have observed that the employment created by the dividends is concentrated in support, infrastructure, and government (Table V.20, Part B). Although these jobs are spread throughout the state, they tend to be concentrated more heavily in the urban areas.

Although it is not possible to analyze separately the economic impact of the dividends on each region of the state, it is possible to show the general pattern of support employment growth in each region of the state compared to the distribution of dividends (Table V.22). The distribution of dividends has been consistent with the regional distribution of resident population. During the time over which the dividend program has been in effect, the distribution of employment growth has reflected a different pattern. It should be kept in mind that during this period (1981 to 1983), many other factors have influenced the growth of support employment, and these factors may have different impacts on the regional distribution of support employment growth.

Nevertheless, the pattern which emerges does confirm the general expectation that support activity growth tends to concentrate in the larger places. With the exception of Barrow-North Slope, the smaller and more rural places have received a smaller proportionate share of support-sector employment growth between 1981 and 1983 than of dividends. Bethel, for example, has received 2.3 percent of the money distributed under the dividend program, but support employment growth between 1981 and 1983 has been only .2 percent of the total for the state. Anchorage has experienced the largest concentration of support employment growth, 58.6 percent, compared to receipt of 42.5 percent of all dividends. The results would show more of the secondary effect in the urban areas if after-tax distributions were used.

Another interpretation of this data would be to consider the distribution of support employment growth since 1981 a reflection of the net distributional effect of all the factors accounting for growth of the economy since 1981. These factors generally result in employment growth in the urban areas. In contrast, the dividend program direct impact has been distributed completely on the basis of population and thus impacts smaller economies proportionately more.

TABLE V.22. CONCENTRATION OF SUPPORT EMPLOYMENT GROWTH  
COMPARED TO DIVIDENDS

Region	Dividends Through April 1984		Employment in Support <sup>a</sup>				Degree of Concentration of Support Activity [7] = [6/2]
	Dollars (10 <sup>6</sup> ) [1]	Percent of State [2]	1981 [3]	1983 <sup>b</sup> [4]	Change [5] [4-3]	Percent of State [6]	
Aleutian Islands	5.420	0.9	494	539	45	0.2	0.22
Anchorage	261.842	42.5	49,350	63,156	13,806	58.6	1.38
Angoon	.976	0.2	NA	NA	NA	-	-
Barrow-N. Slope	6.277	1.0	2,938	4,715	1,777	7.5	7.50
Bethel	14.444	2.3	1,337	1,385	48	0.2	0.09
Bristol Bay Borough	1.509	0.2	102	77	-25	-0.1	-0.50
Bristol Bay	6.365	1.0	462	568	106	0.5	0.50
Cordova-McCarthy	3.497	0.6	273	367	94	0.4	0.67
Fairbanks	79.689	12.9	11,456	13,595	2,139	9.1	0.71
Haines	2.902	0.5	191	214	23	0.1	0.20
Juneau	35.502	5.8	3,723	5,131	1,408	6.0	1.03
Kenai-Cook Inlet	40.874	6.6	3,290	4,132	842	3.6	0.55
Ketchikan	18.867	3.1	2,417	2,909	492	2.1	0.68
Kobuk	7.378	1.2	547	775	228	1.0	0.83
Kodiak	14.745	2.4	1,370	2,019	649	2.8	1.17
Kuskokwim	3.636	0.6	124	140	16	0.1	0.17
Matanuska-Susitna	35.175	5.7	1,669	2,951	1,282	5.4	0.95
Nome	10.050	1.6	953	962	9	*	-
Outer Ketchikan	2.088	0.3	55	NA	NA	-	-
Prince of Wales	3.358	0.5	164	250	86	0.4	0.80
Seward	4.778	0.8	361	440	79	0.3	0.38
Sitka	11.286	1.8	1,373	1,354	-19	-0.1	-0.06
Skagway-Yakutat	4.239	0.7	330	271	-59	-0.3	-0.43
Southeast Fairbanks	6.171	1.0	408	369	-39	-0.2	-0.20
Upper Yukon	2.601	0.4	45	49	4	*	-
Valdez-Chitina- Whittier	8.985	1.5	947	894	-53	-0.2	-0.13
Wade Hampton	7.043	1.1	353	303	-50	-0.2	-0.18
Wrangell-Petersburg	9.067	1.5	820	1,164	344	1.5	1.00
Yukon-Koyukuk	7.817	1.3	306	398	92	0.4	0.31
State Total	616.581	100.0	86,713 <sup>c</sup>	110,263 <sup>c</sup>	23,550	99.1	

NA = Not available or not disclosable

\* = Less than .05 percent

<sup>a</sup>Defined as wholesale and retail trade, finance, services, and construction.

<sup>b</sup>Preliminary

<sup>c</sup>Total for state includes data from those census divisions not available or not disclosable.

SOURCES: Alaska Department of Labor. Statistical Quarterly for 1981 data; 1983 data from preliminary printouts.



## WEALTH

A final economic effect of the dividend program has been on wealth holdings in the private sector. To the extent that dividends are saved and invested, the decline in public assets resulting from the distribution (Table V.20, Part H) is offset by an increase in private wealth holdings. In addition, the increase in the supply of funds in private hands could have a "supply side" effect on the economy if the amount of capital investment is increased as a result of the increased availability of funds.

The general pattern of wealth holding in the hands of consumers is shown in Table V.23. Tangible assets account for the majority (57 percent) of assets, and this is an inverse function of income. The primary tangible assets are housing, land, and consumer durables. This suggests a majority of wealth is held in the form of assets which are commodities and which provide a flow of consumption services. Primary consumer durables are motor vehicles, furniture, household equipment, sporting goods, and jewelry.

Data on the composition and value of assets held by individuals in Alaska is non-existent. What information does exist suggests that the level of certain assets held by Alaskans is less than the national average. Financial assets, defined as those assets generating dividends, interest, and rent, can be approximated from personal income data (Table V.24). This calculation suggests that the per capita level of financial assets in the state is below the national average, with dramatic variation among regions. In 1982, the per capita income reported in Alaska from assets varied between a low of \$160 in Wade Hampton and a high of \$2,487 for Ketchikan, compared to \$2,082 nationally. Part of the difference between Alaska and the United States can be attributed to the young average age of the Alaska population. On the other hand, the figures for Alaska have not been deflated for cost-of-living differentials. Even after adjusting for differences in preferences for types of assets, the data seems to indicate that the level of asset holdings for many Alaskans is relatively low.

The level of assets which produced the reported dividends, interest, and rent is unknown but probably lies in the range of \$10- to-\$20 billion. Over a number of years, if all Permanent Fund dividends (about \$200 million annually) were added to private wealth, they would add significantly to the level of private wealth holding in the economy. Since it appears that the majority of the dividends are spent on goods and services, the increase in private wealth is very modest in relation to current holdings. Since the regional distribution of wealth has a larger variation than the distribution of income, the dividend program has a potentially significant effect on the regional distribution of wealth.

TABLE V.23. ASSETS AND LIABILITIES OF INDIVIDUALS  
IN THE UNITED STATES--1981

(billions of dollars outstanding  
at beginning of year)

<u>TANGIBLE ASSETS</u>		\$5,931
<u>Reproducible Assets</u>		\$4,267
owner-occupied housing	\$1,920	
other residential structures	486	
consumer durables	995	
inventories & nonresidential		
plant and equipment	864	
<u>Land</u>		1,665
owner-occupied	590	
farm business and nonfarm,		
noncorporate business	1,032	
other	43	
<u>FINANCIAL ASSETS</u>		4,521
<u>Currency, Savings Accounts,</u>		
<u>and Money Market Funds</u>		1,657
demand deposits & currency	288	
time & savings accounts	1,294	
money market fund shares	74	
<u>Securities</u>		1,644
U.S. savings bonds	73	
other U.S. gov't. securities	210	
state & local obligations	74	
corporate & foreign bonds	87	
open-market paper	38	
corporate equities		
(excl. corporate farms)	1,162	
<u>Pension &amp; Life Insurance Reserves</u>		950
life insurance reserves	223	
pension fund reserves	727	
<u>Miscellaneous Assets</u>		271
<u>TOTAL ASSETS</u>		10,452
Home Mortgage		946
Consumer Credit		385
Other Mortgage Debt		240
Other Debt		284
<u>TOTAL LIABILITIES</u>		1,855
<u>NET WORTH</u>		<u>8,598</u>

SOURCE: Balance Sheets of the U.S. Economy (Washington: Board of  
Governors of the Federal Reserve System, 1981.)



TABLE V.24. ESTIMATED FINANCIAL ASSETS BY REGION

Region	Dividends, Interest, Rent, 1982				Financial Assets <sup>b</sup>	
	Dollars (10 <sup>3</sup> )	Per Capita <sup>a</sup>	Percent of Income	Percent of State	Dollars (10 <sup>6</sup> )	Per Capita (10 <sup>3</sup> )
Aleutian Islands	\$ 5,135	\$ 604	4.8	0.7	\$ 102.7	12.1
Anchorage	412,801	2,120	11.5	52.4	8,256.0	42.4
Angoon	462	578	8.8	0.1	9.2	11.6
Barrow-N. Slope	1,928	419	2.0	0.2	38.6	8.4
Bethel	2,885	280	3.1	0.4	57.7	5.6
Bristol Bay Borough	1,125	1,023	6.7	0.1	22.5	20.5
Bristol Bay	2,796	635	6.5	0.3	55.9	12.7
Cordova-McCarthy	5,365	2,146	15.4	0.7	107.3	42.9
Fairbanks	105,053	1,745	9.5	13.3	2,101.1	34.9
Haines	3,631	1,911	15.1	0.5	72.6	38.2
Juneau	46,933	2,152	10.8	6.0	938.7	43.1
Kenai-Cook Inlet	48,736	1,934	14.5	6.2	974.7	38.7
Ketchikan	30,092	2,487	14.3	3.8	601.8	49.7
Kobuk	2,757	541	5.2	0.4	55.1	10.8
Kodiak	17,358	1,719	10.9	2.2	347.2	34.4
Kuskokwim	1,111	397	5.6	0.1	22.2	7.9
Matanuska-Susitna	36,704	1,676	12.1	4.7	734.1	33.5
Nome	3,518	510	4.8	0.4	70.4	10.2
Outer Ketchikan	711	474	3.8	0.1	14.2	9.5
Prince of Wales	2,159	744	5.6	0.3	43.2	14.9
Seward	6,788	2,190	14.1	0.9	135.8	43.8
Sitka	14,296	1,787	12.2	1.8	285.9	35.7
Skagway-Yakutat	2,698	964	8.0	0.3	54.0	19.3
Southeast Fairbanks	3,678	657	5.9	0.5	73.6	13.1
Upper Yukon	1,752	1,031	6.6	0.2	35.0	20.6
Valdez-Chitina- Whittier	7,427	1,179	7.3	0.9	148.5	23.6
Wade Hampton	801	160	2.7	0.1	16.0	3.2
Wrangell-Petersburg	14,742	2,303	16.3	1.9	294.8	46.1
Yukon-Koyukuk	4,231	798	5.0	0.5	84.6	16.0
State	787,673	1,777	10.7	100.0	15,753.5	35.5
United States	482,411,000	2,082	18.8	-	9,648,220.0	41.6

<sup>a</sup>Population based on BEA figures used to calculate per capita income.

<sup>b</sup>Assume twenty times earnings.

SOURCE: U.S. Bureau of Economic Analysis, Personal Income by Major Sources, Table 5, April 1984.

The availability of money in Alaska, as measured by commercial bank deposits, has grown dramatically during the current economic cycle, practically doubling between 1980 and 1983 from \$1.6-to-\$3.0 billion (Table V.25). This growth is the net result of all factors affecting the economy during this time as well as national trends affecting banking institutions. The level of deposits is not a direct reflection of increased wealth but rather of the supply of funds from all segments of the economy. This growth in supply has increased the availability of money for investment purposes and has undoubtedly affected the terms of loans if not interest rates directly. Since banks can lend and purchase assets in a national market, however, the effect on Alaska is minimized.

It is interesting to compare the growth in deposits and branches by region in recent years. Although the number of banking offices in the state increased from 124 to 134 between 1980 and 1983, all the increase was in Anchorage. Although there are other ways by which investable funds get to other parts of the state, the growth in the number of banking offices in recent years has not been one of them. Although the change in one year may not indicate a trend, the growth in commercial bank deposits has concentrated in the urbanized economies of the state, just as support employment has, led by Anchorage (Table V.26).

Finally, several survey respondents indicated that they used parts of their dividend for either general business investments or miscellaneous business investments (Table V.27). These represent a true "supply side" response if, in fact, these investments would not have been undertaken either by the respondent or by someone else in the absence of the dividends. Other reported consumer durable purchases are much more likely to be for personal consumption rather than used in the production of goods and services for sale to others.



TABLE V.25. DISTRIBUTION OF ALASKA COMMERCIAL BANK DEPOSITS

Region	1980		1982		1983	
	Banking Offices	Deposits (000 \$)	Banking Offices	Deposits (000 \$)	Banking Offices	Deposits (000 \$)
Aleutian Islands	1	3,312	1	7,727	1	9,180
Anchorage	50	920,633	50	1,123,533	61	1,951,421
Angoon	0	0	0	0	0	0
Barrow-North Slope	1	5,447	1	8,230	1	9,858
Bethel	1	10,894	2	17,288	2	28,676
Bristol Bay Borough and Bristol Bay	2	14,865	2	24,973	2	33,591
Cordova-McCarthy	2	15,040	2	28,631	2	27,614
Fairbanks	17	163,835	17	204,684	17	257,458
Haines	1	7,381	1	9,254	1	9,728
Juneau	7	109,695	8	131,912	8	153,178
Kenai-Cook Inlet	8	70,468	8	89,966	8	106,278
Ketchikan	4	78,876	4	104,865	4	132,095
Kobuk	1	3,609	1	6,713	1	11,101
Kodiak	2	33,106	2	46,246	2	56,011
Kuskokwim	0	0	0	0	0	0
Matanuska-Susitna	5	27,900	4	51,184	4	58,709
Nome	1	14,623	1	15,835	1	18,852
Outer Ketchikan	1	3,028	1	5,355	1	4,261
Prince of Wales	1	2,698	1	6,309	1	4,161
Seward	2	11,639	2	14,763	2	14,835
Sitka	3	36,374	3	43,871	3	46,998
Skagway-Yakutat	3	8,811	3	14,765	3	15,233
Southeast Fairbanks	3	6,973	3	41,116	2	7,540
Upper Yukon	0	0	0	0	0	0
Valdez-Chitina- Whittier	4	36,129	3	19,458	3	23,241
Wade Hampton	0	0	0	0	0	0
Wrangell-Petersburg	3	31,837	3	43,517	3	57,575
Yukon-Koyukuk	1	4,166	1	5,351	1	5,926
<u>Alaska</u>	124	1,621,339	124	2,065,546	134	3,043,520
<u>Total United States</u>	NA	NA	57,038	1,514,693 (million)	58,277	1,689,662 (million)
<u>Wash. and Oregon</u>	1,644	29,032,190	1,651	31,069,554	1,708	33,997,809

SOURCES: Federal Deposit Insurance Corporation, Summary of Accounts and Deposits, San Francisco Region, 1980.

Federal Deposit Insurance Corporation, Data Book, Operating Banks and Branches, 1982 and 1983.

TABLE V.26. ANALYSIS OF ALASKA COMMERCIAL BANK DEPOSITS

Region	1982		1983	
	Percent of State Total	Per Capita	Percent of State Total	Per Capita
Aleutian Islands	0.4	909	0.3	1,080
Anchorage	54.4	5,771	64.1	10,023
Angoon	0	-	0	-
Barrow-North Slope	0.4	1,789	0.3	2,143
Bethel	0.8	1,678	0.9	2,784
Bristol Bay Borough and Bristol Bay	1.2	4,541	1.1	6,107
Cordova-McCarthy	1.4	11,452	0.9	11,046
Fairbanks	9.9	3,400	8.5	4,277
Haines	0.4	4,871	0.3	5,120
Juneau	6.4	6,051	5.0	7,027
Kenai-Cook Inlet	4.5	3,570	3.5	4,217
Ketchikan	5.1	8,667	4.3	10,917
Kobuk	0.3	1,316	0.4	2,177
Kodiak	2.2	4,579	1.8	5,546
Kuskokwim	0	-	0	-
Matanuska-Susitna	2.5	2,337	1.9	2,681
Nome	0.8	2,295	0.6	2,732
Outer Ketchikan	0.3	3,570	0.1	2,841
Prince of Wales	0.3	2,176	0.1	1,435
Seward	0.7	4,762	0.5	4,785
Sitka	2.1	5,484	1.5	5,875
Skagway-Yakutat	0.7	5,273	0.5	5,440
Southeast Fairbanks	2.0	7,342	0.2	1,346
Upper Yukon	0	-	0	-
Valdez-Chitina- Whittier	0.9	3,089	0.8	3,689
Wade Hampton	0	-	0	-
Wrangell-Petersburg	2.1	6,800	1.9	8,996
Yukon-Koyukuk	0.3	1,010	0.2	1,118

NOTE: 1982 population figures used for both 1982 and 1983 per capita calculations.

SOURCES: Federal Deposit Insurance Corporation, Summary of Accounts and Deposits, San Francisco Region, 1980.

Federal Deposit Insurance Corporation, Data Book, Operating Banks and Branches, 1982 and 1983.

U.S. Bureau of Economic Analysis; 1982 population figures from Personal Income by Major Sources, Table 5, April 1984.



TABLE V.27. POSSIBLE "SUPPLY SIDE" USES OF DIVIDEND INCOME  
(percent of households reporting special uses)<sup>a</sup>

	1982 Adults	1982 Children	1983 Adults	1983 Children
<u>Investments</u>	<u>4.0</u>	<u>1.2</u>	<u>3.3</u>	<u>5.6</u>
Stocks	1.1	0.4	1.0	1.1
General business investments	0.4	0.4	2.3	3.4
Miscellaneous business investments <sup>b</sup>	2.5	0.4	—	1.1
<u>Education, tuition, books or lessons</u>	<u>7.6</u>	<u>1.5</u>	<u>1.8</u>	<u>5.6</u>
<u>Real estate</u>	<u>10.4</u>	<u>6.3</u>	<u>4.7</u>	<u>3.2</u>
Houses or condos	7.8	5.6	2.7	3.2
Property, land or real estate	2.6	0.7	2.0	—
<u>Vehicles</u>	<u>15.3</u>	<u>16.9</u>	<u>9.9</u>	<u>11.7</u>
Cars or trucks	9.5	11.3	4.0	4.0
Car parts and repairs	2.1	—	3.3	2.1
Trailer or camper	0.3	—	0.6	1.2
Airplane or airplane parts	0.6	—	0.6	1.1
Boat or boat parts	1.3	0.8	0.7	—
Motorcycle or motorcycle parts	—	0.4	—	2.8
Snow machines	0.7	0.7	0.2	—
Three-wheelers	0.8	3.7	0.5	0.5
<u>Home improvements</u>	<u>8.3</u>	<u>3.2</u>	<u>12.5</u>	<u>9.0</u>

<sup>a</sup>Fewer than half of all households reported special uses.

<sup>b</sup>Gun and trapping supplies, commercial fishing investments, livestock, boat and guide service, gold, and unspecified investments.

SOURCE: Permanent Fund Dividend Survey.





## V.5. The Effects of Dividends Compared to Other Uses of Permanent Fund Earnings

### ALTERNATIVE STATE EXPENDITURE PROGRAMS

In the preceding section, the impact of the dividend program, as currently structured, was compared to a case in which all money was left to accumulate in the Permanent Fund and general fund. This procedure highlighted the actual program effects.

In this section, we investigate the economic impacts of the dividend program in comparison with other uses of an equivalent amount of Permanent Fund earnings. To keep the comparison "clean," we abstract from reality by initiating all programs, including the dividends, in 1985. All money to fund the alternatives is drawn from the Permanent Fund. This eliminates the necessity of rewriting the recent history of public expenditures under a variety of new assumptions.

We compare through simulation four alternative uses of the money available using the current formula for calculating the dividend. The four alternatives include (1) the dividend program, (2) expansion of the state operating budget, (3) expansion of the state capital budget, and (4) state subsidy programs. These alternatives are not meant to represent all possible alternative uses of dividends but do provide a useful range for displaying patterns of effects. Other alternatives are discussed later in this section.

The purpose of this section is to describe the economic effects of alternative uses of the funds currently allocated to dividends. Evaluation of alternatives should include these aggregate economic effects. In addition, it is important to consider the benefits produced by the things actually purchased using alternative expenditure rules. For example, state operating expenditures produce flows of public services in education, health care, etc. while capital expenditures provide for construction and maintenance of schools and hospitals. The best mix of these goods is important in deciding on how to spend money in addition to the economic impacts.

The money available for distribution in this comparison of simulations is \$205 million in the initial year of 1985, increasing to \$431 million in 1990 and \$700 million in 1995 (Table V.28). Over time, the percentage of Permanent Fund earnings available for distribution increases from 34 percent in 1985 to 42 percent in 1995 as growth in the Permanent Fund balance decelerates.

TABLE V.28. ALTERNATIVE USES OF DIVIDENDS:  
BASIC PARAMETERS

(million \$)

	Permanent Fund Balance	Permanent Fund Earnings	Earnings Allocated to Spending	Permanent Fund Earnings Retained
1985	6719.04	600.515	205.023	395.492
1986	7525.12	681.675	264.589	417.086
1987	8453.01	812.673	314.037	498.636
1988	9418.59	841.217	350.137	491.079
1989	10503.6	937.601	387.368	550.233
1990	11660.1	1034.86	430.802	604.06
1991	12891.2	1153.21	477.956	675.256
1992	14176.9	1263.71	523.06	740.653
1993	15601.6	1393.15	578.253	814.896
1994	17098.6	1526.9	637.183	889.72
1995	18654.	1666.28	700.325	965.954

SOURCE: Simulation PFSC5; Variables BALPF, RSIP, EXTRNS, RSIPPF

The effect of alternative uses of funds for operations, capital expenditures, or subsidies is made on the assumption that the additional funds will be used in generally the same ways and proportions as existing funds in those categories. The operating budget is expanded across the board, primarily through additions of personnel and local transfers. The capital budget is expanded through the general fund operating budget for nonhighway capital expenditures.

The expansion of state subsidies is particularly difficult to quantify because it is such a heterogeneous group of programs with very different types of effects. A subsidy can be thought of as having two effects operating through a lowering of the price of the subsidized good or activity. First, it increases the demand for that good. Second, it provides an income transfer to those individuals or businesses which would have purchased the good in the absence of the subsidy. The effect of the subsidy on the economy depends upon the strength of these two effects. The demand increase will lead to some increase in production of the subsidized good. The strength of this impact depends upon how sensitive demand is to the lower price as well as how sensitive local supply is to the increase in demand. Because of the fall in price, those individuals



already consuming the good will have a larger effective income, some of which can be directed toward the purchase of additional goods and services. The impact of this effect depends upon the increase in consumption from this larger effective income and its local component. For each type of good subsidized, such as housing or education, not only is the objective different but these local responses will also be different.<sup>14</sup>

Because of the necessity of the simplifying assumptions used for each type of expenditure, this analysis should be viewed as useful in revealing general patterns of effects, the major contrasting features generated by the different programs, and the unanticipated interrelationships among the elements of the economy which are produced. Particular elements of the capital, operating, and subsidy budgets can produce vastly different impacts than those described here.

With that in mind, we can turn to a comparison of the programs using a number of key indicators of economic activity beginning with personal income in Table V.29, Part A. In this and the following tables, all effects are compared to a policy of reinvestment of all earnings. As expected, all four programs increase personal income in a clear and reasonable pattern. The dividend alternative directly increases personal income by the dividend distribution amount. Multiplier effects compound the impact. Operations and capital expenditures initially add smaller quantities to personal income consisting, for operations, of the wages and salaries of new employees and, for capital, of the wages and salaries of construction workers and the returns (rents, profits, etc.) to other Alaskan-owned inputs to construction.

For subsidies, the impact on personal income is small, partly because the conventions used for reporting income do not capture the "income effect" of the subsidy. That is, the effective income or capacity to spend provided by the fall in price of one good in the budget is not counted as an increase in personal income. (Ideally, it would appear as a fall in price and thus affect the measure of real personal income.)

The multiplier effects operate to increase the personal income impact of all program alternatives, but because of its initial total direct contribution to personal income, dividends have the largest total effect on personal income. It is the only alternative which creates as much in personal income as is withdrawn from the Permanent Fund.

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<sup>14</sup>For simplicity, we assume that the subsidy is on capital, 20 percent of the value of the subsidy expands local purchases, and 20 percent enters personal consumption expenditures. Other assumptions would give somewhat different mixtures of results which would be generally combinations of dividends and capital.

TABLE V.29, PART A. ALTERNATIVE USES OF DIVIDENDS:  
PERSONAL INCOME

(million \$)

	Dividends	Operations	Capital	Subsidies
1985	256.543	82.043	30.148	20.75
1986	366.023	134.863	87.41	51.422
1987	466.824	187.656	132.137	81.379
1988	565.355	218.477	156.613	92.355
1989	670.344	229.883	160.195	83.723
1990	770.258	240.152	164.234	75.684
1991	875.871	272.746	188.582	90.273
1992	984.582	319.012	227.246	119.902
1993	708.832	-25.73	255.648	131.152
1994	1085.65	248.031	243.035	115.32
1995	1179.04	273.926	274.031	137.59

SOURCE: Simulation PFSN4, PFSD4, PFSO6, PFSC5, and PFSS5;  
Variable PI

Several other significant factors appear in the comparison of personal income impacts.<sup>15</sup> First, the lag in the effect of capital spending should be noted. We assume that capital expenditures is a lagged function of appropriations, so its impact takes several years to work through the economy. Similarly, there is a lag in operations, although less pronounced.

The pattern of growth in impact from the dividends differs from that of the programs handled through the regular appropriation process for other reasons. The dividends add gradually to wealth, and their full effect takes several years to be felt. Also, the expansion of the operating and capital budgets appears to be somewhat biased against labor.

<sup>15</sup>The impact on personal income and other variables of subsidies cycles because the increase in general fund revenues allows slightly larger capital expenditures from bonding. This has a slight cyclical effect on all the alternatives where Permanent Fund earnings pass through the general fund as revenues.



All impacts show unusual patterns in the early 1990s as a result of the need to change the rule by which state government appropriations are made in light of declining petroleum revenues. Because of slightly different levels of funds available for appropriation in the general fund as well as slightly different levels of expenditures authorized by the spending limit, state expenditure reductions "kick in" at slightly different times and magnitudes in the different cases.

The average tax rate on wages for government employees and construction workers is much higher than the average for the dividends for two reasons: First, the 30 percent of dividends to children are largely nontaxable, and, second, the income of the average construction worker or government employee is considerably above the average of all adults, some of whom are not employed. This is particularly true in the construction industry where the average annual earnings in 1982 was \$47 thousand, compared to \$28 thousand for all industries. The average for state government employees was \$31 thousand.

Even though the average tax rate on dividends is less than that for the alternative uses of the funds, the increase in federal taxes paid from Alaska is highest for dividends because of the high secondary personal income impact generated by the multiplier (Table V.29, Part B). The higher tax bite for dividends, however, does not change the general pattern of impacts so that the impacts are similar for disposable personal income as for total personal income (Table V.29, Part C). The dividend program produces more in disposable personal income than the amount distributed as dividends. As previously mentioned, the purchasing power added to the economy by subsidies may be underestimated by using disposable personal income as its measure, and so, depending upon what is being subsidized, the contribution of subsidies to purchasing power could differ from dividends by a smaller amount than is reflected here. One other feature of subsidies is that their "income effect" adds to purchasing power without adding to personal income tax liability.

Because of the relatively small differential impact on total market size, measured by income, of the alternatives, they have a minimal differential effect on the rate of inflation. Thus, inflation-corrected personal income (Table V.29, Part D) and disposable personal income (Table V.29, Part E) have the same pattern as their nominal counterparts.

TABLE V.29, PART B. ALTERNATIVE USES OF DIVIDENDS:  
FEDERAL INCOME TAXES

(million \$)

	Dividends	Operations	Capital	Subsidies
1985	32.283	13.775	5.066	3.482
1986	47.886	22.8	14.796	8.705
1987	62.583	31.761	22.353	13.731
1988	78.046	37.285	26.712	15.741
1989	94.827	39.466	27.511	14.356
1990	110.924	41.645	28.451	13.085
1991	128.239	47.693	32.991	15.764
1992	146.252	56.231	40.078	21.119
1993	95.169	6.243	45.438	23.323
1994	160.268	39.096	43.307	20.508
1995	175.042	43.923	49.204	24.67

SOURCE: Simulation PFSN4, PFSD4, PFSO6, PFSC5, and PFSS5;  
Variable RTPIF

TABLE V.29, PART C. ALTERNATIVE USES OF DIVIDENDS:  
DISPOSABLE PERSONAL INCOME

(million \$)

	Dividends	Operations	Capital	Subsidies
1985	218.898	66.477	24.426	16.812
1986	310.465	109.113	70.711	41.586
1987	394.441	151.797	106.91	65.871
1988	475.383	176.414	126.488	74.59
1989	561.297	185.398	129.195	67.531
1990	643.027	193.258	132.215	60.938
1991	729.113	219.102	151.496	72.535
1992	817.453	255.828	182.234	96.168
1993	598.93	-32.879	204.641	104.949
1994	902.395	204.094	194.469	92.297
1995	979.102	224.5	218.891	109.918

SOURCE: Simulation PFSN4, PFSD4, PFSO6, PFSC5, and PFSS5;  
Variable DPI



TABLE V.29, PART D. ALTERNATIVE USES OF DIVIDENDS:  
INFLATION-CORRECTED PERSONAL INCOME

(million 1984 \$)

	Dividends	Operations	Capital	Subsidies
1985	243.047	77.824	28.602	20.031
1986	327.676	121.066	78.383	46.672
1987	394.824	160.328	113.359	71.016
1988	453.648	176.645	126.301	75.801
1989	508.57	176.	122.437	65.535
1990	552.078	174.043	118.895	56.605
1991	592.949	186.59	128.816	63.43
1992	629.754	205.84	146.297	78.871
1993	432.402	-9.332	155.344	81.508
1994	619.09	143.766	139.906	68.395
1995	635.875	150.641	148.855	76.691

SOURCE: Simulation PFSN4, PFSD4, PFSO6, PFSC5, and PFSS5;  
Variable DF.PI

TABLE V.29, PART E. ALTERNATIVE USES OF DIVIDENDS:  
INFLATION-CORRECTED DISPOSABLE PERSONAL INCOME

(million 1984 \$)

	Dividends	Operations	Capital	Subsidies
1985	207.348	63.062	23.176	16.234
1986	277.871	97.973	63.422	37.762
1987	333.449	129.75	91.766	57.527
1988	381.246	142.715	102.062	61.27
1989	425.613	142.023	98.801	52.91
1990	460.66	140.152	95.777	45.633
1991	493.363	149.984	103.547	51.02
1992	522.617	165.172	117.383	63.316
1993	364.895	-14.605	124.422	65.289
1994	514.312	118.246	112.02	54.801
1995	527.746	123.414	118.973	61.328

SOURCE: Simulation PFSN4, PFSD4, PFSO6, PFSC5, and PFSS5;  
Variable DF.DPI

The population impacts of the alternatives display a different pattern than income (Table V.29, Part F). Initially, government operations, because it directly involves additional employment, has the largest population impact, followed by dividends, which has the largest secondary effect on employment. The capital and subsidy alternatives increase population less because they generate fewer direct jobs than operations. As the programs continue, the population impact of the dividend program eventually surpasses that of operations due to the continued growth in the number of secondary jobs it produces. By the early 1990s, the dividend alternative has increased population by about 15 thousand, twice the impact of the other programs.

The combined effects of the change in personal income, price level, and population are captured by inflation-corrected per capita personal income (Table V.29, Part G) and disposable personal income (Table V.29, Part H). These variables quantify the distributional characteristics of the alternatives. In the case of the dividend, real per capita disposable personal income increases substantially--by \$600 in the 1990s--for the typical Alaskan. Impact population does not significantly dissipate this increase. In all other cases, the typical Alaskan is relatively unaffected with the smaller increases in income more concentrated among certain groups. For example, for operations, much of the increase in personal income goes to newly employed state workers.

Employment effects parallel those of population (Table V.29, Part I). The operations alternative initially produces the most jobs, but eventually dividends surpass operations in the number of jobs created. By the 1990s, about nine thousand jobs would be attributable to the dividend program.

The types of jobs created differ by program. Expansion of the operating budget produces three thousand government jobs at the state and local levels (Table V.29, Part J). Dividends, because they increase population the most of all alternatives, add four to five hundred. Capital expenditures has a smaller effect on government employment--two to three hundred--while, given the simulation assumptions, subsidies has the least government employment effect.

Capital project expansion creates the most jobs in the construction industry--1.5 to 2 thousand (Table V.29, Part K). This relatively small number is due partially to the high average wage in the industry, which limits the amount of employment that can be "bought" in this fashion. Subsidies are assumed to purchase some construction jobs, but since some of the jobs so purchased would have existed without the subsidy program, the net effect is smaller.



TABLE V.29, PART F. ALTERNATIVE USES OF DIVIDENDS:  
POPULATION

(thousands)

	Dividends	Operations	Capital	Subsidies
1985	1.434	2.071	0.627	0.593
1986	3.379	4.318	2.187	1.599
1987	5.419	6.438	3.874	2.736
1988	7.473	7.831	4.9	3.362
1989	9.473	8.561	5.332	3.464
1990	11.25	9.096	5.608	3.448
1991	13.325	9.961	6.174	3.716
1992	15.867	11.133	7.04	4.302
1993	11.654	7.401	7.733	4.708
1994	14.705	8.868	7.635	4.562
1995	15.478	8.807	7.862	4.747

SOURCE: Simulation PFSN4, PFSD4, PFSO6, PFSC5, and PFSS5;  
Variable DF.DPI

TABLE V.29, PART G. ALTERNATIVE USES OF DIVIDENDS:  
INFLATION-CORRECTED PER CAPITA PERSONAL INCOME

(1984 \$)

	Dividends	Operations	Capital	Subsidies
1985	436.5	85.371	35.996	20.027
1986	530.332	96.535	82.48	39.543
1987	592.891	108.348	98.219	51.957
1988	635.25	93.074	88.961	40.242
1989	665.258	63.301	64.168	14.961
1990	665.832	33.437	42.461	-4.836
1991	641.125	18.465	35.457	-4.328
1992	601.098	9.949	34.934	2.719
1993	384.293	-247.805	28.117	-5.633
1994	606.848	-27.238	4.469	-23.793
1995	593.996	-18.141	8.316	-17.582

SOURCE: Simulation PFSN4, PFSD4, PFSO6, PFSC5, and PFSS5;  
Variable DF.PIP

TABLE V.29, PART H. ALTERNATIVE USES OF DIVIDENDS:  
INFLATION-CORRECTED PER CAPITA DISPOSABLE PERSONAL INCOME

(1984 \$)

	Dividends	Operations	Capital	Subsidies
1985	373.805	68.242	28.883	15.969
1986	452.457	76.203	65.754	31.273
1987	504.477	85.062	77.953	41.031
1988	538.324	71.902	69.84	31.141
1989	561.75	47.5	49.535	10.66
1990	561.18	23.008	31.824	-5.301
1991	539.746	10.582	25.844	-5.027
1992	505.836	3.27	25.012	0.387
1993	334.812	-214.09	19.168	-6.555
1994	511.762	-20.039	0.426	-20.875
1995	501.207	-13.07	3.328	-16.012

SOURCE: Simulation PFSN4, PFSD4, PFSO6, PFSC5, and PFSS5;  
Variable DF.DPIP

TABLE V.29, PART I. ALTERNATIVE USES OF DIVIDENDS:  
TOTAL EMPLOYMENT

(thousands)

	Dividends	Operations	Capital	Subsidies
1985	1.782	2.576	0.773	0.731
1986	3.375	4.053	2.301	1.635
1987	4.839	5.394	3.558	2.503
1988	6.273	5.906	3.955	2.67
1989	7.587	5.858	3.793	2.349
1990	8.461	5.748	3.606	2.045
1991	9.225	6.06	3.811	2.173
1992	9.975	6.585	4.254	2.621
1993	2.943	-0.65	4.473	2.712
1994	8.582	4.567	3.886	2.263
1995	8.673	4.786	4.013	2.435

SOURCE: Simulation PFSN4, PFSD4, PFSO6, PFSC5, and PFSS5;  
Variable EM99



TABLE V.29, PART J. ALTERNATIVE USES OF DIVIDENDS:  
STATE GOVERNMENT EMPLOYMENT

(thousands)

	Dividends	Operations	Capital	Subsidies
1985	0.05	1.839	0.021	0.02
1986	0.12	2.295	0.077	0.056
1987	0.196	2.604	0.14	0.099
1988	0.269	2.77	0.176	0.121
1989	0.341	2.9	0.191	0.125
1990	0.404	3.04	0.201	0.124
1991	0.477	3.195	0.221	0.133
1992	0.566	3.325	0.251	0.154
1993	-4.587	-1.672	0.275	0.168
1994	1.048	4.086	-0.176	-0.158
1995	0.331	3.505	-0.185	-0.165

SOURCE: Simulation PFSN4, PFSD4, PFSO6, PFSC5, and PFSS5;  
Variable EMGS

TABLE V.29, PART K. ALTERNATIVE USES OF DIVIDENDS:  
CONSTRUCTION EMPLOYMENT

(thousands)

	Dividends	Operations	Capital	Subsidies
1985	0.256	0.099	0.521	0.198
1986	0.363	0.389	1.442	0.606
1987	0.467	0.742	2.035	0.987
1988	0.561	0.642	2.007	0.885
1989	0.644	0.295	1.691	0.532
1990	0.704	0.06	1.49	0.299
1991	0.762	0.157	1.622	0.456
1992	0.825	0.394	1.88	0.7
1993	0.26	-0.189	1.939	0.67
1994	-0.279	-0.809	1.874	0.592
1995	-0.062	-0.428	2.009	0.729

SOURCE: Simulation PFSN4, PFSD4, PFSO6, PFSC5, and PFSS5;  
Variable EMCN

Dividends produce the most jobs in the support sector while each of the other alternatives adds about as many support jobs as jobs directly related to the purpose of the expenditure (Table V.29, Part L).

General fund expenditures increase for all alternatives for two reasons (Table V.29, Part M). First, in all alternatives except the dividend, the additional funds funnel through the general fund. These increased expenditures are matched by increased revenues in the form of transfers from the Permanent Fund. In addition, however, the added population increases the spending limit, allowing expenditures to be somewhat larger to serve the larger population. This expansion of expenditures is only a temporary phenomenon, however, because when petroleum revenues decline, spending is no longer dictated by the limit but rather by current revenues. This occurs in about 1993, and it takes about two years to get the simulation "back on track."

In no case is significant state revenues generated (Table V.29, Part N). The appearance of general fund revenue growth from operations, capital, and subsidies is merely the Permanent Fund earnings being channeled through the general fund. The modest initial increase in general fund revenues with dividend occurs because a few tax categories are population sensitive.

TABLE V.29, PART L. ALTERNATIVE USES OF DIVIDENDS:  
SUPPORT EMPLOYMENT

(thousands)

	Dividends	Operations	Capital	Subsidies
1985	1.165	0.562	0.194	0.433
1986	2.159	1.134	0.632	0.809
1987	3.041	1.661	1.084	1.151
1988	3.906	1.999	1.364	1.333
1989	4.761	2.139	1.453	1.344
1990	5.321	2.154	1.459	1.296
1991	5.812	2.245	1.52	1.284
1992	6.286	2.413	1.661	1.449
1993	5.06	0.889	1.776	1.539
1994	5.745	1.35	1.704	1.491
1995	6.187	1.678	1.718	1.536

SOURCE: Simulation PFSN4, PFSD4, PFSO6, PFSC5, and PFSS5;  
Variable EM9SUPRT



TABLE V.29, PART M. ALTERNATIVE USES OF DIVIDENDS:  
GENERAL FUND EXPENDITURES

(millions)

	Dividends	Operations	Capital	Subsidies
1985	5.565	213.458	207.415	207.204
1986	18.404	289.28	276.331	273.143
1987	32.77	365.54	348.345	341.165
1988	48.578	427.304	406.57	395.664
1989	66.504	479.52	455.387	441.082
1990	85.355	525.512	498.457	480.777
1991	107.637	575.445	544.035	522.715
1992	136.207	634.238	598.043	572.906
1993	-1047.67	-492.242	668.559	639.266
1994	-317.969	296.324	630.676	627.891
1995	-33.246	643.832	662.453	668.293

SOURCE: Simulation PFSN4, PFSD4, PFSO6, PFSC5, and PFSS5;  
Variable EXGFBM

TABLE V.29, PART N. ALTERNATIVE USES OF DIVIDENDS:  
GENERAL FUND REVENUES

(millions)

	Dividends	Operations	Capital	Subsidies
1985	0.539	205.273	205.105	205.084
1986	3.518	265.62	266.031	265.575
1987	3.91	314.398	317.457	315.816
1988	3.289	348.059	353.273	351.293
1989	1.043	378.742	386.418	384.742
1990	-2.723	413.09	423.594	422.602
1991	-8.5	450.121	464.301	464.203
1992	-16.004	485.73	504.148	505.297
1993	-27.969	529.176	552.984	556.086
1994	54.617	669.812	602.73	608.027
1995	88.219	765.035	663.477	669.25

SOURCE: Simulation PFSN4, PFSD4, PFSO6, PFSC5, and PFSS5;  
Variable RSGFBM

## OTHER USES OF FUNDS

Several alternative uses of the money allocated to dividends have been suggested. Some are slight modifications or combinations of the alternatives we have just examined. For example, increased transfers to local governments would have an impact that is some combination of those of state government operations, capital, and subsidy expenditures, depending upon the proportions local governments allocated among operations, capital expenditures, and subsidies or tax relief. The public goods produced and regional effects would differ, but the aggregate effects would be similar.

Another possibility is further tax relief at the state level. Table V.30 lists the various state taxes and licenses and permits by the amount of revenue generated in 1983. The three taxes on petroleum--severance, income, and property--account for over 92 percent of the total. Revenues from all the remaining taxes, licenses, and fees could be covered by the money the dividend program generates. The majority of this impact would be on firms doing business in Alaska since most taxes on individuals have been eliminated. Costs of business would be reduced and profit margins increased. Eventually, this would result in somewhat higher levels of operation and equilibrium profit levels for Alaska business as well as returns to factors, including labor, used in Alaska businesses. The extent to which these gains would accrue as income to Alaskans is unknown, but there would likely be significant "leaks" outside the state. The same uncertainty surrounds the impact of a reduction in petroleum industry taxes, although in that case, the beneficiaries in the short run would be the owners of the companies doing business in the state.

Different forms of dividends have been proposed from time to time, primarily to minimize the tax liability of "privatizing" the state's wealth. For the purposes of the aggregate economic impact analysis in this section, the effects of the various plans would be similar to the existing dividend program. They would differ in the amount available after taxes as the initial increment to personal income and in the timing of expenditures since they might be unusable until retirement, for example. The implications are difficult to project, however, because the knowledge that a retirement annuity provided by the state is waiting for an individual, for example, could cause him to reduce his private retirement savings plan by a similar amount and thus stimulate consumer spending.

A final alternative proposed is a development fund to invest in infrastructure and in other ways stimulate economic development. We examine this alternative in the next section, where we analyze dividends within the context of other strategies for Permanent Fund use.



TABLE V.30. 1983 STATE OF ALASKA TAX REVENUES AND LICENSE  
AND PERMIT REVENUES

(million \$)

	Amount	Cumulative Amount	Percent	Cumulative Percent
Oil and Gas Severance	\$1,493.0	\$1,493.0	73.4	73.4
Oil and Gas Corporate Income	236.0	1,729.0	11.6	85.0
Oil and Gas Property	152.6	1,881.6	7.5	92.5
General Corporate Income	30.3	1,911.9	1.5	94.0
Fuel Taxes-Highway	23.7	1,935.6	1.2	95.2
Nonbusiness Licenses and Permits	14.9	1,950.5	.7	95.9
Insurance Company Gross Receipts	13.8	1,964.3	.7	96.6
Fish (Shorebased) Gross Receipts	11.5	1,975.8	.6	97.2
Business Licenses and Permits	10.8	1,986.6	.5	97.7
Alcoholic Beverages	10.4	1,997.0	.5	98.3
Fuel Taxes-Aviation	8.7	2,005.7	.4	98.7
Business License	6.9	2,012.6	.3	99.0
Fish (Floating) Gross Receipts	4.7	2,017.3	.2	99.2
Fish (Canned Salmon) Gross Receipts	4.3	2,021.6	.2	99.4
Fuel Taxes-Marine	4.3	2,025.9	.2	99.6
Salmon Enhancement	2.6	2,028.5	.1	99.7
Tobacco Products	2.0	2,030.5	.1	99.8
Electric and Telephone Coops	1.4	2,031.9	.1	99.9
Seafood Marketing	.9	2,032.8	-	
Estate	.7	2,033.5	-	
Oil and Gas Conservation	.7	2,034.2	-	
Mining License	<u>.2</u>	<u>2,034.4</u>	<u>-</u>	<u>100</u>
Total	\$2,034.4	\$2,034.4	100	100

SOURCE: Alaska Department of Revenue, Revenue Sources, March 1984.





## V.6. Alternative Permanent Fund Dividend Strategies

In the preceding section, the economic impacts of Permanent Fund dividends were compared to several alternative uses of an equivalent amount of earnings from the Fund. Complete evaluation of the dividend program must involve more than an examination of the current tradeoffs among alternatives. All of these programs produce a cost not readily apparent in the preceding simulations--a depletion of the Permanent and general funds--which reduces economic options for future generations. The decline in petroleum revenues, which reaches critical proportions in the mid-1990s, means the source of dividend income is not being replenished as it is consumed. As a consequence, the question of the appropriate time to spend Permanent Fund earnings should be addressed as well as the question of how the earnings should be spent.

One simple way to account for this depletion cost is to compare the fund balances at any time with and without each program. The difference is the program cost through that point in time. A shortcoming of this approach is that the cost thus defined has little content in terms of what it means for foregone future opportunities. It is difficult to grasp the implications of the state being \$2-3 billion richer or poorer ten years from now. In addition, the recognition that all state expenditures are based upon depleting revenue sources suggests that alternative uses of Permanent Fund earnings must not be analyzed in isolation from the larger fiscal and economic issues facing the state.

In this section, we consider the impact of the dividend distribution program within this broader context of alternative roles for Permanent Fund earnings. In the previous section, the underlying assumption was continuous utilization of Fund earnings based on the existing formula for calculating dividends. If projections of declining petroleum revenues become fact, this approach may be viewed in retrospect as having been inappropriate. The purposes of this section are two: first, we describe more fully the evolution of the economy in future years and put the Fund and dividends within that framework to show that continuation of current practices may be unlikely. The second is to analyze the implications for the public and private sectors of alternative strategies involving the timing of use of the earnings from the Permanent Fund. The objective of this section is not to suggest a best policy for the use of Fund earnings because the goals for which the Permanent Fund has been established are too broadly defined to be reduced to a simple formula. The best policy is a political decision. Rather, the objective is to lay out the implications of some of the different policies which have been proposed. A more informed evaluation of policy alternatives may then be carried out, partially based upon this information.



## PERPETUAL DIVIDENDS

To begin, we present a series of tables describing the economy if current policies are perpetuated. In the private sector, growth is led by petroleum, mining, tourism, and fishing with additional contributions from other basic industries. In the public sector, revenues are dominated by petroleum, as projected by the Department of Revenue. Expenditures are based on the spending limit until revenues fall short. When a "revenue gap" appears,<sup>16</sup> expenditures equal available revenues and the capital budget shrinks to 25 percent of the total from 33 percent while subsidies dry up altogether. The Permanent Fund dividend program continues in its present form, and all earnings not distributed, including those of the undistributed income account, are reinvested.

The resulting aggregate economic picture is one of continued population growth, cyclical employment growth matched by cycles in the growth in real personal income, and a level of real per capita disposable personal income which declines through the 1980s before beginning slow growth in the 1990s (Table V.31, Part A). The employment and income cycles occur in the late 1980s and the mid-1990s, respectively. The former is the result of deceleration of the economy after the state spending "bubble" of the early 1980s works its way through the economy. The flat plateau in the 1990s is the result of the secular decline in state government contributions to economic growth. This phenomenon lasts through the decade.

The growth in the number of jobs is slower than it has been in the past. This results in more people entering the labor market than can be absorbed, and net out-migration becomes the norm (Table V.31, Part B). Most of the increase in population is the result of natural increase. The implications of this reversal of the historical pattern in which the majority of population increase has come from in-migration may be quite far-reaching, but such speculations are beyond the purview of this report.

Employment growth likewise reflects a change from former trends, particularly in state and local government (Table V.31, Part C). Support employment grows most rapidly, as it has in the past, showing very little cyclical variation around the long-term trend. Infrastructure employment is the second largest growth sector. It reflects the cyclical pattern of overall employment in the late 1980s and 1990s. Basic employment growth is rapid through the late 1990s and then slows. It fluctuates from year-to-year as the result of initiation and termination of specific large projects, particularly related to the petroleum industry. State and local

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<sup>16</sup>Defined as a situation in which revenues and available general fund balances together are less than the level of appropriations as defined by the spending limit.



TABLE V.31, PART A. PERPETUAL DIVIDENDS:  
SUMMARY

	Population (000)	Total Employment (000)	Real Personal Income (million 1984 \$)	Real Per Capita Disposable Personal Income (1984 \$)
1984	495.977	265.331	8717.71	14507.6
1985	510.685	272.024	8819.82	14236.7
1986	521.311	276.091	8868.76	14012.8
1987	525.892	274.937	8746.13	13689.3
1988	528.022	273.515	8882.29	13829.9
1989	532.15	274.955	9127.91	14081.6
1990	543.302	285.333	9591.55	14468.3
1991	559.669	299.07	10185.6	14886.1
1992	574.09	306.239	10607.3	15087.4
1993	578.873	301.99	10585.4	14920.7
1994	583.006	301.181	10792.4	15084.1
1995	591.564	307.127	11142.6	15326.5
1996	597.833	308.637	11399.2	15493.6
1997	605.972	313.525	11708.6	15679.7
1998	611.683	314.397	11954.9	15838.1
1999	616.439	315.243	12163.4	15969.6
2000	621.59	316.984	12397.7	16121.5
2001	628.2	320.533	12727.1	16352.
2002	635.257	324.173	13074.4	16587.3
2003	642.453	327.677	13421.	16811.6
2004	650.058	331.5	13783.7	17038.6
2005	658.336	335.91	14173.4	17273.7
2006	667.414	340.917	14593.9	17517.
2007	677.31	346.405	15041.2	17761.7
2008	687.95	352.232	15503.1	17995.
2009	698.691	357.613	15948.1	18198.3
2010	709.924	363.261	16412.1	18402.1

SOURCE: Simulation PFSB4; Variables POP, EM99, DF.PI, DF.DPIP

TABLE V.31, PART B. PERPETUAL DIVIDENDS:  
POPULATION

(thousands)

	Population	Net Migration	Natural Increase
1984	495.977	19.514	8.12
1985	510.685	6.836	8.639
1986	521.311	2.568	8.785
1987	525.892	-3.534	8.829
1988	528.022	-5.899	8.712
1989	532.15	-3.746	8.55
1990	543.302	3.357	8.466
1991	559.669	8.446	8.591
1992	574.09	6.251	8.852
1993	578.873	-3.611	9.043
1994	583.006	-4.223	8.964
1995	591.564	0.259	8.897
1996	597.833	-2.106	8.969
1997	605.972	-0.257	8.974
1998	611.683	-2.763	9.043
1999	616.439	-3.736	9.044
2000	621.59	-3.339	9.03
2001	628.2	-1.897	9.035
2002	635.257	-1.511	9.087
2003	642.453	-1.446	9.151
2004	650.058	-1.117	9.219
2005	658.336	-0.524	9.299
2006	667.414	0.166	9.398
2007	677.31	0.849	9.517
2008	687.95	1.444	9.656
2009	698.691	1.382	9.811
2010	709.924	1.711	9.964

SOURCE: Simulation PFSB4; Variables POP, PIPMIG, POPNI9



TABLE V.31, PART C. PERPETUAL DIVIDENDS:  
EMPLOYMENT

(thousands)

	Total Employment	Basic Employment	Infrastructure Employment	Government Employment	Support Employment
1984	265.331	79.553	44.662	48.122	92.994
1985	272.024	80.965	46.379	47.909	96.772
1986	276.091	84.226	46.164	47.22	98.482
1987	274.937	85.656	45.317	46.115	97.849
1988	273.515	84.852	45.389	45.888	97.385
1989	274.955	84.704	45.881	45.981	98.389
1990	285.333	89.337	47.365	46.601	102.03
1991	299.07	94.898	49.399	47.619	107.153
1992	306.239	95.753	50.105	48.664	111.718
1993	301.99	94.11	50.158	43.933	113.789
1994	301.181	92.95	49.259	43.806	115.167
1995	307.127	96.07	49.42	43.05	118.587
1996	308.637	95.483	49.798	42.597	120.76
1997	313.525	96.74	50.805	42.162	123.818
1998	314.397	95.385	51.294	41.695	126.025
1999	315.243	94.152	51.611	41.042	128.437
2000	316.984	93.575	52.187	40.471	130.752
2001	320.533	93.952	53.131	39.879	133.571
2002	324.173	94.248	54.225	38.982	136.717
2003	327.677	94.552	55.135	38.023	139.966
2004	331.5	94.882	55.984	37.228	143.406
2005	335.91	95.18	57.057	36.538	147.135
2006	340.917	95.378	58.465	35.926	151.148
2007	346.405	95.525	60.146	35.298	155.435
2008	352.232	95.848	61.734	34.708	159.942
2009	357.613	96.176	62.837	34.159	164.441
2010	363.261	96.512	64.007	33.707	169.036

SOURCE: Simulation PFSB4; Variables EM9BASE, EM9INFR, EM9GOV, EM9SUPRT

government employment is the primary source of the cyclical movement in total employment. It trends downward in the late 1980s, rebounds for a few years, takes a dramatic drop in 1993, and then begins an unending secular decline. This pattern reflects a rather arbitrary and mechanistic method of budget reductions by state and local government in the face of secularly declining revenues. The actual pattern will undoubtedly differ from this, but the underlying cause--falling revenues--will necessitate cutbacks which will have comparable economic effects.

The cause of the secular decline in government employment and public programs is clearly evident in Table V.31, Part D, where total general fund revenues are divided into the three categories of petroleum, nonpetroleum, and fund earnings. Petroleum revenues maintain their current level in real terms through 1990 and then begin a secular decline which is initially quite dramatic as Prudhoe Bay production falls off. Fund earnings and nonpetroleum revenues cannot increase fast enough to fill the gap. Fund earnings, in fact, fall abruptly when the general fund is depleted to fund appropriations in the early 1990s. Nonpetroleum revenues display sporadic and very slow growth in real terms. Revenues which peak in 1989 at \$3.5 billion have fallen to \$2.2 billion by 1995, \$1.8 billion in 2000, and \$1 billion in 2010.

As a consequence, real state expenditures display a similar pattern (Table V.31, Part E). Expenditures drop in 1993, three years after the fall in revenues, after the general fund is depleted in an attempt to maintain growth in the budget. Real per capita state expenditures fall virtually in half from a plateau of \$6.6 thousand in the second half of the present decade to \$3.4 thousand in 2000 and to less than one-third their current level, \$2.0 thousand in 2010. Simultaneously, the balance in the Permanent Fund continues to grow in real terms but at an ever-decreasing rate. This is because the method of calculation of the dividend does not allow enough earnings to be redeposited to fully cover inflation. New additions to the Fund decline as petroleum revenues fall, and a larger percentage must be used for inflation-proofing. In the peak revenue year of 1989, the Permanent Fund balance is over double expenditures. This difference grows rapidly. By the mid-1990s, the Permanent Fund is four times general fund expenditures; and in the early part of the next century, it is ten times expenditures.

This simulation is unlikely to come to pass for at least two reasons. First, the continued buildup of the Permanent Fund balance over a period of more than two decades, while the level of real per capita state expenditures is falling, would seem implausible to many. Second, the pressure to augment state revenues from other sources would be extraordinary.



TABLE V.31, PART D. PERPETUAL DIVIDENDS:  
STATE GENERAL FUND REVENUES

(million 1984 \$)

	Total	Nonpetroleum	Petroleum	Fund Earnings
1984	3327.82	243.276	2877.04	207.499
1985	3321.8	245.67	2908.76	167.372
1986	3290.32	248.892	2898.41	143.016
1987	3430.38	251.724	3029.55	149.106
1988	3322.49	248.227	2930.69	143.575
1989	3466.19	244.862	3080.3	141.032
1990	3437.36	246.973	3043.23	147.157
1991	2985.64	265.914	2572.24	147.483
1992	2730.89	294.064	2335.35	101.478
1993	2565.66	300.868	2233.26	31.529
1994	2381.62	285.259	2087.49	8.868
1995	2225.92	280.887	1942.26	2.77
1996	2125.89	290.516	1833.11	2.263
1997	2050.09	288.214	1759.48	2.398
1998	1983.44	289.219	1691.43	2.792
1999	1879.17	283.704	1592.22	3.244
2000	1783.17	276.83	1503.23	3.11
2001	1680.84	272.791	1404.95	3.098
2002	1591.68	274.658	1314.12	2.9
2003	1490.05	276.501	1210.87	2.678
2004	1394.62	278.023	1114.42	2.182
2005	1306.12	279.652	1024.56	1.907
2006	1224.91	281.768	941.374	1.769
2007	1145.7	284.533	859.474	1.694
2008	1087.38	287.904	798.04	1.432
2009	1033.15	291.505	740.498	1.144
2010	981.316	294.051	686.375	0.89

SOURCE: Simulation PFSB4; Variables DF.RSGFB, DF.RSENG, DF.RP9SG,  
DF.RSIN

TABLE V.31, PART E. PERPETUAL DIVIDENDS:  
STATE EXPENDITURES AND FUND BALANCES

(million 1984 \$)

	Per Capita State Expenditures	State Expenditures Subject to Appropriation Limit	Fund Balances	
			General Fund	Permanent Fund
1984	7974.98	2969.68	2005.11	5261.29
1985	7320.85	3057.96	1713.81	5723.64
1986	6662.53	3121.42	1677.8	6065.17
1987	6649.03	3149.07	1754.64	6404.27
1988	6648.08	3161.4	1722.63	6760.72
1989	6654.16	3186.09	1811.57	7147.25
1990	6648.27	3253.22	1803.59	7527.79
1991	6633.21	3350.57	1249.07	7888.87
1992	6622.81	3437.11	387.362	8222.6
1993	5366.7	2429.28	109.205	8571.54
1994	4701.3	2266.95	34.171	8894.86
1995	4270.73	2119.1	28.281	9190.7
1996	4056.95	2022.39	29.961	9462.1
1997	3882.45	1950.44	34.894	9721.82
1998	3746.25	1887.71	40.542	9964.04
1999	3570.4	1788.34	38.86	10189.3
2000	3395.02	1702.68	38.709	10402.3
2001	3211.29	1608.49	36.228	10600.5
2002	3047.26	1517.1	33.457	10785.3
2003	2871.98	1410.27	27.259	10957.2
2004	2699.47	1323.12	23.819	11116.9
2005	2540.52	1249.47	22.091	11265.4
2006	2395.13	1183.84	21.153	11403.2
2007	2258.72	1108.19	17.882	11531.2
2008	2151.85	1033.8	14.287	11649.7
2009	2053.04	964.724	11.11	11759.1
2010	1955.81	915.838	10.981	11860.1

SOURCE: Simulation PFSB4; Variables DF.EXGFP, DF.EXLOK, DF.BALGF,  
DF.BALPF



## PERPETUAL DIVIDENDS WITH INCOME TAX

If we alter our assumptions about the continuation of existing policies to allow for the reimposition of the personal income tax in the mid-1990s, the patterns described above change only marginally. We can describe this situation first from the perspective of its impact on personal income. Revenues collected from a reimposed income tax will be roughly equal to those distributed by the dividend program, although growth in the latter will lag the increase in state personal income tax receipts over time. In a sense, they would cancel one another out in terms of governmental finances; the income tax would just pay for the dividend program. In fact, that is the present case, also. If other government expenditures are held equal, for each year that the dividend program is in place, the personal income tax must be reimposed one year sooner. The same statement can, of course, be made for any government program which takes \$200 million from the state treasury each year.

The juxtaposition of the dividend program and the personal income tax is interesting because, although equal in size in the aggregate, for most individuals the combination of the two programs results in an income gain or loss. People in lower income groups with larger families receive net income increases while people in higher income groups and smaller families have net income declines. Table V.32 shows a computation of those break-even points for different income levels and family sizes using 1984 and a dividend of \$500 as a base. For example, a typical family of four with an income of \$30 thousand would have an after-tax increase in income from dividends of \$1,710. That same family would pay \$710 in taxes if the state personal income tax were reimposed at rates equal to 16 percent of the federal tax. Families to the left and below the line would prefer the combination of no dividends and no taxes. Families above and to the right would prefer reimposing the income tax before eliminating dividends.

Table V.33 puts the dividends and taxes into perspective with total personal income and other taxes. Dividends add less to disposable income than is taken away either by federal income taxes or local property taxes.

TABLE V.32, PART A. FAMILY INCOME EFFECTS OF DIVIDENDS  
AND STATE PERSONAL INCOME TAX

(\$ per family)

Family Income (thousand \$)	Dividend/ Income Tax					
	Family Size					
	1	2	3	4	5	6
\$10	\$405/ 166	\$840/ 102	\$1346/ 74	\$1856/ 51	\$2365/ 30	\$2871/ 11
\$20	345/ 550	780/ 394	1280/ 358	1780/ 323	2295/ 291	2811/ 262
\$30	333/ 693 <sup>a</sup>	708/ 802	1211/ 758	1710/ 710	2210/ 662	2721/ 624
\$40	302/ 990	649/ 851	1149/ 810	1648/ 768	2173/ 731	2703/ 698
\$50	275/ 1272	604/ 1030	1149/ 994	1648/ 959	2150/ 924	2649/ 893
\$60	275/ 1647	575/ 1442	1100/ 1403	1590/ 1364	2110/ 1331	2620/ 1292
\$70	275/ 2064	550/ 1749	1050/ 1706	1560/ 1663	2080/ 1620	2590/ 1577
\$80	275/ 2534	550/ 2147	1050/ 2091	1550/ 2035	2070/ 1985	2580/ 1932

<sup>a</sup>See assumption 2, on the following page.



- ASSUMPTIONS:
1. Average and marginal tax rates through 50 thousand from analysis in earlier chapters. Marginal tax rates on dividend income fall as family size increases since only two dividends per family are taxable. For higher tax brackets, rates are extrapolated.
  2. State taxes imposed at 16 percent of the federal tax rates. Single-person families with incomes over \$25 thousand and multiple-person families with incomes over \$35 thousand itemize deductions and can deduct state taxes from federal liability. Thus, for them, the income effect of imposition of the state personal income tax is their state liability net of the reduction in federal liability. The federal liability is reduced by the amount of state tax multiplied by the federal marginal tax rate.
  3. The dividend case assumes no state income tax. Were the two in place simultaneously, dividends would be reduced for all income groups by small amounts which would increase with income and decrease with family size. For example, for a one-person family, net dividend income would fall by \$10 at an income of \$10 thousand and \$36 at an income of \$70 thousand. Likewise, dividends would increase taxes in the same pattern.
  4. Per capita dividend = \$500.
  5. Tax schedule in effect in 1982.

TABLE V.32, PART B. RATIO OF FAMILY INCOME EFFECTS

Family Income (thousand \$)	Dividend/ Income Tax					
	Family Size					
	1	2	3	4	5	6
\$10	2.4	8.2	18.2	36.4	78.8	261.0
\$20	.6	2.0	3.6	5.5	7.9	10.7
\$30	.5	.9	1.6	2.4	3.3	4.4
\$40	.3	.8	1.4	2.1	3.0	3.9
\$50	.2	.6	1.2	1.7	2.3	3.0
\$60	.2	.4	.8	1.2	1.6	2.0
\$70	.1	.3	.6	.9	1.3	1.6
\$80	.1	.3	.5	.8	1.0	1.3



TABLE V.33. PERPETUAL DIVIDENDS:  
PATTERN OF PERSONAL INCOME

(million \$)

	Permanent Fund Dividends	Personal Income Tax	Local Property Taxes	Personal Income	Federal Income Taxes
1984	192.405	0.	346.827	8714.26	1339.27
1985	194.189	0.	378.448	9357.87	1447.49
1986	247.383	0.	409.405	9990.6	1552.11
1987	289.558	0.	445.867	10532.1	1641.99
1988	319.848	0.	471.215	11346.2	1779.42
1989	353.078	0.	518.135	12362.1	1951.98
1990	394.5	0.	580.107	13752.5	2191.82
1991	439.654	0.	650.255	15466.6	2490.44
1992	483.275	0.	741.498	17050.1	2767.18
1993	536.407	0.	849.937	18019.4	2937.19
1994	593.212	0.	899.817	19455.9	3190.11
1995	654.075	635.54	1001.7	21220.1	3371.72
1996	715.769	708.45	1107.46	23501.8	3768.49
1997	781.545	774.06	1267.98	25547.3	4126.05
1998	850.437	826.45	1399.74	27545.5	4477.95
1999	922.826	878.51	1549.28	29513.4	4826.45
2000	999.058	940.41	1683.69	31733.7	5222.33
2001	1081.31	1016.28	1822.42	34398.1	5700.87
2002	1167.97	1099.41	1991.78	37332.9	6231.93
2003	1259.2	1190.11	2166.96	40541.1	6816.84
2004	1355.22	1287.96	2364.23	44034.7	7458.52
2005	1456.25	1393.48	2585.52	47849.7	8164.52
2006	1562.51	1508.51	2834.86	52051.9	8948.07
2007	1674.29	1633.04	3112.92	56658.	9813.26
2008	1791.87	1767.02	3443.78	61670.9	10762.5
2009	1915.54	1907.86	3812.53	67017.2	11782.2
2010	2045.62	2059.64	4214.54	72852.7	12903.4

SOURCE: Simulation PFLB4; Variables EXTRNS, RTISCP, RLPT, PI, RTPIF

Reimposition of the income tax has two opposite effects on the private economy. On the one hand, it increases personal income (Table V.34, Part A). The tax causes disposable income to fall but does not directly affect income. Because there is less disposable income, private spending contracts, but this is offset by public spending expansion as the revenues from the tax are used for public expenditures. The reimposition of the state income tax is partially offset by a decrease in the federal tax liability. In effect, the federal government shares part of the burden of the tax. On net, this method of shifting from private to public consumption results in an increase in personal income; on the other hand, employment falls. Total employment, and with it population, falls because the increase in state government employment is more than offset by losses of employment elsewhere, primarily in the support industries. A few higher-wage jobs are added while a larger number of lower-paying ones are lost (Table V.34, Part B).

In real terms, the increase in state revenues and expenditures is modest from reimposing the income tax. Real per capita state general fund expenditures can be \$500, or 15 percent higher than without the tax in the late 1990s (Table V.34, Part C). In the following decade, tax receipts grow, but not fast enough to offset further declines in petroleum revenues so that by 2010 real per capita general fund expenditures are less than 40 percent of their peak in the late 1980s.

#### DIVIDEND ELIMINATION IN TEN YEARS

Recognizing that falling petroleum revenues will result in substantial pressures to find new sources of revenues to fund the state budget, another alternative is to terminate the dividend program one year prior to reimposition of the income tax. After termination of the dividend, a full 50 percent of earnings might flow to the general fund for appropriations. This would result in gradual depreciation of the value of assets in the Permanent Fund but would, in combination with the income tax, significantly arrest the decline in real general fund revenues and expenditures (Table V.35).

In the latter part of the 1990s, the combination of the personal income tax and half of the earnings of the Permanent Fund could supplement other sources of state revenues by \$800 million (1984 \$). In the next decade, this could increase modestly; but eventually the transferred earnings from the Permanent Fund would stop growing, and this source of revenue would decline. This does not prevent the decline of real per capita state general fund expenditures but does slow it. Real per capita state general fund expenditures fall to one-half their current level.



TABLE V.34, PART A. IMPACT OF ADDING PERSONAL INCOME TAX  
TO PERPETUAL DIVIDEND CASE:  
PERSONAL INCOME

(million \$)

	Personal Income	Federal Income Taxes	Disposable Personal Income	State Personal Income Tax
1984	0.	0.	0.	0.
1985	0.	0.	0.	0.
1986	0.	0.	0.	0.
1987	0.	0.	0.	0.
1988	0.	0.	0.	0.
1989	0.	0.	0.	0.
1990	0.	0.	0.	0.
1991	0.	0.	0.	0.
1992	0.	0.	0.	0.
1993	0.	0.	0.	0.
1994	0.	0.	0.	0.
1995 <sup>a</sup>	-39.008	-140.477	-533.641	635.547
1996	504.277	-54.796	-154.758	708.445
1997	575.027	-54.719	-150.309	774.064
1998	585.145	-63.191	-184.352	826.448
1999	511.055	-87.383	-285.531	878.507
2000	480.578	-105.445	-359.48	940.411
2001	483.418	-120.227	-417.734	1016.28
2002	507.273	-132.453	-465.016	1099.41
2003	587.727	-135.293	-473.309	1190.11
2004	668.805	-139.348	-486.906	1287.96
2005	726.258	-149.199	-525.73	1393.48
2006	779.219	-161.926	-575.633	1508.51
2007	821.91	-179.008	-640.805	1633.04
2008	866.207	-196.973	-712.988	1767.02
2009	933.062	-211.949	-772.699	1907.86
2010	1007.75	-227.5	-835.02	2059.64

<sup>a</sup>The adjustment to the new tax regime occurs over a period of two years.

SOURCE: Simulations PFSB4-PFLB4; Variables PI, RTPIF, DPI, RTISCP

TABLE V.34, PART B. IMPACT OF ADDING PERSONAL INCOME TAX  
TO PERPETUAL DIVIDEND CASE:  
EMPLOYMENT

(thousands)

	Total Employment	State Government Employment	Support Employment
1984	0.	0.	0.
1985	0.	0.	0.
1986	0.	0.	0.
1987	0.	0.	0.
1988	0.	0.	0.
1989	0.	0.	0.
1990	0.	0.	0.
1991	0.	0.	0.
1992	0.	0.	0.
1993	0.	0.	0.
1994	0.	0.	0.
1995	-1.	1.426	-1.698
1996	-3.235	1.889	-3.339
1997	-3.453	1.918	-3.95
1998	-4.164	1.839	-4.39
1999	-5.697	1.787	-5.089
2000	-6.878	1.811	-5.769
2001	-7.49	1.86	-6.158
2002	-7.882	1.947	-6.488
2003	-7.83	2.014	-6.682
2004	-7.821	2.03	-6.815
2005	-8.049	2.04	-7.
2006	-8.381	2.049	-7.229
2007	-8.826	2.069	-7.507
2008	-9.302	2.101	-7.824
2009	-9.658	2.133	-8.124
2010	-10.01	2.15	-8.418

SOURCE: Simulations PFSB4-PFLB4; Variables EM99, EMGS, EM9SUPRT



TABLE V.34, PART C. IMPACT OF ADDING PERSONAL INCOME TAX  
TO PERPETUAL DIVIDEND CASE:  
STATE FISCAL MEASURES

(1984 \$)

	Real State Personal Income Tax (million \$)	Real General Fund Expenditures (million \$)	Real Per Capita State General Fund Expenditures (\$)
1984	0.	0.	0.
1985	0.	0.	0.
1986	0.	0.	0.
1987	0.	0.	0.
1988	0.	0.	0.
1989	0.	0.	0.
1990	0.	0.	0.
1991	0.	0.	0.
1992	0.	0.	0.
1993	0.	0.	0.
1994	0.	0.	0.
1995	212.062	174.397	300.895
1996	382.517	260.116	433.731
1997	397.165	308.348	512.75
1998	405.128	322.302	537.203
1999	408.351	328.426	553.262
2000	412.403	332.295	563.446
2001	419.888	342.193	578.497
2002	429.503	353.732	594.105
2003	439.571	368.386	611.265
2004	449.895	384.765	629.511
2005	460.442	399.491	644.518
2006	471.428	413.883	658.001
2007	482.878	428.163	670.349
2008	494.524	441.486	680.557
2009	505.727	454.628	689.594
2010	516.633	468.124	697.992

SOURCE: Simulations PFSB4-PFLB4; Variables DF.RTIS, DF.EXGFB,  
DF.EXGFP

TABLE V.35. DIVIDEND ELIMINATION IN 1994 WITH  
HALF OF SUBSEQUENT PERMANENT FUND EARNINGS  
CHANNELED TO GENERAL FUND

(1984 \$)

	Real General Fund Revenues (10 <sup>6</sup> )	Real Perm. Fund Earnings Transferred to General Fund (10 <sup>6</sup> )	Real Personal Income Tax (10 <sup>6</sup> )	Real Revenue Gap (10 <sup>6</sup> )	Real Per Capita State General Fund Expenditures (\$)
1984	3327.82	0.	0.	0.	7974.98
1985	3321.8	0.	0.	0.	7320.85
1986	3290.32	0.	0.	0.	6662.53
1987	3430.38	0.	0.	0.	6649.03
1988	3322.49	0.	0.	0.	6648.08
1989	3466.19	0.	0.	0.	6654.16
1990	3437.36	0.	0.	0.	6648.27
1991	2985.64	0.	0.	0.	6633.21
1992	2730.89	0.	0.	0.	6622.81
1993	2565.66	0.	0.	1036.67	5366.7
1994	2777.11	396.474	0.	833.211	5253.55
1995	2839.97	406.674	205.783	810.094	5235.61
1996	2805.43	393.818	371.115	878.765	5129.37
1997	2755.87	402.413	384.197	986.142	5046.8
1998	2703.63	410.257	389.426	1066.86	4948.26
1999	2609.02	417.435	390.772	1161.86	4794.84
2000	2524.92	423.999	394.243	1246.34	4642.68
2001	2439.4	430.045	401.238	1345.45	4482.89
2002	2368.05	435.507	410.264	1440.6	4340.82
2003	2285.4	440.439	419.871	1559.01	4186.99
2004	2209.09	444.872	429.736	1669.37	4035.16
2005	2138.71	448.833	439.766	1769.05	3891.59
2006	2074.9	452.353	450.269	1864.47	3758.1
2007	2013.21	455.459	461.365	1972.4	3631.07
2008	1971.35	458.177	472.766	2082.26	3530.65
2009	1932.75	460.524	483.754	2188.95	3436.39
2010	1895.92	462.523	494.384	2281.36	3341.66

SOURCE: Simulation PFLA4.1; Variables DF.RSGFB, DF.RSIPG, DF.RTIS,  
DF.RSGFG, DF.EXGFP



The effects of this policy can be measured against the case in which the dividends continue forever and the personal income tax is reimposed. Initially, the shift from dividends to state operating and capital expenditures has a net positive effect on employment but then quickly turns negative (Table V.36, Part A). As per capita disposable income falls, consumers gradually reduce their expenditures. The tax dollars pay for a small number of high-wage jobs. The net effect is fewer total jobs. In return for these declines in aggregate economic activity and real per capita disposable personal income, individuals are able to consume a larger amount of public goods per capita (Table V.36, Part B). Some of the additional public consumption is due to the fact that the Permanent Fund is being gradually depleted by the 50 percent withdrawal policy.

#### STAGED FUND LIQUIDATION

Another policy combining the dividend program with utilization of the Permanent Fund to support the state budget involves a perpetual dividend program as well as transfer of one-half of the remaining Fund earnings to the general fund each year when supplementary revenues become necessary. If initiated in 1994, this transfer would be about two-thirds as large as the dividend program (Table V.37, Part A). The Permanent Fund balance would continue to grow, but only in nominal dollars. The combination of dividends and general fund transfers does not leave enough remaining in the Permanent Fund to cover inflation.

The pattern of impact of this policy on the well-being of the typical Alaskan can be seen by tracing the change in certain real per capita variables (Table V.37, Part B). Real per capita disposable personal income is continuously augmented by the dividends. In the late 1980s, the slowdown in the economy pulls this indicator down, but it recovers in the early part of the next decade. In the mid-1990s, it is again reduced by the reimposition of the personal income tax, resulting in five years of stagnation in disposable income growth. After adjusting to this tax, disposable income resumes its growth.

TABLE V.36, PART A. IMPACT OF TEN-YEAR VERSUS  
PERPETUAL DIVIDEND PROGRAM: EMPLOYMENT

(thousands)

	Total Employment	State Government Employment	Support Employment
1984	0.	0.	0.
1985	0.	0.	0.
1986	0.	0.	0.
1987	0.	0.	0.
1988	0.	0.	0.
1989	0.	0.	0.
1990	0.	0.	0.
1991	0.	0.	0.
1992	0.	0.	0.
1993	0.	0.	0.
1994	0.972	2.662	-1.088
1995	0.847	2.704	-1.542
1996	0.46	2.471	-1.895
1997	-1.162	2.368	-2.634
1998	-3.321	2.333	-3.681
1999	-4.049	2.389	-4.186
2000	-4.232	2.379	-4.45
2001	-4.629	2.37	-4.727
2002	-4.933	2.346	-4.967
2003	-5.183	2.312	-5.146
2004	-5.494	2.275	-5.328
2005	-5.852	2.242	-5.533
2006	-6.163	2.213	-5.728
2007	-6.393	2.184	-5.896
2008	-6.575	2.148	-6.041
2009	-6.774	2.105	-6.182
2010	-7.057	2.06	-6.342

SOURCE: Simulations PFLB4-PFLA4.1; Variables EM99, EMGS, EM9SUPRT



TABLE V.36, PART B. IMPACT OF TEN-YEAR VERSUS PERPETUAL  
DIVIDEND PROGRAM: PER CAPITA INDICATORS

(thousands)

	Real Per Capita State General Fund Expenditures (1984 \$)	Real Per Capita Disposable Personal Income (1984 \$)
1984	0.	0.
1985	0.	0.
1986	0.	0.
1987	0.	0.
1988	0.	0.
1989	0.	0.
1990	0.	0.
1991	0.	0.
1992	0.	0.
1993	0.	0.
1994	552.246	-453.016
1995	663.98	-453.422
1996	638.687	-452.41
1997	651.594	-501.141
1998	664.809	-556.059
1999	671.18	-563.598
2000	684.209	-556.859
2001	693.104	-558.016
2002	699.447	-553.812
2003	703.743	-546.668
2004	706.183	-540.457
2005	706.554	-534.195
2006	704.971	-524.781
2007	702.003	-511.824
2008	698.244	-497.207
2009	693.752	-484.422
2010	687.854	-475.215

SOURCE: Simulations PFLB4-PFLA4.1; Variables DF.EXGFB, DF.DPIP

TABLE V.37, PART A. PERPETUAL DIVIDENDS WITH STAGED FUND  
LIQUIDATION: GENERAL INDICATORS

(million \$)

	Permanent Fund Balance	Permanent Fund Dividends	Permanent Fund Earnings Transferred to General Fund
1984	5259.21	192.405	0.
1985	6072.81	194.189	0.
1986	6832.38	247.383	0.
1987	7712.	289.558	0.
1988	8636.14	319.848	0.
1989	9679.67	353.078	0.
1990	10793.4	394.5	0.
1991	11979.	439.654	0.
1992	13217.	483.275	0.
1993	14591.3	536.407	0.
1994	15616.8	593.212	418.347
1995	16643.4	650.067	437.13
1996	17676.6	703.327	449.378
1997	18742.	755.738	472.261
1998	19836.1	805.777	497.711
1999	20955.5	853.244	525.666
2000	22109.9	901.887	554.439
2001	23290.3	953.664	583.091
2002	24500.2	1006.79	612.368
2003	25740.5	1061.27	642.366
2004	27011.8	1117.15	673.099
2005	28314.9	1174.43	704.596
2006	29650.6	1233.14	736.886
2007	31019.7	1293.32	769.983
2008	32423.	1355.	803.907
2009	33861.4	1418.22	838.679
2010	35335.7	1483.02	874.319

SOURCE: Simulation PFLA2.1; Variables BALPF, EXTRNS, RSIPGF



TABLE V.37, PART B. PERPETUAL DIVIDENDS WITH STAGED FUND  
LIQUIDATION: PER CAPITA VARIABLES

(1984 \$)

	Real Per Capita State General Fund Expenditures	Real Per Capita Personal Income	Real Per Capita Disposable Personal Income
1984	7974.98	17576.9	14507.6
1985	7320.85	17270.6	14236.7
1986	6662.53	17012.4	14012.8
1987	6649.03	16631.	13689.3
1988	6648.08	16821.8	13829.9
1989	6654.16	17152.9	14081.6
1990	6648.27	17654.2	14468.3
1991	6633.21	18199.4	14886.1
1992	6622.81	18476.7	15087.4
1993	5366.7	18286.2	14920.7
1994	5014.82	18571.3	15130.9
1995	4940.26	18890.4	14921.1
1996	4831.65	18782.6	14807.2
1997	4727.91	19035.8	14984.1
1998	4609.1	19210.4	15104.8
1999	4442.55	19341.4	15191.7
2000	4275.88	19537.1	15326.9
2001	4103.97	19832.1	15536.6
2002	3951.34	20144.6	15758.9
2003	3788.89	20463.7	15985.6
2004	3630.07	20781.1	16210.2
2005	3481.12	21099.1	16434.4
2006	3343.65	21428.6	16666.6
2007	3213.76	21762.	16901.
2008	3111.13	22085.7	17127.1
2009	3015.5	22378.3	17329.1
2010	2920.55	22670.9	17530.3

SOURCE: Simulation PFLA2.1; Variables DF.EXGFP, DF.PIP, DF.DPIP,  
DF.BAL9P, DF.RTIS, POP

TABLE V.37, PART B. (Continued)  
Page 2 of 2

	Real Per Capita Balance in Permanent plus General Funds (1984 \$)	Real Per Capita Personal Income Tax (1984 \$)
1984	14650.7	0.
1985	14563.7	0.
1986	14852.9	0.
1987	15514.4	0.
1988	16066.3	0.
1989	16835.1	0.
1990	17175.3	0.
1991	16327.4	0.
1992	14997.6	0.
1993	14996.	0.
1994	14942.3	0.
1995	14867.7	360.4
1996	14210.4	644.7
1997	14073.1	660.7
1998	13982.7	667.5
1999	13895.9	668.2
2000	13784.4	670.3
2001	13616.8	676.0
2002	13425.5	684.2
2003	13206.2	692.5
2004	12971.1	700.5
2005	12722.	708.2
2006	12456.	715.5
2007	12171.2	722.7
2008	11873.	729.4
2009	11573.1	735.1
2010	11270.3	739.7



Real per capita general fund expenditures maintains a level of about \$6.6 thousand through this decade and then begins an inexorable decline, which is initially precipitous and subsequently averages in excess of \$100 annually. It requires fifteen years for real expenditures per capita to fall by 2006 to half of their former level. At that time, the average Alaskan receives disposable income of \$16.67 thousand (1984 \$) and state government goods and services valued at \$3.34 thousand, for a total of \$20 thousand. This is somewhat below the current level of \$22.48 thousand, divided between \$14.51 thousand of disposable income and \$7.97 thousand worth of government services.

Over this same time period, the real per capita balance of the Permanent Fund first grows and then begins a slow, smooth decline. Its value peaks at \$17.2 thousand in 1990, up from \$14.7 thousand in 1984, and then falls back to the current level in 1996. Subsequently, it is slowly eroded by the dividends and general fund transfers.

#### DIVIDEND ACCUMULATION STRATEGIES: ACCUMULATION IN THE PERMANENT OR DEVELOPMENT FUND

Two strategies for increasing current saving to accumulate more for the future can be contrasted with the perpetual dividend alternative (including income tax reimposition). These strategies both involve termination of the dividend program and use of an equivalent amount of money from Permanent Fund earnings in investments--in one case financial, and in the other developmental. When the decline of petroleum revenues forces the state to look for new sources of revenues, the investments thus made will be able to generate a sustainable flow of revenue to help offset this petroleum decline.

To investigate this case, we assume that the money from the Permanent Fund earmarked for dividends is channeled instead for a nine-year period beginning in 1985 into either (1) reinvestment in the Permanent Fund or (2) a newly established development fund from which investments in the Alaska economy are made. In 1994, these accumulations stop and the revenues spun off by these investments are used to fund general fund appropriations. As before, the personal income tax is assumed to be reinstated at this time.

It should be recognized that the revenues made available in future years from this investment policy may be used for any purpose, including reinstituting the dividend program, offsetting the personal income tax, or special capital appropriations. Furthermore, the money to fund this investment policy need not come from the elimination of the dividends. A reduction of the operating or capital budget could be the source of funds for this purpose. The use of funds from different sources for different purposes will change the amount of reduction of current economic activity which



occurs compared to the future expansion but will not affect the general time pattern. In all these instances, spending in the near term is postponed to allow money to accumulate for meeting future needs.

The accumulation of earnings in the Permanent Fund is accomplished through purchase of the same types of financial assets as the Fund currently holds. We assume that these assets earn a 3 percent rate of return over and above the 6 percent long-term rate of inflation. The large supply of financial assets available makes this no problem. No Fund withdrawals occur until 1994, at which time only the real earnings of the fund are withdrawn.

In the case of the Development Fund, the money which would have gone into dividends or reinvestment is channeled into a newly established Development Fund. Investments are made from this Fund in the form of interest-free loans. For simplicity, we assume the loans are held in the Development Fund and are never called. The new loans generate activity in the private sector each year of an unspecified "generic" nature. As the result of each year's worth of loans, three years of construction activity takes place at an annual average level of 150 workers. This is followed by staged growth in permanent manufacturing employment, eventually reaching 500 on an annual average basis. The exact nature of these developments is unspecified because at this point the only proposal on the table for this type of development is the Red Dog Mine project. The accumulation of earnings for nine years results in a Development Fund of \$3.3 billion in nominal dollars by 1993 (Table V.38, Part A); a permanent, direct employment effect of 4,500 in manufacturing by the turn of the century; and the generation of corporate and personal income tax revenues.

Both of these strategies result in much larger balances in the Permanent Fund than the case where dividends are maintained. This results first because of reinvestment of dividends in one case and withdrawals of only real earnings in both cases starting in 1994 (Table V.38, Part B). By the time transfers to the general fund begin, there is an additional \$5 billion in the Permanent Fund if dividends are allowed to accumulate, as compared to \$3.3 billion in the Development Fund. This is the result of compounding of earnings in the Permanent Fund.



TABLE V.38, PART A. DIVIDEND ACCUMULATION STRATEGIES:  
DEVELOPMENT FUND BALANCE

(million \$)

	Maintain Dividend Distribution	Dividends Accumulate in Permanent Fund		Dividends Accumulate in Development Fund	
		Level	Impact	Level	Impact
1984	0.	0.	0.	0.	0.
1985	0.	0.	0.	194.414	194.414
1986	0.	0.	0.	441.588	441.588
1987	0.	0.	0.	730.901	730.901
1988	0.	0.	0.	1051.02	1051.02
1989	0.	0.	0.	1404.38	1404.38
1990	0.	0.	0.	1799.1	1799.1
1991	0.	0.	0.	2238.63	2238.63
1992	0.	0.	0.	2722.01	2722.01
1993	0.	0.	0.	3257.92	3257.92
1994	0.	0.	0.	3257.92	3257.92
1995	0.	0.	0.	3257.92	3257.92
1996	0.	0.	0.	3257.92	3257.92
1997	0.	0.	0.	3257.92	3257.92
1998	0.	0.	0.	3257.92	3257.92
1999	0.	0.	0.	3257.92	3257.92
2000	0.	0.	0.	3257.92	3257.92
2001	0.	0.	0.	3257.92	3257.92
2002	0.	0.	0.	3257.92	3257.92
2003	0.	0.	0.	3257.92	3257.92
2004	0.	0.	0.	3257.92	3257.92
2005	0.	0.	0.	3257.92	3257.92
2006	0.	0.	0.	3257.92	3257.92
2007	0.	0.	0.	3257.92	3257.92
2008	0.	0.	0.	3257.92	3257.92
2009	0.	0.	0.	3257.92	3257.92
2010	0.	0.	0.	3257.92	3257.92

SOURCE: Simulations PFLB4, PFLA1.1, PFLA3.1; Variable BALDF

TABLE V.38, PART B. DIVIDEND ACCUMULATION STRATEGIES:  
PERMANENT FUND BALANCE

(million \$)

	Maintain Dividend Distribution	Dividends Accumulate in Permanent Fund		Dividends Accumulate in Development Fund	
		Level	Impact	Level	Impact
1984	5259.21	5259.21	0.	5259.21	0.
1985	6072.81	6267.	194.191	6072.59	0.
1986	6832.38	7293.1	460.723	6832.34	0.
1987	7712.	8510.66	798.656	7712.21	0.
1988	8636.14	9831.96	1195.82	8636.1	0.
1989	9679.67	11344.3	1664.65	9679.34	0.
1990	10793.4	13012.4	2218.96	10792.9	0.
1991	11979.	14852.	2872.96	11978.5	0.
1992	13217.	16849.	3632.04	13216.3	0.
1993	14591.3	19109.1	4517.85	14591.	0.
1994	16035.2	21002.2	4967.05	16184.9	149.699
1995	17535.	22999.5	5464.5	17863.7	328.703
1996	19089.4	25103.6	6014.16	19632.6	543.137
1997	20734.9	27354.7	6619.76	21526.5	791.621
1998	22470.6	29756.1	7285.48	23547.5	1076.91
1999	24295.3	32311.5	8016.18	25697.6	1402.36
2000	26222.9	35040.1	8817.21	27994.6	1771.67
2001	28247.9	37944.1	9696.28	30438.7	2190.86
2002	30378.	41038.	10660.	33042.7	2664.67
2003	32618.7	44334.1	11715.4	35816.9	3198.17
2004	34975.7	47845.7	12870.	38772.5	3796.8
2005	37455.	51586.8	14131.8	41921.4	4466.41
2006	40062.8	55572.4	15509.6	45276.1	5213.29
2007	42805.9	59818.5	17012.6	48850.1	6044.2
2008	45691.3	64342.1	18650.8	52657.7	6966.48
2009	48726.2	69161.2	20435.	56714.2	7988.01
2010	51918.4	74295.2	22376.8	61035.7	9117.3

SOURCE: Simulations PFLB4, PFLA1.1, PFLA3.a; Variable BALPF



The utilization of the accumulated dividends in the Permanent Fund commences in 1994 in the form of transfers to the general fund (Table V.38, Part C). We assume transfers begin at the same time from the Permanent Fund if the dividends accumulate in the Development Fund (transfers do not occur out of the Development fund). Because the Permanent Fund is larger when dividends are allowed to accumulate there, the transfers of earnings can also be larger. This source of revenues allows state general fund expenditures to be higher than they would be if dividends were maintained (Table V.38, Part D). In the early years, these revenues support a 10 percent budget expansion, but over time, they grow to support an expansion of over 25 percent. In the years prior to the use of these funds for appropriations, expenditures are lower because the accumulation keeps money out of the economy and thus keeps the population level slightly lower.

Total revenues are highest when dividends accumulate in the Permanent Fund (Table V.38, Part E), but both accumulation cases produce substantially larger revenues than if dividends are maintained.<sup>17</sup> For the Development Fund case, revenues are generated by the corporate income and other taxes levied on the greater amount of economic activity taking place in the economy (Table V.38, Part F). This revenue-generating effect begins channeling funds into the general fund immediately. If the activities stimulated by the Development Fund pay at the average corporate tax rate of all industries, then the additional revenues generated in this way will be a modest addition to total revenues, although not an insignificant addition to nonpetroleum corporate tax revenues. Interestingly, the maintenance of dividends produces larger revenues from the corporate tax than dividend accumulation in the Permanent Fund because it stimulates a higher level of economic activity within the state.

The higher revenues allow real per capita state expenditures to be higher than they would otherwise be (Table V.38, Part G). The precipitous decline in the early 1990s which occurs in all cases as petroleum revenues decline is somewhat cushioned, and subsequently expenditure levels can be 15-to-25 percent higher with the additional revenues available from the earnings of accumulated assets.

Although these accumulation strategies produce a more sustainable flow of revenues to the public sector, they produce both a lower level of real per capita disposable personal income (Table V.38, Part H) and less employment in the short run (Table V.38, Part I). Income is lower primarily because of the absence of dividend payments, but this loss is partially offset by the higher paying jobs which the Development Fund alternative

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<sup>17</sup>Revenues are slightly lower in early years because a slightly smaller population marginally reduces state revenues.

TABLE V.38, PART C. DIVIDEND ACCUMULATION STRATEGIES:  
TRANSFER FROM PERMANENT FUND  
TO GENERAL FUND

(million \$)

	Maintain Dividend Distribution	Dividends Accumulate in Permanent Fund		Dividends Accumulate in Development Fund	
		Level	Impact	Level	Impact
1984	0.	0.	0.	0.	0.
1985	0.	0.	0.	0.	0.
1986	0.	0.	0.	0.	0.
1987	0.	0.	0.	0.	0.
1988	0.	0.	0.	0.	0.
1989	0.	0.	0.	0.	0.
1990	0.	0.	0.	0.	0.
1991	0.	0.	0.	0.	0.
1992	0.	0.	0.	0.	0.
1993	0.	0.	0.	0.	0.
1994	0.	577.722	577.722	443.264	443.264
1995	0.	632.477	632.477	489.411	489.411
1996	0.	683.043	683.043	532.431	532.431
1997	0.	744.885	744.885	584.441	584.441
1998	0.	810.948	810.948	640.032	640.032
1999	0.	881.332	881.332	699.26	699.26
2000	0.	956.363	956.363	762.406	762.406
2001	0.	1036.34	1036.34	829.727	829.727
2002	0.	1121.51	1121.51	901.408	901.408
2003	0.	1212.25	1212.25	977.776	977.776
2004	0.	1308.91	1308.91	1059.14	1059.14
2005	0.	1411.9	1411.9	1145.82	1145.82
2006	0.	1521.61	1521.61	1238.17	1238.17
2007	0.	1638.5	1638.5	1336.55	1336.55
2008	0.	1763.03	1763.03	1441.37	1441.37
2009	0.	1895.69	1895.69	1553.03	1553.03
2010	0.	2037.02	2037.02	1672.	1672.

SOURCE: Simulations PFLB4, PFLA1.1, PFLA3.1; Variable RSIPGF



TABLE V.38, PART D. DIVIDEND ACCUMULATION STRATEGIES:  
STATE GENERAL FUND EXPENDITURES

(million \$)

	Maintain Dividend Distribution	Dividends Accumulate in Permanent Fund		Dividends Accumulate in Development Fund	
		Level	Impact	Level	Impact
1984	3717.3	3717.3	0.	3717.3	0.
1985	3710.4	3704.97	-5.434	3704.97	-5.434
1986	3634.85	3617.62	-17.224	3618.57	-16.272
1987	3907.94	3876.62	-31.32	3879.61	-28.328
1988	4156.59	4109.84	-46.746	4117.43	-39.16
1989	4441.37	4379.07	-62.309	4392.48	-48.895
1990	4795.96	4717.42	-78.535	4738.85	-57.109
1991	5222.93	5125.25	-97.68	5158.32	-64.613
1992	5663.66	5541.29	-122.375	5592.23	-71.434
1993	4804.24	4794.83	-9.41	4809.	4.766
1994	4417.75	4922.79	505.043	4815.24	397.492
1995	4588.31	5233.25	644.937	5102.39	514.082
1996	5026.23	5714.93	688.707	5586.64	560.414
1997	5246.74	5993.04	746.297	5862.41	615.668
1998	5423.08	6224.37	801.289	6090.76	667.676
1999	5508.75	6366.93	858.18	6230.02	721.27
2000	5579.5	6512.31	932.812	6367.87	788.379
2001	5648.56	6658.11	1009.55	6506.09	857.531
2002	5744.7	6835.42	1090.72	6675.21	930.516
2003	5813.51	6990.61	1177.1	6821.37	1007.86
2004	5877.26	7144.98	1267.72	6966.22	1088.96
2005	5950.42	7313.03	1362.61	7124.16	1173.75
2006	6041.08	7504.78	1463.7	7304.92	1263.84
2007	6141.68	7714.83	1573.15	7503.05	1361.37
2008	6308.08	7999.81	1691.73	7775.29	1467.2
2009	6487.13	8305.28	1818.15	8067.4	1580.27
2010	6666.26	8617.35	1951.09	8365.47	1699.21

SOURCE: Simulations PFLB4, PFLA1.1, PFLA3.1; Variable EXGFBM

TABLE V.38, PART F. DIVIDEND ACCUMULATION STRATEGIES:  
CORPORATE INCOME TAXES

(million \$)

	Maintain Dividend Distribution	Dividends Accumulate in Permanent Fund		Dividends Accumulate in Development Fund	
		Level	Impact	Level	Impact
1984	61.8	351.8	0.	351.8	0.
1985	69.15	394.16	0.01	394.16	0.01
1986	77.85	446.965	-0.884	446.965	-0.885
1987	88.543	535.111	-1.432	535.467	-1.076
1988	94.745	596.772	-1.973	597.539	-1.207
1989	99.056	637.58	-2.476	639.458	-0.598
1990	106.145	672.064	-3.081	674.977	-0.168
1991	128.452	678.677	-3.774	683.128	0.677
1992	157.784	665.211	-4.573	671.761	1.977
1993	170.948	657.681	-5.267	666.569	3.621
1994	172.573	647.991	-5.582	659.306	5.734
1995	174.651	631.931	-4.72	645.637	8.986
1996	201.391	641.935	-2.455	658.488	14.098
1997	209.324	637.79	-0.535	656.722	18.398
1998	231.312	648.24	-2.072	669.696	19.384
1999	238.599	640.427	-5.172	664.794	19.196
2000	242.545	631.829	-5.717	658.237	20.691
2001	252.07	632.062	-5.008	660.32	23.25
2002	270.818	640.462	-5.356	671.003	25.186
2003	291.656	651.084	-5.572	683.758	27.101
2004	314.626	663.6	-6.026	698.615	28.988
2005	338.322	676.354	-6.967	713.846	30.525
2006	363.522	690.357	-8.166	730.454	31.931
2007	391.78	707.595	-9.185	750.468	33.687
2008	423.164	728.337	-9.827	774.188	36.024
2009	457.447	752.106	-10.341	801.185	38.738
2010	490.543	774.38	-11.163	826.799	41.255

SOURCE: Simulations PFLB4, PFLA1.1, PFLA3.1; Variable RTCS1



TABLE V.38, PART G. DIVIDEND ACCUMULATION STRATEGIES:  
INFLATION-CORRECTED PER CAPITA  
STATE EXPENDITURES

(1984 \$)

	Maintain Dividend Distribution	Dividends Accumulate in Permanent Fund		Dividends Accumulate in Development Fund	
		Level	Impact	Level	Impact
1984	7974.98	7974.98	0.	7974.98	0.
1985	7320.85	7329.16	8.316	7329.16	8.316
1986	6662.53	6671.5	8.973	6670.77	8.238
1987	6649.03	6660.31	11.285	6658.85	9.82
1988	6648.08	6661.57	13.492	6658.23	10.156
1989	6654.16	6669.05	14.891	6664.76	10.594
1990	6648.27	6664.7	16.426	6658.76	10.492
1991	6633.21	6652.14	18.934	6644.07	10.863
1992	6622.81	6644.97	22.16	6633.54	10.723
1993	5366.7	5494.71	128.012	5437.42	70.723
1994	4701.3	5298.6	597.297	5117.83	416.527
1995	4571.62	5247.15	675.527	5045.68	474.055
1996	4490.68	5131.05	640.371	4936.16	445.473
1997	4395.2	5037.95	642.742	4842.07	446.867
1998	4283.45	4930.57	647.113	4731.74	448.289
1999	4123.66	4773.05	649.387	4573.5	449.836
2000	3958.47	4616.73	658.264	4415.91	457.439
2001	3789.79	4454.07	664.28	4253.77	463.983
2002	3641.37	4310.67	669.302	4111.52	470.15
2003	3483.25	4156.51	673.266	3959.41	476.168
2004	3328.98	4005.23	676.256	3810.76	481.783
2005	3185.04	3863.15	678.116	3671.65	486.616
2006	3053.13	3732.19	679.053	3543.88	490.745
2007	2929.07	3608.58	679.511	3423.72	494.65
2008	2832.4	3512.45	680.043	3330.67	498.27
2009	2742.64	3423.04	680.404	3244.45	501.814
2010	2653.81	3333.66	679.851	3158.41	504.607

SOURCE: Simulations PFLB4, PFLA1.1, PFLA3.1; Variable DF.EXGFP

TABLE V.38, PART H. DIVIDEND ACCUMULATION STRATEGIES:  
INFLATION-CORRECTED PER CAPITA  
DISPOSABLE PERSONAL INCOME

(1984 \$)

	Maintain Dividend Distribution	Dividends Accumulate in Permanent Fund		Dividends Accumulate in Development Fund	
		Level	Impact	Level	Impact
1984	14507.6	14507.6	0.	14507.6	0.
1985	14236.7	13889.5	-347.199	13889.5	-347.199
1986	14012.8	13596.5	-416.293	13604.3	-408.5
1987	13689.3	13231.7	-457.621	13245.	-444.344
1988	13829.9	13345.	-484.902	13375.3	-454.562
1989	14081.6	13572.3	-509.211	13614.9	-466.625
1990	14468.3	13954.2	-514.086	14007.9	-460.348
1991	14886.1	14384.9	-501.164	14445.3	-440.734
1992	15087.4	14609.3	-478.102	14669.6	-417.855
1993	14920.7	14457.4	-463.316	14514.8	-405.949
1994	15084.1	14684.5	-399.551	14732.8	-351.242
1995	14870.4	14498.7	-371.699	14538.9	-331.516
1996	14763.8	14407.	-356.766	14448.4	-315.305
1997	14969.1	14583.7	-385.371	14620.8	-348.293
1998	15125.8	14699.9	-425.91	14740.4	-385.406
1999	15232.3	14791.4	-440.844	14828.9	-403.375
2000	15380.4	14936.	-444.406	14966.3	-414.09
2001	15610.2	15156.3	-453.918	15178.2	-432.031
2002	15850.1	15389.9	-460.145	15401.3	-448.711
2003	16091.7	15626.2	-465.543	15627.9	-463.879
2004	16330.7	15858.5	-472.273	15851.5	-479.227
2005	16568.6	16090.5	-478.172	16075.7	-492.957
2006	16812.2	16332.4	-479.707	16310.2	-501.949
2007	17054.7	16577.9	-476.824	16549.2	-505.578
2008	17285.9	16813.9	-472.09	16780.3	-505.645
2009	17491.7	17023.	-468.687	16987.3	-504.426
2010	17697.	17229.7	-467.34	17192.6	-504.457

SOURCE: Simulations PFLB4, PFLA1.1, PFLA3.1; Variable DF.DPIP



TABLE V.38, PART I. DIVIDEND ACCUMULATION STRATEGIES:  
TOTAL EMPLOYMENT

(1984 \$)

	Maintain Dividend Distribution	Dividends Accumulate in Permanent Fund		Dividends Accumulate in Development Fund	
		Level	Impact	Level	Impact
1984	265.331	265.331	0.	265.331	0.
1985	272.024	270.339	-1.685	270.339	-1.685
1986	276.091	272.927	-3.164	273.162	-2.929
1987	274.937	270.475	-4.462	270.993	-3.944
1988	273.515	267.803	-5.711	269.017	-4.497
1989	274.955	268.075	-6.879	269.952	-5.002
1990	285.333	277.684	-7.649	280.331	-5.002
1991	299.07	290.741	-8.328	294.29	-4.78
1992	306.239	297.228	-9.01	301.847	-4.392
1993	301.99	293.238	-8.752	298.695	-3.295
1994	301.181	295.344	-5.838	301.147	-0.034
1995	306.126	301.675	-4.452	307.971	1.844
1996	305.402	301.689	-3.713	308.658	3.256
1997	310.072	306.069	-4.003	313.579	3.507
1998	310.233	305.361	-4.873	313.596	3.362
1999	309.546	304.408	-5.138	313.125	3.579
2000	310.106	304.99	-5.116	314.022	3.916
2001	313.043	307.705	-5.339	317.008	3.964
2002	316.291	310.756	-5.535	320.237	3.946
2003	319.847	314.099	-5.748	323.735	3.888
2004	323.679	317.629	-6.051	327.414	3.735
2005	327.862	321.46	-6.402	331.387	3.525
2006	332.535	325.837	-6.699	335.889	3.354
2007	337.579	330.67	-6.908	340.842	3.263
2008	342.93	335.853	-7.078	346.148	3.218
2009	347.955	340.674	-7.281	351.107	3.152
2010	353.252	345.671	-7.58	356.259	3.007

SOURCE: Simulations PFLB4, PFLA1.1, PFLA3.1; Variable EM99

produces and by higher government employment. Not only is the composition of employment affected by accumulation but in addition the amount is reduced since money is kept out of the economy. In the long run, however, the Development Fund investments produce a steady stream of jobs which makes this the highest employment case.

The dividend reinvestment alternatives can also be compared to the case in which the dividends are not reinvested but continue until 1994, at which time they are discontinued and half the earnings of the Fund are transferred to the general fund. These cases are not quite comparable since the transfer of half the fund earnings is larger than transfer of just the real earnings. Consequently, the transfers using this rule grow more slowly than with the dividend accumulation because erosion of the Fund principal is occurring (Table V.39, Part A).

The tradeoff between present and future spending in this comparison can be seen by an examination of real per capita disposable income and real per capita state expenditures. The former is higher if dividends are continued until 1994 and then somewhat lower when they are eliminated (Table V.39, Part B). In the case of dividend reinvestment, real per capita state expenditures differ little from continuing dividends (Table V.39, Part C). The Development Fund option results in slightly lower levels of real per capita state spending.

Examination of these tradeoffs must include the balance in the Permanent Fund--a measure of the ability of the state to fund future needs. That capability is highest where dividend earnings accumulate and lowest where they are distributed (Table V.39, Part D).



TABLE V.39, PART A. DIVIDEND ACCUMULATION STRATEGIES COMPARED  
TO DIVIDENDS CONTINUED UNTIL 1994:  
PERMANENT FUND TRANSFERS TO GENERAL FUND

(million \$)

	Dividends Continued Until 1994	Dividends Accumulate in Permanent Fund		Dividends Accumulate in Development Fund	
		Level	Impact	Level	Impact
1984	0.	0.	0.	0.	0.
1985	0.	0.	0.	0.	0.
1986	0.	0.	0.	0.	0.
1987	0.	0.	0.	0.	0.
1988	0.	0.	0.	0.	0.
1989	0.	0.	0.	0.	0.
1990	0.	0.	0.	0.	0.
1991	0.	0.	0.	0.	0.
1992	0.	0.	0.	0.	0.
1993	0.	0.	0.	0.	0.
1994	714.953	577.722	-137.231	443.264	-271.689
1995	776.371	632.477	-143.894	489.411	-286.96
1996	831.117	683.043	-148.074	532.431	-298.686
1997	898.262	744.885	-153.378	584.441	-313.821
1998	968.882	810.948	-157.934	640.032	-328.85
1999	1042.86	881.332	-161.524	699.26	-343.596
2000	1120.41	956.363	-164.05	762.406	-358.007
2001	1201.73	1036.34	-165.38	829.727	-371.998
2002	1286.83	1121.51	-165.314	901.408	-385.418
2003	1375.97	1212.25	-163.72	977.776	-398.191
2004	1469.34	1308.91	-160.424	1059.14	-410.2
2005	1567.14	1411.9	-155.24	1145.82	-421.32
2006	1669.58	1521.61	-147.966	1238.17	-431.413
2007	1776.88	1638.5	-138.38	1336.55	-440.33
2008	1889.27	1763.03	-126.247	1441.37	-447.906
2009	2006.99	1895.69	-111.306	1553.03	-453.961
2010	2130.3	2037.02	-93.28	1672.	-458.3

SOURCE: Simulations PFLA4.1, PFLA1.1, PFLA3.1; Variable RSIPGF

TABLE V.39, PART B. DIVIDEND ACCUMULATION STRATEGIES COMPARED  
TO DIVIDENDS CONTINUED UNTIL 1994:  
INFLATION-ADJUSTED PER CAPITA DISPOSABLE INCOME

(1984 \$)

	Dividends Continued Until 1994	Dividends Accumulate in Permanent Fund		Dividends Accumulate in Development Fund	
		Level	Impact	Level	Impact
1984	14507.6	14507.6	0.	14507.6	0.
1985	14236.7	13889.5	-347.199	13889.5	-347.199
1986	14012.8	13596.5	-416.293	13604.3	-408.5
1987	13689.3	13231.7	-457.621	13245.	-444.344
1988	13829.9	13345.	-484.902	13375.3	-454.562
1989	14081.6	13572.3	-509.211	13614.9	-466.625
1990	14468.3	13954.2	-514.086	14007.9	-460.348
1991	14886.1	14384.9	-501.164	14445.3	-440.734
1992	15087.4	14609.3	-478.102	14669.6	-417.855
1993	14920.7	14457.4	-463.316	14514.8	-405.949
1994	14631.	14684.5	53.465	14732.8	101.773
1995	14417.	14498.7	81.723	14538.9	121.906
1996	14311.3	14407.	95.645	14448.4	137.105
1997	14467.9	14583.7	115.77	14620.8	152.848
1998	14569.7	14699.9	130.148	14740.4	170.652
1999	14668.7	14791.4	122.754	14828.9	160.223
2000	14823.5	14936.	112.453	14966.3	142.77
2001	15052.2	15156.3	104.098	15178.2	125.984
2002	15296.2	15389.9	93.668	15401.3	105.102
2003	15545.1	15626.2	81.125	15627.9	82.789
2004	15790.3	15858.5	68.184	15851.5	61.23
2005	16034.4	16090.5	56.023	16075.7	41.238
2006	16287.4	16332.4	45.074	16310.2	22.832
2007	16542.9	16577.9	35.	16549.2	6.246
2008	16788.7	16813.9	25.117	16780.3	-8.438
2009	17007.3	17023.	15.734	16987.3	-20.004
2010	17221.8	17229.7	7.875	17192.6	-29.242

SOURCE: Simulations PFLA4.1, PFLA1.1, PFLA3.1; Variables DF.DPIP



TABLE V.39, PART C. DIVIDEND ACCUMULATION STRATEGIES COMPARED  
TO DIVIDENDS CONTINUED UNTIL 1994:  
INFLATION-ADJUSTED PER CAPITA STATE EXPENDITURES

(million \$)

	Dividends Continued Until 1994	Dividends Accumulate in Permanent Fund		Dividends Accumulate in Development Fund	
		Level	Impact	Level	Impact
1984	7974.98	7974.98	0.	7974.98	0.
1985	7320.85	7329.16	8.316	7329.16	8.316
1986	6662.53	6671.5	8.973	6670.77	8.238
1987	6649.03	6660.31	11.285	6658.85	9.82
1988	6648.08	6661.57	13.492	6658.23	10.156
1989	6654.16	6669.05	14.891	6664.76	10.594
1990	6648.27	6664.7	16.426	6658.76	10.492
1991	6633.21	6652.14	18.934	6644.07	10.863
1992	6622.81	6644.97	22.16	6633.54	10.723
1993	5366.7	5494.71	128.012	5437.42	70.723
1994	5253.55	5298.6	45.051	5117.83	-135.719
1995	5235.61	5247.15	11.547	5045.68	-189.926
1996	5129.37	5131.05	1.684	4936.16	-193.215
1997	5046.8	5037.95	-8.852	4842.07	-204.727
1998	4948.26	4930.57	-17.695	4731.74	-216.52
1999	4794.84	4773.05	-21.793	4573.5	-221.344
2000	4642.68	4616.73	-25.945	4415.91	-226.77
2001	4482.89	4454.07	-28.824	4253.77	-229.121
2002	4340.82	4310.67	-30.145	4111.52	-229.297
2003	4186.99	4156.51	-30.477	3959.41	-227.575
2004	4035.16	4005.23	-29.926	3810.76	-224.4
2005	3891.59	3863.15	-28.438	3671.65	-219.937
2006	3758.1	3732.19	-25.918	3543.88	-214.226
2007	3631.07	3608.58	-22.492	3423.72	-207.353
2008	3530.65	3512.45	-18.2	3330.67	-199.974
2009	3436.39	3423.04	-13.347	3244.45	-191.938
2010	3341.66	3333.66	-8.003	3158.41	-183.247

SOURCE: Simulations PFLA4.1, PFLA1.1, PFLA3.1; Variable BALPF

TABLE V.39, PART D. DIVIDEND ACCUMULATION STRATEGIES COMPARED  
TO DIVIDENDS CONTINUED UNTIL 1994:  
PERMANENT FUND BALANCE

(1984 \$)

	Dividends Continued Until 1994	Dividends Accumulate in Permanent Fund		Dividends Accumulate in Development Fund	
		Level	Impact	Level	Impact
1984	5259.21	5259.21	0.	5259.21	0.
1985	6072.81	6267.	194.191	6072.59	-0.223
1986	6832.38	7293.1	460.723	6832.34	-0.035
1987	7712.	8510.66	798.656	7712.21	0.207
1988	8636.14	9831.96	1195.82	8636.1	-0.039
1989	9679.67	11344.3	1664.65	9679.34	-0.328
1990	10793.4	13012.4	2218.96	10792.9	-0.578
1991	11979.	14852.	2872.96	11978.5	-0.516
1992	13217.	16849.	3632.04	13216.3	-0.664
1993	14591.3	19109.1	4517.85	14591.	-0.227
1994	15913.4	21002.2	5088.8	16184.9	271.441
1995	17279.3	22999.5	5720.2	17863.7	584.402
1996	18694.2	25103.6	6409.4	19632.6	938.375
1997	20185.6	27354.7	7169.11	21526.5	1340.97
1998	21750.8	29756.1	8005.24	23547.5	1796.67
1999	23387.4	32311.5	8924.06	25697.6	2310.23
2000	25107.8	35040.1	9932.32	27994.6	2886.79
2001	26906.8	37944.1	11037.3	30438.7	3531.87
2002	28791.3	41038.	12246.7	33042.7	4251.41
2003	30765.1	44334.1	13569.	35816.9	5051.78
2004	32832.7	47845.7	15013.1	38772.5	5939.88
2005	34998.3	51586.8	16588.5	41921.4	6923.11
2006	37266.7	55572.4	18305.8	45276.1	8009.45
2007	39642.7	59818.5	20175.9	48850.1	9207.48
2008	42131.3	64342.1	22210.8	52657.7	10526.4
2009	44738.	69161.2	24423.2	56714.2	11976.2
2010	47468.3	74295.2	26826.9	61035.7	13567.4

SOURCE: Simulations PFLA4.1, PFLA1.1, PFLA3.1; Variable DF.EXGFP



## SUMMARY AND CONCLUSIONS

An infinite number of scenarios can be generated by changing assumptions about how and when the funds allocated to dividends are disposed of. Each results in a different pattern of aggregate economic activity, mix of public and private consumption, and level and mix of public and private wealth holdings. The six cases we have discussed in this section may not cover the range of all possible alternatives but do provide a basis for comparison of the primary options.

This comparison can be summarized by using a small number of the many economic indicators we have used in the analysis.

The level of activity in the private economy at any time can be summarized by employment and real personal income. The circumstances for the typical Alaskan can be represented by real per capita state expenditures and real per capita disposable personal income. The health of the public sector can be represented by the level of real per capita balances in all state funds as well as real per capita nonpetroleum revenues net of fund earnings. The circumstances for the typical Alaskan is also partly a function of the real per capita level of fund balances. The level of privately held wealth is unavailable, but per capita personal income can serve as its proxy.

Both the levels of these different variables and their patterns over time are important because those patterns will change with the passage of time. In particular, the mix of public-private consumption, reflected by real per capita state expenditures and real per capita disposable personal income, will shift toward more private consumption. This is the result of public consumption being financed by finite oil revenues. Expenditure from that base can last only as long as the revenues. The implications of a variable growing over time and then declining are very different from one of smooth, continuous growth.

The final summary table in this chapter (Table V.40) compares the levels of these indicators for the alternatives presented in this section. There is no "best" case. Different individuals will interpret the patterns differently and reach different conclusions about which alternative they prefer. The choice will depend upon individual preferences for public versus private spending, current versus future spending, stable versus fluctuating levels of economic activity, and the sustainability of public and private activities.

For example, we may examine the situation described in the different cases for the year 1990 and contrast it with the situation ten years later, in 2000. The activity level in the private economy is highest in 1990 if dividends are maintained and lowest with dividend accumulation in the Permanent Fund. By 2000, there is more variety in the pattern of economic activity. Elimination of dividends, reimposition of the income tax, and keeping more money in



the funds of the state reduces employment levels while dividends, no income tax, and development fund investment increase employment.

For the average Alaskan in 1990, disposable income is higher with dividends and lower if invested in Fund accumulation. The same holds true in 2000 and is amplified if the dividends continue without reimposition of the income tax. Public spending for the average Alaskan is essentially equal in 1990 among the alternatives. In 2000, significant differences are apparent. Dividends without new revenue sources result in the lowest per capita spending level. Reinstitution of the income tax and gradual Fund liquidation increase expenditure options. Elimination of dividends in ten years and the accumulation policies produce the highest levels of public expenditures per capita--significantly lower than current levels but not down to half the current levels as occurs with continuation of current policies.

Nonpetroleum revenues are about equal in all cases in 1990. By 2000, the reimposition of the income tax has a significant influence on tax collections with only minor variations, based upon population differences and the employment mix. Finally, the comparison of the balance in all state funds shows significantly higher levels in 1990 for the cases where dividends are reinvested. In 2000, the pattern is more complex. The balance is lowest when dividends and fund liquidation are combined and almost twice as large when dividends accumulate in the Permanent Fund. Balances are next highest if dividends accumulate in a Development Fund and lower if dividends are allowed to continue.

From this, it is clear that every alternative involves a tradeoff or opportunity cost--some option foregone. Continuation of dividends produce higher employment income and disposable income in exchange for fewer government services and less accumulation in the Permanent Fund. Accumulation of dividends produces lower employment, income, and disposable income in exchange for more accumulated wealth for funding economic activity in future years. Other options combine different patterns of these variables. The evaluation of dividends involves more than just these tradeoffs for the aggregate economy, but these tradeoffs do represent an important element of the choice among alternative uses of Fund earnings.



TABLE V.40, PART A. SUMMARY COMPARISONS OF ALTERNATIVES:<sup>a</sup>  
TOTAL EMPLOYMENT

(thousands)

	Perpetual Dividends			Dividends Until Crunch <sup>e</sup>	Dividend Accumulation	
	As Is <sup>b</sup>	With Income Tax <sup>c</sup>	With Income Tax & Fund Liquidation <sup>d</sup>		Permanent Fund <sup>f</sup>	Development Fund <sup>g</sup>
1984	265.331	265.331	265.331	265.331	265.331	265.331
1985	272.024	272.024	272.024	272.024	270.339	270.339
1986	276.091	276.091	276.091	276.091	272.927	273.162
1987	274.937	274.937	274.937	274.937	270.475	270.993
1988	273.515	273.515	273.515	273.515	267.803	269.017
1989	274.955	274.955	274.955	274.955	268.075	269.952
1990	285.333	285.333	285.333	285.333	277.684	280.331
1991	299.07	299.07	299.07	299.07	290.741	294.29
1992	306.239	306.239	306.239	306.239	297.228	301.847
1993	301.99	301.99	301.99	301.99	293.238	298.695
1994	301.181	301.181	303.414	302.153	295.344	301.147
1995	307.127	306.126	309.333	306.973	301.675	307.971
1996	308.637	305.402	309.093	305.862	301.689	308.658
1997	313.525	310.072	313.527	308.91	306.069	313.579
1998	314.397	310.233	313.035	306.912	305.361	313.596
1999	315.243	309.546	312.091	305.497	304.408	313.125
2000	316.984	310.106	312.579	305.874	304.99	314.022
2005	335.91	327.862	328.822	322.01	321.46	331.387
2010	363.261	353.252	352.618	346.195	345.671	356.259

<sup>a</sup> State general fund expenditures contract after 1993 in all cases. Subsidies eliminated and capital expenditures reduced to 25 percent of total.

<sup>b</sup> Dividends continue in present form.

<sup>c</sup> Dividends continue, and income tax reimposed in 1994.

<sup>d</sup> Dividends continue; income tax reimposed in 1994; and half of remaining Fund earnings transferred to general fund.

<sup>e</sup> Dividends end in 1994; income tax reimposed; and half of Fund earnings transferred to general fund.

<sup>f</sup> Dividends eliminated in 1985; all earnings reinvested until 1993; income tax reimposed in 1994; and real Fund earnings transferred to general fund.

<sup>g</sup> Dividends eliminated in 1985; equivalent amount transferred to Development Fund until 1993; income tax reimposed in 1994; and real Permanent Fund earnings transferred to general fund.

SOURCE: Simulations PFSB4, PFLB4, PFLA2.1, PFLA4.1, PFLA1.1, PFLA3.1; Variable EM99

TABLE V.40, PART B. SUMMARY COMPARISONS OF ALTERNATIVES:<sup>a</sup>  
REAL PERSONAL INCOME

(million 1984 \$)

	Perpetual Dividends			Dividends Until Crunch <sup>e</sup>	Dividend Accumulation	
	As Is <sup>b</sup>	With Income Tax <sup>c</sup>	With Income Tax & Fund Liquidation <sup>d</sup>		Permanent Fund <sup>f</sup>	Development Fund <sup>g</sup>
1984	8718	8718	8718	8718	8718	8718
1985	8820	8820	8820	8820	8590	8590
1986	8869	8869	8869	8869	8562	8570
1987	8746	8746	8746	8746	8383	8400
1988	8882	8882	8882	8882	8471	8509
1989	9128	9128	9128	9128	8667	8727
1990	9592	9592	9592	9592	9090	9175
1991	10186	10186	10186	10186	9647	9761
1992	10607	10607	10607	10607	10034	10183
1993	10585	10585	10585	10585	10002	10181
1994	10792	10792	10860	10498	10280	10474
1995	11143	11120	11218	10815	10635	10848
1996	11399	11142	11255	10832	10686	10923
1997	11709	11452	11552	11077	10972	11230
1998	11955	11673	11745	11214	11151	11438
1999	12163	11825	11882	11334	11284	11592
2000	12398	12021	12072	11519	11474	11796
2005	14173	13719	13685	13119	13080	13461
2010	16412	15835	15709	15156	15113	15549

<sup>a</sup> State general fund expenditures contract after 1993 in all cases. Subsidies eliminated and capital expenditures reduced to 25 percent of total.

<sup>b</sup> Dividends continue in present form.

<sup>c</sup> Dividends continue, and income tax reimposed in 1994.

<sup>d</sup> Dividends continue; income tax reimposed in 1994; and half of remaining Fund earnings transferred to general fund.

<sup>e</sup> Dividends end in 1994; income tax reimposed; and half of Fund earnings transferred to general fund.

<sup>f</sup> Dividends eliminated in 1985; all earnings reinvested until 1993; income tax reimposed in 1994; and real Fund earnings transferred to general fund.

<sup>g</sup> Dividends eliminated in 1985; equivalent amount transferred to Development Fund until 1993; income tax reimposed in 1994; and real Permanent Fund earnings transferred to general fund.

SOURCE: Simulations PFSB4, PFLB4, PFLA2.1, PFLA4.1, PFLA1.1, PFLA3.1; Variable DF.PI



TABLE V.40, PART C. SUMMARY COMPARISONS OF ALTERNATIVES:<sup>a</sup>  
REAL PER CAPITA DISPOSABLE PERSONAL INCOME  
(1984 \$)

	Perpetual Dividends			Dividends Until Crunch <sup>e</sup>	Dividend Accumulation	
	As Is <sup>b</sup>	With Income Tax <sup>c</sup>	With Income Tax & Fund Liquidation <sup>d</sup>		Permanent Fund <sup>f</sup>	Development Fund <sup>g</sup>
1984	14508	14508	14508	14508	14508	14508
1985	14237	14237	14237	14237	13890	13890
1986	14013	14013	14013	14013	13597	13604
1987	13689	13689	13689	13689	13232	13245
1988	13830	13830	13830	13830	13345	13375
1989	14082	14082	14082	14082	13572	13615
1990	14468	14468	14468	14468	13954	14008
1991	14886	14886	14886	14886	14385	14445
1992	15087	15087	15087	15087	14609	14670
1993	14921	14921	14921	14921	14457	14515
1994	15084	15084	15131	14631	14685	14733
1995	15327	14870	14921	14417	14499	14539
1996	15494	14764	14807	14311	14407	14448
1997	15680	14969	14984	14468	14584	14621
1998	15838	15126	15105	14570	14700	14740
1999	15970	15232	15192	14669	14791	14829
2000	16122	15380	15327	14824	14936	14966
2005	17274	16569	16434	16034	16090	16076
2010	18402	17697	17530	17222	17230	17193

<sup>a</sup> State general fund expenditures contract after 1993 in all cases. Subsidies eliminated and capital expenditures reduced to 25 percent of total.

<sup>b</sup> Dividends continue in present form.

<sup>c</sup> Dividends continue, and income tax reimposed in 1994.

<sup>d</sup> Dividends continue; income tax reimposed in 1994; and half of remaining Fund earnings transferred to general fund.

<sup>e</sup> Dividends end in 1994; income tax reimposed; and half of Fund earnings transferred to general fund.

<sup>f</sup> Dividends eliminated in 1985; all earnings reinvested until 1993; income tax reimposed in 1994; and real Fund earnings transferred to general fund.

<sup>g</sup> Dividends eliminated in 1985; equivalent amount transferred to Development Fund until 1993; income tax reimposed in 1994; and real Permanent Fund earnings transferred to general fund.

SOURCE: Simulations PFSB4, PFLB4, PFLA2.1, PFLA4.1, PFLA1.1, PFLA3.1; Variable DF.DPIP

TABLE V.40, PART D. SUMMARY COMPARISONS OF ALTERNATIVES:<sup>a</sup>  
REAL PER CAPITA STATE GOVERNMENT EXPENDITURES  
(1984 \$)

	Perpetual Dividends			Dividends Until Crunch <sup>e</sup>	Dividend Accumulation	
	As Is <sup>b</sup>	With Income Tax <sup>c</sup>	With Income Tax & Fund Liquidation <sup>d</sup>		Permanent Fund <sup>f</sup>	Development Fund <sup>g</sup>
1984	7975	7975	7975	7975	7975	7975
1985	7321	7321	7321	7321	7329	7329
1986	6663	6663	6663	6663	6672	6671
1987	6649	6649	6649	6649	6660	6659
1988	6648	6648	6648	6648	6662	6658
1989	6654	6654	6654	6654	6669	6665
1990	6648	6648	6648	6648	6665	6659
1991	6633	6633	6633	6633	6652	6644
1992	6623	6623	6623	6623	6645	6634
1993	5367	5367	5367	5367	5495	5437
1994	4701	4701	5015	5254	5299	5118
1995	4271	4572	4940	5236	5247	5046
1996	4057	4491	4832	5129	5131	4936
1997	3882	4395	4728	5047	5038	4842
1998	3746	4283	4609	4948	4931	4732
1999	3570	4124	4443	4795	4773	4574
2000	3395	3958	4276	4643	4617	4416
2005	2541	3185	3481	3892	3863	3672
2010	1956	2654	2921	3342	3334	3158

<sup>a</sup> State general fund expenditures contract after 1993 in all cases. Subsidies eliminated and capital expenditures reduced to 25 percent of total.

<sup>b</sup> Dividends continue in present form.

<sup>c</sup> Dividends continue, and income tax reimposed in 1994.

<sup>d</sup> Dividends continue; income tax reimposed in 1994; and half of remaining Fund earnings transferred to general fund.

<sup>e</sup> Dividends end in 1994; income tax reimposed; and half of Fund earnings transferred to general fund.

<sup>f</sup> Dividends eliminated in 1985; all earnings reinvested until 1993; income tax reimposed in 1994; and real Fund earnings transferred to general fund.

<sup>g</sup> Dividends eliminated in 1985; equivalent amount transferred to Development Fund until 1993; income tax reimposed in 1994; and real Permanent Fund earnings transferred to general fund.

SOURCE: Simulations PFSB4, PFLB4, PFLA2.1, PFLA4.1, PFLA1.1, PFLA3.1; Variable DF.EXGFP



TABLE V.40, PART E. SUMMARY COMPARISONS OF ALTERNATIVES:<sup>a</sup>  
REAL PER CAPITA NONPETROLEUM REVENUES NET OF FUND EARNINGS  
(1984 \$)

	Perpetual Dividends			Dividends Until Crunch <sup>e</sup>	Dividend Accumulation	
	As Is <sup>b</sup>	With Income Tax <sup>c</sup>	With Income Tax & Fund Liquidation <sup>d</sup>		Permanent Fund <sup>f</sup>	Development Fund <sup>g</sup>
1984	490	490	490	490	490	490
1985	483	483	483	483	481	481
1986	478	478	478	478	473	475
1987	479	479	479	479	474	476
1988	470	470	470	470	466	467
1989	460	460	460	460	454	457
1990	455	455	455	455	450	453
1991	475	475	475	475	471	475
1992	512	512	512	512	509	514
1993	520	520	520	520	516	538
1994	489	489	489	489	484	493
1995	475	834	835	818	822	831
1996	487	1112	1115	1089	1096	1106
1997	475	1117	1121	1095	1102	1113
1998	472	1125	1127	1100	1108	1120
1999	461	1117	1113	1085	1096	1106
2000	446	1103	1099	1072	1081	1093
2005	425	1125	1119	1101	1105	1114
2010	414	1149	1142	1128	1130	1137

<sup>a</sup> State general fund expenditures contract after 1993 in all cases. Subsidies eliminated and capital expenditures reduced to 25 percent of total.

<sup>b</sup> Dividends continue in present form.

<sup>c</sup> Dividends continue, and income tax reimposed in 1994.

<sup>d</sup> Dividends continue; income tax reimposed in 1994; and half of remaining Fund earnings transferred to general fund.

<sup>e</sup> Dividends end in 1994; income tax reimposed; and half of Fund earnings transferred to general fund.

<sup>f</sup> Dividends eliminated in 1985; all earnings reinvested until 1993; income tax reimposed in 1994; and real Fund earnings transferred to general fund.

<sup>g</sup> Dividends eliminated in 1985; equivalent amount transferred to Development Fund until 1993; income tax reimposed in 1994; and real Permanent Fund earnings transferred to general fund.

SOURCE: Simulations PFSB4, PFLB4, PFLA2.1, PFLA4.1, PFLA1.1, PFLA3.1; Variable DF.RSENG

TABLE V.40, PART F. SUMMARY COMPARISONS OF ALTERNATIVES:<sup>a</sup>  
REAL PER CAPITA BALANCE IN ALL STATE FUNDS  
(1984 \$)

	Perpetual Dividends			Dividends Until Crunch <sup>e</sup>	Dividend Accumulation	
	As Is <sup>b</sup>	With Income Tax <sup>c</sup>	With Income Tax & Fund Liquidation <sup>d</sup>		Permanent Fund <sup>f</sup>	Development Fund <sup>g</sup>
1984	14651	14651	14651	14651	14651	14651
1985	14564	14564	14564	14564	14969	14969
1986	14853	14853	14853	14853	15760	15720
1987	15514	15514	15514	15514	17004	16875
1988	16066	16066	16066	16066	18199	17927
1989	16835	16835	16835	16835	19654	19189
1990	17175	17175	17175	17175	20687	19982
1991	16327	16327	16327	16327	20520	19531
1992	14998	14998	14998	14998	19914	18581
1993	14996	14996	14996	14996	20616	18916
1994	15316	15316	14942	15294	21089	19136
1995	15584	15664	14868	15526	21486	19328
1996	15877	15370	14210	15134	21033	18767
1997	16101	15601	14073	15297	21364	18923
1998	16356	15865	13983	15516	21784	19156
1999	16592	16130	13896	15722	22224	19416
2000	16797	16367	13784	15886	22626	19656
2005	17145	16799	12722	16011	23854	20292
2010	16722	16446	11270	15409	24223	20352

<sup>a</sup> State general fund expenditures contract after 1993 in all cases. Subsidies eliminated and capital expenditures reduced to 25 percent of total.

<sup>b</sup> Dividends continue in present form.

<sup>c</sup> Dividends continue, and income tax reimposed in 1994.

<sup>d</sup> Dividends continue; income tax reimposed in 1994; and half of remaining Fund earnings transferred to general fund.

<sup>e</sup> Dividends end in 1994; income tax reimposed; and half of Fund earnings transferred to general fund.

<sup>f</sup> Dividends eliminated in 1985; all earnings reinvested until 1993; income tax reimposed in 1994; and real Fund earnings transferred to general fund.

<sup>g</sup> Dividends eliminated in 1985; equivalent amount transferred to Development Fund until 1993; income tax reimposed in 1994; and real Permanent Fund earnings transferred to general fund.

SOURCE: Simulations PFSB4, PFLB4, PFLA2.1, PFLA4.1, PFLA1.1, PFLA3.1; Variable DF.BAL9P





## CHAPTER VI

### ALASKANS' ATTITUDES TOWARD THE PERMANENT FUND DIVIDEND PROGRAM

Our primary objective in conducting the Permanent Fund Dividend Survey was to determine how Alaskans used their dividend income. However, the survey also provided an opportunity to assess public attitudes toward the dividend program.

The purpose of this chapter is to present survey results concerning resident attitudes toward the Permanent Fund dividend program. First, however, it is important for the reader to be aware of the extent to which all Alaskans are represented by the survey results and the degree to which the results reliably represent the views of the population covered by the survey. We discussed these limitations in Chapter IV. Briefly, however, the results presented in this chapter can be generalized to all Alaskan adults who are knowledgeable about their household's finances. The survey sample had to be restricted to households possessing telephones and excluded all households in communities with less than 60 percent telephone coverage. We have weighted the results to properly reflect the total number of households in our three analysis areas (Anchorage, other urban-roaded, rural). Had we been able to actually sample households lacking telephone service, however, our results would probably change slightly due to the increase in the proportion of lower income households. The reader should bear this in mind as we discuss the results.

We asked our sample respondents three types of questions concerning their views on the dividend program. First, we directly asked all persons interviewed whether they favored or opposed the program. Second, we asked them whether they preferred the dividend program over publicly debated alternative uses of the funds currently used for the dividend program. Finally, we asked survey respondents the extent to which they agreed or disagreed with eight publicly identified perceptions about the dividend program.

We designed and pretested the questionnaire used in the survey. To ensure that we did not inadvertently bias the survey, we asked Representative Hugh Malone, Mr. Tom Fink, and several key legislative aides to review the questionnaire and to suggest revisions. We incorporated these suggestions into a final draft of the questionnaire.



### Overall Attitude Toward the Dividend Program

Our first question of each respondent was as follows:

As you may know, the State of Alaska currently has a Permanent Fund dividend program in which Alaska residents receive checks each year. The money for the checks comes from one-half of the earnings of Alaska's Permanent Fund. Do you think this program is a good idea, a bad idea, or do you have mixed feelings about it?

Sixty percent of our sample thought that the Permanent Fund dividend program is a good idea; 29 percent had mixed feelings; 10 percent thought it is a bad idea; and 1 percent had no opinion. Our best estimate, then, is that between 57 and 63 percent of the Alaska population support the idea of the Permanent Fund dividend program.

Following a series of questions about possible alternative uses of the money now spent on the dividend program, we asked the degree to which our respondents agreed or disagreed with the following statement:

Considering the possible uses of the money spent on the Permanent Fund dividend program, the dividend program is the best use of the money.

Responses to the second question indicate that the same proportion of respondents (60 percent) at least mildly favor the dividend program over all other alternatives as think that the program is a good idea. We then combined responses to the above two questions in a single attitude scale. All three response distributions are displayed in Table VI.1. The attitude scale omits a "don't know" category, but otherwise closely corresponds to the distributions of responses to the two survey questions. We use the attitude scale in all subsequent analyses because it is a more reliable measure of each respondent's attitude toward the dividend program than either single question response.

TABLE VI.1. ATTITUDE TOWARD THE PERMANENT FUND  
DIVIDEND PROGRAM

<u>First Question</u>	<u>Percent</u>	<u>Second Question</u>	<u>Percent</u>	<u>Attitude Scale (%)</u>
good idea	60	strongly agree	38	36
		mildly agree	22	24
mixed	29	mixed	14	11
		mildly disagree	11	13
bad idea	10	strongly disagree	13	9
don't know	<u>1</u>	don't know	<u>2</u>	<u>-</u>
	100		100	100
Number of Respondents	1,014		1,012	1,002

#### Alternatives to the Dividend Program

The wisdom of the Permanent Fund dividend program has been debated both in terms of the benefits of the program itself and in terms of its benefits and costs relative to other uses of the money currently used to fund the program. Following a review of legislation and other public proposals introduced concerning alternative uses of the earnings of the Permanent Fund now disbursed as dividends, we constructed eight questions intended to cover the major types of alternative uses. These were as follows:

- (1) Return the earnings to the Fund itself.
- (2) Use the earnings to build large state construction projects.
- (3) Use the earnings for housing or business loans.
- (4) Use the earnings to reduce local property taxes.
- (5) Use the earnings to fund local construction projects.
- (6) Use a portion of the earnings to pay for the longevity bonus program.
- (7) Distribute the money only to persons with low incomes.
- (8) If the state receives insufficient money for the current level of government services, end the dividend program rather than reinstitute a state income tax.



We asked about each alternative use in the form of a tradeoff: "If the choice were between keeping the dividend program or . . . , which would you prefer?" The percentage of our sample favoring each alternative over the present dividend program is shown in Figure VI.1.

Seventy-one percent of all survey respondents stated that they would rather have the dividend program end than to reinstitute a state income tax. This response was couched in the hypothetical situation of the state's failing to receive adequate revenues to support current state government services. It should be noted, however, that 41 percent of those who would prefer to end the dividend program rather than reinstitute a state personal income tax do not believe that the state will have less money to spend in ten years.

Fifty-five percent of all survey respondents preferred that a portion of the money currently allocated to the dividend program be used to pay for the longevity bonus program. The survey question did not specify how much each dividend check would have to be reduced in order to pay for the longevity bonus program. Therefore, we cannot necessarily conclude that most Alaskans would be willing to support the specific proposals which have been advanced to allocate part of the dividend funds for longevity bonuses. We can conclude, however, that a slight majority would approve of at least some reduction in dividend payments to pay for longevity bonus checks.

None of the five remaining alternatives were preferred by a majority of survey respondents (see Figure VI.1). This is true by region as well as statewide (see Table VI.2). As Table VI.2 shows, the percentage of respondents favoring each alternative varied slightly by region. With the exception of the local property tax reduction alternative, however, these differences are not significant. The greatest variation in responses we were able to observe concerned the degree of support for the savings alternative registered by respondents with differing expectations about state revenues. Respondents who believed that the state will have less money to spend in 10 years were much more likely to support the savings alternative than residents who believed that state revenues will not decline. Almost half (47 percent) of those who strongly agreed with the statement, "Ten years from now, the State of Alaska will have less money to spend than it does now" preferred increased Permanent Fund savings to the dividend program. At the opposite extreme, only 20 percent of those strongly disagreeing with the same statement preferred the savings alternative.

Figure VI.1

Preferences for Other Uses of the Money Spent  
on the Dividend Program

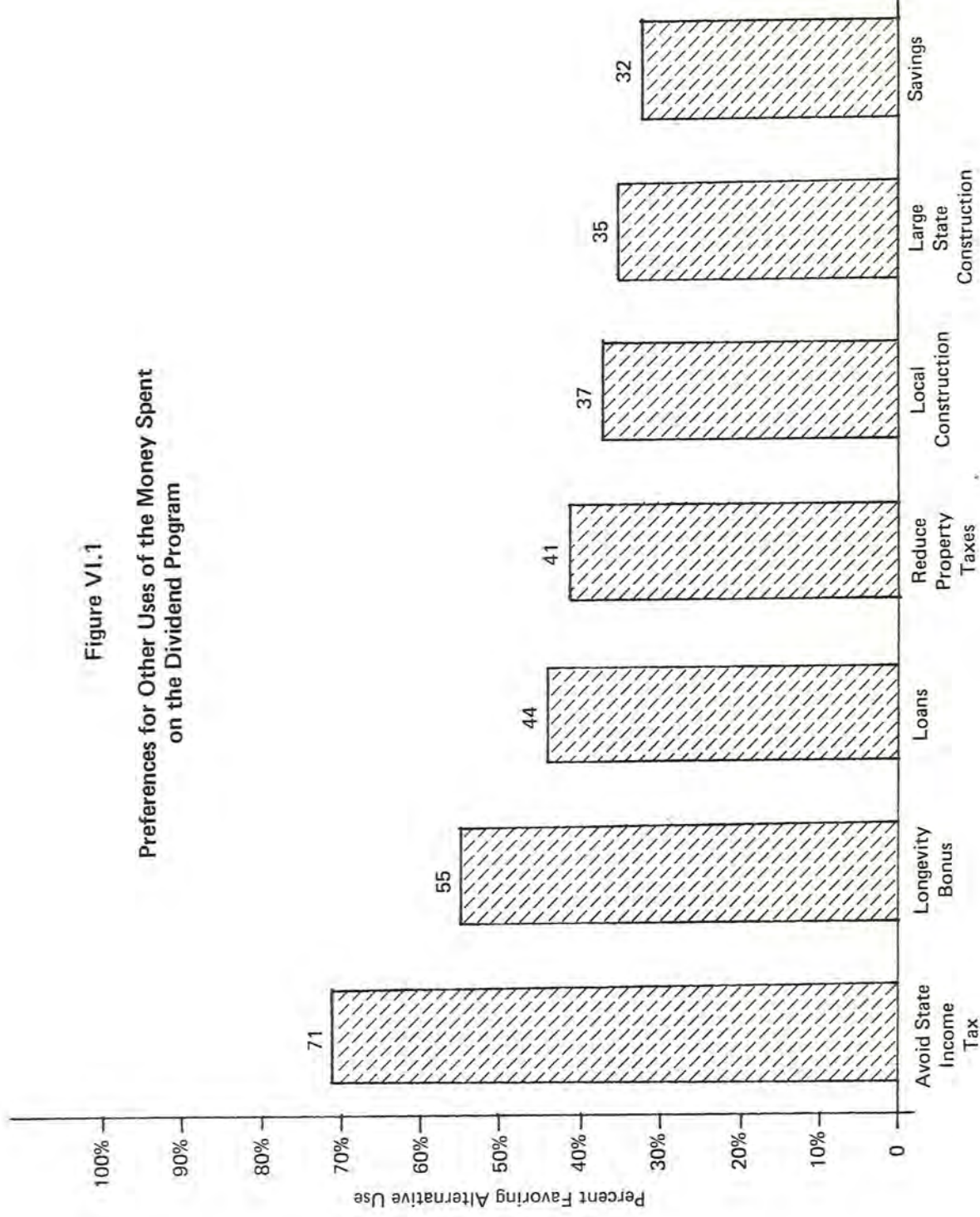


Table VI.2

Differences in Preferences, by Region  
(Percent in Favor of each Alternative)

Region	Loans	Reduce Property Taxes	Local Construction	Large State Construction	Savings
Anchorage	47%	44%	35%	37%	31%
Other Urban, * Roaded	42	43	38	34	34
Rural	42	31	42	31	30

\* Other Urban, Roaded includes the boroughs of Fairbanks, Matanuska-Susitna, Kenai, Juneau, Ketchikan, and Sitka.



While a majority oppose using the half of the Permanent Fund earnings that currently pay for dividends to augment the savings in the Permanent Fund, a substantial majority favor saving rather than spending the other half of the earnings of the Permanent Fund. We asked each respondent:

Half of the money currently earned by Alaska's Permanent Fund is used for the dividend checks. The other half of the earnings is currently put back in the Permanent Fund to protect it against inflation. Would you prefer that half of the earnings of the Permanent Fund continue to go back into the Fund to protect it against inflation or that the money be used for some other purpose?

Eighty-seven percent prefer that the state continue to put half of the earnings of the Permanent Fund back into the fund to protect the principal against inflation.

To provide a context within which responses to the above specific proposals might be better understood, we asked respondents:

Would you prefer to see the State save more and spend less on capital construction projects, to save less and spend more on capital construction projects, or to save and spend as it is now?

In response to this question, 42 percent said that they prefer the current mix of saving and capital spending; 40 percent would like to see the state save more and spend less; and 18 percent would rather see the state reduce its rate of savings and spend more on capital construction projects.

#### Differences in Attitudes Toward the Dividend Program

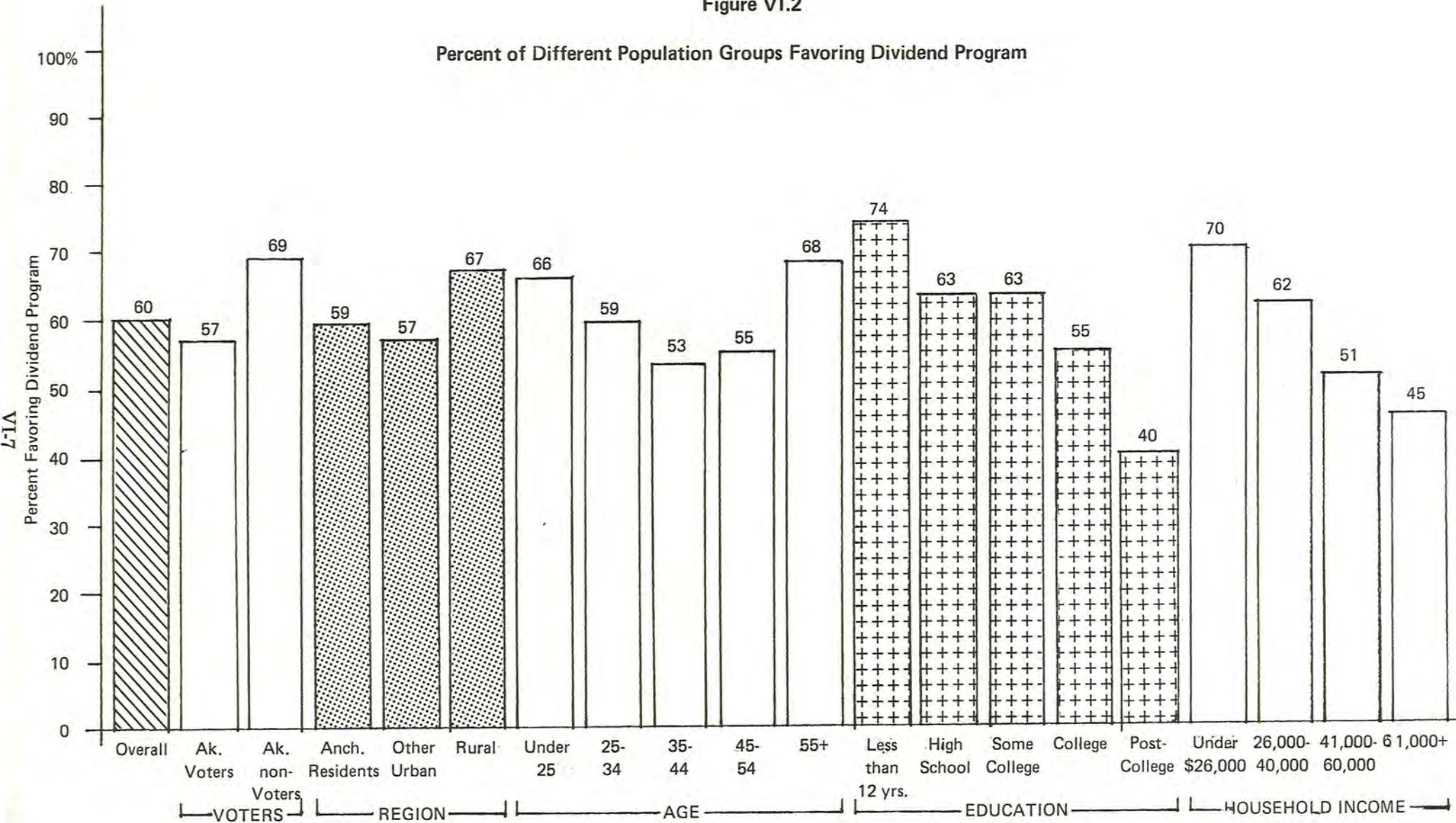
As we stated earlier, 60 percent of the 1,016 Alaskans we interviewed favor the Permanent Fund dividend program. In an effort to better understand the basis of support for the program, we first compared levels of program support across key geographic and socioeconomic categories. The percentage of each major group favoring the dividend program is displayed in the following bar chart (see Figure VI.2).

Persons not registered to vote in Alaska are significantly more likely to favor the program than registered voters (69 versus 57 percent). Rural residents are significantly more likely to favor the program than urban residents. Persons who are in their 30s and 40s are less likely to support the dividend program than either younger or older residents. And support for the dividend program declines as education level increases.



Figure VI.2

Percent of Different Population Groups Favoring Dividend Program



NB: Whether received check in 1983 or not bears no relationship to attitude.



All these differences appear to be primarily related to an underlying difference according to income level. Nonregistered voters, rural residents, younger and older age groups, and persons with relatively less education all tend to have substantially lower incomes than other residents. For example, 62 percent of the households whose respondent had under 12 years of education received less than \$26,000 in income in 1983, compared with 28 percent of the households whose respondent had a college degree. Nineteen percent of the households in which the person interviewed was 35 to 44 had incomes of under \$26,000, compared with 49 percent of the households in which the person interviewed was either under 25 or over 54 years of age.

Seventy percent of all households with incomes of under \$26,000 in 1983 support the dividend program versus 45 percent of all households with incomes of above \$60,000. Since Permanent Fund dividend checks represent a larger proportion of total household income in households receiving lower incomes and since a smaller proportion of each dividend check sent to these households went to the Federal Government as income taxes, this observed relationship is hardly surprising. It is important to keep in mind, however, that income differences do not explain the differences in attitudes toward the Permanent Fund dividend program. Even among households receiving more than \$60,000 a year, more than two out of every five respondents favors the dividend program. We now turn to examine the relationship between perceptions and attitudes about the dividend program.

#### Perceptions of the Dividend Program

In designing our study, we found that proponents and opponents of the Permanent Fund dividend program point to major advantages or deficiencies in the program as a basis for their attitude toward the program. We were not concerned with whether any of these advantages or deficiencies actually exist, but rather with the extent to which Alaska residents perceive them to exist. Resident perceptions are not only interesting in themselves but also help to explain the basis of public attitudes toward the dividend program.

We constructed ten statements to include in the survey and asked each respondent to state the extent to which they agreed or disagreed with each one. Each of the ten statements reflects a publicly stated perception about the dividend program, some framed in negative terms and some in positive terms. To facilitate comparisons between responses, we have oriented the responses displayed in Figure VI.3 so that responses associated with favorable perceptions concerning the dividend program are always shown on the right-hand side of Figure VI.3. The statement associated with each response distribution appears directly below the bar graph of the distribution, as does an indication of whether the percentages refer to agreement or disagreement.



For example, the first bar graph displays responses to the statement, "How people spent their Permanent Fund checks should not determine whether or not the dividend program continues." Five percent of all survey respondents disagreed strongly with this statement, and another 5 percent mildly disagreed with the statement (see left portion of the bar graph). Three percent of all respondents had mixed feelings while 16 percent mildly agreed with the statement and 71 percent strongly agreed (see right portion of bar graph). Thus, a total of 87 percent of all respondents perceive that how they spent their check should not determine whether or not the program continues.

First, looking at the general pattern of responses shown on Figure VI.3, the responses to most statements reflect favorably, or at least not negatively, on the dividend program. We already mentioned that 87 percent of all respondents thought that the use of dividend checks is not germane to a decision on whether the program should continue. Most respondents appeared to interpret this statement in terms of the public debate on whether people spend dividend checks on frivolous or socially undesirable purchases.

Along with their strong feeling that the use of dividend checks is a matter of private choice, most Alaskans (57 percent) firmly believed that "as owners of the Alaska Permanent Fund, Alaska residents are entitled to an equal share of the earnings of the Fund." Another 24 percent mildly agreed with this statement; thus, a total of 81 percent at least mildly believed that they are entitled to a share of the earnings of the Permanent Fund.

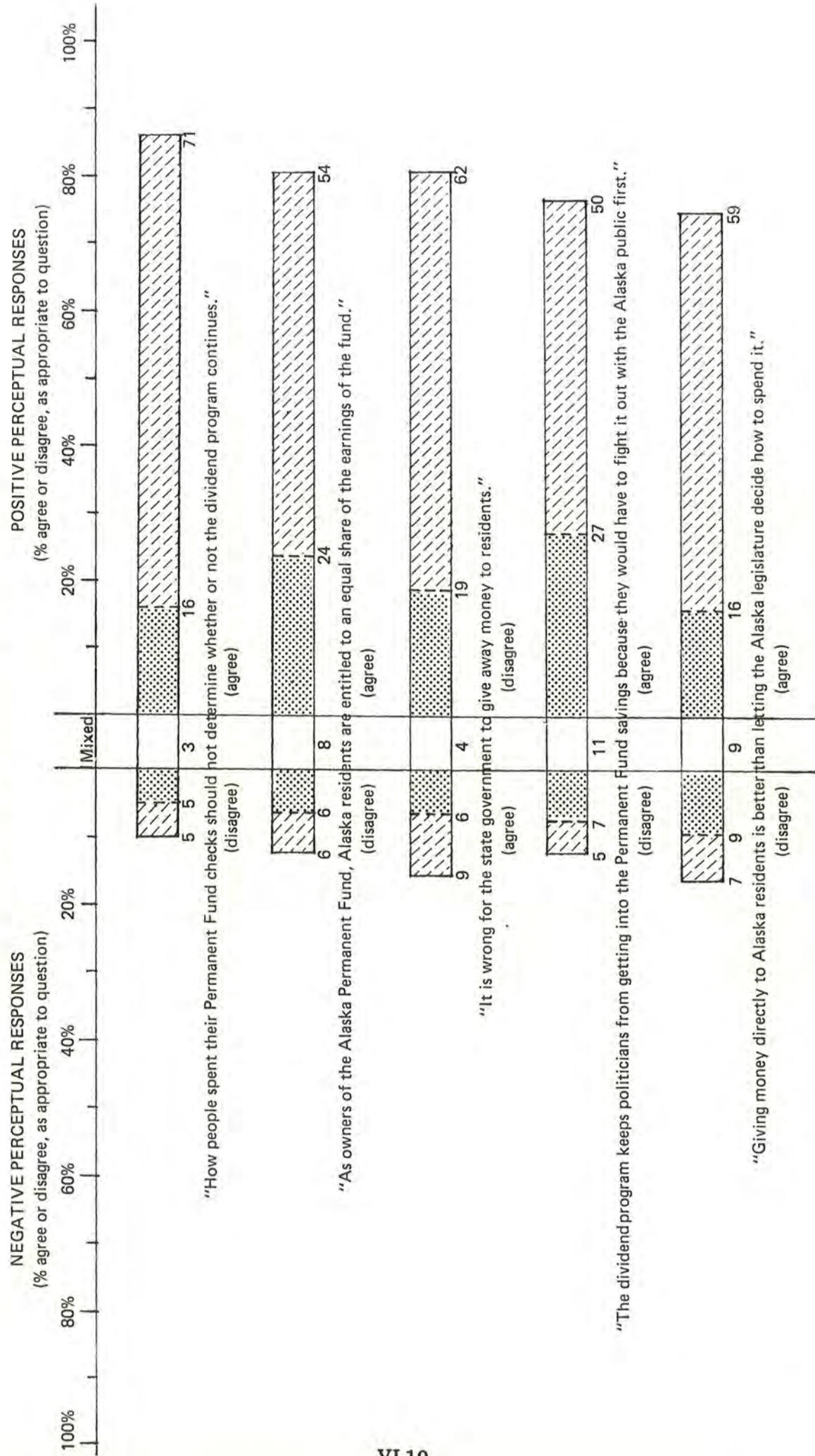
An equal proportion of respondents (81 percent) disagreed that "it is wrong for the State government to give away money to residents." On the basis of these three perceptions, then, the philosophical stance of the Alaska public is quite clear. They have no problem with the disbursement of public funds to individual residents and believe that all Alaskans are entitled to receive a share of state wealth and to spend or save it in any way they choose.

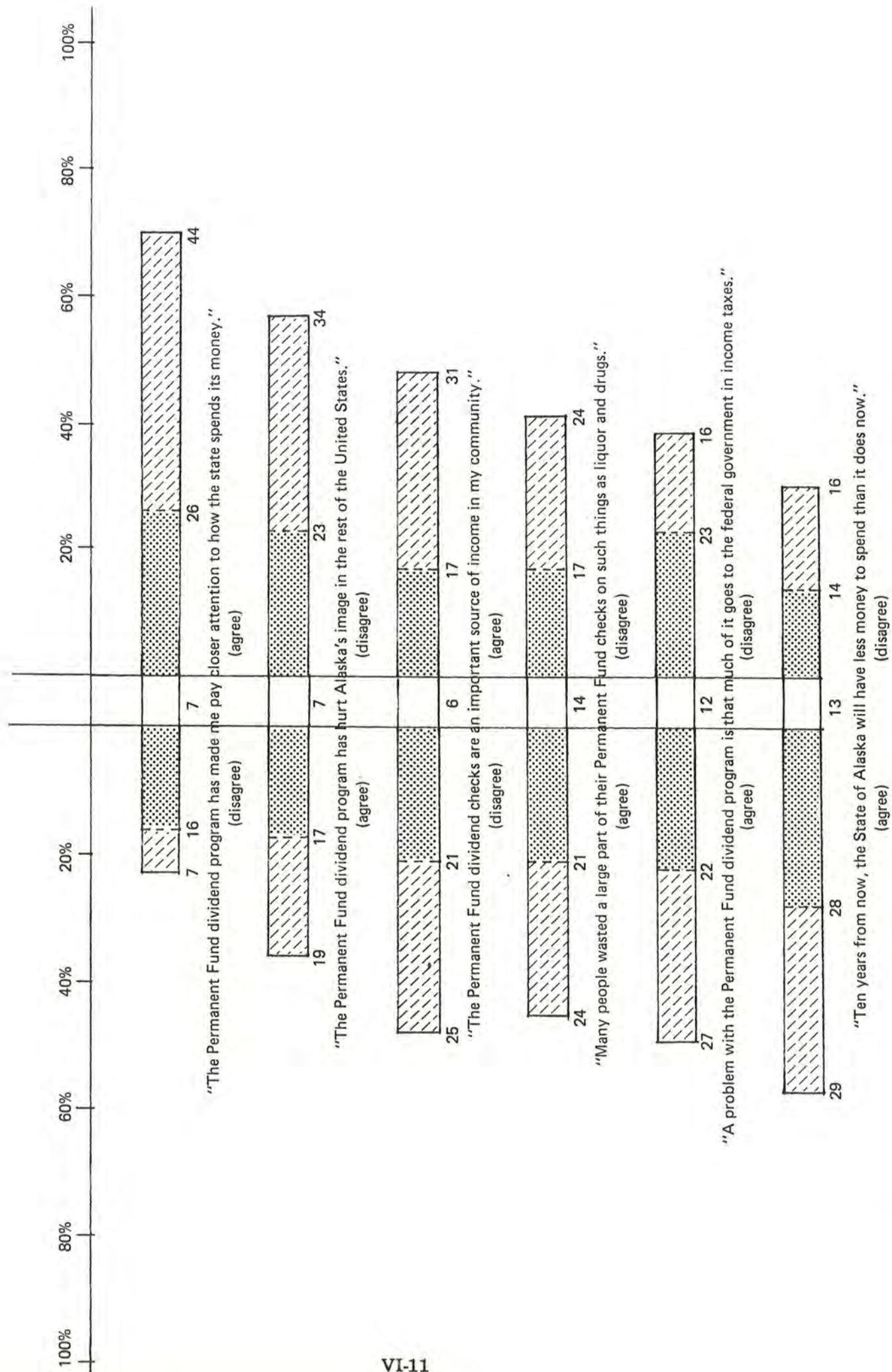
A majority of respondents also believed that the dividend program serves to protect the principal of the Permanent Fund. Fifty percent strongly agreed and 27 percent mildly agreed with the statement "the dividend program keeps politicians from getting into the Permanent Fund savings because they would have to fight it out with the Alaska public first." This apparent distrust of politicians extends to public expenditures as well, for 59 percent of all respondents strongly agreed (and 16 percent mildly agreed) with the perception that "giving money directly to Alaska residents is better than letting the legislature decide how to spend it."



Figure VI.3

Perceptions Concerning Alaska's Permanent Fund Dividend Program







Former Governor Hammond's principal argument in favor of the Permanent Fund dividend program was that dividend checks would increase public interest and involvement in state affairs. Most respondents (70 percent) perceived that "the Permanent Fund dividend program has made me pay closer attention to how the state spends its money."

The public perceptions presented above suggest that public support for the dividend program should be closer to 70 or 80 percent than the observed level of support of 60 percent. Many Alaskans perceive one or more negative aspects to the dividend program, however. Still referring to Figure VI.3, 36 percent of all survey respondents perceive that "the Permanent Fund dividend program has hurt Alaska's image in the rest of the United States." Forty-five percent feel that "many people wasted a large part of their Permanent Fund checks on such things as liquor and drugs." And 49 percent of all survey respondents think that "a problem with the Permanent Fund dividend program is that much of it goes to the Federal Government in income taxes."

Another perception which may temper support for the dividend program is that "the Permanent Fund dividend checks are an important source of income in my community." Forty-six percent of all survey respondents disagreed with this statement. Responses varied widely between Alaska's urban and rural populations, however. While only 42 percent of all Anchorage respondents and 47 percent of all other urban respondents perceived that the dividend checks are an important source of income, 64 percent of all rural respondents held this view.

Finally, 57 percent of all survey respondents expect that "ten years from now, the State of Alaska will have less money to spend in the future than it does now." We displayed agreement to this statement as a negative perceptual response because most of those who strongly agree with it do not favor the dividend program. Only 44 percent of those who strongly agree that the state will have less money in the future support the dividend program while 75 percent of those who strongly disagree support the dividend program.

How, then, do Alaskans weigh these perceptions in forming their attitude toward the Permanent Fund dividend program? Are all perceptions equally important? To answer this question, we used individual responses to each perception question to attempt to predict individuals' attitudes toward the dividend program. Since many individuals agreed with one perception when they agreed with another perception (i.e., the perceptions were correlated), we used the statistical technique of multiple regression to attempt to isolate the predictive power of each perception above and beyond the predictive power of all other perceptions (see Appendix E for technical discussion of our application of this procedure). In this way, we can infer which perceptions are most important to the



formation of public attitudes toward the Permanent Fund dividend program. Using the same technique, we can also see how well all the perceptions together predict individual attitudes.

If we were fortunate enough to include everything that affects individual attitudes toward the dividend program and had no errors associated with measurement, our regression analysis would show that we could predict all individual attitudes exactly. Using the responses of the ten perceptions included in the survey to predict individual attitudes, we found that we could explain 49 percent of the individual differences in attitudes. The unexplained variation in individual attitudes is at least partially a result of the fact that we could only ask one question about each type of perception. We, therefore, cannot reduce the effects of differences in interpretation and response errors by combining responses as we did to construct the attitude scale. Probably, however, we have missed some factors (e.g., other types of perceptions or individual characteristics) that would improve our ability to predict attitudes. The important point here is that the perceptual responses collectively explain a great deal of the variation in attitudes toward the dividend program.

We found that three of the ten perceptions are strongly related to attitudes toward the Permanent Fund program. These were as follows:

- (1) As owners of the Alaska Permanent Fund, Alaska residents are entitled to an equal share of earnings of the Fund (7 percent).
- (2) Giving money directly to Alaska residents is better than letting the Alaska legislature decide how to spend it (7 percent).
- (3) The Permanent Fund dividend checks are an important source of income in my community (6 percent).

Five other perceptions explained a significant amount of variation in individual attitudes beyond that explained by the three most important perceptions. In order of predictive importance, these perceptions were as follows:

- (4) The Permanent Fund dividend program has hurt Alaska's image in the rest of the United States (1 percent).
- (5) The dividend program keeps politicians from getting into the Permanent Fund savings because they would have to fight it out with the Alaska public first (1 percent).



- (6) A problem with the Permanent Fund dividend program is that much of it goes to the Federal Government in income taxes (0.5 percent).
- (7) Ten years from now, the State of Alaska will have less money to spend than it does now (0.3 percent).
- (8) Many people wasted a large part of their Permanent Fund checks on such things as liquor and drugs (0.2 percent).

Finally, three perceptions did not uniquely explain a significant proportion of the variation in attitudes toward the dividend program:

- It is wrong for the state government to give money to residents.
- The Permanent Fund dividend program has made me pay closer attention to how the state spends its money.
- How people spent their Permanent Fund checks should not determine whether or not the dividend program continues.

### Conclusions

A majority of Alaskans who are principally responsible for their household's finances think the Permanent Fund dividend program is a good idea and favor it over alternatives, including increased savings, large state construction projects, local construction projects, property tax reductions, or loans. Almost three-quarters would prefer that the state stop the dividend program, if necessary, to avoid reinstituting a state personal income tax. Only one in ten respondents favored limiting the dividend program to low-income households, but just over one of every two persons support the idea of using a portion of the money now spent on dividends to pay for longevity bonus checks.

A substantial majority of persons interviewed think that they are entitled to a share in the earnings of the Permanent Fund and have no problem with receiving money directly from the state. Most emphatically believe that how residents use the money is of no concern to the state. In addition to viewing dividends as an entitlement, most respondents see the dividend program as a means of protecting the principal of the Permanent Fund and as a more effective vehicle for using public funds to benefit Alaska residents than legislative appropriations. They also thought that the dividend program has made them pay closer attention to how the state spends the money it receives.



Survey respondents were mixed in their perceptions about use of dividends to purchase liquor or drugs, loss of dividend money in taxes to the Federal Government, damage to Alaska's image, and the role of dividend checks as an important source of income. Rural residents were much more likely to see dividends as an important source of income.

Support for the dividend program is widespread among survey respondents but is strongest among groups which tend to have lower incomes: rural residents, recent immigrants, persons with relatively less education, and either young or old adults. Income itself is strongly related to attitudes toward the Permanent Fund dividend program, but even 45 percent of those living in households which received more than \$60,000 in income in 1983 supported the dividend program.

Three perceptions appear to be particularly important to those favoring the dividend program. Respondents who felt that (1) residents are entitled to a share in the state's wealth, (2) residents are better able to decide how to spend the state's money than the legislature, and (3) dividends are an important source of income were much more likely to favor the dividend program. Household income did not explain an additional amount of variation in public attitudes but accounts for much of the difference in perceptions about the importance of dividends as a source of income.

The importance of income and income-related perceptions and the view that dividends are an entitlement suggest that much of the support for the dividend program will not diminish over time. Since support for the dividend program is apparently also a function of trust in the legislature's motivations and abilities, public attitudes may shift in response to future state spending patterns, generally, and in response to specific proposals concerning the Permanent Fund in particular.

Finally, we observed that respondents who firmly expect that state revenues will decline in ten years were likely to oppose the dividend program in favor of increased savings while the reverse was true for those who firmly expect that state revenues will not decline. Less than half the persons we interviewed had either of these firm perceptions, however, and responses to the perception concerning future state revenues overall did not explain a substantial variation in attitude toward the dividend fund. This suggests that public expectations concerning future state revenues are not likely to substantially influence public attitudes toward the Permanent Fund dividend program unless there is much more of a firm public consensus on state revenue prospects.





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## APPENDIX A

### CURRENT ALASKA STATUTES RELATING TO THE PERMANENT FUND DIVIDEND DISTRIBUTION PROGRAM

This appendix includes Alaska Statutes relating to the Permanent Fund distribution program as of October 1983, reprinted from Title 43, Chapter 23, of the Alaska Statutes.



# ALASKA STATUTES

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## Title 43 Revenue and Taxation

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OCTOBER 1983

## Chapter 23. Permanent Fund Dividends.

Section	Section
05. Eligibility	65. Exemption of permanent fund dividends
15. Application and proof of eligibility	75. Eligibility for public assistance
25. Amount of dividend	85. Eligibility for state programs
35. Penalties and enforcement	95. Definitions
45. Dividend fund	
55. Duties of the department	

Cross references. — For 1982 permanent fund dividend distribution, see § 19, ch. 102, SLA 1982, in the Temporary and Special Acts.

Editor's notes. — Section 4, ch. 55, SLA 1983, provides: "Notwithstanding sec. 19(e), ch. 102, SLA 1982 and AS 43.23.055 and the regulations adopted under those sections by the Department of Revenue, the time period for an Alaska resident applying for a 1982 permanent fund dividend is extended to October 15, 1983 for applicants who met the six month

residency requirement on October 15, 1982. A 1982 permanent fund dividend paid to an individual who applies during the extended period may not be paid from money appropriated or otherwise allocated for permanent fund dividends for years other than 1982. The Department of Revenue may not pay 1982 dividends to applicants who file during the extended period until after September 1, 1983. The Department of Revenue may adopt regulations to implement this section."

### NOTES TO DECISIONS

Statutory scheme of AS 43.23.010 held unconstitutional. — The statutory scheme under AS 43.23.010, by which the state distributes income derived from its natural resources to the adult citizens of

the state in varying amounts, based on the length of each citizen's residence, violates the equal protection rights of newer state citizens. *Zobel v. Williams*, U.S. , 102 S. Ct. 2309, 72 L. Ed. 2d 672 (1982).



The state objectives of creating a financial incentive for individuals to establish and maintain Alaska residence, and assuring prudent management of the Permanent Fund and the state's natural and mineral resources are not rationally related to the distinctions Alaska seeks to make in the dividend program between newer residents and those who have been in the state since 1959. *Zobel v. Williams*, U.S. , 102 S. Ct. 2309, 72 L. Ed. 2d 672 (1982).

Objective to reward citizens for past contributions is not a legitimate state purpose since this reasoning could open the door to state apportionment of other rights, benefits and services according to length of residency and would permit the states to divide citizens into expanding numbers of permanent classes, a result

which would be clearly impermissible. *Zobel v. Williams*, U.S. , 102 S. Ct. 2309, 72 L. Ed. 2d 672 (1982).

This statute does not impose any threshold waiting period on those seeking dividend benefits; persons with less than a full year of residency are entitled to share in the distribution. Nor does the statute purport to establish a test of the bona fides of state residence. Instead, the dividend statute creates fixed, permanent distinctions between an ever increasing number of perpetual classes of concededly bona fide residents, based on how long they have been in the state. *Zobel v. Williams*, U.S. , 102 S. Ct. 2309, 72 L. Ed. 2d 672 (1982).

Stated in *Williams v. Zobel*, Sup. Ct. Op. No. 2170 (File Nos. 5400, 5421), 619 P.2d 422 (1980).

**Sec. 43.23.005. Eligibility.** (a) An individual is eligible to receive one permanent fund dividend each year in an amount to be determined under AS 43.23.025 if the individual applies to the department, and if on the date of application the individual

(1) is a state resident; and

(2) has been a state resident for a period of at least six consecutive months immediately preceding the date of application.

(b) In determining the minimum period of an individual's residency required under (a)(2) of this section, the department may include months of residency both in the current year and in the immediately preceding year.

(c) A parent, guardian, or other authorized representative may claim a permanent fund dividend on behalf of an unemancipated minor or on behalf of an incompetent individual who is eligible to receive a payment under this section. (§ 1 ch 102 SLA 1982)

*Sec. 43.23.010. Eligibility for permanent fund dividend. [Repealed, § 22 ch 102 SLA 1982.]*

**Sec. 43.23.015. Application and proof of eligibility.** (a) The commissioner shall adopt regulations under the Administrative Procedure Act (AS 44.62) for determining the eligibility of individuals for permanent fund dividends. The commissioner may require an individual to provide proof of eligibility, and the commissioner may use other information available from other state departments or agencies to determine the eligibility of an individual.

(b) The department shall prescribe and furnish an application form for claiming a permanent fund dividend. The application must contain a statement of eligibility and a certification of residency in substantially the following form:

I certify that

( ) I am a state resident on the date of this application and I have been a state resident for at least six months immediately preceding the date of this application; or

( ) (*name*), the individual on whose behalf I am applying, is a state resident and has been a state resident for at least six months immediately preceding the date of this application.

I understand that a false claim of residency to obtain a permanent fund dividend for myself or for another is a criminal offense and that if convicted I will forfeit future permanent fund dividends and that I must repay all permanent fund dividends that have been paid to me. I understand that this penalty is in addition to any criminal penalties imposed.

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(signature of individual, parent, guardian, or other authorized representative)

(c) Except as provided in (d) of this section or as may be provided by regulations adopted by the department, an individual must personally sign the application for permanent fund dividends, including the certification of residency required under (b) of this section.

(d) The application and certification of residency of an unemancipated individual under 18 years of age or of an incompetent individual must be signed by the individual's parent, legal guardian, or other authorized representative.

(e) If a public agency claims a permanent fund dividend on behalf of an individual, the public agency shall hold the dividend in trust for the individual. Money held in trust under this subsection shall be invested by the commissioner in accordance with AS 37.10.070.

(f) A minor or an incompetent individual may not maintain a claim against the state or an officer or employee of the state based on the manner in which the parent, guardian, or authorized representative other than a public agency of the state managed or disposed of permanent fund dividends received on behalf of the minor or incompetent individual.

(g) If an individual is aggrieved by a decision of the department determining the individual's eligibility for a permanent fund dividend or the individual's authority to claim a permanent fund dividend on behalf of another, the individual may appeal that decision to the superior court in accordance with AS 44.62.560. An appeal under this section does not entitle the aggrieved individual to a trial de novo. The appeal shall be based on the record of the administrative proceeding from which appeal is taken and the scope of appeal is limited to matters contained in the record of the administrative proceeding.

(h) The penalty and enforcement provisions of AS 43.23.035 apply to an individual who claims a permanent fund dividend on behalf of another. (§ 1 ch 102 SLA 1982)



*Sec. 43.23.020. Proof of eligibility. [Repealed, § 22 ch 102 SLA 1982.]*

**Sec. 43.23.025. Amount of dividend** [Effective January 1, 1984]. By December 1 of each year the commissioner shall give public notice of the value of each permanent fund dividend for that year. The commissioner shall determine the value of a permanent fund dividend by

(1) determining the amount of income of the Alaska permanent fund transferred to the dividend fund under AS 43.23.045(b) during the current year;

(2) determining the number of individuals eligible to receive a dividend payment for the current year; and

(3) dividing the amount determined in (1) of this section by the amount determined in (2) of this section. (§ 1 ch 102 SLA 1982; am § 1 ch 55 SLA 1983)

**Effect of amendments.** — The 1983 amendment, effective January 1, 1984, substituted "December 1" for "September 1" near the beginning of the first sentence. For provisions prior to January 1, 1984, see the editor's note.

**Editor's notes.** — Prior to January 1, 1984, this section reads: "By September 1 of each year the commissioner shall give public notice of the value of each permanent fund dividend for that year. The commissioner shall determine the value of a permanent fund dividend by

"(1) determining the amount of income of the Alaska permanent fund transferred to the dividend fund under AS 43.23.045(b) during the current year;

"(2) determining the number of individuals eligible to receive a dividend payment for the current year; and

"(3) dividing the amount determined in (1) of this section by the amount determined in (2) of this section."

*Sec. 43.23.030. Amount of dividend. [Repealed, § 22 ch 102 SLA 1982.]*

**Sec. 43.23.035. Penalties and enforcement.** (a) In addition to any criminal penalties imposed by state law, if an individual is convicted of a crime in connection with a false statement made in a certification required under AS 43.23.015, and the conviction is not reversed, that individual forfeits all permanent fund dividends paid and is not eligible for a future permanent fund dividend.

(b) If the commissioner determines that a permanent fund dividend should not have been claimed by or paid to an individual, the commissioner may use all collection procedures or remedies available for collection of taxes under this title to recover the payment of a permanent fund dividend that was improperly made. A notice of an improperly paid dividend must be sent to the individual within 10 years after the improper payment. If notice is not sent within the 10-year period, proceedings may not be commenced in court for recovery of the improper payment. (§ 1 ch 102 SLA 1982)

*Sec. 43.23.040. Penalties and enforcement. [Repealed, § 22 ch 102 SLA 1982.]*

**Sec. 43.23.045. Dividend fund.** (a) The dividend fund is established as a separate fund in the state treasury. The dividend fund shall be administered by the commissioner and shall be invested by the commissioner in the same manner as provided in AS 37.10.070.

(b) Notwithstanding any contrary provision of law, each year the commissioner shall transfer to the dividend fund 50 percent of the income of the Alaska permanent fund earned during the fiscal year ending on June 30 of the current year and available for distribution.

(c) The department may adopt by regulation a plan that, to the extent permitted by federal law, will allow an individual who elects to participate in the plan to select an optional disbursement of the dividend payment that would have the effect of deferring payment of all or a portion of federal income taxes on the receipt of a permanent fund dividend. (§ 1 ch 102 SLA 1982)

*Sec. 43.23.050. Dividend fund established. [Repealed, § 22 ch 102 SLA 1982.]*

**Sec. 43.23.055. Duties of the department.** The department shall

(1) annually pay permanent fund dividends from the dividend fund;

(2) [Effective January 1, 1984] adopt regulations under the Administrative Procedure Act (AS 44.62) that establish procedures and time limits for claiming a permanent fund dividend; the department shall set the time limit for applications for permanent fund dividends so that the number of eligible applicants is determined by December 1 of the year for which the dividend is declared and permanent fund dividends for a year are paid before April 30 of the year following that year;

(3) adopt regulations under the Administrative Procedure Act (AS 44.62) that establish procedures and time limits for an individual upon emancipation or upon reaching majority to apply for permanent fund dividends not received during minority because the parent, guardian, or other authorized representative did not apply on behalf of the individual; and

(4) assist residents of the state, particularly in rural areas, who because of language, disability, or inaccessibility to public transportation need assistance to establish eligibility and to apply for permanent fund dividends. (§ 1 ch 102 SLA 1982; am § 2 ch 55 SLA 1983)

**Effect of amendments.** — The 1983 amendment, effective January 1, 1984, substituted "December 1 of the year for which the dividend is declared" for "September 1" and "April 30 of the year following that year" for "December 31 of that year" in paragraph (2). For provisions

prior to January 1, 1984, see the editor's note.

**Editor's notes.** — Prior to January 1, 1984, paragraph (2) read: "(2) adopt regulations under the Administrative Procedure Act (AS 44.62) that establish procedures and time limits for claiming a



permanent fund dividend; the department shall set the time limit for applications for permanent fund dividends so that the number of eligible applicants is deter-

mined by September 1 and permanent fund dividends for a year are paid before December 31 of that year."

*Sec. 43.23.060. Duties of the department. [Repealed, § 22 ch 102 SLA 1982.]*

**Sec. 43.23.065. Exemption of permanent fund dividends.** Fifty percent of the annual permanent fund dividend payable to an individual is exempt from levy, execution, garnishment, attachment, or any other remedy for the collection of debt. This exemption applies to an eligible individual's permanent fund dividend both before and after payment is made to the individual. No exemption is available under this section for permanent fund dividends taken to satisfy child support obligations required by court order or decision of the child support enforcement agency under AS 47.23.140 — 47.23.220. (§ 1 ch 102 SLA 1982)

**Cross references.** — For property exempt from execution generally, see AS 09.38.

*Sec. 43.23.070. Exemption of permanent fund dividends. [Repealed, § 22 ch 102 SLA 1982.]*

**Sec. 43.23.075. Eligibility for public assistance.** (a) In determining the eligibility of an individual under a public assistance program administered by the Department of Health and Social Services in which eligibility for assistance is based on financial need, the Department of Health and Social Services may not consider a permanent fund dividend as income or resources received by the recipient of public assistance or by a member of the recipient's household unless required to do so by federal law or regulation. The Department of Health and Social Services shall notify all recipients of public assistance of the effects of receiving a permanent fund dividend.

(b) An individual who is denied medical assistance under 42 U.S.C. 1396 — 1396p (Social Security Act, Title XIX) solely because of the receipt of a permanent fund dividend by the individual or by a member of the individual's household is eligible for state-funded medical assistance under the general relief assistance program (AS 47.25.120 — 47.25.300). The individual is entitled to receive, for a period not to exceed four months, the same level of medical assistance as the individual would have received under 42 U.S.C. 1396 — 1396p (Social Security Act, Title XIX) had there been no permanent fund dividend program.

(c) An individual who is denied assistance solely because permanent fund dividends received by the individual or by a member of the individual's household are counted as income or resources under federal

law or regulation is eligible for cash assistance under the general relief assistance program (AS 47.25.120 — 47.25.300). Notwithstanding the limit in AS 47.25.130, the individual is entitled to receive, for a period not to exceed four months, the same amount as the individual would have received under other public assistance programs had there been no permanent fund dividend program. (§ 1 ch 102 SLA 1982)

*Sec. 43.23.080. Eligibility for state public assistance payments. [Repealed, § 22 ch 102 SLA 1982.]*

**Sec. 43.23.085. Eligibility for state programs.** No program administered by the state or any of its instrumentalities or municipalities, the eligibility for which is based on financial need, shall consider a permanent fund dividend as income or resources unless required to do so by federal law or regulation. (§ 1 ch 102 SLA 1982)

*Sec. 43.23.090. Tax exemption. [Repealed, § 22 ch 102 SLA 1982.]*

**Sec. 43.23.095. Definitions.** In this chapter,

- (1) "Alaska permanent fund" means the fund established by art. IX, sec. 15 of the state constitution;
- (2) "commissioner" means the commissioner of revenue;
- (3) "department" means the Department of Revenue;
- (4) "dividend fund" means the fund established by AS 43.23.045;
- (5) "individual" means a natural person;
- (6) "permanent fund dividend" means a right to receive a payment from the dividend fund;
- (7) "state resident" means an individual who is physically present in the state with the intent to remain permanently in the state or, if the individual is not physically present in the state, intends to return to the state and is absent only for any of the following reasons:
  - (A) vocational, professional, or other specific education for which a comparable program was not reasonably available in the state;
  - (B) secondary or postsecondary education;
  - (C) military service;
  - (D) medical treatment;
  - (E) service in Congress;
  - (F) other reasons which the commissioner may establish by regulation; or
  - (G) service in the Peace Corps;
- (8) "year" means a calendar year. (§ 1 ch 102 SLA 1982; am § 3 ch 55 SLA 1983)

**Effect of amendments.** — The 1983 amendment added paragraph (7)(G).

*Sec. 43.23.100. Definitions. [Repealed, § 22 ch 102 SLA 1982.]*



APPENDIX B

DEPARTMENT OF REVENUE  
REGULATIONS PERTAINING TO THE PERMANENT FUND  
DIVIDEND DISTRIBUTION PROGRAM





CHAPTER 23.  
ALASKA PERMANENT FUND DIVIDEND

## Article

1. Permanent Fund Dividend Program  
(15 AAC 23.010—15 AAC 23.300)
2. 1982 Permanent Fund Dividend  
Distribution  
(15 AAC 23.400—15 AAC 23.600)
3. Permanent Fund Dividend Distribution:  
1983 and Subsequent Years  
(15 AAC 23.605—15 AAC 23.795)

ARTICLE 1.  
PERMANENT FUND DIVIDEND PROGRAM

## Section

10. Application procedure
20. Eligibility
30. Definition of state resident
40. Allowable absences
50. Proof of eligibility
60. Calculation of amount of a dividend  
payment
70. Method of receiving payment
80. Disallowance of claims and assessments  
of overpayments
90. Assignment and attachment of dividends
300. Definitions

15 AAC 23.010. APPLICATION PROCEDURE. (a) An individual may apply annually for a dividend payment calculated in accordance with 15 AAC 23.060 based on years of residency in the state after December 31, 1958.

(b) An application for a 1979 dividend payment must be filed by November 15, 1980. An application with a postmark of November 15 or earlier will be considered timely filed. All other applications will be rejected.

(c) For applications filed for 1980 and years following, an application for a dividend payment must be filed by September 1, of the year following the year for which the dividend is claimed. An application with a postmark of September 1 or earlier will be considered timely filed. When September 1 falls on a Saturday, Sunday, or other legal holiday as defined in AS 44.12.010, the filing will be considered timely if it is filed on the next succeeding day which is not a Saturday, Sunday, or a legal holiday.

(d) An individual who fails to file a timely application under this section is not entitled to a dividend payment for the preceding year. The individual may include that year of residency in applications for dividends in future years if the individual is otherwise eligible. (Eff. 4/30/80, Reg. 74; am 7/25/80, Reg. 75; am 8/20/81, Reg. 79)

Authority: AS 43.23.010  
AS 43.23.060

15 AAC 23.020. ELIGIBILITY. (a) In order to qualify for a dividend, an individual must be a state resident as defined in 15 AAC 23.030 during all or part of the year for which the dividend is claimed. The individual must also be a state resident on the date of the application for the dividend, and the individual must be 18 years of age or older during all or part of the year for which the dividend is claimed. The year in which a person is born does not count towards the computation of a dividend payment; all other full years of residency in the state before reaching age 18 may be counted toward the computation of a dividend payment.

(b) The individual applying for a dividend payment must personally sign the certification of residency and eligibility contained on the application form. However, (1) in the case of an incapacitated applicant, the application may be signed by a parent or other relative or by an official in charge of a public or private agency having custody of that applicant; (2) in the case of an applicant who is not incapacitated, the application may, upon a showing of good cause, be signed by a legal guardian or other authorized representative having a power of attorney. In each case in which the application is not signed by the individual claimant, evidence of the authority of the person signing on behalf of the claimant must be attached to the application and the circumstances requiring the signature by someone other than the applicant must be clearly set out. An application may not be made on behalf of a deceased state resident. A personal representative may redeem a dividend payment already applied for and process it as part of the estate of the deceased individual.



(c) An alien, with resident alien status, otherwise qualifying under this chapter is eligible. (Eff. 4/30/80, Reg. 74; am 7/25/80, Reg. 75; am 8/20/81, Reg. 79)

Authority: AS 43.23.010  
AS 43.23.100

**15 AAC 23.030. DEFINITION OF STATE RESIDENT.** (a) A state resident is an individual physically present in the state who intends to remain permanently in the state, or if not physically present in the state, was a resident immediately before departure from the state, intends to return to the state and is absent for one or more of the allowable reasons set forth in 15 AAC 23.040. Calendar years during which an absence not allowed by 15 AAC 23.040 occurs may not be claimed by the individual or counted toward the computation of a dividend payment.

(b) An individual's intent to remain permanently in the state, or to return permanently to the state, will be assessed on the basis of the totality of the relevant circumstances. A calendar year during which an individual claimed residence in any other state for purposes of exercising or obtaining significant local rights or benefits including, but not limited to, voting in a state or local election, qualifying for resident tuition at a college or university, may not be claimed by that individual. (Eff. 4/30/80, Reg. 74; am 7/25/80, Reg. 75)

Authority: AS 43.23.010  
AS 43.23.100

**15 AAC 23.040. ALLOWABLE ABSENCES.**

(a) Absence for purposes of pursuing post-secondary education is an allowable absence. "Postsecondary education" means enrollment in good standing as a full-time or part-time student as defined in AS 14.40.806(2) and (3) at a college, university, or junior or community college accredited by the accreditation association for the region in which the college or university is located for purposes of pursuing an associate, baccalaureate or graduate degree program.

(b) Absence from the state for active service in a branch of the armed forces of the United States by one who was a state resident immediately before the absence is allowable if the person demonstrates at all times during that ser-

vice an intent to return to the state and remain permanently. For purposes of the preceding sentence, it is rebuttably presumed

(1) that a state resident who is drafted into military service has the requisite intent to return to the state and remain permanently, during the initial period of enlistment and one additional period of enlistment;

(2) that a state resident who volunteers for military service has the requisite intent to return to the state and remain permanently, during the first five years of that service;

(3) that a person who, before departing, had lived in the state only as a member of the armed forces of the United States does not have the requisite intent to return to the state and remain permanently, except that if that person served in the state for at least one full standard tour of duty before departing, then the person is presumed to have the requisite intent during the first five years after departing;

(4) that if, at the end of a period in which a person is presumed to have the requisite intent to return to the state and remain permanently, the United States is engaged in war or similar military hostilities, then the person continues to have that intent until such a time, after the war or military hostilities have ended or an armistice declared, as the person is discharged or could be honorably discharged without re-enlisting or otherwise voluntarily extending his or her term of military service.

(c) Service in the United States Congress as a Representative or Senator for the State of Alaska is an allowable absence. Service in Congress includes an absence by an individual while serving on the staff of a Representative or Senator for the State of Alaska, if the individual was a state resident immediately before departure.

(d) Absence from the state for purposes of employment by the Alaska State Government, including employment in a field office, is an allowable absence if the individual was a resident of the state immediately before departure.

(e) Absence for purposes of receiving medical treatment is an allowable absence. "Medical



treatment" absences must have been on the advice of a licensed physician and those absences do not include permanent changes of residence made upon advice of a qualified physician for climatic reasons.

(f) Absence from the state for more than 90 consecutive days for purposes of obtaining vocational education for which a comparable program was not reasonably available in the state is an allowable absence. "Vocational education" means technical training as part of a recognized career education program for which the Postsecondary Education Commission states

that there is no comparable program reasonably available in the state.

(g) Absence from the state for more than 90 consecutive days for purposes of receiving professional education for which a comparable program was not reasonably available in the state is an allowable absence. "Professional education" means attendance at an academic institution, seminar, or other recognized course or program for continued professional development, including continued legal education, certified public accountant development courses, for which the Postsecondary Education Commission states that there is no comparable course or program reasonably available in the state.

(h) Absence from the state for more than 90 consecutive days for purposes of receiving other special educational assistance is allowable if attendance at such a program or institution is recommended by a licensed doctor, psychologist, psychiatrist, physical therapist, or the commissioner of education to assist in treatment of learning or physical disabilities or the treatment of mental or emotional disorders and if the Department of Education states that there is no comparable program reasonably available in the state.

(i) An absence of less than 90 consecutive days for purposes of vacation, conducting business on one's own behalf or on behalf of one's employer, or for any other reason is presumed allowable unless the total of all absences under this subsection during the calendar year exceeds 180 days. An absence allowed by this subsection of more than 90 consecutive days during a calendar year must be disclosed on the application; in the department's discretion, it will be disallowed, depending on the length of the absence, the frequency and duration of that absence and other factors relevant to the length and purpose of the absence in question. An absence otherwise allowed by this subsection of more than 180 consecutive days or any combination of absences under this subsection which when totaled exceeds 180 days during a calendar year is rebuttably presumed not to be allowable, and the individual may not claim that year as a year of residency unless the presumption is rebutted.

(j) Absence from the state by a spouse or dependent of an individual state resident who is absent for reasons allowed by (a) — (i) of this section is an allowable absence, if the spouse or dependent was a resident of the state immediately before departure. The absence of the spouse or dependent must be directly or indirectly related to the absence of the resident absent for the reasons allowed by subsection (a) — (i).

(k) Absence for purposes of pursuing a secondary education program outside the state is an allowable absence.

(l) Absence from the state by a person under the custody and control of the state is an allowable absence. (Eff. 4/30/80, Reg. 74; am 7/25/80, Reg. 75; am 8/20/81, Reg. 79)

Authority: AS 43.23.100

#### 15 AAC 23.050. PROOF OF ELIGIBILITY.

(a) An applicant shall indicate on the prescribed form information required by the department which will support the claim of residency for the periods listed. That information may include, but is not limited to, the names of individuals, including relatives, friends and neighbors, who can attest to the applicant's length of residence in the state, the name of his or her current employer in the state and, if applicable, two other employers for whom the applicant was employed for the longest periods of time, and schools attended in and out of the state.

(b) In addition, if a review of the dividend application indicates the need for further verification, the department may request additional proof of residency including proof bearing an intent to remain permanently in the state. This additional proof may be any proof acceptable to the department, including, but not limited to:

- (1) voter registration and voting records;
- (2) hunting, fishing, driver's or other licenses;
- (3) school records;
- (4) rent receipts, or proof of home ownership or a home purchase contract;
- (5) motor vehicle registration;



- (6) tax records;
- (7) employment, unemployment, or military records;
- (8) court or other government agency records;
- (9) birth or other vital statistic records;
- (10) affidavits of persons acquainted with or related to the applicant. (Eff. 4/30/80, Reg. 74; am 7/25/80, Reg. 75)

Authority: AS 43.23.020

15 AAC 23.060. CALCULATION OF AMOUNT OF A DIVIDEND PAYMENT. (a) For 1979, an individual is entitled to a dividend in the amount of \$50 for each full calendar year of residency claimed. For calendar years after 1979, the dividend will be in an amount declared by the department under AS 43.23.030(b) and subject to supplemental legislative appropriations under AS 43.23.050(c) necessary to increase the dividend to the value considered appropriate by each subsequent legislature.

(b) An individual who is a state resident for less than 12 months during the year for which the dividend is claimed is entitled to one prorated dividend based on the number of full calendar months the individual was a state resident. A period of time less than a full calendar month may not be counted.

(c) If an individual who is a state resident for less than 12 months during the year for which the claim is filed also has full years of residency prior to that year, his or her dividend payment for those full years will be prorated based on the number of full calendar months the individual was a state resident during the year for which the dividend payment is claimed.

(d) A part year of residency before the year for which the dividend is claimed may not be included in a claim for a dividend payment.

Example: Sourdough, a 35 year old state resident, files a claim for a 1979 dividend in 1980. He lived in Alaska for the calendar years 1970 through 1975, left the state in May 1976 and returned on September 10, 1979 and resided in the state thereafter. Sourdough would be en-

titled to 3/12 or 1/4 of the dividend available for 1979 or \$12.50. He could not count any of September since he was not a resident for the full calendar month. Sourdough would lose 1976 as a part year of residency. He would, however, be able to claim one-fourth of his previous 6 years times \$50 per dividend or \$75.00. Therefore, his total dividend would be \$87.50 for 1979. When Sourdough files a claim for a 1980 dividend in 1981, he will not have to prorate his previous full years of residency. (Eff. 4/30/80, Reg. 74; am 7/25/80, Reg. 75)

Authority: AS 43.23.010

15 AAC 23.070. METHOD OF RECEIVING PAYMENT. (a) The applicant must indicate on the application whether he or she wishes to receive the dividend payment in a lump sum or in 12 equal monthly installments. Failure of an applicant to make a clear election will result in a lump-sum payment. The applicant may not change the method of receiving payment after the application has been filed.

(b) Repealed 8/20/81.

(c) Repealed 8/20/81.

(d) Repealed 8/20/81.

(e) Repealed 8/20/81.

(f) Repealed 8/20/81.  
(Eff. 4/30/80, Reg. 74; am 7/25/80, Reg. 75; am 8/20/81, Reg. 79)

Authority: AS 43.23.010

15 AAC 23.080. DISALLOWANCE OF CLAIMS AND ASSESSMENTS OF OVERPAYMENTS. (a) If proof of eligibility satisfactory to the department is not provided as required in 15 AAC 23.050 or if audit of the claim raises a question as to the legitimacy of the claim, the



department may disallow the claim for a dividend payment in whole or in part.

(b) If the department determines that all or a portion of a dividend should not have been paid to an individual, the department will issue a notice of assessment of the overpayment and may allow the recipient at least 30 days to make repayment. After that time, the department will, in its discretion, invoke any appropriate collection remedy available under AS 43, including, but not limited to, levy, filing a lien, foreclosure, or bringing a judicial action for collection of the overpayment. If the department has reasonable cause to believe that the 30-day period allowed for repayment may jeopardize the collection of an overpayment, then the department will, in its discretion, take immediate collection action. Justification for this action would include, but not be limited to, the following:

- (1) imminent probable departure of the recipient from the state;
- (2) potential bankruptcy of the recipient;
- (3) evidence of attempts by the recipient to hide assets.

(c) The department will notify the applicant of the assessment or the disallowance. The applicant may within 30 days after the notice request an informal hearing before an authorized department representative for purposes of establishing his or her claim to the dividend. The division issuing the notice of assessment or disallowance will explain in writing or by personal attendance of the investigator assigned to the case the grounds for the disallowance. A written decision will be rendered as soon as practicable. Within 30 days after this decision, the individual may request a formal hearing before the department. The department will, in its discretion, elect to hear the appeal formally or it may by review of the informal decision accept or reject it without a second hearing. The final formal disposition of the department may be appealed to the superior court. (Eff. 4/30/80, Reg. 74; am 7/25/80, Reg. 75)

Authority: AS 43.23.040

#### 15 AAC 23.090. ASSIGNMENT AND ATTACHMENT OF DIVIDENDS. (a) An eligible

individual may assign, pledge, or encumber not more than 50 percent of the annual dividends which are, or which may become, due and payable to that individual. In order for the assignment, pledge, or encumbrance to be effective, the individual shall attach a copy of the assignment contract to the application, execute a release on a form prescribed by the department and clearly indicate to whom 50 percent of the payment is to be made. The individual who has assigned the 50-percent interest in the dividend payment must re-apply annually before the department makes a subsequent payment to the assignee.

(b) 50 percent of the annual dividend payable to an individual is not subject to levy, execution, garnishment, attachment and other remedies for the collection of a debt.

(c) If any portion of an eligible individual's dividend payment is subject to assignment under (a) of this section or subject to attachment under (b) of this section, the individual may not choose and will not receive installment or postponed payments. (Eff. 4/30/80, Reg. 74)

Authority: AS 43.23.070

#### 15 AAC 23.300. DEFINITIONS. In 15 AAC 23.010 – 15 AAC 23.300

(1) "department" means the Department of Revenue;

(2) "dividend" means a right to receive a payment of a portion of permanent fund dividend fund as determined by AS 43.23.030;

(3) "individual" means a natural person. (Eff. 4/30/80, Reg. 74; am 7/25/80, Reg. 75)

Authority: AS 43.23.010  
AS 43.23.100



ARTICLE 2.  
1982 PERMANENT FUND  
DIVIDEND DISTRIBUTION

## Section

- 400. Applicability of provisions
- 410. Eligibility
- 420. Applications
- 430. Application on behalf of a child
- 440. Application on behalf of an incompetent, disabled, or other adult
- 450. Definition of state resident
- 460. Allowable absences
- 470. Proof of eligibility
- 480. Method of making payment
- 490. Disallowance of claims and assessments of overpayments
- 500. Attachment and garnishment of dividends
- 510. Assignment of dividends
- 600. Definitions

15 AAC 23.400. APPLICABILITY OF PROVISIONS. (a) The provisions of 15 AAC 23.400 – 15 AAC 23.600 apply only to the 1982 permanent fund dividend distribution in accordance with sec. 19, ch. 102, SLA 1982. The provisions of 15 AAC 23.010 – 15 AAC 23.300 do not apply to this distribution.

(b) The dividend payments provided for in sec. 19, ch. 102, SLA 1982, are in place of all dividend payments for which individuals would have been eligible under AS 43.23.010, enacted in ch. 21, SLA 1980, for 1981 and all prior years. (Eff. 7/1/82, Reg. 83)

Authority: Sec. 19(a), (e) and (h), ch. 102, SLA 1982

15 AAC 23.410. ELIGIBILITY. (a) An individual is eligible to receive a permanent fund dividend under sec. 19, ch. 102, SLA 1982 in the amount of \$1,000 if

(1) the individual makes timely application in accordance with 15 AAC 23.420 – 15 AAC 23.440 and provides any additional information requested by the department within the time specified by the department; and

(2) on the date of application the individual is a state resident and has been a state resident in accordance with 15 AAC 23.450 and 15 AAC 23.460 for a period of at least six consecutive

months immediately preceding the date of application.

(b) Except as provided in (c) of this section, an individual who became a state resident after April 18, 1982, is not eligible to receive a permanent fund dividend under sec. 19, ch. 102, SLA 1982.

(c) Notwithstanding the physical-presence requirement in 15 AAC 23.450(f), a child who was born before October 16, 1982, but after April 18, 1982, is eligible to receive a permanent fund dividend under the provisions of sec. 19, ch. 102, SLA 1982, if (1) timely application is made on behalf of the child; (2) the child is a state resident on the date of application; and (3) the individual through whom the child claims residency under 15 AAC 23.450(f)(1) or (2) has been a state resident for at least six consecutive months before the child's date of application. An application made on behalf of a child described in this subsection who is born after September 14, 1982 will be considered timely filed if postmarked November 15, 1982 or earlier.

(d) An alien with resident alien status or a refugee otherwise qualifying under sec. 19, ch. 102, SLA 1982 and 15 AAC 23.400 – 15 AAC 23.600 is eligible to receive a permanent fund dividend.

(e) An application may not be made on behalf of a state resident after that resident has died. A personal representative may redeem a dividend payment to a deceased state resident and process it as part of the deceased individual's estate only if the individual's application for the dividend payment was made before the individual died and at the time of application the individual met the eligibility requirements of sec. 19, ch. 102, SLA 1982 and 15 AAC 23.400 – 15 AAC 23.600.

(f) If an individual who has reached majority, or who has become an emancipated minor, can demonstrate to the satisfaction of the department (1) that he or she was a child during the application period provided in 15 AAC 23.420, (2) that a permanent fund dividend application was not filed on the individual's behalf or was not timely filed, and (3) that the individual was eligible to receive a payment under sec. 19, ch.



102, SLA 1982, then the department will waive the time limit provided in 15 AAC 23.420 for that individual. A waiver of the time limit under this subsection will not extend beyond one year after the individual reaches majority or becomes an emancipated minor. (Eff. 7/1/82, Reg. 83; am 10/28/82, Reg. 84)

Authority: Sec. 19(a), (b) and  
(e), ch. 102, SLA 1982  
AS 43.23.015  
AS 43.23.055  
AS 43.23.095

**15 AAC 23.420. APPLICATIONS.** (a) An application for a dividend payment under sec. 19, ch. 102, SLA 1982, must be filed before October 16, 1982 on a form provided by the department. Except as provided in 15 AAC 23.410(c), an application postmarked October 15, 1982 or earlier will be considered timely filed.

(b) An individual may file an application on the form provided by the department for 1981 permanent fund dividends under AS 43.23.010, enacted in ch. 21, SLA 1980, only if the individual, or an adult on whose behalf an application is filed, would have been eligible for a dividend payment for 1981 under AS 43.23.010, if he or she was a state resident during at least the entire calendar month of December 1981, and if his or her application is filed more than 180 days after the residency period claimed on the 1981 application form began. An individual who becomes a state resident after December 1, 1981, an individual applying on behalf of an adult who became a state resident after December 1, 1981, and an individual applying on behalf of a child regardless of when the child's residency began, must use the form provided by the department for the 1982 permanent fund dividend distribution under sec. 19, ch. 102, SLA 1982.

(c) If an individual was absent from the state during all or part of the six months immediately preceding the date of application and the absence is rebuttably presumed under 15 AAC 23.460(k) not to be an allowable absence, the individual must provide along with his or her application documentation supporting a claim that the individual remained a state resident during the absence despite the presumption to the contrary.

(d) If the department notifies an individual that the information included on or provided with the application form is insufficient to establish the individual's eligibility or for any other reason, the individual must file a new application as prescribed by the department or provide additional information as requested by the department and within the time specified by the department.

(e) Except as provided in 15 AAC 23.430 and in 15 AAC 23.440, an individual, including an emancipated minor, applying for a dividend payment must personally sign the certification of residency and eligibility contained on the application form. (Eff. 7/1/82, Reg. 83; am 10/28/82, Reg. 84)

Authority: Sec. 19(e) and (f),  
ch. 102, SLA 1982  
AS 43.23.015

**15 AAC 23.430. APPLICATION ON BEHALF OF A CHILD.** (a) An application for a permanent fund dividend may be filed on behalf of a child only by the child's parent, legal guardian, or authorized representative. Except as provided in (b) of this section and 15 AAC 23.410(c), an individual applying on behalf of a child must have legal and physical custody of the child at the time the application is filed, and must have had legal and physical custody of the child for at least six of the 12 months immediately preceding the date of application. A permanent fund dividend claimed on behalf of a child who is in the custody of the Department of Health and Social Services may be claimed only by a representative of that department.

(b) An individual who does not have legal and physical custody of the child at the time the application is filed or did not have legal and physical custody of the child for at least six of the 12 months immediately preceding the date of application may apply on behalf of the child, but he or she must provide, with the application, evidence satisfactory to the department of the circumstances justifying the need to have an application filed for the child by an individual other than one meeting the requirements of (a) of this section.

(c) An individual applying on behalf of a child must provide the names and addresses of any other individual who may be authorized, or have



the apparent authority, to claim the dividend payment on behalf of that child, including natural parents, adoptive parents, legal guardians, and any other individual or public agency or institution having or expected to have physical or legal custody of the child at any time during the 12 months immediately preceding or following the date of application.

(d) An individual making application on behalf of a child must certify to the facts underlying the child's eligibility for a permanent fund dividend payment and sign the application on behalf of that child.

(e) The department may require that both parents sign an application on behalf of their child or provide a statement explaining why both parents are not signing the application.

(f) The department may require an individual applying on behalf of a child to provide evidence of his or her authority to apply on behalf of the child, including but not limited to

(1) a certified copy of the child's birth certificate showing the name of the individual making application as a parent of the child;

(2) a certified copy of a decree of divorce or dissolution of marriage showing the name of the individual making application as a person having sole or joint custody of the child;

(3) a certified copy of an adoption order or post-adoption birth certificate showing the name of the individual making application as an adoptive parent of the child;

(4) other information that may be required by the department demonstrating the individual's qualifications to apply for a permanent fund dividend on behalf of the child.

(g) An individual applying on behalf of a child must comply with 15 AAC 23.420. (Eff. 7/1/82, Reg. 83)

Authority: Sec. 19(c)(3), (e) and (f), ch. 102, SLA 1982 AS 43.23.015

**15 AAC 23.440. APPLICATION ON BEHALF OF AN INCOMPETENT, DISABLED, OR OTHER ADULT.** (a) An application for a

permanent fund dividend may be filed on behalf of an incompetent adult only by the incompetent adult's guardian or conservator appointed under AS 13.26 or other similar provision of law of this state or of another jurisdiction.

(b) An application for a permanent fund dividend may be filed on behalf of a disabled adult only by the adult's spouse, parent, legal guardian, or other authorized representative.

(c) For good cause shown, the following persons may file an application for a permanent fund dividend on behalf of an adult who is neither incompetent nor disabled:

(1) the adult's legal guardian; or

(2) the adult's spouse, parent, or other authorized representative having a power of attorney.

(d) Evidence of the authority of the individual applying on behalf of an adult under this section must be attached to the application and the circumstances requiring the signature by someone other than the applicant must be clearly set out. The individual making application on behalf of another adult must certify to the facts underlying the adult's eligibility for a permanent fund dividend payment and must sign the application on behalf of that adult.

(e) An individual applying on behalf of another adult must comply with 15 AAC 23.420. (Eff. 7/1/82, Reg. 83)

Authority: Sec. 19(c)(3), (e) and (f), ch. 102, SLA 1982 AS 43.23.015

**15 AAC 23.450. DEFINITION OF STATE RESIDENT.** (a) A state resident is an individual physically present in the state who intends to remain permanently in the state, or, if not physically present in the state, was a resident immediately before departure from the state, intends to return to the state, is absent for one or more of the allowable reasons set out in 15 AAC 23.460, and demonstrates at all times during an absence an intent to return to the state and remain permanently in the state. An individual may not claim a dividend payment if during the six months immediately preceding



his or her application the individual was absent from the state for one or more reasons not included as an allowable absence under 15 AAC 23.460.

(b) An individual's intent to remain permanently in the state, or to return permanently to the state, is based on the totality of the relevant circumstances. Physical presence in the state for six consecutive months before the application date is not by itself sufficient to establish state residency. A period during which an individual claimed residence in any other state for purposes of exercising or obtaining significant state or local rights or benefits, including, but not limited to, voting in a state or local election or qualifying for resident tuition at a college or university, may not be claimed by that individual as a period of residence in this state.

(c) Subsection (d) of this section applies to

(1) a member of the military on assignment in the state;

(2) an individual in the state on temporary assignment by his or her employer, with the understanding that the individual will be transferred by the employer to another state or country at some time in the future;

(3) an individual who is employed in the state on a seasonal basis; and

(4) an individual who is self-employed and working in the state on a temporary basis.

(d) An individual described in (c) of this section who meets the requirements of (a) and (b) of this section may apply for a permanent fund dividend and may be eligible to receive a dividend if that person provides with the application documentation that demonstrates to the department an intent to remain permanently in the state despite the nature of his or her employment. Documentation may include any of the items of proof listed in 15 AAC 23.470 (b)(1) – (11). The department may require additional proof of the individual's intent to remain in the state.

(e) The spouse of an individual who is not a state resident as defined in this section is not a

state resident unless the spouse meets the requirements of (a) and (b) of this section and provides with his or her application documentation of his or her intent to remain permanently in the state despite the nonresidency of his or her spouse. Documentation may include any of the items of proof listed in 15 AAC 23.470(b) (1) – (11). The department will, in its discretion, require additional proof of the individual's intent to remain in the state.

(f) A child is a state resident if the child was physically present in the state for at least six consecutive months before the date of his or her application or, if not physically present in the state, was absent for one or more of the allowable reasons set out in 15 AAC 23.460 and if

(1) at least one of the child's natural or adoptive parents is a state resident and that parent has either sole or joint legal custody of the child; or

(2) the child qualifies, for purposes of federal income tax under 26 USC § 151(e) and regulations adopted under that section, as a dependent of a state resident.

(g) If an individual is involuntarily in the custody of an agency of the state at the time the application is filed and the individual was not a state resident under (a) and (b) of this section at the time the public agency acquired custody of the individual then the individual must provide with the application documentation of his or her intent to remain permanently in the state after his or her release from involuntary custody. Documentation may include any of the items of proof listed in 15 AAC 23.470(b) (1) – (11). The department will, in its discretion, require additional proof of the individual's intent to remain in the state. (Eff. 7/1/82, Reg. 83)

Authority: Sec. 19(e) and (f),  
ch. 102, SLA 1982  
AS 43.23.015  
AS 43.23.095

#### 15 AAC 23.460. ALLOWABLE ABSENCES.

(a) Absence for purposes of pursuing secondary or postsecondary education is an allowable absence. "Postsecondary education" means enrollment in good standing as a full-time or part-time student as defined in AS 14.40.806



(2) and (3) at a college, university, or junior or community college accredited by the accreditation association for the region in which the college or university is located for purposes of pursuing an associate, baccalaureate, or graduate degree program.

(b) Absence from the state for active service in a branch of the armed forces of the United States is an allowable absence.

(c) Absence for service in the United States Congress as a Representative or Senator for the State of Alaska is an allowable absence. Service in Congress includes an absence by an individual while serving on the staff of a Representative or Senator for the State of Alaska.

(d) Absence from the state for purposes of employment by the Alaska State Government, including employment in a field office, is an allowable absence.

(e) Absence for purposes of receiving medical treatment is an allowable absence. "Medical treatment" absences must have been on the advice of a licensed physician and those absences do not include permanent changes of residence made upon advice of a qualified physician for climatic reasons.

(f) Absence from the state for purposes of obtaining vocational education for which a comparable program was not reasonably available in the state is an allowable absence. "Vocational education" means technical training as part of a recognized career education program for which the Alaska Postsecondary Education Commission states to the department that there is no comparable program reasonably available in the state.

(g) Absence from the state for purposes of receiving professional education for which a comparable program was not reasonably available in the state is an allowable absence. "Professional education" means attendance at an academic institution, seminar, or other recognized course or program for continuing professional development, including continuing legal education and certified public accountant development courses, for which the Alaska Postsecondary Education Commission states to the department that there is no comparable course or program reasonably available in the state.

(h) Absence from the state for purposes of receiving other special educational assistance is allowable if attendance at such a program or institution is recommended by a licensed doctor, psychologist, psychiatrist, physical therapist, or the commissioner of education to assist in treatment of learning or physical disabilities or the treatment of mental or emotional disorders and if the Department of Education states to the department that there is no comparable program reasonably available in the state.

(i) Absence from the state while in the custody and control of the state is an allowable absence.

(j) An absence for any other purpose will, in the department's discretion, be allowed by the department if the nature and duration of the absence are temporary and are consistent with an intent to return to the state and remain permanently in the state.

(k) An absence allowable under this section of more than 60 consecutive days or any combination of absences totaling more than 90 days during the six months immediately preceding the date of application must be disclosed on the application. Except for good cause shown, an individual who fails to disclose an absence as required under this subsection loses eligibility for a permanent fund dividend under sec. 19, ch. 102, SLA 1982. In the department's discretion, an absence under (e), (f), (g), (h), or (j) of this section will be disallowed, depending on the length of the absence, frequency and duration of that absence, and other factors relevant to the length and purpose of the absence in question. An absence, or any combination of absences, otherwise allowable under (e), (f), (g), (h), or (j) of this section which when totaled exceeds 180 days, or an absence under (a), (b), (c), or (d) or (i) of this section totaling more than five years is rebuttably presumed not to be allowable, and the individual is not eligible for a dividend payment unless the individual provides with his or her application documentation that demonstrates to the department an intent at all times during the absence or absences to return to the state and remain permanently in the state. Documentation may include any of the items of proof listed in 15 AAC 23.470(b)(1) - (11). The department will, in its discretion, require additional proof of the individual's intent to



remain a state resident during the absence or absences.

(l) Absence from the state by a spouse, child, or other dependent of an individual state resident who is absent for reasons allowed by (a) – (j) of this section is an allowable absence, if the spouse, child, or dependent was a resident of the state immediately before departure and has not established residency elsewhere. The absence of the spouse or dependent must be related to the absence of the resident who is absent for the reasons allowed by subsections (a) – (j). (Eff. 7/1/82, Reg. 83)

Authority: Sec. 19(e) and (f),  
ch. 102, SLA 1982  
AS 43.23.015  
AS 43.23.095

#### 15 AAC 23.470. PROOF OF ELIGIBILITY.

(a) An applicant shall indicate on the prescribed form information required by the department which will support the claim of residency. That information may include, but is not limited to, the names of individuals, including relatives, friends, and neighbors, who can attest to the applicant's length of residence in the state, the name of his or her current and past employers in the state, and schools attended in and out of the state. When an application is filed on behalf of a child, the department will, in its discretion, require that the application be accompanied by a certified copy of the child's birth certificate.

(b) The department will, in its discretion, request additional proof of residency, including proof bearing on an intent to remain permanently in the state. This additional proof may be any proof acceptable to the department, including, but not limited to

(1) voter registration and voting records;

(2) hunting and fishing licenses, driver's licenses, or other licenses;

(3) school records;

(4) rent receipts, or proof of home ownership or a home purchase contract;

(5) motor vehicle registration;

(6) tax records;

(7) employment, unemployment, or military records;

(8) court or other government agency records;

(9) birth or other vital statistics records;

(10) affidavit of the individual;

(11) affidavits of persons acquainted with or related to the applicant. (Eff. 7/1/82, Reg. 83)

Authority: Sec. 19(a), (e) and (f),  
ch. 102, SLA 1982  
AS 43.23.015

#### 15 AAC 23.480. METHOD OF MAKING PAYMENT.

(a) The department will make payment of the permanent fund dividend for 1982 to an eligible individual only in a single payment, notwithstanding the fact that the individual requested payment in 12 equal monthly installments on the 1981 application.

(b) The department will make payment of a permanent fund dividend in accordance with 15 AAC 23.500 if the dividend has been attached, garnished or levied upon, or in accordance with 15 AAC 23.510 if the dividend has been assigned.

(c) When a dividend is claimed on behalf of a child or another adult, the payment will be made to the child or to the adult on whose behalf the application was made. If more than one individual claims to be qualified to make application on behalf of a child or another adult, the department will make the payment on the basis of the earliest application filed by an individual who provides satisfactory evidence to the department of his or her qualifications to apply on behalf of the child or the adult.

(d) If a public agency claims a dividend on behalf of an individual, the department will not issue a warrant to the individual or to the public agency. The department will acknowledge receipt of the application and will inform the public agency whether the application was approved or disapproved. The department will, in its discretion, direct inquiries concerning the residency of the individual to the public agency. The department will account to the public agency for the funds retained and invested in



accordance with AS 43.23.015(e). The trust responsibilities provided under AS 43.23.015(e) will be carried out entirely by the public agency except for the responsibility to account for and to invest the trust funds. These funds will be held together with other funds invested under AS 37.10.070. No separate investment accounts for individual applicants will be maintained. Dividends retained and invested in accordance with AS 43.23.015(e) will be paid interest at the average rate earned by all funds invested in accordance with AS 37.10.070 from the date the application is approved and processed by the department to the date the claim for payment of the trust fund is filed by or on behalf of the individual on whose behalf the public agency filed. The department will, in its discretion, require the public agency to provide the department with sufficient information on a timely basis to permit the department to carry out its accounting and investment responsibilities. Trust funds held by the department under this subsection are subject to escheat under AS 09.50. (Eff. 7/1/82, Reg. 83; am 10/28/82, Reg. 84)

Authority: Secs. 19(d) and (e), 21  
and 22, ch. 102, SLA 1982  
AS 43.23.015

**15 AAC 23.490. DISALLOWANCE OF CLAIMS AND ASSESSMENTS OF OVERPAYMENTS.** (a) If proof of eligibility satisfactory to the department is not provided as required in 15 AAC 23.420, 15 AAC 23.450(d), (e), and (g), and 15 AAC 23.470 or if audit of the claim raises a question as to the legitimacy of the claim, the department will, in its discretion, disallow the claim for the dividend payment.

(b) If the department determines that a dividend should not have been paid to or on behalf of an individual, the department will issue a notice of assessment and, in its discretion, will allow the recipient at least 30 days to make repayment. After that time, the department will, in its discretion, invoke any appropriate collection remedy available under AS 43, including, but not limited to, levy, filing a lien, foreclosure, or bringing a judicial action for collection. So long as a notice of assessment of overpayment is sent to the individual within 10 years after the original payment was made, the department is statutorily authorized to bring a judicial action for collection at any time. If the

department has reasonable cause to believe that the 30-day period allowed for repayment might jeopardize the collection of a payment, then the department will, in its discretion, take immediate collection action. Justification for this action includes, but is not limited to, the following:

(1) imminent probable departure of the recipient from the state;

(2) potential bankruptcy of the recipient;

(3) evidence of attempts by the recipient to hide assets.

(c) The department will notify the applicant in writing of the assessment or the disallowance. The applicant may within 60 days after the notice is issued request in writing an informal hearing before an authorized representative of a division of the department for purposes of establishing his or her claim to the dividend. The representative will explain the grounds for the disallowance. Following the informal hearing, the representative will render a written decision. Within 30 days after this decision, the individual may request in writing a formal hearing before the department or may request that the department review the informal decision without a second hearing. The final formal disposition of the department will be rendered in writing and may be appealed to the superior court. Failure to request a hearing within the time provided in this subsection waives the individual's right to a hearing.

(d) If an individual received payment for a permanent fund dividend and the department determines that the individual was not eligible for the dividend, the individual is liable to the department for the amount of the payment. If the department determines that (1) an individual was not qualified to apply on behalf of a child or adult, (2) the child or adult was not eligible for the dividend, or (3) that more than one payment was made on behalf of the child or adult, then the department will, in its discretion, recover the dividend payment from the individual receiving the payment or the individual making the application for the child or adult, and, in the case of multiple payments made to the child or adult, from any individual who applied for and received one of the multiple



payments. If an individual who applies for a dividend on behalf of another becomes subject to the forfeiture provisions of AS 43.23.035, that individual forfeits not only the dividend payment that was wrongfully claimed on behalf of another, but also forfeits all dividends which that individual has received in the past for himself or herself and all dividends for which that individual would otherwise be eligible in the future. (Eff. 7/1/82, Reg. 83)

Authority: Sec. 19(e) and (f),  
ch. 102, SLA 1982  
AS 43.23.015  
AS 43.23.035

**15 AAC 23.500. ATTACHMENT AND GARNISHMENT OF DIVIDENDS.** (a) Except as provided in (b) of this section, 50 percent of the permanent fund dividend payable to an individual under sec. 19, ch. 102, SLA 1982, is available for levy, execution, garnishment, attachment, or any other remedy for the collection of debt.

(b) 100 percent of the permanent fund dividend payable to an individual under sec. 19, ch. 102, SLA 1982, is available for levy, execution, garnishment, attachment, or any other remedy

(1) for the collection of child support obligations required by court order or decision of the child support enforcement agency under AS 47.23.140 — 47.23.220; and

(2) for the collection of money owed to the United States or agency or instrumentality of the United States, including the Internal Revenue Service, under a notice of levy served on the department under federal law preempting provisions of state law that would otherwise limit the collection to 50 percent of the permanent fund dividend payable. (Eff. 7/1/82, Reg. 83)

Authority: Sec. 19(e) and (f),  
ch. 102, SLA 1982  
AS 43.23.065

**15 AAC 23.510. ASSIGNMENT OF DIVIDENDS.** (a) Except as provided in (b) and (c) of this section, an individual who is eligible for a permanent fund dividend may assign all or a portion of his or her permanent fund dividend which is due and payable or which may become due and payable to the individual.

(b) An assignment of a permanent fund dividend may not be made if application for that dividend was made on behalf of a child under 15 AAC 23.430 or made on behalf of an incompetent, disabled, or other adult under 15 AAC 23.440.

(c) Only one assignment to an assignee may be made of each dividend. Once an assignment is made and submitted to the department a retraction of that assignment by the assignor will not be honored by the department.

(d) An assignment must be made in writing on a form provided by the department, signed by the assignor and properly executed in the presence of two disinterested witnesses or a notary public, and filed with the department before the final processing of the assignor's permanent fund dividend application. (Eff. 10/28/82, Reg. 84)

Authority: Sec. 19(e), ch. 102, SLA 1982  
AS 43.23.015  
AS 43.23.055

**15 AAC 23.600. DEFINITIONS.** In 15 AAC 23.400 — 15 AAC 23.600, unless otherwise indicated

(1) "adult" means an individual who has reached the age of majority under AS 25.20.010 or who is under 18 years of age but because of marriage meets the requirements of AS 25.20.020;

(2) "assignee" means the person or the governmental agency to whom all or a portion of the right to a permanent fund dividend has been assigned;

(3) "assignor" means an individual eligible for a permanent fund dividend who has assigned all or a portion of the right to his or her dividend to an assignee;

(4) "authorized representative" means an adult who has a sufficiently significant legal or other relationship with a child or another adult that the department is satisfied that that person is applying for the permanent fund dividend payment for the benefit of the child or the adult: "authorized representative" includes an official in charge of a public agency or a private institution;



(5) "child" means an individual who has not reached the age of majority under AS 25.20.010 or AS 25.20.020;

(6) "department" means the Department of Revenue;

(7) "dividend" means a right to receive payment of a permanent fund dividend in accordance with sec. 19, ch. 102, SLA 1982;

(8) "disabled" means physically or mentally unable to complete and sign an application, but does not mean "incompetent";

(9) "emancipated minor" means an individual under the age of 18 years who has been declared emancipated by the superior court of this state under AS 09.55.590 or by a court of another jurisdiction under procedures granting the individual the capacity to act as an adult, including, but not limited to, the right to be domiciled where he or she desires and the right to receive and control his or her earnings;

(10) "incompetent" refers to an incapacitated individual for whom a guardian or conservator has been appointed under the provisions of AS 13.26 or similar provisions of law of this state or another jurisdiction;

(11) "individual" means a natural person;

(12) "legal guardian" means a guardian or conservator appointed by the court under the provisions of AS 13.26.035, AS 13.26.045, AS 13.26.110, AS 13.26.210, or similar provisions of law of this state or another jurisdiction;

(13) "month" means a period of 30 days;

(14) "refugee" means a person who is not a citizen or national of the United States but who has been allowed into the United States from another country as an immediate resident and who is expected under federal law to be treated as a permanent resident one year after arrival in the United States;

(15) "resident alien" means a person who is not a citizen or national of the United States but has been admitted to the United States for

permanent residency. (Eff. 7/1/82, Reg. 83; am 10/28/82, Reg. 84)

Authority: Sec. 19(e), ch. 102, SLA 1982  
AS 43.23.015  
AS 43.23.095

### ARTICLE 3.

#### PERMANENT FUND DIVIDEND DISTRIBUTION: 1983 AND SUBSEQUENT YEARS

##### Section

- 605. Applicability of  
15 AAC 23.605–15 AAC 23.795
- 615. Eligibility
- 625. Applications
- 635. Application on behalf of a child
- 645. Application on behalf of an  
incompetent, disabled, or other adult
- 655. Definition of "state resident"
- 665. Allowable absences
- 675. Proof of eligibility
- 685. Method of making payment
- 695. Disallowance of claims and assessments  
of overpayments
- 705. Attachment and garnishment of dividends
- 715. Assignment of dividends
- 795. Definitions

15 AAC 23.605. APPLICABILITY OF 15 AAC 23.605 – 15 AAC 23.795. The provisions of 15 AAC 23.605 – 15 AAC 23.795 apply to the distribution of 1983 and subsequent permanent fund dividends in accordance with AS 43.23.005 – 43.23.095. The provisions of 15 AAC 23.010 – 15 AAC 23.300 and 15 AAC 23.400 – 15 AAC 23.600 do not apply to this distribution. (Eff. 5/12/83, Reg. 86)

Authority: AS 43.05.080  
AS 43.23.055

15 AAC 23.615. ELIGIBILITY. (a) An individual is eligible to receive a permanent fund dividend under AS 43.23.005 – 43.23.095 in the amount determined by the department under AS 43.23.025 if

(1) the individual makes timely application in accordance with 15 AAC 23.625 – 15 AAC 23.645 and provides any additional information requested by the department within the time specified by the department; and

(2) on the date the individual makes timely application, the individual is a state resident



and has been a state resident in accordance with AS 43.23.005 and 15 AAC 23.655 and 15 AAC 23.665 for a period of six consecutive months extending from October 3 of the year immediately preceding the year of application through March 31 of the year of application.

(b) Except as provided in (c) of this section, an individual who became a state resident after October 3 of the year immediately preceding the year of application is not eligible to receive a permanent fund dividend under AS 43.23.005 – 43.23.095.

(c) Notwithstanding the physical-presence requirement in 15 AAC 23.655(f), a child who was born before April 1 of the year of application but after October 3 of the year immediately preceding the year of application is eligible to receive a permanent fund dividend under the provisions of AS 43.23.005 – 43.23.095 if (1) timely application is made on behalf of the child; (2) the child is a state resident on the date of application; and (3) the individual through whom the child claims residency under 15 AAC 23.655(f)(1) or (2) was a state resident for the six-month period described in (a)(2) of this section.

(d) An alien with resident alien status or a refugee otherwise qualifying under AS 43.23.005 – 43.23.095 and 15 AAC 23.605 – 15 AAC 23.795 is eligible to receive a permanent fund dividend.

(e) An application may not be made on behalf of a state resident after that resident has died. A personal representative may redeem a dividend payment to a deceased state resident and process it as part of the deceased individual's estate only if the individual's application for the dividend payment was made before the individual died and at the time of application the individual met the eligibility requirements of AS 43.23.005 – 43.23.095 and 15 AAC 23.605 – 15 AAC 23.795.

(f) An individual who has reached majority, or who has become an emancipated minor, may apply to the department if (1) he or she was a child during the six-month period described in (a)(2) of this section, (2) a permanent fund dividend application was not filed on the individual's behalf or was not timely filed, and (3) the

individual was eligible to receive a payment under AS 43.23.005 – 43.23.095. The department, in its discretion, will waive the time limit provided in 15 AAC 23.625 for that individual. A waiver of the time limit under this subsection will not extend beyond one year after the individual reaches majority or becomes an emancipated minor. (Eff. 5/12/83, Reg. 86)  
 Authority: AS 43.05.080 AS 43.23.055  
 AS 43.23.015 AS 43.23.095  
 AS 43.23.025

**15 AAC 23.625. APPLICATIONS.** (a) An application for a dividend payment under AS 43.23.005 – 43.23.095 must be filed before July 1 of the year of application on a form provided by the department. An application postmarked June 30 or earlier will be considered timely filed.

(b) If an individual was absent from the state during all or part of the six-month period described in 15 AAC 23.615(a)(2) and the absence is rebuttably presumed under 15 AAC 23.665(k) not to be an allowable absence, the individual must provide, along with his or her application, documentation supporting a claim that the individual remained a state resident during the absence despite the presumption to the contrary.

(c) If the department notifies an individual that the information included on or provided with the application form is insufficient to establish the individual's eligibility or is insufficient for any other reason, the individual must file a new application as prescribed by the department or provide additional information as requested by the department and within the time specified by the department.

(d) Except as provided in 15 AAC 23.635 and in 15 AAC 23.645, an individual, including an emancipated minor, applying for a dividend payment must personally sign the certification of residency and eligibility contained on the application form. (Eff. 5/12/83, Reg. 86)

Authority: AS 43.05.080  
 AS 43.23.015  
 AS 43.23.055

**15 AAC 23.635. APPLICATION ON BEHALF OF A CHILD.** (a) An application for a permanent fund dividend may be filed on behalf of a



child only by the child's parent, legal guardian, or authorized representative. Except as provided in (b) of this section and 15 AAC 23.615(c), an individual applying on behalf of a child must have had legal and physical custody of the child for the six-month period described in 15 AAC 23.615(a)(2). A permanent fund dividend claimed on behalf of a child who is in the custody of the Department of Health and Social Services may be claimed only by a representative of that department.

(b) An individual who did not have legal and physical custody of the child for the six-month period described in 15 AAC 23.615(a)(2) may apply on behalf of the child but he or she must provide, with the application, evidence satisfactory to the department of the circumstances justifying the need to have an application filed for the child by an individual other than one meeting the requirements of (a) of this section.

(c) An individual applying on behalf of a child must provide the names and addresses of any other individual who may be authorized, or have the apparent authority, to claim the dividend payment on behalf of that child, including natural parents, adoptive parents, legal guardians, and any other individual or public agency or institution having or expected to have physical or legal custody of the child at any time during the 12 months immediately preceding or following April 1 of the year of application.

(d) An individual making application on behalf of a child must certify to the facts underlying the child's eligibility for a permanent fund dividend payment and sign the application on behalf of that child.

(e) The department will, in its discretion, require that both parents sign an application on behalf of their child or provide a statement explaining why both parents are not signing the application.

(f) The department will, in its discretion, require an individual applying on behalf of a child to provide evidence of his or her authority to apply on behalf of the child, including but not limited to

(1) a certified or other legal copy of the child's birth certificate showing the name of the

individual making application as a parent of the child;

(2) a certified or other legal copy of a decree of divorce or dissolution of marriage showing the name of the individual making application as a person having sole or joint custody of the child;

(3) a certified or other legal copy of an adoption order or post-adoption birth certificate showing the name of the individual making application as an adoptive parent of the child;

(4) other information that may be required by the department demonstrating the individual's qualifications to apply for a permanent fund dividend on behalf of the child.

(g) An individual applying on behalf of a child must comply with 15 AAC 23.625. (Eff. 5/12/83, Reg. 86)

Authority: AS 43.05.080

AS 43.23.015

AS 43.23.055

**15 AAC 23.645. APPLICATION ON BEHALF OF AN INCOMPETENT, DISABLED, OR OTHER ADULT.** (a) An application for a permanent fund dividend may be filed on behalf of an incompetent adult only by the incompetent adult's guardian or conservator appointed under AS 13.26 or other similar provision of law of this state or of another jurisdiction.

(b) An application for a permanent fund dividend may be filed on behalf of a disabled adult only by the adult's spouse, parent, legal guardian, or other authorized representative.

(c) For good cause shown, the following persons may file an application for a permanent fund dividend on behalf of an adult who is neither incompetent nor disabled: (1) the adult's legal guardian; or (2) the adult's spouse, parent, or other authorized representative having a power of attorney.

(d) Evidence of the authority of the individual applying on behalf of an adult under this section must be attached to the application and the circumstances requiring the signature by someone other than the applicant must be clearly set out. The individual making application on behalf of



another adult must certify to the facts underlying the adult's eligibility for a permanent fund dividend payment and must sign the application on behalf of that adult.

(e) An individual applying on behalf of another adult must comply with 15 AAC 23.625. (Eff. 5/12/83, Reg. 86)

Authority: AS 43.05.080  
AS 43.23.015  
AS 43.23.055

**15 AAC 23.655. DEFINITION OF "STATE RESIDENT."** (a) A state resident is an individual physically present in the state who intends to remain permanently in the state, or, if not physically present in the state, was a resident immediately before departure from the state, intends to return to the state, is absent for one or more of the allowable reasons set out in 15 AAC 23.665, and demonstrates at all times during an absence an intent to return to the state and remain permanently in the state. An individual may not claim a dividend payment if during the six-month period described in 15 AAC 23.615(a)(2) the individual was absent from the state for one or more reasons not included as an allowable absence under 15 AAC 23.665.

(b) An individual's intent to remain permanently in the state, or to return permanently to the state, is based on the totality of the relevant circumstances. Physical presence in the state for the six-month period described in 15 AAC 23.615(a)(2) is not by itself sufficient to establish state residency. A period during which an individual claimed residence in any other state for purposes of exercising or obtaining significant state or local rights or benefits, including, but not limited to, voting in a state or local election or qualifying for resident tuition at a college or university, may not be claimed by that individual as a period of residence in this state.

(c) Subsection (d) of this section applies to: (1) a member of the military on assignment in the state; (2) an individual in the state on temporary assignment by his or her employer, with the understanding that the individual will be transferred by the employer to another state or country at some time in the future; (3) an individual who is employed in the state on a

seasonal basis; and (4) an individual who is self-employed and working in the state on a temporary basis.

(d) An individual described in (c) of this section who meets the requirements of (a) and (b) of this section may apply for a permanent fund dividend and may be eligible to receive a dividend if that person provides with the application documentation that demonstrates to the department an intent to remain permanently in the state despite the nature of his or her employment. Documentation may include any of the items of proof listed in 15 AAC 23.675(b)(1) - (10). The department will, in its discretion, require additional proof of the individual's intent to remain in the state.

(e) The spouse of an individual who is not a state resident as defined in this section is not a state resident unless the spouse meets the requirements of (a) and (b) of this section and provides with his or her application documentation of his or her intent to remain permanently in the state despite the nonresidency of his or spouse. Documentation may include any of the items of proof listed in 15 AAC 23.675(b)(1) - (10). The department will, in its discretion, require additional proof of the individual's intent to remain in the state.

(f) A child is a state resident if the child was physically present in the state for the six-month period described in 15 AAC 23.615(a)(2) or if not physically present in the state was absent for one or more of the allowable reasons set out in 15 AAC 23.665 and if

(1) at least one of the child's natural or adoptive parents is a state resident and that parent has either sole or joint legal custody of the child; or

(2) the child qualifies, for purposes of federal income tax under 26 U.S.C. sec. 151(e) and regulations adopted under that section, as a dependent of a state resident.

(g) If an individual is involuntarily in the custody of an agency of the state at the time the application is filed and the individual was not a state resident under (a) and (b) of this section at the time the public agency acquired custody of the individual, then the individual must provide



with the application documentation of his or her intent to remain permanently in the state after his or her release from involuntary custody. Documentation may include any of the items of proof listed in 15 AAC 23.675(b)(1) — (10). The department will, in its discretion, require additional proof of the individual's intent to remain in the state. (Eff. 5/12/83, Reg. 86)

Authority: AS 43.05.080

AS 43.23.055

AS 43.23.015

AS 43.23.095

#### 15 AAC 23.665. ALLOWABLE ABSENCES.

(a) Absence for purposes of pursuing secondary or postsecondary education is an allowable absence. "Postsecondary education" means enrollment in good standing as a full-time or part-time student as defined in AS 14.43.160(2) and (3) at a college, university, or junior or community college accredited by the accreditation association for the region in which the college or university is located for purposes of pursuing an associate, baccalaureate, or graduate degree program.

(b) Absence from the state for active service in a branch of the armed forces of the United States is an allowable absence.

(c) Absence for service in the United States Congress as a representative or senator for the State of Alaska is an allowable absence. Service in Congress includes an absence by an individual while serving on the staff of a representative or senator for the State of Alaska.

(d) Absence from the state for purposes of employment by the Alaska State Government, including employment in a field office, is an allowable absence.

(e) Absence for purposes of receiving medical treatment is an allowable absence. "Medical treatment" absences must have been on the advice of a licensed physician and those absences do not include permanent changes of residence made upon advice of a qualified physician for climatic reasons.

(f) Absence from the state for purposes of obtaining vocational education for which a comparable program was not reasonably available in the state is an allowable absence. "Vocational education" means technical training as

part of a recognized career education program for which the Alaska Postsecondary Education Commission states to the department that there is no comparable program reasonably available in the state.

(g) Absence from the state for purposes of receiving professional education for which a comparable program was not reasonably available in the state is an allowable absence. "Professional education" means attendance at an academic institution, seminar, or other recognized course or program for continuing professional development, including continuing legal education and certified public accountant development courses, for which the Alaska Postsecondary Education Commission states to the department that there is no comparable course or program reasonably available in the state.

(h) Absence from the state for purposes of receiving other special educational assistance is allowable if attendance at such a program or institution is recommended by a licensed doctor, psychologist, psychiatrist, physical therapist, or the commissioner of education to assist in treatment of learning or physical disabilities or the treatment of mental or emotional disorders and if the Department of Education states to the department that there is no comparable program reasonably available in the state.

(i) Absence from the state while in the custody and control of the state is an allowable absence.

(j) An absence for any purpose other than one stated in (a) — (i) of this section will, in the department's discretion, be allowed by the department if the nature and duration of the absence are temporary and are consistent with an intent to return to the state and remain permanently in the state.

(k) An absence allowable under this section of more than 60 consecutive days or any combination of absences totaling more than 90 days during the six-month period described in 15 AAC 23.615(a)(2) must be disclosed on the application. Except for good cause shown, an individual who fails to disclose an absence as required under this subsection loses eligibility for a permanent fund dividend under AS 43.23.005 — 43.23.095. In the department's discretion, an



absence under (d), (f), (g), (h), or (j) of this section will be disallowed, depending on the length of the absence, frequency and duration of that absence, and other factors relevant to the length and purpose of the absence in question. An absence, or any combination of absences, otherwise allowable under (e), (f), (g), (h), or (j) of this section which when totaled exceed 180 days, or an absence under (a), (b), (c), (d) or (i) of this section totaling more than five years, is rebuttably presumed not to be allowable. In such a case, the individual is not eligible for a dividend payment unless the individual provides with his or her application documentation that demonstrates to the department an intent at all times during the absence or absences to return to the state and remain permanently in the state. Documentation may include any of the items of proof listed in 15 AAC 23.675(b) (1) - (10). The department will, in its discretion, require additional proof of the individual's intent to remain a state resident during the absence or absences.

(1) Absence from the state by a spouse, child, or other dependent of an individual state resident who is absent for reasons allowed by (a) - (j) of this section is an allowable absence, if the spouse, child, or dependent was a resident of the state immediately before departure and has not established residency elsewhere. The absence of the spouse or dependent must be related to the absence of the resident who is absent for the reasons allowed by (a) - (j) of this section. (Eff. 5/12/83, Reg. 86)

Authority: AS 43.05.080 AS 43.23.055  
AS 43.23.015 AS 43.23.095

#### 15 AAC 23.675. PROOF OF ELIGIBILITY.

(a) An applicant must indicate on the prescribed form information required by the department which will support the claim of residency. That information may include, but is not limited to, certification by individuals, including relatives, friends, and neighbors, who attest to the applicant's residence in the state. When an application is filed on behalf of a child, the department will, in its discretion, require that the application be accompanied by a certified or other legal copy of the child's birth certificate.

(b) The department will, in its discretion, request additional proof of residency, including proof bearing on an intent to remain

permanently in the state. This additional proof may be any proof acceptable to the department, including, but not limited to:

- (1) voter registration and voting records;
- (2) resident hunting and fishing licenses and other licenses;
- (3) school records;
- (4) rent receipts, or proof of home ownership or a home purchase contract;
- (5) tax records;
- (6) employment, unemployment, or military records;
- (7) court or other government agency records;
- (8) birth or other vital statistics records;
- (9) affidavit of the individual;

(10) affidavits or certifications by persons acquainted with or related to the applicant. (Eff. 5/12/83, Reg. 86)

Authority: AS 43.05.080  
AS 43.23.015  
AS 43.23.055

15 AAC 23.685. METHOD OF MAKING PAYMENT. (a) The department will make payment of a permanent fund dividend in accordance with 15 AAC 23.705 if the dividend has been attached, garnished, or levied upon, or in accordance with 15 AAC 23.715 if the dividend has been assigned.

(b) When a dividend is claimed on behalf of a child or another adult, the payment will be made to the child or to the adult on whose behalf the application was made. If more than one individual claims to be qualified to make application on behalf of a child or another adult, the department will make the payment on the basis of the earliest application filed by an individual who provides satisfactory evidence to the department of his or her qualifications to apply on behalf of the child or the adult.

(c) If a public agency claims a dividend on



behalf of an individual, the department will not issue a warrant to the individual or to the public agency. The department will acknowledge receipt of the application and will inform the public agency whether the application was approved or disapproved. The department will, in its discretion, direct inquiries concerning the residency of the individual to the public agency. The department will account to the public agency for the funds retained and invested in accordance with AS 43.23.015(e). The trust responsibilities provided under AS 43.23.015(e) will be carried out entirely by the public agency except for the responsibility to account for and to invest the trust funds. These funds will be held together with other funds invested under AS 37.10.070. No separate investment accounts for individual applicants will be maintained. Dividends retained and invested in accordance with AS 43.23.015(e) will be paid interest at the average rate earned by all funds invested in accordance with AS 37.10.070 from the date the application is approved and processed by the department to the date the claim for payment of the trust fund is filed by or on behalf of the individual on whose behalf the public agency filed. The department will, in its discretion, require the public agency to provide the department with sufficient information on a timely basis to permit the department to carry out its accounting and investment responsibilities. Trust funds held by the department under this subsection are subject to escheat under AS 09.50. (Eff. 5/12/83, Reg. 86)

Authority: AS 43.05.080  
AS 43.23.015  
AS 43.23.055

**15 AAC 23.695. DISALLOWANCE OF CLAIMS AND ASSESSMENTS OF OVERPAYMENTS.** (a) If proof of eligibility satisfactory to the department is not provided as required in 15 AAC 23.625, 15 AAC 23.655(d), (e), and (g), and 15 AAC 23.675 or if audit of the claim raises a question as to the legitimacy of the claim, the department will, in its discretion, disallow the claim for the dividend payment.

(b) If the department determines that a dividend should not have been paid to or on behalf of an individual, the department will issue a notice of assessment and, in its discretion, will allow the recipient at least 30 days to make repayment. After that time, the department will,

in its discretion, invoke any appropriate collection remedy available under AS 43, including, but not limited to, levy, filing a lien, foreclosure, or bringing a judicial action for collection. So long as a notice of assessment of overpayment is sent to the individual within 10 years after the original payment was made, the department is authorized by AS 43.23.035(b) to bring a judicial action for collection at any time. If the department has reasonable cause to believe that the 30-day period allowed for repayment might jeopardize the collection of a payment, then the department will, in its discretion, take immediate collection action. Justification for this action includes, but is not limited to, the following:

(1) imminent probable departure of the recipient from the state;

(2) potential bankruptcy of the recipient;

(3) evidence of attempts by the recipient to hide assets.

(c) The department will notify the applicant in writing of the assessment or the disallowance. The applicant may, within 60 days after the notice is issued, request in writing an informal hearing before an authorized representative of a division of the department for purposes of establishing his or her claim to the dividend. The representative will explain the grounds for the disallowance. Following the informal hearing, the representative will render a written decision. Within 30 days after this decision, the individual may request in writing a formal hearing before the department or may request that the department review the informal decision without a second hearing. The final formal disposition of the department will be rendered in writing and may be appealed to the superior court. Failure to request a hearing within the time provided in this subsection waives the individual's right to a hearing.

(d) If an individual received payment for a permanent fund dividend and the department determines that the individual was not eligible for the dividend, the individual is liable to the department for the amount of the payment. If the department determines that (1) an individual was not qualified to apply on behalf of a child or adult, (2) the child or adult was



not eligible for the dividend, or (3) more than one payment was made on behalf of the child or adult, then the department will, in its discretion, recover the dividend payment from the individual receiving the payment or the individual making the application for the child or adult, and, in the case of multiple payments made to the child or adult, from any individual who applied for and received one of the multiple payments. If an individual who applies for a dividend on behalf of another becomes subject to the forfeiture provisions of AS 43.23.035, that individual forfeits not only the dividend payment that was wrongfully claimed on behalf of another, but also forfeits all dividends which that individual has received in the past for himself or herself and all dividends for which that individual would otherwise be eligible in the future. (Eff. 5/12/83, Reg. 86)

Authority: AS 43.05.080 AS 43.23.035  
AS 43.23.015 AS 43.23.055

**15 AAC 23.705. ATTACHMENT AND GARNISHMENT OF DIVIDENDS.** (a) Except as provided in (b) of this section, 50 percent of the permanent fund dividend payable to an individual under AS 43.23.005 – 43.23.095 is available for levy, execution, garnishment, attachment, or any other remedy for the collection of debt.

(b) One hundred percent of the permanent fund dividend payable to an individual under AS 43.23.005 – 43.23.095 is available for levy, execution, garnishment, attachment, or any other remedy (1) for the collection of child support obligations required by court order or decision of the child support enforcement agency under AS 47.23.140 – 47.23.270; and (2) for the collection of money owed to the United States or an agency or instrumentality of the United States, including the Internal Revenue Service, under a notice of levy served on the department under federal law preempting provisions of state law that would otherwise limit the collection to 50 percent of the permanent fund dividend payable. (Eff. 5/12/83, Reg. 86)

Authority: AS 43.05.080  
AS 43.23.055  
AS 43.23.065

**15 A 23.715. ASSIGNMENT OF DIVIDENDS.** (a) Except as provided in (b) and (c) of

this section, an individual who is eligible for a permanent fund dividend may assign all or a portion of his or her permanent fund dividend which is due and payable or which may become due and payable to the individual.

(b) An assignment of a permanent fund dividend may not be made if application for that dividend was made on behalf of a child under 15 AAC 23.635 or made on behalf of an incompetent, disabled, or other adult under 15 AAC 23.645.

(c) Only one assignment to an assignee may be made of each dividend. Once an assignment is made and submitted to the department a retraction of that assignment by the assignor will not be honored by the department.

(d) An assignment must be made in writing on a form provided by the department, signed by the assignor and properly executed in the presence of two disinterested witnesses or a notary public, and filed with the department before the final processing of the assignor's permanent fund dividend application. (Eff. 5/12/83, Reg. 86)

Authority: AS 43.05.080  
AS 43.23.015  
AS 43.23.055

**15 AAC 23.795. DEFINITIONS.** In 15 AAC 23.605 – 15 AAC 23.795, unless otherwise indicated.

(1) "adult" means an individual who has reached the age of majority under AS 25.20.010 or who is under 18 years of age but because of marriage is an adult under AS 25.20.020;

(2) "assignee" means the person or the governmental agency to whom all or a portion of the right to a permanent fund dividend has been assigned;

(3) "assignor" means an individual eligible for a permanent fund dividend who has assigned all or a portion of the right to his or her dividend to an assignee;

(4) "authorized representative" means an adult who has a sufficiently significant legal or other relationship with a child or another adult that the department is satisfied that that person



is applying for the permanent fund dividend payment for the benefit of the child or the adult; "authorized representative" includes an official in charge of a public agency or a private institution;

but has been admitted to the United States for permanent residency. (Eff. 5/12/83, Reg. 86)  
Authority: AS 43.05.080 AS 43.23.055  
AS 43.23.015 AS 43.23.095

(5) "child" means an individual who has not reached the age of majority under AS 25.20.010 or AS 25.20.020;

(6) "department" means the Department of Revenue;

(7) "disabled" means physically or mentally unable to complete and sign an application, but does not mean "incompetent";

(8) "emancipated minor" means an individual under the age of 18 years who has been declared emancipated by the superior court of this state under AS 09.55.590 or by a court of another jurisdiction under procedures granting the individual the capacity to act as an adult, including, but not limited to, the right to be domiciled where he or she desires and the right to receive and control his or her earnings;

(9) "incompetent" refers to an incapacitated individual for whom a guardian or conservator has been appointed under the provisions of AS 13.26 or similar provisions of law of this state or another jurisdiction;

(10) "individual" means a natural person;

(11) "legal guardian" means a guardian or conservator appointed by the court under the provisions of AS 13.26.035, 13.26.045, 13.26.095, 13.26.110, 13.26.112, 13.26.210, or similar provisions of law of this state or another jurisdiction;

(12) "month" means a period of 30 days;

(13) "refugee" means a person who is not a citizen or national of the United States but who has been allowed into the United States from another country as an immediate resident and who is expected under federal law to be treated as a permanent resident one year after arrival in the United States;

(14) "resident alien" means a person who is not a citizen or national of the United States

**APPENDIX C**

**PERMANENT FUND DIVIDEND SURVEY INSTRUMENT**





OFFICE USE ONLY

COVER SHEET



INSTITUTE OF  
SOCIAL AND  
ECONOMIC  
RESEARCH

PERMANENT FUND DIVIDEND STUDY  
SPRING 1984

1. INTERVIEWER ID \_\_\_\_\_ 2. INTERVIEWER NUMBER \_\_\_\_\_  
3. TELEPHONE NUMBER \_\_\_\_\_

CALL RECORD

	DATE	DAY	TIME	RESULT	INTERVIEWER INITIALS
FIRST CALL					
SECOND CALL					
THIRD CALL					
FOURTH CALL					
FIFTH CALL					

(1) Hello. I'm \_\_\_\_\_ (NAME) calling for the State of Alaska. We are conducting a study about the Alaska Permanent Fund Dividend Program, and a computer randomly selected your telephone number.

(2) Is this \_\_\_\_\_ ?  
(PHONE NUMBER)

YES

NO

Thank you very much, but I seem to have dialed the wrong number. It is possible that your number may be called at a later time.

(COMPLETE COVER SHEET)

(3) Is this a residence?

YES

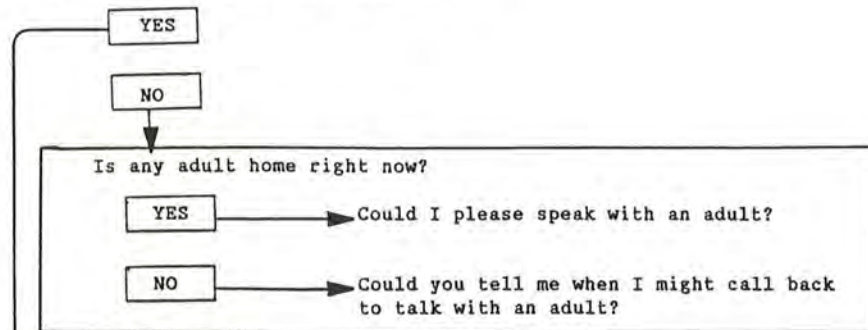
NO

Thank you very much, but we are only interviewing in private residences.

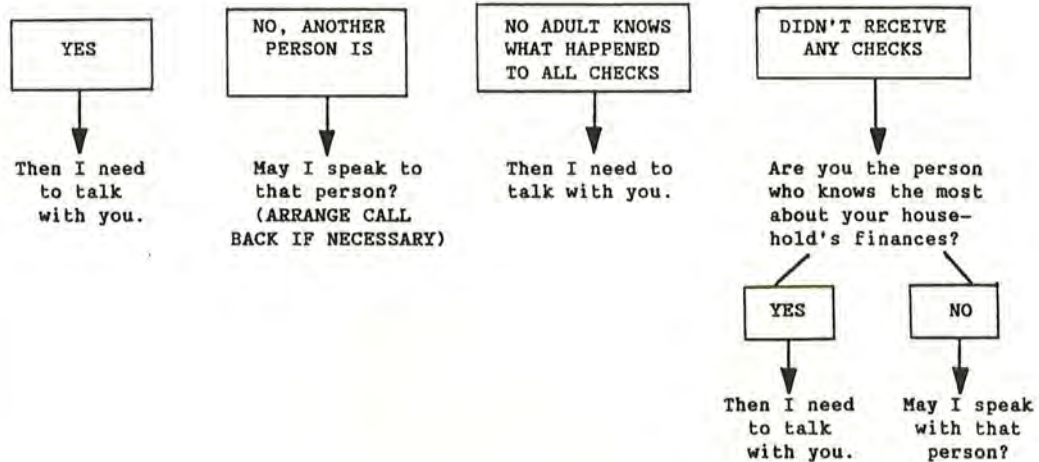
(COMPLETE COVER SHEET)



(4) Are you 18 years old or older?



(5) (Hi. My name is \_\_\_\_\_ and I'm calling for the State of Alaska. We are conducting a study of the Alaska Permanent Fund dividend program, and a computer randomly selected your telephone number.) Are you the person who knows the most about what happened to the permanent fund checks your household has received?



IF SCREENING WAS NOT DONE WITH RESPONDENT, START HERE

Hello. I'm \_\_\_\_\_ (NAME) \_\_\_\_\_ calling for the State of Alaska. We are conducting a study about the Alaska Permanent Fund Dividend Program.

CONTINUE BELOW

IF SCREENING WAS DONE WITH RESPONDENT, START HERE

I would like to ask you some questions which will help the State of Alaska decide whether or not to continue the Alaska Permanent Fund Distribution Program. Of course, your answers will be kept strictly confidential and will be used only in combination with the answers of other Alaskans. The interview can take up to 30 minutes, but I find that most of mine are shorter. The interview is completely voluntary. If we come to any question you don't want to answer, just let me know and we will go on to the next question.

CONTINUE WITH QUESTIONNAIRE



INSTITUTE OF  
SOCIAL AND  
ECONOMIC  
RESEARCH

PERMANENT FUND DIVIDEND STUDY  
SPRING 1984

COMPLETE FOLLOWING INTERVIEW

1. STUDY INTERVIEW NUMBER	(1-4)
2. DECK NUMBER	<u>1</u> (5)
3. INTERVIEWER ID	(6-7)
4. INTERVIEWER INTERVIEW NUMBER	(8-10)
5. PREFIX	(11-13)

SECTION A  
ATTITUDES

A.1. As you may know, the State of Alaska currently has a Permanent Fund dividend program in which Alaska residents receive checks each year. The money for the checks comes from one-half of the earnings of Alaska's Permanent Fund. Do you think this program is a good idea, a bad idea, or do you have mixed feelings about it?

1. GOOD IDEA
2. BAD IDEA
3. MIXED FEELINGS
8. DON'T KNOW
9. NOT ASCERTAINED

(14)

A.2. Some people have suggested other ways in which the State could use the Permanent Fund dividend money. I would like to ask your opinion about some of the other possible uses of the money now spent on the Permanent Fund dividend program. If the choice were between keeping the dividend program or adding the money to the State's savings for future use, which would you prefer?

1. KEEP THE DIVIDEND PROGRAM
2. ADD TO STATE SAVINGS
8. DON'T KNOW
9. NOT ASCERTAINED

(15)

A.3. If the choice were between keeping the dividend program or using the money for large state construction projects, which would you prefer?

1. KEEP DIVIDEND PROGRAM
2. LARGE CONSTRUCTION PROJECTS
8. DON'T KNOW
9. NOT ASCERTAINED

(16)



A.4. If the choice were between keeping the dividend program or using the money for housing or business loans, which would you prefer?

1. KEEP DIVIDEND PROGRAM
2. HOUSING OR BUSINESS LOANS

8. DON'T KNOW
9. NOT ASCERTAINED

(17)

A.5. If the choice were between keeping the dividend program or reducing local property taxes, which would you prefer?

1. KEEP DIVIDEND PROGRAM
2. REDUCE LOCAL PROPERTY TAXES

8. DON'T KNOW
9. NOT ASCERTAINED

(18)

A.6. If the choice were between keeping the dividend program or having communities use the money for local construction projects, which would you prefer?

1. KEEP DIVIDEND PROGRAM
2. LOCAL CONSTRUCTION PROJECTS

8. DON'T KNOW
9. NOT ASCERTAINED

(19)

A.7. If the choice were between keeping the dividend program as it is or using a portion of the money to pay for the longevity bonus program, in which older Alaskans receive monthly checks, which would you prefer?

1. KEEP DIVIDEND PROGRAM
2. LONGEVITY BONUS

8. DON'T KNOW
9. NOT ASCERTAINED

(20)

A.8. Some people have suggested that the Permanent Fund dividend program should be changed so that only people with low incomes receive checks. If the choice were between keeping the dividend program as it is or having dividend checks distributed only to people with low incomes, which would you prefer?

1. KEEP PROGRAM AS IS
2. DISTRIBUTE ONLY TO PEOPLE  
WITH LOW INCOMES

8. DON'T KNOW
9. NOT ASCERTAINED

(21)

A.9. Some people believe that by the end of the 1980s, Alaska will not have enough money for the current level of state government services. If that happened, would you prefer to have the state keep the dividend program and collect income taxes, or end the dividend program and not collect income taxes?

1. KEEP PROGRAM AND COLLECT TAXES
2. END PROGRAM, DO NOT COLLECT TAXES
8. DON'T KNOW
9. NOT ASCERTAINED

(22)

A.10. Half of the money currently earned by Alaska's Permanent Fund is used for the dividend checks. The other half of the earnings is currently put back in the Permanent Fund to protect it against inflation. Would you prefer that half of the earnings of the Permanent Fund continue to go back into the Fund to protect it against inflation or that the money be used for some other purpose?

SKIP TO  
Q. A.12.

1. CONTINUE TO PUT MONEY IN FUND

(23)

2. USE MONEY FOR SOME OTHER PURPOSE

SKIP TO  
Q. A.12.

8. DON'T KNOW  
9. NOT ASCERTAINED

A.11. What other purpose do you think this money should be used for? (WRITE VERBATIM RESPONSE FOR CODING LATER.)

(24-26)

(27-29)

(30-32)



A.12. Now I would like to know the extent to which you agree or disagree with the following statements. If you agree with a statement, please tell me whether you strongly agree or mildly agree. If you disagree with a statement, please tell me if you strongly disagree or mildly disagree. If you have mixed feelings, just say "mixed."

- |                      |                    |                       |                         |                  |
|----------------------|--------------------|-----------------------|-------------------------|------------------|
| 1. STRONGLY<br>AGREE | 2. MILDLY<br>AGREE | 3. MILDLY<br>DISAGREE | 4. STRONGLY<br>DISAGREE | 7. MIXED         |
| 8. DON'T KNOW        |                    | 9. NOT ASCERTAINED    |                         | 0. INAPPROPRIATE |

The first statement is:

A.12a. Considering the possible uses of the money spent on the Permanent Fund dividend program, the dividend program is the best use of the money.

(33)

A.12b. The Permanent Fund dividend program has hurt Alaska's image in the rest of the United States.

(34)

A.12c. As owners of the Alaska Permanent Fund, Alaska residents are entitled to an equal share of the earnings of the Fund.

(35)

A.12d. The Permanent Fund dividend program has made me pay closer attention to how the state spends its money.

(36)

A.12e. A problem with the Permanent Fund dividend program is that much of it goes to the federal government in income taxes.

(37)

A.12f. Giving money directly to Alaska residents is better than letting the Alaska legislature decide how to spend it.

(38)

A.12g. It is wrong for the state government to give away money to residents.

(39)

A.12h. The Permanent Fund dividend checks are an important source of income for people in my community.

(40)

A.12i. Many people have wasted a large part of their Permanent Fund checks on such things as liquor or drugs.

(41)

A.12j. How people spent their Permanent Fund checks should not determine whether or not the dividend program continues.

(42)

A.12k. The dividend program keeps politicians from getting into the Permanent Fund savings because they would have to fight it out with the Alaska public first.

(43)

A.12l. Ten years from now, the State of Alaska will have less money to spend than it does now.

(44)

A.13. Would you prefer to see the State save more and spend less on capital construction projects, or save less and spend more on capital construction projects, or to save and spend as it is now?

1. SAVE MORE, SPEND LESS
2. SAVE LESS, SPEND MORE
3. SAVE AND SPEND AS DO NOW

(45)

8. DON'T KNOW
9. NOT ASCERTAINED

SECTION B  
1982 DIVIDEND CHECKS

B.1. Did you or any other adult in your household receive a 1982 \$1,000 dividend check?

1. YES

2. NO

8. DON'T KNOW

9. NOT ASCERTAINED

GO TO P.14  
SECTION C

(46)

B.2. In 1982, how many adults 18 years old or older lived in your household?

CODE ACTUAL NUMBER 01-96

99. NOT ASCERTAINED

(47-48)

B.3. How many of these adults received a \$1,000 Permanent Fund dividend check?

CODE ACTUAL NUMBER 01-96

98. DON'T KNOW (WHAT IS YOUR BEST GUESS?)

99. NOT ASCERTAINED

(49-50)

B.4. Are you familiar with how each of these adults used their \$1,000 checks?

SKIP TO  
Q. B.6.

1. YES

2. NO

(51)

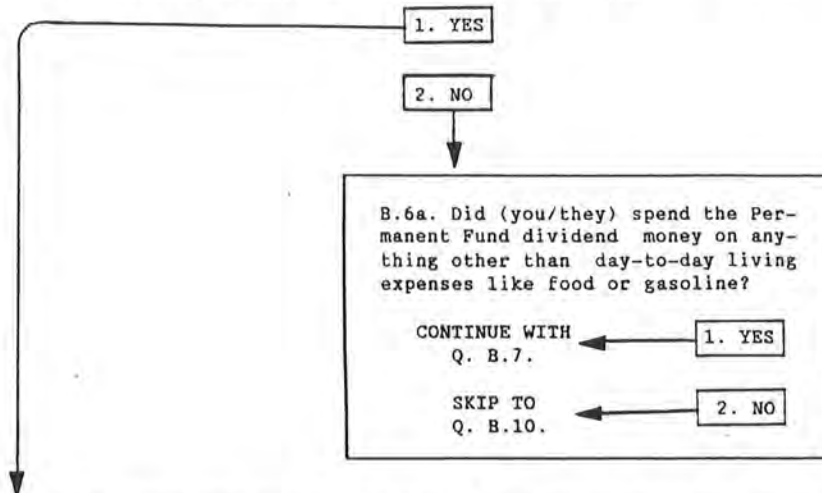
B.5. How many adults do you think you can answer for concerning their use of their \$1,000 check?

(52-53)

In the next series of questions, I would like you to give your answers in terms of the (NUMBER) adults you just mentioned. When I use the phrase "your household," I am referring just to them, not to all of the adults living in your housing unit.



B.6. That means the adults in your household received a total of (\$ AMOUNT). Did (you/any of the adults) use (your/their) check to make any purchases like furniture, airplane tickets, or a television?



(54)

B.7. What items were purchased? (WRITE NAME(S) OF UP TO FOUR MOST EXPENSIVE ITEM(S) ON ANSWER SHEET FOR CODING LATER).

(55-57)

(58-60)

(61-63)

(64-66)

B.8. Altogether, how much do you think these items cost? (PROBE: What is your best guess?)

CODE \$ AMOUNT 0001 to 9000

LAST RESORT CODES:

9910. LESS THAN HALF OF TOTAL AMOUNT  
9920. MORE THAN HALF OF TOTAL AMOUNT  
9998. NO IDEA  
9999. NOT ASCERTAINED

(67-70)

B.9. Do you think (EACH ITEM NAMED IN B.7.) would have been purchased even without (your/their) \$1,000 check(s)? (CODE FOR ALL ITEMS LISTED IN Q.B.7.)

1. YES  
2. NO  
3. WOULD HAVE SPENT LESS ON ITEM  
4. WOULD HAVE POSTPONED PURCHASE  
8. DON'T KNOW  
9. NOT ASCERTAINED  
0. INAP

(71)

(72)

(73)

(74)

B.10. Of the (\$ AMOUNT) (you/the adults) received, how many dollars were saved before taxes? (PROBE: What is your best guess?)

CODE ACTUAL \$ AMOUNT 0000 to 9000

LAST RESORT CODES:

(75-78)

- 9910. LESS THAN HALF OF TOTAL AMOUNT
- 9920. MORE THAN HALF OF TOTAL AMOUNT
- 9998. NO IDEA
- 9999. NOT ASCERTAINED

B.11. Without the adults' \$1,000 checks, would your household savings be higher, lower, or no different than they are now?

- 1. HIGHER
- 2. LOWER

(79)

- 3. NO DIFFERENT
  - 8. DON'T KNOW
  - 9. NOT ASCERTAINED

B.12. How many dollars (higher/lower) do you think your household savings are because of the adults' \$1,000 checks? (PROBE: What is your best guess?)

CODE ACTUAL \$ AMOUNT 0001 to 9000

(80-83)

- 9998. DON'T KNOW
- 9999. NOT ASCERTAINED
- 0000. INAP

B.13. Of the (\$ AMOUNT) (you/the adults) received, how many dollars went to pay off household debts? (PROBE: What is your best guess?)

CODE ACTUAL \$ AMOUNT 0000 to 9000

(84-87)

LAST RESORT CODES:

- 9910. LESS THAN HALF OF TOTAL AMOUNT
- 9920. MORE THAN HALF OF TOTAL AMOUNT
- 9998. NO IDEA
- 9999. NOT ASCERTAINED

B.14. Without the adults' \$1,000 checks, would your household's debt be lower, higher, or no different now?

- 1. LOWER
- 2. HIGHER

(88)

- 3. NO DIFFERENT
  - 8. DON'T KNOW
  - 9. NOT ASCERTAINED

SKIP TO Q.B.16. ←

B.15. How many dollars (lower/higher) do you think your household debt is because of the adults' \$1,000 check(s)? (PROBE: What is your best guess?)

CODE ACTUAL \$ AMOUNT 0000 to 9000

(89-92)

- 9998. DON'T KNOW
- 9999. NOT ASCERTAINED
- 0000. INAP



B.16. Of the (\$ AMOUNT) (you/the adults) received, how many dollars were spent on day-to-day household expenses like food, gasoline, and clothes? (PROBE: What is your best guess?)

CODE ACTUAL \$ AMOUNT 0000 to 9000

LAST RESORT CODES:

(93-96)

- 9910. LESS THAN HALF OF TOTAL AMOUNT
- 9920. MORE THAN HALF OF TOTAL AMOUNT
- 9998. NO IDEA
- 9999. NOT ASCERTAINED

B.17. Of the (\$ AMOUNT) (you/the adults) received, what percent went as taxes to the federal government? (PROBE: What tax bracket were you in in 1982? What is your best guess?)

CODE ACTUAL \$ AMOUNT 0000 to 9000

LAST RESORT CODES:

(97-100)

- 9910. LESS THAN HALF OF TOTAL AMOUNT
- 9920. MORE THAN HALF OF TOTAL AMOUNT
- 9998. NO IDEA
- 9999. NOT ASCERTAINED

B.18. Overall, how would you say your household's spending, saving, and debt was changed by (your/the adults') \$1,000 check(s)? (RECORD RESPONSE VERBATIM ON ANSWER SHEET FOR CODING LATER.)

(101-103)

(104-106)

(107-109)

B.19. Thinking back to early 1982 before the dividend program began, did you think it very likely, somewhat likely, or not likely that you would receive a Permanent Fund dividend check?

- 1. VERY LIKELY
- 2. SOMEWHAT LIKELY
- 3. NOT LIKELY

(110)

- 8. DON'T KNOW
- 9. NOT ASCERTAINED

B.20. When you received your \$1,000 dividend check, did you think it very likely, somewhat likely, or not likely that the state would issue dividend checks again in 1983?

- 1. VERY LIKELY
- 2. SOMEWHAT LIKELY
- 3. NOT LIKELY

(111)

- 8. DON'T KNOW
- 9. NOT ASCERTAINED

B.21. Did anyone in your household spend less time working for pay because of the \$1,000 checks you received?

- 1. YES
- 2. NO
- 8. DON'T KNOW
- 9. NOT ASCERTAINED

(112)

B.22. Did anyone in your household decide not to move from Alaska so that they could receive a \$1,000 check?

- 1. YES
- 2. NO
- 8. DON'T KNOW
- 9. NOT ASCERTAINED

(113)

0000000  
(114-120)

END DECK 1

STUDY INT'W NO. (1-4)

DECK NO. 2  
(5)

IF ONLY ONE ADULT, SKIP TO Q.B.26.

B.23. Did all the adults in your household receive their \$1,000 checks at about the same time?

SKIP TO  
Q. B.26.

1. YES

2. NO

(6)

SKIP TO  
Q. B.26.

8. DON'T KNOW  
9. NOT ASCERTAINED

B.24. If you can remember, during what month and year did the first check arrive?

CODE MONTH 01-12  
CODE YEAR 82 or 83

(7-8)

98. DON'T KNOW  
99. NOT ASCERTAINED

(9-10)

B.25. And during what month and year did the last check arrive?

CODE MONTH 01-12  
CODE YEAR 82 or 83

(11-12)

98. DON'T KNOW  
99. NOT ASCERTAINED

(13-14)



B.26. In 1982, how many children who were under 19 years old lived in your household?

IF THERE WERE NO CHILDREN, GO TO PAGE 14, SECTION C.

CODE NUMBER 00-96

99. NOT ASCERTAINED

(15-16)

B.27. How many children received a \$1,000 Permanent Fund dividend check?

IF NO CHILD RECEIVED A \$1,000 CHECK, GO TO PAGE 14, SECTION C.

CODE NUMBER 00-96

99. NOT ASCERTAINED

(17-18)

B.28. Was any of the (\$ AMOUNT) your (child/children) received used to make any special purchases like stereos, bicycles, or airplane tickets?

1. YES

(19)

2. NO

B.28a. Was any of the money spent on anything other than day-to-day living expenses like food or clothes?

CONTINUE WITH  
Q. B.29.

1. YES

SKIP TO  
Q. B.32.

2. NO

B.29. What items were purchased with your (child's/children's) \$1,000 check(s)? (WRITE NAME(S) OF ITEM(S) ON ANSWER SHEET FOR CODING LATER).

(20-22)

(23-25)

(26-28)

(29-31)

B.30. Altogether, how much do you think these items cost? (PROBE: What is your best guess?)

CODE \$ AMOUNT 0001 to 9000

LAST RESORT CODES:

(32-35)

- 9910. LESS THAN HALF OF TOTAL AMOUNT
- 9920. MORE THAN HALF OF TOTAL AMOUNT
- 9998. NO IDEA
- 9999. NOT ASCERTAINED

B.31. Do you think ( ITEM ) would have been purchased even without your (child's/children's) \$1,000 check(s)? (CODE FOR ALL ITEMS LISTED IN Q.B.5.)

- 1. YES (36)
- 2. NO
- 3. WOULD HAVE SPENT LESS ON ITEM (37)
- 4. WOULD HAVE POSTPONED PURCHASE (38)
- 8. DON'T KNOW
- 9. NOT ASCERTAINED (39)
- 0. INAP

B.32. Of the (\$ AMOUNT) your (child/children) received, how many dollars were saved before taxes? (PROBE: What is your best guess?)

CODE ACTUAL \$ AMOUNT 0000 to 9000

LAST RESORT CODES:

(40-43)

- 9910. LESS THAN HALF OF TOTAL AMOUNT
- 9920. MORE THAN HALF OF TOTAL AMOUNT
- 9998. NO IDEA
- 9999. NOT ASCERTAINED

B.33. Without your (child's/children's) \$1,000 check(s), would your household savings be higher, lower, or the same as they are now?

- 1. HIGHER
  - 2. LOWER
  - 3. NO DIFFERENT
  - 8. DON'T KNOW
  - 9. NOT ASCERTAINED
- (44)

SKIP TO Q.B.35. ←

B.33. How many dollars (higher/lower) do you think your household savings are because they received the \$1,000 check(s)? (PROBE: What is your best guess?)

CODE ACTUAL \$ AMOUNT 0001 to 9000

- 9998. DON'T KNOW
  - 9999. NOT ASCERTAINED
  - 0000. INAP
- (45-48)

B.35. Of the (\$ AMOUNT) your (child/children) received, how many dollars went to pay off household debts? (PROBE: What is your best guess?)

CODE ACTUAL \$ AMOUNT 0000 to 9000

LAST RESORT CODES:

(49-52)

- 9910. LESS THAN HALF OF TOTAL AMOUNT
- 9920. MORE THAN HALF OF TOTAL AMOUNT
- 9998. NO IDEA
- 9999. NOT ASCERTAINED



B.36. Without your (child's/children's) \$1,000 check(s), would your household's debt be any lower or higher or no different now?

1. LOWER
2. HIGHER

(53)

SKIP TO Q.B.38. ←

3. NO DIFFERENT
  8. DON'T KNOW
  9. NOT ASCERTAINED

B.37. How many dollars (lower/higher) do you think your household debt is because of their \$1,000 check(s)? (PROBE: What is your best guess?)

CODE ACTUAL \$ AMOUNT 0000 to 9000

9998. DON'T KNOW  
9999. NOT ASCERTAINED  
0000. INAP

(54-57)

B.38. Of the (\$ AMOUNT) your (child/children) received, how many dollars were spent on day-to-day household expenses like food and clothing? (PROBE: What is your best guess?)

CODE ACTUAL \$ AMOUNT 0000 to 9000

LAST RESORT CODES:

9910. LESS THAN HALF OF TOTAL AMOUNT  
9920. MORE THAN HALF OF TOTAL AMOUNT  
9998. NO IDEA  
9999. NOT ASCERTAINED

(58-61)

B.39. Of the (\$ AMOUNT) your (child/children) received, how many dollars went as taxes to the federal government? (PROBE: What is your best guess?)

CODE ACTUAL \$ AMOUNT 0000 to 9000

LAST RESORT CODES:

9910. LESS THAN 1/4 OF TOTAL AMOUNT  
9920. MORE THAN 1/4 OF TOTAL AMOUNT  
9998. NO IDEA  
9999. NOT ASCERTAINED

(62-65)

B.40. Overall, how would you say your household's spending, saving, and debt was changed by your (child's/children's) \$1,000 check(s)? (RECORD RESPONSE VERBATIM ON ANSWER SHEET FOR CODING LATER.)

(66-68)

(69-71)

(72-74)

IF ONLY ONE CHILD, SKIP TO Q.B.44.

B.41. Did all your children in your household receive their \$1,000 checks at about the same time?

SKIP TO  
Q. B.44.

1. YES

2. NO

SKIP TO  
Q. B.44.

8. DON'T KNOW

9. NOT ASCERTAINED

(75)

B.42. If you can remember, during what month and year did the first check arrive?

CODE MONTH 01-12  
CODE YEAR 82 or 83

(76-77)

98. DON'T KNOW  
99. NOT ASCERTAINED

(78-79)

B.43. And during what month and year did the last check arrive?

CODE MONTH 01-12  
CODE YEAR 82 or 83

(80-81)

98. DON'T KNOW  
99. NOT ASCERTAINED

(82-83)

B.44. Who decided what to do with your (child's/children's) check(s): your (child/children) alone, parents and (child/children) together, or parents alone?

1. CHILDREN ALONE  
2. PARENTS AND CHILDREN TOGETHER  
3. PARENTS ALONE

(84)

8. DON'T KNOW  
9. NOT ASCERTAINED



SECTION C  
1983 DIVIDEND CHECKS

C.1. Did you or any other adult in your household receive a 1983 \$386 dividend check?

1. YES

2. NO

8. DON'T KNOW

9. NOT ASCERTAINED

GO TO P.23  
SECTION D

(85)

C.2. Last year, how many adults 18 years old or older lived in your household?

CODE ACTUAL NUMBER 01-96

99. NOT ASCERTAINED

(86-87)

C.3. How many of these adults received a \$386 Permanent Fund dividend check?

CODE ACTUAL NUMBER 01-96

98. DON'T KNOW (WHAT IS YOUR BEST GUESS?)

99. NOT ASCERTAINED

(88-89)

C.4. Are you familiar with how each of these adults used their \$386 checks?

SKIP TO  
Q. C.6.

1. YES

2. NO

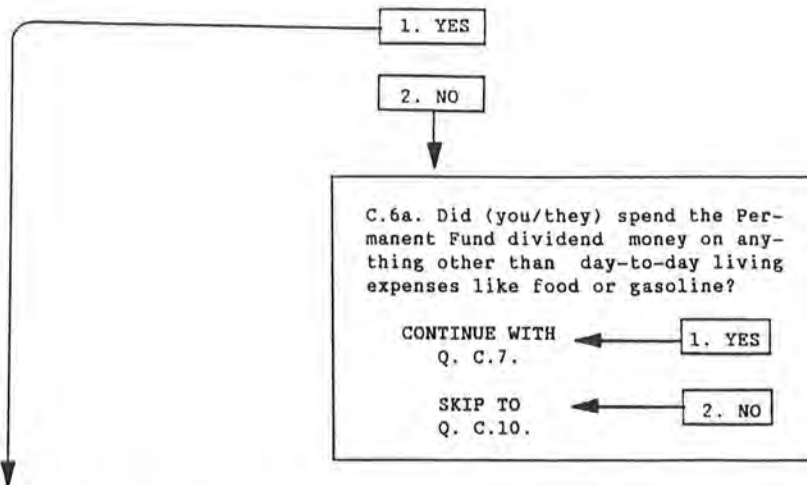
(90)

C.5. How many adults do you think you can answer for concerning their use of their \$386 check?

(91-92)

In the next series of questions, I would like you to give your answers in terms of the (NUMBER) adults you just mentioned. When I use the phrase "your household," I am referring just to them, not to all of the adults living in your housing unit.

C.6. That means the adults in your household received a total of (\$ AMOUNT). Did (you/any of the adults) use (your/their) check to make any purchases like furniture, airplane tickets, or a television?



(93)

C.7. What items were purchased? (WRITE NAME(S) OF UP TO FOUR MOST EXPENSIVE ITEM(S) ON ANSWER SHEET FOR CODING LATER).

(94-96)

(97-99)

(100-102)

(103-105)

C.8. Altogether, how much do you think these items cost? (PROBE: What is your best guess?)

CODE \$ AMOUNT 0001 to 9000

LAST RESORT CODES:

(106-109)

9910. LESS THAN HALF OF TOTAL AMOUNT  
9920. MORE THAN HALF OF TOTAL AMOUNT  
9998. NO IDEA  
9999. NOT ASCERTAINED

C.9. Do you think (EACH ITEM NAMED IN C.7.) would have been purchased even without (your/their) \$386 check(s)? (CODE FOR ALL ITEMS LISTED IN Q.C.7.)

1. YES	(110)
2. NO	(111)
3. WOULD HAVE SPENT LESS ON ITEM	(112)
4. WOULD HAVE POSTPONED PURCHASE	(113)
8. DON'T KNOW	(114)
9. NOT ASCERTAINED	(115)
0. INAP	



C.10. Of the (\$ AMOUNT) (you/the adults) received, how many dollars were saved before taxes? (PROBE: What is your best guess?)

CODE ACTUAL \$ AMOUNT 0000 to 9000

LAST RESORT CODES:

(114-117)

9910. LESS THAN HALF OF TOTAL AMOUNT  
9920. MORE THAN HALF OF TOTAL AMOUNT  
9998. NO IDEA  
9999. NOT ASCERTAINED

C.11. Without the adults' \$386 checks, would your household savings be higher, lower, or no different as they are now?

1. HIGHER
2. LOWER

(118)

SKIP TO Q.C.13. ←

3. NO DIFFERENT  
8. DON'T KNOW  
9. NOT ASCERTAINED

00  
(119-120)

END DECK 2 \_\_\_\_\_

STUDY INT'W NO. \_\_\_\_\_

(1-4)

DECK NO. 3  
(5)

C.12. How many dollars (higher/lower) do you think your household savings are because of the adults' \$386 checks? (PROBE: What is your best guess?)

CODE ACTUAL \$ AMOUNT 0001 to 9000

9998. DON'T KNOW  
9999. NOT ASCERTAINED  
0000. INAP

(6-9)

C.13. Of the (\$ AMOUNT) (you/the adults) received, how many dollars went to pay off household debts? (PROBE: What is your best guess?)

CODE ACTUAL \$ AMOUNT 0000 to 9000

LAST RESORT CODES:

(10-13)

9910. LESS THAN HALF OF TOTAL AMOUNT  
9920. MORE THAN HALF OF TOTAL AMOUNT  
9998. NO IDEA  
9999. NOT ASCERTAINED

C.14. Without the adults' \$386 checks, would your household's debt be lower, higher, or no different now?

1. LOWER
2. HIGHER

(14)

SKIP TO Q.C.16. ←

3. NO DIFFERENT  
8. DON'T KNOW  
9. NOT ASCERTAINED

C.15. How many dollars (lower/higher) do you think your household debt is because of the adults' \$386 check(s)? (PROBE: What is your best guess?)

CODE ACTUAL \$ AMOUNT 0000 to 9000

9998. DON'T KNOW  
9999. NOT ASCERTAINED  
0000. INAP

(15-18)

C.16. Of the (\$ AMOUNT) (you/the adults) received, how many dollars were spent on day-to-day household expenses like food, gasoline, and clothes? (PROBE: What is your best guess?)

CODE ACTUAL \$ AMOUNT 0000 to 9000

LAST RESORT CODES:

(19-22)

- 9910. LESS THAN HALF OF TOTAL AMOUNT
- 9920. MORE THAN HALF OF TOTAL AMOUNT
- 9998. NO IDEA
- 9999. NOT ASCERTAINED

C.17. Of the (\$ AMOUNT) (you/the adults) received, what percent went as taxes to the federal government? (PROBE: What tax bracket were you in in 1983? What is your best guess?)

CODE ACTUAL \$ AMOUNT 0000 to 9000

LAST RESORT CODES:

(23-26)

- 9910. LESS THAN HALF OF TOTAL AMOUNT
- 9920. MORE THAN HALF OF TOTAL AMOUNT
- 9998. NO IDEA
- 9999. NOT ASCERTAINED

C.18. Overall, how would you say your household's spending, saving, and debt was changed by (your/the adults') \$386 check(s)? (RECORD RESPONSE VERBATIM ON ANSWER SHEET FOR CODING LATER.)

(27-29)

(30-32)

(33-35)

C.19. Thinking back to early 1983, did you think it very likely, somewhat likely, or not likely that you would receive a Permanent Fund dividend check?

- 1. VERY LIKELY
- 2. SOMEWHAT LIKELY
- 3. NOT LIKELY

(36)

- 8. DON'T KNOW
- 9. NOT ASCERTAINED

C.20. Did anyone in your household spend less time working for pay because of the \$386 checks you received?

- 1. YES
- 2. NO

(37)

- 8. DON'T KNOW
- 9. NOT ASCERTAINED

B.21. Did anyone in your household decide not to move from Alaska so that they could receive a \$386 check?

- 1. YES
- 2. NO

(38)

- 8. DON'T KNOW
- 9. NOT ASCERTAINED



IF ONLY ONE ADULT, SKIP TO Q.C.25.

C.22. Did all the adults in your household receive their \$386 checks at about the same time?

SKIP TO  
Q. C.25.

1. YES

2. NO

(39)

SKIP TO  
Q. C.25.

8. DON'T KNOW

9. NOT ASCERTAINED

C.23. If you can remember, during what month and year did the first check arrive?

CODE MONTH 01-12

CODE YEAR 82 or 83

(40-41)

98. DON'T KNOW

99. NOT ASCERTAINED

(42-43)

C.24. And during what month and year did the last check arrive?

CODE MONTH 01-12

CODE YEAR 82 or 83

(44-45)

98. DON'T KNOW

99. NOT ASCERTAINED

(46-47)

C.25. In 1983, how many children who were under 18 years old lived in your household?

IF THERE WERE NO CHILDREN, GO TO PAGE 23, SECTION D.

CODE NUMBER 00-96

99. NOT ASCERTAINED

(48-49)

C.26. How many children received a \$386 Permanent Fund dividend check?

IF NO CHILD RECEIVED A \$386 CHECK, GO TO PAGE 23, SECTION D.

CODE NUMBER 00-96

99. NOT ASCERTAINED

(50-51)

C.27. Was any of the (\$ AMOUNT) your (child/children) received used to make any special purchases like stereos, bicycles, or airplane tickets?

1. YES  
2. NO

C.27a. Was any of the money spent on anything other than day-to-day living expenses like food or clothes?

CONTINUE WITH Q. C.28. 1. YES  
SKIP TO Q. C.31. 2. NO

(52)

C.28. What items were purchased with your (child's/children's) \$386 check(s)? (WRITE NAME(S) OF ITEM(S) ON ANSWER SHEET FOR CODING LATER).

(53-55)

(56-58)

(59-61)

(62-64)

C.29. Altogether, how much do you think these items cost? (PROBE: What is your best guess?)

CODE \$ AMOUNT 0001 to 9000

LAST RESORT CODES:

(65-68)

9910. LESS THAN HALF OF TOTAL AMOUNT  
9920. MORE THAN HALF OF TOTAL AMOUNT  
9998. NO IDEA  
9999. NOT ASCERTAINED

C.30. Do you think (ITEM) would have been purchased even without your (child's/children's) \$386 check(s)? (CODE FOR ALL ITEMS LISTED IN Q.C.28.)

1. YES (69)  
2. NO (70)  
3. WOULD HAVE SPENT LESS ON ITEM (71)  
4. WOULD HAVE POSTPONED PURCHASE (72)  
8. DON'T KNOW  
9. NOT ASCERTAINED  
0. INAP

C.31. Of the (\$ AMOUNT) your (child/children) received, how many dollars were saved before taxes? (PROBE: What is your best guess?)

CODE ACTUAL \$ AMOUNT 0000 to 9000

LAST RESORT CODES:

(73-76)

9910. LESS THAN HALF OF TOTAL AMOUNT  
9920. MORE THAN HALF OF TOTAL AMOUNT  
9998. NO IDEA  
9999. NOT ASCERTAINED



C.32. Without your (child's/children's) \$386 check(s), would your household savings be higher, lower, or no different than they are now?

1. HIGHER
2. LOWER

(77)

3. NO DIFFERENT  
8. DON'T KNOW  
9. NOT ASCERTAINED

SKIP TO Q.C.34. ←

C.33. How many dollars (higher/lower) do you think your household savings are because they received the \$386 check(s)? (PROBE: What is your best guess?)

CODE ACTUAL \$ AMOUNT 0001 to 9000

9998. DON'T KNOW  
9999. NOT ASCERTAINED  
0000. INAP

(78-81)

C.34. Of the (\$ AMOUNT) your (child/children) received, how many dollars went to pay off household debts? (PROBE: What is your best guess?)

CODE ACTUAL \$ AMOUNT 0000 to 9000

LAST RESORT CODES:

9910. LESS THAN HALF OF TOTAL AMOUNT  
9920. MORE THAN HALF OF TOTAL AMOUNT  
9998. NO IDEA  
9999. NOT ASCERTAINED

(82-85)

C.35. Without your (child's/children's) \$386 check(s), would your household's debt be any lower or higher or no different now?

1. LOWER
2. HIGHER

(86)

3. NO DIFFERENT  
8. DON'T KNOW  
9. NOT ASCERTAINED

SKIP TO Q.C.37. ←

C.36. How many dollars (lower/higher) do you think your household debt is because of their \$386 check(s)? (PROBE: What is your best guess?)

CODE ACTUAL \$ AMOUNT 0000 to 9000

9998. DON'T KNOW  
9999. NOT ASCERTAINED  
0000. INAP

(87-90)

C.37. Of the (\$ AMOUNT) your (child/children) received, how many dollars were spent on day-to-day household expenses like food and clothing? (PROBE: What is your best guess?)

CODE ACTUAL \$ AMOUNT 0000 to 9000

LAST RESORT CODES:

9910. LESS THAN HALF OF TOTAL AMOUNT  
9920. MORE THAN HALF OF TOTAL AMOUNT  
9998. NO IDEA  
9999. NOT ASCERTAINED

(91-94)

C.38. Of the (\$ AMOUNT) your (child/children) received, how many dollars went as taxes to the federal government? (PROBE: What is your best guess?)

CODE ACTUAL \$ AMOUNT 0000 to 9000

LAST RESORT CODES:

9910. LESS THAN 1/4 OF TOTAL AMOUNT  
9920. MORE THAN 1/4 OF TOTAL AMOUNT  
9998. NO IDEA  
9999. NOT ASCERTAINED

(95-98)

C.39. Overall, how would you say your household's spending, saving, and debt was changed by your (child's/children's) \$386 check(s)? (RECORD RESPONSE VERBATIM ON ANSWER SHEET FOR CODING LATER.)

(99-101)

(102-104)

(105-107)

IF ONLY ONE CHILD, SKIP TO Q.C.43.

C.40. Did all your children in your household receive their \$386 checks at about the same time?

SKIP TO  
Q. C.43.

1. YES

2. NO

(108)

SKIP TO  
Q. C.43.

8. DON'T KNOW  
9. NOT ASCERTAINED

C.41. If you can remember, during what month and year did the first check arrive?

CODE MONTH 01-12  
CODE YEAR 82 or 83

(109-110)

98. DON'T KNOW  
99. NOT ASCERTAINED

(111-112)

C.42. And during what month and year did the last check arrive?

CODE MONTH 01-12  
CODE YEAR 82 or 83

(113-114)

98. DON'T KNOW  
99. NOT ASCERTAINED

(115-116)



C.43. Who decided what to do with your (child's/children's) check(s): your (child/children) alone, parents and (child/children) together, or parents alone?

1. CHILDREN ALONE
2. PARENTS AND CHILDREN TOGETHER
3. PARENTS ALONE

\_\_\_\_\_  
(117)

8. DON'T KNOW
9. NOT ASCERTAINED

\_\_\_\_\_  
000  
(118-120)

END DECK 3 \_\_\_\_\_

STUDY INT'W NO. \_\_\_\_\_  
(1-4)

DECK NO. \_\_\_\_\_  
4  
(5)

\_\_\_\_\_

SECTION D  
BACKGROUND CHARACTERISTICS

D.1. Do you think it is very likely, somewhat likely, or not likely that the state will send out Permanent Fund dividend checks in 1984?

1. VERY LIKELY
2. SOMEWHAT LIKELY
3. NOT LIKELY
8. DON'T KNOW
9. NOT ASCERTAINED

(6)

D.2. How about five years from now, do you think it is very likely, somewhat likely, or not likely that the State will send out Permanent Fund dividend checks?

1. VERY LIKELY
2. SOMEWHAT LIKELY
3. NOT LIKELY
8. DON'T KNOW
9. NOT ASCERTAINED

(7)

D.3. We're almost done. I just have a few background questions. First, how many years and months have you lived in your present community?

- CODE YEARS 00-96  
99. NOT ASCERTAINED

(8-9)

- CODE TENTHS OF YEARS 0-9  
9. NOT ASCERTAINED

(10)

D.4. How many years and months have you lived in Alaska?

- CODE YEARS 00-96  
99. NOT ASCERTAINED

(11-12)

- CODE TENTHS OF YEARS 0-9  
9. NOT ASCERTAINED

(13)

IF LIVED IN ALASKA MORE THAN THREE YEARS, SKIP TO Q.D.7.

D.5. Did you move to Alaska partly because of the Permanent Fund dividend program?

1. YES
2. NO
8. DON'T KNOW
9. NOT ASCERTAINED

(14)

D.6. In what state were you living before you came to Alaska?

(15-16)

D.7. If you had to guess, how many more years do you think you will live in Alaska?

- CODE NUMBER 01-96  
00. LESS THAN ONE YEAR  
99. NOT ASCERTAINED

(17-18)



D.8. There are different reasons why people live in Alaska. We would like to know why you live here. We would like you to give a grade to each of the following statements. A grade of "A" stands for extremely important. A grade of "B" stands for very important. A grade of "C" stands for mildly important. A grade of "D" stands for not very important, and grade of "F" stands for not at all important.

- D.8a. What grade would you assign to being near family as a reason for living in Alaska? (19)
- D.8b. Being near friends? (20)
- D.8c. The opportunity to get a job? (21)
- D.8d. Long-term economic opportunity? (22)
- D.8e. Chance to get away from urban problems? (23)
- D.8f. Challenging or exciting job? (24)
- D.8g. Being close to a wilderness environment? (25)
- D.8h. Opportunity to earn a high income? (26)
- D.8i. Chance to be self-reliant, to live more of a subsistence or pioneer's lifestyle? (27)
- D.8j. Being part of a small community? (28)
- D.8k. Nearby hunting and fishing? (29)
- D.8l. Nearby outdoor recreation opportunities? (30)
- D.8m. Curiosity about Alaska? (31)
- D.8n. School or military? (32)
- D.8o. A chance to be independent, to start something new? (33)
- D.8p. State government activities like low-interest housing loans, cultural facilities, and support for local schools? (34)

D.9. Have you received a housing loan from the State of Alaska or through the Alaska Housing Finance Corporation (AHFC) to buy or build a house in the last four years?

1. YES  
2. NO (35)
8. DON'T KNOW  
9. NOT ASCERTAINED

D.10. Has anyone in your household received a student loan to go to college from the State of Alaska?

- 1. YES
- 2. NO
- 8. DON'T KNOW
- 9. NOT ASCERTAINED

(36)

D.11. Has anyone in your household received a loan from the State of Alaska for commercial fishing, small business, tourism, mining, agriculture, or any other business purpose?

- 1. YES
- 2. NO
- 8. DON'T KNOW
- 9. NOT ASCERTAINED

(37)

D.12. Now I would like to ask a few questions about jobs. Have you had any jobs for pay in the last 12 months?

GO TO  
Q. D.14.

1. YES

2. NO

9. NOT ASCERTAINED

(38)

D.13. During the last 12 months, have you looked for a job; or are you retired, a homemaker, a student, or not looking for work for some other reason?

SKIP TO  
Q. D.20

- 1. LOOKED FOR WORK
- 2. RETIRED
- 3. HOMEMAKER
- 4. STUDENT
- 5. DISABLED
- 7. OTHER \_\_\_\_\_
- 8. DON'T KNOW
- 9. NOT ASCERTAINED
- 0. INAP.

(39)

D.14. Do you currently have a job for pay?

SKIP TO  
Q. D.16.

1. YES

2. NO

9. NOT ASCERTAINED  
0. INAP.

(40)

D.15. Would you want a job if you could find one, or do you not want one for some reason?

SKIP TO  
Q. D.20.

- 1. WANT JOB
- 2. NOT WORKING
- 8. DON'T KNOW
- 9. NOT ASCERTAINED
- 0. INAP.

(41)



D.16. What kind of work do you do?

(42-44)

D.17. What kind of business do you work for?

(45-47)

D.18. Do you think your job could be affected by changes in state spending?

1. YES

2. NO

8. DON'T KNOW

9. NOT ASCERTAINED

GO TO  
Q. D.20.

(48)

D.19. In what ways?

(49-51)

(52-54)

(55-57)

D.20. How many weeks in the last twelve months were you paid on a job?

(58-59)

IF R ANSWERED LESS THAN 52 ABOVE

D.21. How many weeks in the last 12 months did you want a job but did not have one?

(60-61)

D.22. Looking back over the last three years or so, would you say your employment situation has gotten better, worse, or stayed the same?

1. BETTER
2. WORSE
3. STAYED THE SAME
8. DON'T KNOW (what is your best guess?)
9. NOT ASCERTAINED
0. INAP.

(62)

D.23. What is the total number of years of education you have completed?  
(FORMAL ATTENDANCE AT SCHOOL: EIGHTH GRADE = 8; HIGH SCHOOL = 12; TRADE SCHOOL = 13; COLLEGE GRADUATE = 16; MASTERS = 18; LAWYER, DOCTOR, PH.D. = 19.)

(63-64)

D.24. Are you enrolled as a member of an Alaska Native Regional Corporation?

1. YES
2. NO
8. DON'T KNOW
9. NOT ASCERTAINED

(65)

D.25. Are you registered to vote in Alaska?

1. YES
2. NO
8. DON'T KNOW (What is your best guess?)
9. NOT ASCERTAINED

(66)

D.26. Altogether, how much of all the food you and your family ate in the past twelve months came from hunting, fishing, gathering, or gardening: all of it, most of it, about half of it, some of it, or none of it?

1. ALL
2. MOST
3. HALF
4. SOME
5. NONE
8. DON'T KNOW
9. NOT ASCERTAINED

(67)



D.27. Could you please list for me the year of birth of each person currently living in your household, starting with yourself?

CODE LAST TWO DIGITS 00-97

98. DON'T KNOW (What is your best guess?)  
99. NOT ASCERTAINED

<u>Respondent</u>	
	(68-69)
Person No. 2	
	(70-71)
Person No. 3	
	(72-73)
Person No. 4	
	(74-75)
Person No. 5	
	(76-77)
Person No. 6	
	(78-79)
Person No. 7	
	(80-81)
Person No. 8	
	(82-83)
Person No. 9	
	(84-85)
Person No. 10	
	(86-87)
Person No. 11	
	(88-89)
Person No. 12	
	(90-91)

D.28. Including only those living at home, what was your total household income for 1983 before taxes and other deductions were made? Please tell me the figure to the nearest thousand dollars. (PROBE: What is your best guess?)

CODE \$ AMOUNT IN THOUSANDS 001-996

998. FIRM DON'T KNOW  
999. REFUSED

(92-94)

D.29. We don't need the exact dollar figure; could you tell me which of these broad categories it falls in: less than \$26,000; between \$26,000 and \$40,000; between \$41,000 and \$60,000; or more than \$60,000?

1. LESS THAN \$26,000
2. \$26,000 TO \$40,000
3. \$41,000 TO \$60,000
4. \$61,000 OR MORE

8. DON'T KNOW
9. NOT ASCERTAINED

(95)

D.30. Was anyone in your household receiving food stamps, AFDC, or other social service benefits in Alaska in 1982?

1. YES

2. NO

8. DON'T KNOW
9. NOT ASCERTAINED

GO TO  
Q. D.33

(96)

D.31. Did the \$1,000 dividend checks cause any problems in continuing to receive those benefits?

1. YES

2. NO

8. DON'T KNOW

9. NOT ASCERTAINED

GO TO  
Q. D.33

(97)

D.32. What kind of problem did you have? (Did you lose any benefits?)

(98-99)

(100-101)

(102-103)

D.33. Was anyone in your household receiving food stamps, AFDC, or other social benefits in Alaska in 1983?

1. YES

2. NO

8. DON'T KNOW

9. NOT ASCERTAINED

SKIP TO  
Q. D.36

(104)

D.34. Did the \$386 dividend checks cause any problems in continuing to receive those benefits?

1. YES

2. NO

8. DON'T KNOW

9. NOT ASCERTAINED

SKIP TO  
Q. D.36

(105)

D.35. What kind of problem did you have? (Did you lose any benefits?)

(106-107)

(108-109)

(110-111)

D.36. Were there any public assistance benefits that you would have applied for had you not received either the \$1,000 check(s) or the \$386 check(s)?

1. YES

2. NO

8. DON'T KNOW

9. NOT ASCERTAINED

GO TO  
CLOSING

(112)



D.37. Can you tell me more about that?

(113-114)

(115-116)

(117-118)

C L O S I N G

D.38. Sex of Respondent (ASK IF NECESSARY).

1. MALE
2. FEMALE

9. NOT ASCERTAINED

(119)

That's it! Thank you very much for your help.

$\frac{0}{(120)}$

END DECK 4 \_\_\_\_\_

APPENDIX D

ASSUMPTIONS USED IN ANALYSIS OF THE  
PERMANENT FUND DIVIDEND SURVEY





This appendix outlines the assumptions and procedures we used in making our estimates from the Permanent Fund Dividend survey on how dividend dollars were used. The survey questionnaire is reprinted in Appendix C. Sections B and C of the survey questionnaire contain the questions on how dividend checks were used. As reported in Chapter IV, we made two estimates of use--perceived and actual. Table D.1 lists the survey questions used to make the estimates of perceived and actual uses.

The estimates for perceived use were the sum of special purchases, savings before taxes, debt reduction, day-to-day purchases, and taxes. The answers to these questions were used as reported. For the estimates of actual use, we adjusted the answers to questions on special purchases, savings, and debt based on answers to associated questions. For example, a follow-up question regarding special purchases asked whether the item(s) would have been purchased even without the dividend check. If the respondent answered "yes" or "don't know," the amount spent on the special purchase was excluded from actual use estimate. If the respondent answered "no," "would have spent less," or "would have postponed purchase," the amount spent on special purchases was included in the estimate of actual use. While the respondent was allowed to name up to four special purchases, we used only the response for the first item mentioned.

For the questions on how much higher or lower savings and debt were, we used the questions on whether savings and debt were higher or lower to determine whether values for savings and debt reduction were positive or negative.

#### Missing Values

In some cases, the respondents did not know the dollar values for the categories of use. The last resort codes for these cases included some or all of the following (depending on question): less than half of total amount (9910), more than half of total amount (9920), no idea (9998), and not ascertained (9999). In our analysis of the expenditure questions, we assigned a value of zero if an answer was less than half, no idea, or not ascertained. If an answer of more than half was recorded, a value of 50 percent of dividend value was used.

#### Taxes

For both perceived and actual use, we calculated the taxes paid on Permanent Fund Dividend income. The tax questions were asked differently for adults and children. The questions regarding adult taxes (B17 and C17) asked what percent of dividends went as taxes while the children's tax questions (B39 and C38) asked how many



dollars went as taxes. For adults, we calculated taxes on adult dividend income for every household using different rules as necessary to complete the calculation.

TABLE D.1. SURVEY QUESTIONS USED TO CALCULATE  
HOW PERMANENT FUND DIVIDEND WAS USED

<u>Distributions</u>				
Perceived Uses	1982 Adults	1982 Children	1983 Adults	1983 Children
Special Purchases	B8	B30	C8	C29
Savings	B10	B32	C10	C31
Debt	B13	B35	C13	C34
Day-to-Day	B16	B38	C16	C37

Actual Uses	1982 Adults	1982 Children	1983 Adults	1983 Children
Special Purchases	B8 (B9a)	B30 (B31a)	C8 (C9a)	C29 (C30A)
Savings	B12 (B11)	B34 (B33)	C12 (C11)	C33 (C32)
Debt	B15 (B14)	B37 (B36)	C15 (C14)	C36 (C35)
Day-to-Day	B16	B38	C16	C37

NOTES: The numbers in parentheses indicate associated survey questions which were used to calculate value for actual use. Refer to the survey questionnaire in Appendix C for the wording of these questions.

1. For households which reported tax rates at or between 1 and 50 percent, we used the tax rates reported by respondents.
2. For households which reported tax rates of zero or greater than 50 percent, or which did not report a tax rate, we estimated a marginal tax rate using household income as reported in question D28 or D29, the number of adults in the household (to determine filing status), and the standard deduction. The tax rates which we assumed are reported in Table D.2.
3. For the remaining households for which we did not have a respondent's estimate of tax rate (option 1) or income data (option 2), we assumed a marginal tax rate of 25 percent.

For children's taxes, we used the respondent's answer. If the respondent answered "no idea" or "not ascertained," we assigned a value of zero.

#### Weighting

In addition to the geographic weighting which we used for all of the survey analysis (see Chapter IV), we applied two other types of weights for certain types of analysis. First, when preparing our dollar estimates of how dividends were used, we adjusted totals to account for adult checks received in those households for which the respondent could not answer for all adults about how the money was used. We calculated this adjustment factor as the total number of adult checks received divided by the total number of adult checks for which responses were made.

Second, for analyzing patterns of spending, we weighted actual responses (which were on a household basis) by the number of persons receiving Permanent Fund dividend checks within that household.



TABLE D.2. TAX RATES USED TO CALCULATE TAX LIABILITY CREATED  
BY PERMANENT FUND DIVIDEND PAYMENTS

	1982	1983
<hr/>		
<u>One Adult</u>		
D28 between		
\$0 - \$5,000	0	0
\$5,00 - \$9,000	14	13
\$9,001 - \$18,000	20	18
\$18,001 - \$32,000	31	28
\$32,001 - \$44,000	42	38
\$44,000 - high	50	50
D29 = 1 (0 - 26,000)	17	15
2 (26,000 - 40,000)	36	33
3 (41,000 - 60,000)	45	42
4 (61,000 or more)	50	50
 <u>More than one adult</u>		
D28 between		
\$0 - \$8,000	0	0
\$8,001 - \$16,000	14	13
\$16,001 - \$29,000	22	20
\$29,001 - \$40,000	30	28
\$40,001 - \$64,000	42	38
\$64,001 - high	50	50
D29 = 1 (0 - 26,000)	15	15
2 (26,000 - 40,000)	30	30
3 (41,000 - 60,000)	42	42
4 (61,000 or more)	50	50

**APPENDIX E**

**A MULTIPLE REGRESSION MODEL FOR ANALYSIS OF PUBLIC  
ATTITUDES TOWARD THE PERMANENT FUND DIVIDEND PROGRAM**





This appendix describes the multiple regression model presented in Chapter VI to examine the role of different perceptions in explaining attitudes toward the Permanent Fund Dividend Program. The model was as follows:

$$B = a_1 \cdot A.12b + a_2 \cdot A.12c + a_3 \cdot A.12d + a_4 \cdot A.12e + a_5 \cdot A.12f \\ + a_6 \cdot A.12g + a_7 \cdot A.12h + a_8 \cdot A.12i + a_9 \cdot A.12j + a_{10} \cdot A.12k \\ + a_{11} \cdot A.12l + C$$

where B = attitude toward the dividend program, measured as a five-point scale created from questions A.1 and A.12a in the survey

A.12a-1 = questions A.12a through A.12l in the survey

$a_1$ - $a_{11}$  = regression coefficients corresponding to each independent variable

C = constant

The results of the regression were as follows:

Independent Variable	Regression Coefficient (B)	Standardized Regression Coefficient (Beta)	T Statistic	Significance of T
A.12b	.08	.09	3.8	.0001
A.12c	.29	.26	9.7	.0001
A.12d	.04	.04	1.5	ns
A.12e	.07	.07	3.2	.001
A.12f	.26	.25	9.0	.001
A.12g	.05	.05	1.8	ns
A.12h	.18	.23	9.0	.0001
A.12i	.04	.05	2.0	.05
A.12j	.02	.02	0.7	ns
A.12k	.09	.09	3.1	.005
A.12l	.07	.07	3.1	.005
Constant	-0.36			

R Square .49  
Standard Error .92

#### Analysis of Variance

	DF	Sum of Squares	Mean Square
Regression	11	829.9	75.4
Residual	1004	854.8	0.9
F = 88.6	Signif. F = 0.0000		



Our null hypothesis was that the eleven perceptions concerning the dividend program would not explain any of the variations in attitudes toward the program. The null hypothesis was clearly rejected. The more interesting objective of the regression analysis was to determine the relative predictive importance of the eleven perceptions. We had no prior expectations concerning which of the perceptions would be important predictors. However, we anticipated that attitudes toward the dividend program might be based on several, perhaps conflicting, perceptions, and the regression results suggest that this is the case. No single perception accounts for a disproportionate amount of the variation in attitudes; rather, we see that three perceptions each uniquely explain about the same amount of variation in attitudes and that five additional perceptions contribute a small but significant amount of explanatory power.

## APPENDIX F

### CALCULATION OF RELATIVE EFFECTS OF 1982 PERMANENT FUND DIVIDENDS ON ALASKANS' AFTER-TAX INCOME

In this appendix, we document our calculation of the relative effects of 1982 Permanent Fund dividends on Alaskans' after-tax income, shown in Table III.9.

The first stage in the calculation of these figures was the calculation of the figures shown in Table III.8 for percentage increases in family after-tax income for different family sizes and income groups. We describe these calculations in Chapter III. We also used these figures to estimate relative increases in family after-tax income due to dividends at income levels other than those shown in the tables.

In order to calculate overall effects on after-tax income for Alaskans, we needed data on the distribution of income by family size in 1982. Currently, the best available source for this information is the 1980 census, which collected data on family income for 1979. These data, which are based on a sample, are shown in Table F-1. Table F-2 provides similar data on income distribution for unrelated individuals (those not living in families).

It is difficult to collect accurate data on income. It is likely that the census figures under-estimate income somewhat, especially for lower income groups. Nevertheless, the census data appear to be the best available at present. While better data are probably collected by the Internal Revenue Service, the IRS does not publish data for Alaska on income distribution by family size.

In order to calculate income distribution data for 1982, we first calculated the change in per capita income in Alaska between 1979 and 1982 (excluding Permanent Fund dividend income), as shown in Table F-3. We used the ratio of 1982 per capita income to 1979 per capita income to adjust the income brackets for the 1979 income distribution table upwards in calculating a 1982 income distribution table. In effect, we assumed that income increased for all families at the rate at which per capita income increased.

We also assumed that the relative distribution of income remained constant between 1979 and 1982. We adjusted the population in each family size and income cohort upward by a factor of 1.14, which is the ratio of the assumed 1982 population (the number of dividend checks distributed) to the 1979 population used by the census in reporting family income distribution. Table F-4 shows the resulting number of families assumed for each family size. The bottom half of Table F-5 shows the assumed distribution of



population in 1982 by family income and family size, for persons in families, while Table F-6 shows the assumed distribution of income for unrelated individuals.

Having calculated an assumed 1982 population distribution by family size and family income, we next developed assumptions about the percentage change in after-tax family income resulting from the 1982 Permanent Fund dividend distribution for individuals in each family size/family income cohort. These assumptions are shown in Table F.7. We used these figures, together with our assumed distribution of individuals by family income and size, to calculate the distribution of relative effects of dividends shown in Table III.9.

Due to the numerous assumptions used in these calculations, it is difficult to assess their accuracy. One factor that might result in underestimates of the relative effects of dividends is the fact that for each income group, we calculated the relative effect of dividends at the upper end of the income range. Another factor is that some families may have had only one adult, leading to overestimates of taxes paid on dividends. On the other hand, our estimated 1982 population figures for families shown in Table F.5 result in estimates of 162,967 "dependents," whom we assumed to include all persons beyond the first two in every family. However, there were only 138,319 recipients of 1982 children's checks. Thus, our estimates overstate the number of children's checks, which might cause us to overestimate the relative effects of dividends since federal income taxes were lower for children's checks.



TABLE F-1. FAMILY INCOME IN 1979 BY PERSONS IN  
FAMILY AND RACE (Number of Families)

ALASKA	TOTAL	LESS THAN \$5,000	\$5,000 TO \$9,999	\$10,000 TO \$14,999	\$15,000 TO \$19,999	\$20,000 TO \$24,999	\$25,000 TO \$34,999	\$35,000 TO \$49,999	\$50,000 OR MORE	MEDIAN	MEAN
<b>TOTAL</b>											
FAMILIES	96 840	5 957	8 152	9 739	9 381	8 935	17 504	19 579	17 593	\$28 395	\$32 248
2 PERSONS.	31 378	2 440	2 932	3 232	3 472	3 129	5 695	5 721	4 757	\$25 740	\$29 424
3 PERSONS.	22 883	1 524	2 009	2 427	2 105	2 082	4 001	4 763	3 972	\$27 871	\$32 248
4 PERSONS.	22 934	979	1 785	2 219	2 076	1 928	4 218	5 130	4 599	\$31 018	\$33 962
5 PERSONS.	11 282	517	773	1 074	938	1 029	2 017	2 522	2 522	\$31 604	\$35 490
6 PERSONS.	4 661	284	339	405	367	425	918	925	996	\$30 895	\$34 210
7 PERSONS.	2 271	129	168	227	245	200	417	431	454	\$28 962	\$34 003
8 PERSONS.	610	37	83	94	50	43	95	75	135	\$24 800	\$30 963
9 PERSONS.	371	14	37	30	54	57	52	65	62	\$24 226	\$32 119
10 OR MORE PERSONS.	450	31	26	31	74	42	91	57	98	\$25 991	\$33 313
TOTAL PERSONS IN FAMILIES.	332 463	19 027	27 177	33 104	31 340	30 405	60 125	67 855	63 430	...	...
PERSONS PER FAMILY.	3.43	3.19	3.33	3.40	3.34	3.40	3.43	3.47	3.61	...	...
<b>WHITE</b>											
FAMILIES	79 300	3 625	5 437	7 106	7 261	7 239	15 028	17 707	15 897	\$30 881	\$34 289
2 PERSONS.	27 490	1 581	2 162	2 667	3 028	2 836	5 280	5 418	4 518	\$27 408	\$31 015
3 PERSONS.	19 078	909	1 404	1 887	1 710	1 688	3 498	4 338	3 644	\$30 173	\$34 248
4 PERSONS.	19 233	661	1 242	1 582	1 596	1 635	3 623	4 691	4 203	\$32 989	\$35 864
5 PERSONS.	8 806	303	474	706	609	722	1 667	2 083	2 242	\$34 510	\$38 227
6 PERSONS.	3 118	121	120	157	200	266	653	779	822	\$35 674	\$39 023
7 PERSONS.	1 195	30	32	93	98	71	237	306	328	\$36 516	\$40 546
8 PERSONS.	187	7	3	14	7	9	26	33	88	\$46 657	\$47 186
9 PERSONS.	104	-	-	-	-	-	24	41	20	\$40 341	\$39 913
10 OR MORE PERSONS.	89	13	-	-	2	4	20	18	32	\$37 262	\$40 993
TOTAL PERSONS IN FAMILIES.	261 174	10 956	16 721	22 466	22 513	23 094	49 600	60 009	55 815	...	...
PERSONS PER FAMILY.	3.29	3.02	3.08	3.16	3.10	3.19	3.30	3.39	3.51	...	...
<b>AMERICAN INDIAN, ESKIMO, ALEUT</b>											
FAMILIES	12 036	2 006	2 055	1 686	1 340	1 153	1 607	1 093	1 094	\$15 921	\$21 862
2 PERSONS.	2 455	711	546	332	219	173	198	146	130	\$9 577	\$15 613
3 PERSONS.	2 315	513	427	288	224	231	275	185	172	\$13 767	\$20 353
4 PERSONS.	2 222	264	375	378	246	172	328	229	230	\$16 850	\$22 708
5 PERSONS.	1 841	192	257	274	220	225	250	227	196	\$19 443	\$24 832
6 PERSONS.	1 223	165	189	171	144	114	227	90	123	\$17 886	\$22 839
7 PERSONS.	987	99	124	115	129	117	174	119	110	\$20 908	\$26 755
8 PERSONS.	386	30	74	70	43	34	62	38	35	\$17 600	\$23 180
9 PERSONS.	255	14	37	30	43	49	28	20	34	\$20 282	\$27 758
10 OR MORE PERSONS.	352	18	26	28	72	38	65	39	66	\$24 211	\$31 647
TOTAL PERSONS IN FAMILIES.	52 627	7 148	8 305	7 429	6 219	5 388	7 593	5 154	5 391	...	...
PERSONS PER FAMILY.	4.37	3.56	4.04	4.41	4.64	4.67	4.72	4.72	4.92	...	...
<b>RURAL</b>											
<b>TOTAL</b>											
FAMILIES	32 991	3 046	3 470	3 488	3 050	3 071	5 808	5 928	5 130	\$25 574	\$29 405
2 PERSONS.	9 618	1 013	1 195	1 089	950	850	1 667	1 555	1 299	\$23 011	\$27 088
3 PERSONS.	7 259	708	690	730	641	665	1 289	1 488	1 048	\$26 222	\$29 746
4 PERSONS.	7 521	557	757	760	643	662	1 363	1 431	1 348	\$27 794	\$31 026
5 PERSONS.	4 166	375	343	437	347	420	715	781	748	\$27 064	\$31 641
6 PERSONS.	2 086	217	217	198	183	203	390	317	361	\$25 906	\$29 363
7 PERSONS.	1 239	94	134	141	141	141	203	235	150	\$23 425	\$28 394
8 PERSONS.	443	37	74	78	36	43	76	46	53	\$19 688	\$25 570
9 PERSONS.	279	14	34	27	54	45	26	36	43	\$21 094	\$30 121
10 OR MORE PERSONS.	380	31	26	28	55	42	79	39	80	\$25 426	\$32 380
TOTAL PERSONS IN FAMILIES.	121 769	10 817	12 562	12 975	11 340	11 730	21 364	21 586	19 395	...	...
PERSONS PER FAMILY.	3.69	3.55	3.62	3.72	3.72	3.82	3.68	3.64	3.78	...	...
<b>WHITE</b>											
FAMILIES	24 262	1 589	1 865	2 233	2 035	2 267	4 698	5 224	4 351	\$29 501	\$32 221
2 PERSONS.	8 159	611	820	903	837	772	1 549	1 465	1 202	\$25 762	\$29 957
3 PERSONS.	5 677	360	398	537	468	528	1 103	1 361	922	\$29 317	\$32 160
4 PERSONS.	5 819	329	441	475	431	541	1 139	1 277	1 186	\$31 341	\$33 793
5 PERSONS.	2 880	183	127	210	189	267	549	700	655	\$33 363	\$36 353
6 PERSONS.	1 075	71	57	54	53	108	231	244	257	\$33 539	\$36 119
7 PERSONS.	462	15	19	44	39	35	86	143	81	\$34 200	\$34 259
8 PERSONS.	100	7	3	10	7	9	24	14	26	\$30 379	\$37 030
9 PERSONS.	43	-	-	-	-	3	3	20	6	\$41 174	\$38 401
10 OR MORE PERSONS.	47	13	-	-	-	4	14	-	16	\$26 161	\$33 325
TOTAL PERSONS IN FAMILIES.	81 335	5 213	5 676	7 072	6 398	7 598	15 853	18 091	15 434	...	...
PERSONS PER FAMILY.	3.35	3.28	3.04	3.17	3.14	3.35	3.37	3.46	3.55	...	...
<b>AMERICAN INDIAN, ESKIMO, ALEUT</b>											
FAMILIES	8 279	1 442	1 551	1 202	959	772	1 045	605	703	\$14 722	\$21 058
2 PERSONS.	1 354	397	351	177	101	75	100	70	83	\$9 056	\$15 682
3 PERSONS.	1 484	338	275	190	166	122	181	98	114	\$13 185	\$20 619
4 PERSONS.	1 530	228	305	257	184	115	192	119	130	\$14 178	\$20 562
5 PERSONS.	1 245	192	216	145	119	145	156	79	89	\$14 863	\$20 874
6 PERSONS.	992	146	158	144	130	95	159	64	96	\$16 644	\$21 670
7 PERSONS.	777	79	115	97	102	106	117	92	69	\$19 819	\$24 908
8 PERSONS.	337	30	71	66	29	34	52	28	27	\$15 938	\$21 996
9 PERSONS.	230	14	34	27	43	42	23	16	31	\$19 688	\$27 562
10 OR MORE PERSONS.	330	18	26	25	55	38	65	39	64	\$25 227	\$32 438
TOTAL PERSONS IN FAMILIES.	38 790	5 563	6 711	5 694	4 749	4 013	5 261	3 129	3 670	...	...
PERSONS PER FAMILY.	4.69	3.84	4.33	4.74	4.95	5.20	5.03	5.17	5.22	...	...

NOTES: Data are estimates based on a sample. Rural families consist of those living in places with populations less than 2,500.

SOURCE: U.S. Bureau of the Census, 1980 Census of Population, Volume 1: Characteristics of the Population, Chapter B, Detailed Population Characteristics, Part 3, Alaska, PC80-1-D3 (September 1983), Table 240.



TABLE F.1 (Continued)  
Page 2 of 2

ALASKA	TOTAL	LESS THAN \$5,000	\$5,000 TO \$9,999	\$10,000 TO \$14,999	\$15,000 TO \$19,999	\$20,000 TO \$24,999	\$25,000 TO \$34,999	\$35,000 TO \$49,999	\$50,000 OR MORE	MEDIAN	MEAN
TOTAL											
FAMILIES	96 840	5 957	8 152	9 739	9 381	8 935	17 504	19 579	17 593	\$28 375	\$32 248
2 PERSONS	31 378	2 440	2 932	3 232	3 472	3 129	5 695	5 721	4 757	\$25 740	\$29 424
3 PERSONS	22 883	1 524	2 009	2 427	2 105	2 082	4 001	4 763	3 972	\$27 871	\$32 248
4 PERSONS	22 934	979	1 785	2 219	2 076	1 928	4 218	5 130	4 599	\$31 018	\$33 962
5 PERSONS	11 282	517	773	1 074	938	1 029	2 017	2 412	2 522	\$31 604	\$35 490
6 PERSONS	6 661	286	339	405	367	425	918	925	996	\$30 895	\$34 210
7 PERSONS	2 271	129	168	227	245	200	417	431	454	\$28 962	\$34 003
8 PERSONS	610	37	83	94	50	43	95	75	133	\$24 800	\$30 963
9 PERSONS	371	14	37	30	34	57	52	65	62	\$24 226	\$32 119
10 OR MORE PERSONS	450	31	26	31	74	42	91	57	98	\$25 991	\$33 313
TOTAL PERSONS IN FAMILIES	332 463	19 027	27 177	33 104	31 340	30 405	60 125	67 855	63 430	...	...
PERSONS PER FAMILY	3.43	3.19	3.33	3.40	3.34	3.40	3.43	3.47	3.61	...	...
WHITE											
FAMILIES	79 300	3 625	5 437	7 106	7 261	7 239	15 028	17 707	15 897	\$30 881	\$34 259
2 PERSONS	27 490	1 581	2 162	2 667	3 028	2 836	5 280	5 418	4 518	\$27 408	\$31 015
3 PERSONS	19 078	909	1 404	1 887	1 710	1 688	3 498	4 338	3 644	\$30 173	\$34 248
4 PERSONS	19 233	661	1 242	1 582	1 596	1 635	3 623	4 691	4 203	\$32 989	\$35 864
5 PERSONS	8 806	303	474	706	609	722	1 667	2 083	2 242	\$34 510	\$38 227
6 PERSONS	3 118	121	120	157	200	266	653	779	822	\$35 674	\$39 023
7 PERSONS	1 195	30	32	98	71	98	237	306	328	\$36 516	\$40 546
8 PERSONS	187	7	3	14	7	9	25	33	88	\$46 657	\$47 186
9 PERSONS	104	-	-	-	11	8	24	41	20	\$40 341	\$39 913
10 OR MORE PERSONS	89	13	-	-	2	4	20	18	32	\$37 262	\$40 993
TOTAL PERSONS IN FAMILIES	261 174	10 956	16 721	22 466	22 513	23 094	49 600	60 009	55 815	...	...
PERSONS PER FAMILY	3.29	3.02	3.08	3.16	3.10	3.19	3.30	3.39	3.51	...	...
AMERICAN INDIAN, ESKIMO, ALEUT											
FAMILIES	12 036	2 006	2 055	1 686	1 340	1 153	1 607	1 093	1 096	\$15 921	\$21 862
2 PERSONS	2 455	711	546	332	219	173	198	146	130	\$9 757	\$15 613
3 PERSONS	2 315	513	427	288	224	231	275	185	172	\$13 767	\$20 353
4 PERSONS	2 222	264	375	378	246	172	328	229	230	\$16 850	\$22 708
5 PERSONS	1 841	192	257	274	220	225	250	227	196	\$19 443	\$24 832
6 PERSONS	1 223	165	189	171	144	114	227	90	123	\$17 886	\$22 839
7 PERSONS	987	99	124	115	129	117	174	119	110	\$20 908	\$26 755
8 PERSONS	386	30	74	70	43	34	62	35	35	\$17 600	\$23 180
9 PERSONS	255	14	37	30	49	28	20	34	34	\$20 282	\$27 759
10 OR MORE PERSONS	352	18	26	28	72	38	65	39	66	\$24 211	\$31 647
TOTAL PERSONS IN FAMILIES	52 627	7 148	8 305	7 429	6 219	5 388	7 593	5 154	5 391	...	...
PERSONS PER FAMILY	4.37	3.56	4.04	4.41	4.64	4.67	4.72	4.72	4.92	...	...
RURAL											
TOTAL											
FAMILIES	32 991	3 046	3 470	3 488	3 050	3 071	5 808	5 928	5 130	\$25 574	\$29 405
2 PERSONS	9 618	1 013	1 195	1 089	950	850	1 667	1 555	1 299	\$23 011	\$27 088
3 PERSONS	7 259	708	690	730	641	685	1 289	1 488	1 048	\$26 222	\$29 746
4 PERSONS	7 521	557	757	760	643	662	1 363	1 431	1 348	\$27 794	\$31 026
5 PERSONS	4 166	375	343	437	347	420	715	781	748	\$27 064	\$31 641
6 PERSONS	2 086	217	217	198	183	203	390	317	361	\$25 906	\$29 363
7 PERSONS	1 239	94	134	141	141	141	203	235	150	\$23 425	\$28 394
8 PERSONS	443	37	74	78	36	43	76	46	53	\$19 688	\$25 570
9 PERSONS	279	14	34	27	54	45	26	36	43	\$21 094	\$30 121
10 OR MORE PERSONS	380	31	26	28	55	42	79	39	80	\$25 426	\$32 300
TOTAL PERSONS IN FAMILIES	121 769	10 817	12 562	12 975	11 340	11 730	21 364	21 586	19 395	...	...
PERSONS PER FAMILY	3.69	3.55	3.62	3.72	3.72	3.82	3.68	3.64	3.78	...	...
WHITE											
FAMILIES	24 262	1 589	1 865	2 233	2 035	2 267	4 698	5 224	4 351	\$29 501	\$32 221
2 PERSONS	8 159	611	820	903	837	772	1 549	1 465	1 202	\$25 762	\$29 957
3 PERSONS	5 677	360	398	537	468	528	1 103	1 361	922	\$29 317	\$32 160
4 PERSONS	5 819	329	441	475	431	541	1 139	1 277	1 186	\$31 341	\$33 793
5 PERSONS	2 880	183	127	210	189	267	549	700	655	\$33 363	\$36 353
6 PERSONS	1 075	71	57	54	53	108	231	244	257	\$33 539	\$36 119
7 PERSONS	462	15	19	44	39	35	86	143	81	\$34 200	\$34 259
8 PERSONS	100	7	3	10	7	9	24	14	26	\$30 379	\$37 030
9 PERSONS	43	-	-	-	11	3	3	20	6	\$41 174	\$38 401
10 OR MORE PERSONS	47	13	-	-	-	4	14	-	16	\$26 161	\$33 325
TOTAL PERSONS IN FAMILIES	81 335	5 213	5 676	7 072	6 398	7 598	15 853	18 091	15 434	...	...
PERSONS PER FAMILY	3.35	3.28	3.04	3.17	3.14	3.35	3.37	3.46	3.55	...	...
AMERICAN INDIAN, ESKIMO, ALEUT											
FAMILIES	8 279	1 442	1 551	1 202	959	772	1 045	605	703	\$14 722	\$21 038
2 PERSONS	1 354	397	351	177	101	75	100	70	83	\$9 056	\$15 632
3 PERSONS	1 484	338	275	190	166	122	181	98	114	\$13 185	\$20 619
4 PERSONS	1 530	228	305	257	184	115	192	119	130	\$14 178	\$20 562
5 PERSONS	1 245	192	216	219	149	145	156	79	89	\$14 863	\$20 874
6 PERSONS	992	146	158	144	130	95	159	64	96	\$16 644	\$21 670
7 PERSONS	777	79	115	97	102	106	117	92	69	\$19 819	\$24 908
8 PERSONS	337	30	71	66	29	34	52	28	27	\$15 938	\$21 996
9 PERSONS	230	14	34	27	43	42	23	16	31	\$19 688	\$27 562
10 OR MORE PERSONS	330	18	26	25	55	38	65	39	64	\$25 227	\$32 438
TOTAL PERSONS IN FAMILIES	38 790	5 563	6 711	5 694	4 749	4 013	5 261	3 129	3 670	...	...
PERSONS PER FAMILY	4.69	3.86	4.33	4.74	4.95	5.20	5.03	5.17	5.22	...	...

TABLE F.2. INCOME IN 1979 OF UNRELATED INDIVIDUALS  
BY RACE

(Number of Individuals)

1979 Income in Dollars	Alaska			Rural Alaska		
	Total	Non-Native	Native	Total	Non-Native	Native
<b>TOTAL</b>	<b><u>65,508</u></b>	<b><u>54,005</u></b>	<b><u>6,111</u></b>	<b><u>20,242</u></b>	<b><u>15,713</u></b>	<b><u>3,269</u></b>
Less than 2,000	7,179	4,964	1,680	3,125	1,882	1,065
2,000 to 3,999	5,231	3,941	969	1,952	1,373	521
4,000 to 5,999	6,542	4,888	843	1,834	1,278	456
6,000 to 7,999	7,528	6,026	518	2,124	1,586	287
8,000 to 9,999	4,716	3,826	369	1,497	1,189	178
10,000 to 14,999	9,233	7,972	575	2,644	2,159	277
15,000 to 24,999	13,032	11,571	583	3,342	2,970	224
25,000 to 49,999	10,268	9,171	522	3,152	2,737	237
50,000 or More	1,779	1,646	52	572	539	24
Median	\$10,798	\$12,017	\$4,905	\$9,378	\$11,175	\$4,026
Mean	\$14,830	\$15,817	\$8,596	\$14,115	\$15,645	\$7,543

NOTE: Data are estimates based on a sample. Rural families consist of those living in places with populations of less than 2,500.

SOURCE: U.S. Bureau of the Census, 1980 Census of Population, Volume 1: Characteristics of the Population, Chapter B, Detailed Population Characteristics, Part 3, Alaska, PC80-1-D3 (September 1983), Table 239.



TABLE F.3. CALCULATION OF RATIO OF 1982 PER CAPITA  
INCOME (EXCLUDING DIVIDENDS) TO 1979  
PER CAPITA INCOME

	<u>1979</u>	<u>1982</u>
Population	413,700	460,800
Alaska Personal Income (millions of \$)	4,554	7,384
1982 Permanent Fund Dividend Income (millions of \$)	0	327
1982 Personal Income Excluding Permanent Fund Dividend Income (millions of \$)	4,554	7,057
Per Capita Personal Income (\$)	11,008	15,315
Ratio of Per Capita Income to 1979 Per Capita Income	1.000	1.391

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SOURCE: Population and Personal Income: Scott Goldsmith, Teresa Hull, and Brian Reeder, "Alaska's Economy Since Statehood: The ISER MAP Economic Database," Alaska Review of Social and Economic Conditions, Vol. XXI, No. 1 (February 1984). Permanent Fund Dividend Income (includes only checks distributed in 1982), Alaska Department of Revenue.

TABLE F.4. ASSUMED NUMBER OF FAMILIES FOR 1982  
INCOME DISTRIBUTION CALCULATIONS

Family Size	Number of Families, 1979 Census <sup>a</sup>	Assumed Number of Families, 1982 <sup>b</sup>
1	65,508	74,937
2	31,378	35,894
3	22,883	26,117
4	22,934	26,335
5	11,282	12,906
6	4,661	5,332
7	2,271	2,598
8	610	698
9	371	424
10 or more	<u>450</u>	<u>515</u>
TOTAL NUMBER OF PERSONS	401,641	459,452

Ratio of number of persons in 1982 to number of persons in 1979 = 1.143937.

<sup>a</sup>Figures are from number of families given in Table F.1 and number of unrelated individuals given in Table F.2. Total calculated by multiplying number of families by family size (family size for 10 or more assumed to be 10).

<sup>b</sup>Total of 459,452 is the total number of 1982 Permanent Fund checks distributed as of March 1984. Ratio of this figure to 1979 figure, or 1.143937, used to calculate 1982 figures.



TABLE F.5. ASSUMED DISTRIBUTION OF 1982 PERMANENT FUND DIVIDEND  
RECIPIENTS BY FAMILY SIZE AND FAMILY INCOME, ALASKA

1979 Income Range (\$)	Less than 5,000	5,000- 9,999	10,000- 14,999	15,000- 19,999	20,000- 24,999	25,000- 34,999	35,000- 49,999	50,000 or more	Total
Assumed 1982 Income Range (\$)	Less than 6,956	6,957- 13,911	13,912- 20,868	20,868- 27,819	27,819- 34,780	34,781- 48,693	48,694- 69,362	69,363 or more	
<u>Number of Families, by Family Size</u>									
2	2,791	3,354	3,697	3,972	3,579	6,515	6,544	5,442	35,894
3	1,746	2,298	2,776	2,408	2,382	4,577	5,449	4,544	26,180
4	1,120	2,042	2,538	2,375	2,206	4,825	5,868	5,261	26,235
5	591	884	1,229	1,073	1,177	2,307	2,759	2,885	12,905
6	327	388	463	420	486	1,050	1,058	1,139	5,331
7	148	192	260	280	229	477	493	519	2,598
8	42	95	108	57	49	109	86	152	698
9	16	42	34	62	65	59	74	71	423
10 or more	35	30	35	85	48	104	65	112	514
<u>Number of Individuals by Family Size</u>									
2	5,582	6,708	7,394	7,943	7,159	13,029	13,089	10,883	71,787
3	5,237	6,895	8,329	7,224	7,145	13,731	16,346	13,631	78,538
4	4,480	8,168	10,152	9,499	8,822	19,301	23,474	21,044	104,940
5	2,957	4,421	6,143	5,365	5,886	11,537	13,796	14,425	64,530
6	1,963	2,327	2,780	2,519	2,917	6,301	6,349	6,836	31,992
7	1,033	1,345	1,818	1,962	1,602	3,339	3,451	3,635	18,185
8	339	760	860	458	394	869	686	1,217	5,583
9	144	381	309	556	587	535	669	638	3,819
10 or more	355	797	355	847	480	1,041	652	1,121	5,148
Total	22,090	31,302	38,140	36,373	34,992	69,683	78,512	73,430	384,522

TABLE F.6. ASSUMPTIONS FOR CALCULATIONS OF PERCENT CHANGE  
IN AFTER-TAX INCOME FOR UNRELATED INDIVIDUALS  
RESULTING FROM 1982 PERMANENT FUND  
DIVIDEND DISTRIBUTIONS

1979 Income Groups (1980 Census)	Income Group Assumed for 1982 <sup>a</sup>	Percentage Increase in Income Assumed to Result from Permanent Fund Dividend <sup>b</sup>	Number of Unrelated Individuals Statewide, Assumed for 1982 <sup>c</sup>
Less than 2,000	Less than 2,782	34	8,212
2,000-3,999	2,782-5,563	17	5,984
4,000-5,999	5,564-8,345	11	7,484
6,000-7,999	8,346-11,127	8	8,612
8,000-9,999	11,128-13,909	7	5,395
10,000-14,999	13,910-20,864	4	10,562
15,000-24,999	20,865-34,774	2	14,908
25,000-49,999	34,775-69,549	1	11,746
50,000 +	69,550 +	0	<u>2,035</u>
TOTAL			74,938

<sup>a</sup>Calculated by multiplying 1979 income groups by 1.391, the ratio of 1982 per capita income excluding dividends to 1979 per capita income (see Table F.3).

<sup>b</sup>Percentage increase in income at upper end of 1982 income range. Assumptions derived from figures in Table III.8.

<sup>c</sup>Calculated by multiplying total figures in Table F.2 by 1.143937 (see bottom of Table F.4 for calculation of this ratio).



TABLE F.7. PERCENT INCREASE IN FAMILY INCOME ASSUMED TO RESULT  
FROM 1982 PERMANENT FUND DIVIDEND DISTRIBUTION,  
AT UPPER END OF INCOME LEVEL

Number of Persons in Family	1982 Income Range							
	Zero- \$6,956	\$6,957- \$13,911	\$13,912- \$20,868	\$20,869- \$27,819	\$27,820- \$34,780	\$34,781- \$48,693	\$48,694- \$69,562	\$69,563 or More
Two	30	13	8	6	5	3	2	0
Three	39	21	14	10	8	6	4	0
Four	*	29	19	15	12	9	6	0
Five	*	36	24	18	15	11	8	0
Six	*	44	30	23	18	14	10	0
Seven	*	*	34	27	22	16	12	0
Eight	*	*	39	34	25	18	14	0
Nine	*	*	44	34	28	21	15	0
Ten	*	*	48	38	32	23	17	0

\*Greater than 50 percent.

SOURCE: Assumptions are derived from figures in Table III.8.

## APPENDIX G

### TIMING, VALUE, AND DESTINATION OF PERMANENT FUND DIVIDEND MAILINGS TO ALASKAN ADDRESSES

This appendix includes four tables of data on the timing and value of Permanent Fund dividend mailings. Table G.1 shows the number of 1982 and 1983 Permanent Fund dividend checks mailed to Alaskan addresses between June 17, 1982, and April 12, 1984, by date of mailing. Table G.2 shows the total value of these checks. Table G.3 shows the number of 1982 and 1983 dividend checks distributed during this period, by community. Table G.4 shows the ratio of 1983 dividend checks mailed to 1982 dividend checks mailed, by community.

There are slight differences between the total number of dividends reported in these tables and the total number of dividends reported in Table III.1. The totals in Table III.1 include fifty-one 1982 adult checks, twelve 1982 children's checks, sixty-eight 1983 adult checks, and twenty-six 1983 children's checks which were mailed to out-of-state addresses which were initially thought to be Alaskan addresses.





TABLE G.1. NUMBER OF PERMANENT FUND DIVIDEND CHECKS  
MAILED TO ALASKAN ADDRESSES BETWEEN  
JUNE 17, 1983 AND APRIL 12, 1984, BY DATE

Distribution Date	1982 Adult	1982 Children	1982 Total	1983 Adult	1983 Children	1983 Total	1982+1983 TOTAL
06-17-82	986	0	986	0	0	0	986
06-21-82	2267	0	2267	0	0	0	2267
06-25-82	1	0	1	0	0	0	1
06-29-82	12688	0	12688	0	0	0	12688
07-02-82	12498	0	12498	0	0	0	12498
07-08-82	14672	0	14672	0	0	0	14672
07-15-82	14946	0	14946	0	0	0	14946
07-22-82	14836	0	14836	0	0	0	14836
08-02-82	14122	0	14122	0	0	0	14122
08-13-82	32934	0	32934	0	0	0	32934
09-03-82	30201	0	30201	0	0	0	30201
09-16-82	2763	0	2763	0	0	0	2763
09-24-82	18511	0	18511	0	0	0	18511
10-08-82	7828	0	7828	0	0	0	7828
10-14-82	4122	0	4122	0	0	0	4122
10-25-82	5904	0	5904	0	0	0	5904
11-02-82	15911	0	15911	0	0	0	15911
11-06-82	1	0	1	0	0	0	1
11-16-82	4344	0	4344	0	0	0	4344
11-22-82	5089	0	5089	0	0	0	5089
12-01-82	2400	5684	8084	0	0	0	8084
12-02-82	0	10156	10156	0	0	0	10156
12-06-82	0	25811	25811	0	0	0	25811
12-08-82	0	5079	5079	0	0	0	5079
12-09-82	0	6681	6681	0	0	0	6681
12-10-82	3233	0	3233	0	0	0	3233
12-11-82	0	2763	2763	0	0	0	2763
12-15-82	1	11812	11813	0	0	0	11813
12-16-82	0	9054	9054	0	0	0	9054

SOURCE: Alaska Department of Revenue



TABLE G.1. (Continued)  
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Distribution Date	1982 Adult	1982 Children	1982 Total	1983 Adult	1983 Children	1983 Total	1982+1983 TOTAL
12-19-82	12147	11345	23492	0	0	0	23492
12-27-82	0	5260	5260	0	0	0	5260
12-28-82	0	1218	1218	0	0	0	1218
01-04-83	3924	0	3924	0	0	0	3924
01-16-83	11164	0	11164	0	0	0	11164
01-20-83	0	5112	5112	0	0	0	5112
01-25-83	7717	0	7717	0	0	0	7717
02-01-83	8787	0	8787	0	0	0	8787
02-08-83	0	4288	4288	0	0	0	4288
02-17-83	3149	0	3149	0	0	0	3149
02-23-83	21152	0	21152	0	0	0	21152
03-02-83	0	6328	6328	0	0	0	6328
03-07-83	0	7130	7130	0	0	0	7130
03-08-83	5358	0	5358	0	0	0	5358
03-14-83	0	2529	2529	0	0	0	2529
03-21-83	1674	0	1674	0	0	0	1674
03-24-83	0	1139	1139	0	0	0	1139
04-05-83	2597	0	2597	0	0	0	2597
04-19-83	2119	0	2119	0	0	0	2119
04-22-83	0	3363	3363	0	0	0	3363
04-27-83	2550	0	2550	0	0	0	2550
05-02-83	0	1405	1405	0	0	0	1405
05-13-83	1123	0	1123	0	0	0	1123
05-16-83	0	1595	1595	0	0	0	1595
05-19-83	182	0	182	0	0	0	182
05-25-83	0	1157	1157	0	0	0	1157
05-26-83	365	0	365	0	0	0	365
06-02-83	507	793	1300	0	0	0	1300
06-03-83	0	321	321	0	0	0	321
06-08-83	478	0	478	0	0	0	478
06-13-83	0	348	348	0	0	0	348
06-16-83	573	0	573	0	0	0	573

TABLE G.1. (Continued)  
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Distribution Date	1982 Adult	1982 Children	1982 Total	1983 Adult	1983 Children	1983 Total	1982+1983 TOTAL
06-17-83	0	703	703	0	0	0	703
06-22-83	354	0	354	0	0	0	354
06-25-83	0	443	443	0	0	0	443
07-05-83	0	440	440	0	0	0	440
07-06-83	802	0	802	0	0	0	802
07-07-83	232	0	232	0	0	0	232
07-09-83	0	343	343	0	0	0	343
07-13-83	376	0	376	0	0	0	376
07-16-83	0	341	341	0	0	0	341
07-21-83	352	0	352	0	0	0	352
07-22-83	0	467	467	0	0	0	467
07-27-83	221	0	221	0	0	0	221
08-01-83	0	452	452	0	0	0	452
08-02-83	0	1695	1695	0	0	0	1695
08-04-83	252	0	252	0	0	0	252
08-05-83	0	302	302	0	0	0	302
08-11-83	203	0	203	0	0	0	203
08-14-83	0	313	313	0	0	0	313
08-17-83	15	0	15	0	0	0	15
08-21-83	0	192	192	0	0	0	192
08-24-83	212	0	212	0	0	0	212
08-27-83	0	264	264	0	0	0	264
09-02-83	308	133	441	0	0	0	441
09-11-83	0	0	0	23017	10075	33092	33092
09-14-83	156	0	156	0	0	0	156
09-16-83	0	65	65	22549	10515	33064	33129
09-23-83	0	0	0	23434	10102	33536	33536
10-01-83	0	0	0	22976	10398	33374	33374
10-05-83	233	0	233	0	0	0	233
10-06-83	0	0	0	35281	14560	49841	49841
10-07-83	0	290	290	0	0	0	290
10-13-83	0	0	0	33454	16198	49652	49652
10-19-83	182	0	182	0	0	0	182
10-20-83	0	136	136	0	0	0	136
10-21-83	0	0	0	34134	15033	49167	49167
10-28-83	0	0	0	32923	14642	47565	47565



TABLE G.1. (Continued)  
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Distribution Date	1982 Adult	1982 Children	1982 Total	1983 Adult	1983 Children	1983 Total	1982+1983 TOTAL
11-03-83	201	0	201	33279	13969	47248	47449
11-04-83	0	182	182	0	0	0	182
11-14-83	0	0	0	28550	14264	42814	42814
11-18-83	0	0	0	198	281	479	479
11-21-83	168	0	168	0	0	0	168
11-23-83	0	115	115	0	0	0	115
11-26-83	0	0	0	285	527	812	812
12-07-83	68	0	68	0	0	0	68
12-09-83	0	162	162	1128	958	2086	2248
12-16-83	0	0	0	608	561	1169	1169
12-19-83	46	0	46	0	0	0	46
12-20-83	0	80	80	0	0	0	80
12-22-83	0	0	0	1680	1248	2928	2928
01-04-84	62	0	62	0	0	0	62
01-05-84	0	0	0	547	347	894	894
01-06-84	0	54	54	0	0	0	54
01-19-84	0	0	0	255	150	405	405
01-25-84	87	110	197	0	0	0	197
01-26-84	0	0	0	123	52	175	175
02-01-84	12	48	60	0	0	0	60
02-02-84	0	0	0	441	100	541	541
02-07-84	14	62	76	0	0	0	76
02-09-84	0	0	0	74	79	153	153
02-14-84	349	57	406	0	0	0	406
02-16-84	0	0	0	118	157	275	275
02-21-84	891	38	929	0	0	0	929
02-23-84	13	187	200	0	0	0	200
02-25-84	0	0	0	262	45	307	307
02-28-84	40	30	70	0	0	0	70
03-02-84	0	0	0	133	33	166	166
03-06-84	63	46	109	0	0	0	109
03-09-84	0	0	0	92	57	149	149
03-13-84	25	32	57	0	0	0	57
03-14-84	36	166	202	0	0	0	202
03-15-84	0	0	0	98	141	239	239
03-22-84	0	0	0	118	60	178	178

TABLE G.1. (Continued)  
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Distribution Date	1982 Adult	1982 Children	1982 Total	1983 Adult	1983 Children	1983 Total	1982+1983 TOTAL
04-05-84	0	0	0	234	98	332	332
04-12-84	0	0	0	111	60	171	171
Total	311797	138319	450116	296102	134710	430812	880928
PLUS: Date of Distribution Not Reported	0	0	0	1388	0	1388	1388
MINUS: Number of Above Checks Known to Not Have Had Alaskan Destinations	44	12	56	0	21	0	133
ADJUSTED TOTAL	311753	138307	450060	297490	134689	432179	882239





TABLE G.2. VALUE OF PERMANENT FUND DIVIDEND CHECKS MAILED TO  
ALASKAN ADDRESSES BETWEEN JUNE 17, 1983,  
AND APRIL 12, 1984, BY DATE

(thousands of dollars)

Distribution Date	1982 Adult	1982 Children	1982 Total	1983 Adult	1983 Children	1983 Total	1982+1983 Total
06-17-82	986.000	0.	986.000	0.	0.	0.	986.000
06-21-82	2267.000	0.	2267.000	0.	0.	0.	2267.000
06-25-82	1.000	0.	1.000	0.	0.	0.	1.000
06-29-82	12688.000	0.	12688.000	0.	0.	0.	12688.000
07-02-82	12498.000	0.	12498.000	0.	0.	0.	12498.000
07-08-82	14672.000	0.	14672.000	0.	0.	0.	14672.000
07-15-82	14946.000	0.	14946.000	0.	0.	0.	14946.000
07-22-82	14836.000	0.	14836.000	0.	0.	0.	14836.000
08-02-82	14122.000	0.	14122.000	0.	0.	0.	14122.000
08-13-82	32934.000	0.	32934.000	0.	0.	0.	32934.000
09-03-82	30201.000	0.	30201.000	0.	0.	0.	30201.000
09-16-82	2763.000	0.	2763.000	0.	0.	0.	2763.000
09-24-82	18511.000	0.	18511.000	0.	0.	0.	18511.000
10-08-82	7828.000	0.	7828.000	0.	0.	0.	7828.000
10-14-82	4122.000	0.	4122.000	0.	0.	0.	4122.000
10-25-82	5904.000	0.	5904.000	0.	0.	0.	5904.000
11-02-82	15911.000	0.	15911.000	0.	0.	0.	15911.000
11-06-82	1.000	0.	1.000	0.	0.	0.	1.000
11-16-82	4344.000	0.	4344.000	0.	0.	0.	4344.000
11-22-82	5089.000	0.	5089.000	0.	0.	0.	5089.000
12-01-82	2400.000	5684.000	8084.000	0.	0.	0.	8084.000
12-02-82	0.	10156.000	10156.000	0.	0.	0.	10156.000
12-06-82	0.	25811.000	25811.000	0.	0.	0.	25811.000
12-08-82	0.	5079.000	5079.000	0.	0.	0.	5079.000
12-09-82	0.	6681.000	6681.000	0.	0.	0.	6681.000
12-10-82	3233.000	0.	3233.000	0.	0.	0.	3233.000

SOURCE: Alaska Department of Revenue



TABLE G.2. (Continued)  
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Distribution Date	1982 Adult	1982 Children	1982 Total	1983 Adult	1983 Children	1983 Total	1982+1983 Total
12-11-82	0.	2763.000	2763.000	0.	0.	0.	2763.000
12-15-82	1.000	11812.000	11813.000	0.	0.	0.	11813.000
12-16-82	0.	9054.000	9054.000	0.	0.	0.	9054.000
12-19-82	12147.000	11345.000	23492.000	0.	0.	0.	23492.000
12-27-82	0.	5260.000	5260.000	0.	0.	0.	5260.000
12-28-82	0.	1218.000	1218.000	0.	0.	0.	1218.000
01-04-83	3924.000	0.	3924.000	0.	0.	0.	3924.000
01-16-83	11164.000	0.	11164.000	0.	0.	0.	11164.000
01-20-83	0.	5112.000	5112.000	0.	0.	0.	5112.000
01-25-83	7717.000	0.	7717.000	0.	0.	0.	7717.000
02-01-83	8787.000	0.	8787.000	0.	0.	0.	8787.000
02-08-83	0.	4288.000	4288.000	0.	0.	0.	4288.000
02-17-83	3149.000	0.	3149.000	0.	0.	0.	3149.000
02-23-83	21152.000	0.	21152.000	0.	0.	0.	21152.000
03-02-83	0.	6328.000	6328.000	0.	0.	0.	6328.000
03-07-83	0.	7130.000	7130.000	0.	0.	0.	7130.000
03-08-83	5358.000	0.	5358.000	0.	0.	0.	5358.000
03-14-83	0.	2529.000	2529.000	0.	0.	0.	2529.000
03-21-83	1674.000	0.	1674.000	0.	0.	0.	1674.000
03-24-83	0.	1139.000	1139.000	0.	0.	0.	1139.000
04-05-83	2597.000	0.	2597.000	0.	0.	0.	2597.000
04-19-83	2119.000	0.	2119.000	0.	0.	0.	2119.000
04-22-83	0.	3363.000	3363.000	0.	0.	0.	3363.000
04-27-83	2550.000	0.	2550.000	0.	0.	0.	2550.000
05-02-83	0.	1405.000	1405.000	0.	0.	0.	1405.000
05-13-83	1123.000	0.	1123.000	0.	0.	0.	1123.000
05-16-83	0.	1595.000	1595.000	0.	0.	0.	1595.000
05-19-83	182.000	0.	182.000	0.	0.	0.	182.000
05-25-83	0.	1157.000	1157.000	0.	0.	0.	1157.000
05-26-83	365.000	0.	365.000	0.	0.	0.	365.000

TABLE G.2. (Continued)  
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Distribution Date	1982 Adult	1982 Children	1982 Total	1983 Adult	1983 Children	1983 Total	1982+1983 Total
06-02-83	507.000	793.000	1300.000	0.	0.	0.	1300.000
06-03-83	0.	321.000	321.000	0.	0.	0.	321.000
06-08-83	478.000	0.	478.000	0.	0.	0.	478.000
06-13-83	0.	348.000	348.000	0.	0.	0.	348.000
06-16-83	573.000	0.	573.000	0.	0.	0.	573.000
06-17-83	0.	703.000	703.000	0.	0.	0.	703.000
06-22-83	354.000	0.	354.000	0.	0.	0.	354.000
06-25-83	0.	443.000	443.000	0.	0.	0.	443.000
07-05-83	0.	440.000	440.000	0.	0.	0.	440.000
07-06-83	802.000	0.	802.000	0.	0.	0.	802.000
07-07-83	232.000	0.	232.000	0.	0.	0.	232.000
07-09-83	0.	343.000	343.000	0.	0.	0.	343.000
07-13-83	376.000	0.	376.000	0.	0.	0.	376.000
07-16-83	0.	341.000	341.000	0.	0.	0.	341.000
07-21-83	352.000	0.	352.000	0.	0.	0.	352.000
07-22-83	0.	467.000	467.000	0.	0.	0.	467.000
07-27-83	221.000	0.	221.000	0.	0.	0.	221.000
08-01-83	0.	452.000	452.000	0.	0.	0.	452.000
08-02-83	0.	1695.000	1695.000	0.	0.	0.	1695.000
08-04-83	252.000	0.	252.000	0.	0.	0.	252.000
08-05-83	0.	302.000	302.000	0.	0.	0.	302.000
08-11-83	203.000	0.	203.000	0.	0.	0.	203.000
08-14-83	0.	313.000	313.000	0.	0.	0.	313.000
08-17-83	15.000	0.	15.000	0.	0.	0.	15.000
08-21-83	0.	192.000	192.000	0.	0.	0.	192.000
08-24-83	212.000	0.	212.000	0.	0.	0.	212.000
08-27-83	0.	264.000	264.000	0.	0.	0.	264.000
09-02-83	308.000	133.000	441.000	0.	0.	0.	441.000
09-11-83	0.	0.	0.	8888.015	3890.461	12778.476	12778.476
09-14-83	156.000	0.	156.000	0.	0.	0.	156.000
09-16-83	0.	65.000	65.000	8707.296	4060.367	12767.664	12832.664
09-23-83	0.	0.	0.	9049.039	3900.887	12949.926	12949.926
10-01-83	0.	0.	0.	8872.182	4015.188	12887.370	12887.370
10-05-83	233.000	0.	233.000	0.	0.	0.	233.000
10-06-83	0.	0.	0.	13623.758	5622.344	19246.102	19246.102



TABLE G.2. (Continued)  
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Distribution Date	1982 Adult	1982 Children	1982 Total	1983 Adult	1983 Children	1983 Total	1982+1983 Total
10-07-83	0.	290.000	290.000	0.	0.	0.	290.000
10-13-83	0.	0.	0.	12918.262	6254.858	19173.120	19173.120
10-19-83	182.000	0.	182.000	0.	0.	0.	182.000
10-20-83	0.	136.000	136.000	0.	0.	0.	136.000
10-21-83	0.	0.	0.	13180.844	5804.993	18985.837	18985.837
10-28-83	0.	0.	0.	12713.216	5654.008	18367.225	18367.225
11-03-83	201.000	0.	201.000	12850.686	5394.129	18244.815	18445.815
11-04-83	0.	182.000	182.000	0.	0.	0.	182.000
11-14-83	0.	0.	0.	11024.583	5508.044	16532.626	16532.626
11-18-83	0.	0.	0.	76.458	108.508	184.966	184.966
11-21-83	168.000	0.	168.000	0.	0.	0.	168.000
11-23-83	0.	115.000	115.000	0.	0.	0.	115.000
11-26-83	0.	0.	0.	110.053	203.501	313.554	313.554
12-07-83	68.000	0.	68.000	0.	0.	0.	68.000
12-09-83	0.	162.000	162.000	435.577	369.932	805.509	967.509
12-16-83	0.	0.	0.	234.779	216.630	451.410	451.410
12-19-83	46.000	0.	46.000	0.	0.	0.	46.000
12-20-83	0.	80.000	80.000	0.	0.	0.	80.000
12-22-83	0.	0.	0.	648.732	481.915	1130.647	1130.647
01-04-84	62.000	0.	62.000	0.	0.	0.	62.000
01-05-84	0.	0.	0.	211.224	133.994	345.218	345.218
01-06-84	0.	54.000	54.000	0.	0.	0.	54.000
01-19-84	0.	0.	0.	98.468	57.923	156.391	156.391
01-25-84	87.000	110.000	197.000	0.	0.	0.	197.000
01-26-84	0.	0.	0.	47.496	20.080	67.576	67.576
02-01-84	12.000	48.000	60.000	0.	0.	0.	60.000
02-02-84	0.	0.	0.	170.292	38.615	208.907	208.907
02-07-84	14.000	62.000	76.000	0.	0.	0.	76.000
02-09-84	0.	0.	0.	28.575	30.506	59.081	59.081
02-14-84	349.000	57.000	406.000	0.	0.	0.	406.000
02-16-84	0.	0.	0.	45.566	60.626	106.191	106.191
02-21-84	891.000	38.000	929.000	0.	0.	0.	929.000
02-23-84	13.000	187.000	200.000	0.	0.	0.	200.000
02-25-84	0.	0.	0.	101.171	17.377	118.548	118.548
02-28-84	40.000	30.000	70.000	0.	0.	0.	70.000

TABLE G.2. (Continued)  
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Distribution Date	1982 Adult	1982 Children	1982 Total	1983 Adult	1983 Children	1983 Total	1982+1983 Total
03-02-84	0.	0.	0.	51.358	12.743	64.101	64.101
03-06-84	63.000	46.000	109.000	0.	0.	0.	109.000
03-09-84	0.	0.	0.	35.526	22.011	57.536	57.536
03-13-84	25.000	32.000	57.000	0.	0.	0.	57.000
03-14-84	36.000	166.000	202.000	0.	0.	0.	202.000
03-15-84	0.	0.	0.	37.843	54.447	92.290	92.290
03-22-84	0.	0.	0.	45.566	23.169	68.735	68.735
04-05-84	0.	0.	0.	90.359	37.843	128.202	128.202
04-12-84	0.	0.	0.	42.863	23.169	66.032	66.032
Total	311797.	138319.	450116.	114339.787	52018.267	166358.054	616474.054
PLUS: Date of Distribution Not Reported	0	0	0	535976.2	0	535976.2	535976.2
MINUS: No. of Above Checks Known to Not Have Had AK Destinations	44000.	12000.	56000.	0	8109.150	0	64109.150
ADJUSTED TOTAL	311753.00	138307.00	450060.00	114875.764	52010.157	166885.92	816949.921





TABLE G.3. NUMBER OF PERMANENT FUND DIVIDEND CHECKS  
MAILED TO ALASKAN ADDRESSES BETWEEN  
JUNE 17, 1982, AND APRIL 12, 1984, BY DESTINATION

Destination of Checks	1982 Adult	1982 Children	1982 Total	1983 Adult	1983 Children	1983 Total
ADAK	38	20	58	53	24	77
AKHIOK	31	26	57	40	38	78
AKIACHAK	234	158	392	215	158	373
AKIAK	145	78	223	145	94	239
AKUTAN	52	15	67	46	18	64
ALAKANUK	282	256	538	277	237	514
ALEKNAGIK	106	65	171	101	56	157
ALEXANDER CREEK	24	7	31	15	13	28
ALLAKAKET	106	66	172	103	58	161
AMBLER	141	139	280	136	128	264
ANAKTUVAK PASS	128	85	213	114	81	195
ANCHOR POINT	970	583	1553	985	573	1558
ANCHORAGE	122758	47064	169822	115409	44738	160147
ANDERSON	2	0	2	4	1	5
ANGOON	351	215	566	343	197	540
ANIAK	313	174	487	292	178	470
ANVIK	70	39	109	59	33	92
ARCTIC VILLAGE	82	52	134	72	36	108
ATKA	93	46	139	84	42	126
ATKASUK	56	36	92	101	64	165
ATMAUTLUAK	134	88	222	133	81	214
BARROW	1832	879	2711	1667	794	2461
BARTER ISLAND	4	0	4	2	0	2
BEAVER	47	19	66	43	23	66
BELL ISLAND	3	0	3	4	0	4
BETHEL	2612	1450	4062	2391	1322	3713
BETTLES FIELD	108	48	156	96	49	145
BIG LAKE	690	285	975	762	326	1088
BIRD CREEK	37	9	46	33	16	49
BOUNDARY	16	6	22	8	6	14
BREVIK MISSION	98	53	151	100	50	150
BUCKLAND	119	99	218	99	90	189
CANDLE	3	3	6	2	0	2
CANTWELL	162	46	208	150	46	196
CAPE LISBURNE	8	0	8	5	0	5

SOURCE: Department of Revenue



TABLE G.3. (Continued)  
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Destination of Checks	1982 Adult	1982 Children	1982 Total	1983 Adult	1983 Children	1983 Total
CAPE NEWENHAM	7	0	7	5	0	5
CAPE ROMANZOF	7	0	7	5	0	5
CAPE YAKATAGA	13	5	18	10	4	14
CENTRAL	91	35	126	84	33	117
CHALKYITSIK	58	34	92	54	36	90
CHEFORNAK	124	118	242	119	125	244
CHEVAK	277	229	506	274	231	505
CHICKEN	53	14	67	46	19	65
CHIGNIK	96	61	157	89	51	140
CHIGNIK LAKE	57	39	96	74	53	127
CHIGNIK LAGOON	52	33	85	44	25	69
CHITINA	80	27	107	71	25	96
CHUATHBALUK	50	33	83	45	28	73
CHUGIAK	3305	1691	4996	3380	1785	5165
CIRCLE	71	36	107	63	36	99
CLAM GULCH	177	45	222	165	53	218
CLARKS POINT	48	24	72	51	23	74
CLEAR AFB	501	234	735	434	199	633
COLD BAY	161	76	237	156	66	222
COLD BAY AFB	5	1	6	1	0	1
COLLEGE	1793	453	2246	1627	367	1994
COOPER LANDING	206	69	275	195	73	268
COPPER CENTER	668	362	1030	622	345	967
CORDOVA	1908	651	2559	1729	640	2369
CRAIG	677	296	973	614	312	926
CROOKED CREEK	65	50	115	61	48	109
DEADHORSE	4	0	4	7	0	7
DEERING	76	61	137	77	61	138
DELTA JCT	1888	948	2836	1738	872	2610
DILLINGHAM	1199	618	1817	1222	614	1836
DIOMEDE	70	62	132	70	49	119
DOT LAKE	37	18	55	43	36	79
DUTCH HARBOR	477	89	566	260	73	333
EAGLE	182	77	259	189	85	274
EAGLE RIVER	7344	3841	11185	7954	4146	12100

TABLE G.3. (Continued)  
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Destination of Checks	1982 Adult	1982 Children	1982 Total	1983 Adult	1983 Children	1983 Total
EEK	168	87	255	149	83	232
EGIGIK	78	26	104	71	23	94
EIELSON AFB	848	811	1659	754	773	1527
EKWOK	58	40	98	59	38	97
ELFIN COVE	31	8	39	27	10	37
ELIM	131	94	225	125	95	220
ELMENDORF AF	1155	1230	2385	827	946	1773
EMMONAK	345	269	614	332	261	593
ENGLISH BAY	10	8	18	6	2	8
ESTER	177	60	237	183	56	239
FAIRBANKS	36241	13935	50176	34158	13531	47689
FALSE PASS	50	22	72	40	28	68
FLAT	11	6	17	13	6	19
FORT GREELY	12	13	25	7	8	15
FORT YUKON	473	238	711	455	221	676
FORTUNA LEDGE	149	108	257	133	104	237
FT RICHARDSON	1011	874	1885	746	770	1516
FT WAINWRIGHT	675	494	1169	455	427	882
GAKONA	350	147	497	300	114	414
GALENA	390	203	593	394	199	593
GALENA AFB	2	0	2	1	0	1
GAMBELL	275	173	448	256	186	442
GIRDWOOD	746	217	963	709	187	896
GLENNALLEN	735	348	1083	647	301	948
GOLOVIN	69	45	114	68	43	111
GOODNEWS BAY	137	72	209	129	71	200
GRAYLING	127	79	206	111	78	189
GUSTAVUS	141	50	191	139	43	182
HAINES	1446	672	2118	1389	615	2004
HALIBUT COVE	16	3	19	16	5	21
HAWK INLET	2	0	2	4	3	7
HEALY	286	139	425	316	172	488
HOLY CROSS	158	96	254	149	92	241
HOMER	4031	1867	5898	4016	1905	5921
HOONAH	647	384	1031	623	372	995
HOOPER BAY	411	272	683	394	258	652
HOPE	132	31	163	111	34	145



TABLE G.3. (Continued)  
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Destination of Checks	1982 Adult	1982 Children	1982 Total	1983 Adult	1983 Children	1983 Total
HUGHES	58	34	92	59	32	91
HUSLIA	127	96	223	120	101	221
HYDABURG	257	134	391	242	129	371
HYDER	73	34	107	47	20	67
IGIUGIG	10	2	12	8	6	14
ILIAMNA	185	112	297	195	130	325
INDIAN	147	64	211	136	53	189
INTRA	14	0	14	10	0	10
JUNEAU	17400	8465	25865	16898	8058	24956
KAKE	482	292	774	452	269	721
KAKTOVIK	152	48	200	123	57	180
KALTAG	152	100	252	148	100	248
KARLUK	51	44	95	46	47	93
KASAAN	19	7	26	26	12	38
KASIGLUK	208	168	376	209	174	383
KASILOF	439	202	641	445	220	665
KENAI	6561	3268	9829	6486	3230	9716
KETCHIKAN	8988	3599	12587	8365	3408	11773
KIANA	219	156	375	211	150	361
KING COVE	295	182	477	258	145	403
KING SALMON	309	129	438	287	117	404
KIPNUK	254	153	407	237	149	386
KIVALINA	139	101	240	138	110	248
KLAWOCK	417	225	642	401	226	627
KLUKWAN	5	4	9	3	0	3
KOBUK	39	40	79	37	35	72
KODIAK	6921	2774	9695	6245	2617	8862
KOKHANOK	53	32	85	43	12	55
KOLIGANEK	104	67	171	94	58	152
KONGIGANAK	141	90	231	146	98	244
KOTLIK	197	147	344	205	153	358
KOTZEBUE	1510	948	2458	1509	920	2429
KOYUK	112	76	188	116	85	201
KOYUKUK	84	43	127	76	40	116
KWETHLUK	278	187	465	257	179	436

TABLE G.3. (Continued)  
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Destination of Checks	1982 Adult	1982 Children	1982 Total	1983 Adult	1983 Children	1983 Total
KWIGILLINGOK	141	92	233	143	82	225
LARSEN BAY	79	70	149	80	71	151
LEVELOCK	56	27	83	61	43	104
LK MINCHUMINA	27	10	37	30	10	40
LORING	2	2	4	1	2	3
LOWER KALSKAG	144	111	255	146	106	252
MANLEY HOT SP	109	33	142	95	32	127
MANOKOTAK	171	133	304	176	134	310
MANOKTAK	1	0	1	7	1	8
MCGRATH	339	203	542	342	221	563
MCKINLEY PARK	197	34	231	160	38	198
MEKORYUK	115	62	177	121	58	179
METLAKATLA	822	518	1340	819	516	1335
MEYERS CHUCK	49	19	68	47	22	69
MINTO	117	51	168	117	55	172
MOOSE PASS	147	44	191	130	43	173
MOUNTAIN VIEW	81	27	108	33	8	41
MT EDGECEMBE	606	342	948	501	271	772
MTN VILLAGE	342	299	641	352	297	649
NAKNEK	351	136	487	315	125	440
NAPAKIAK	189	125	314	180	121	301
NAPASKIAK	134	91	225	138	119	257
NELSON LAGOON	18	10	28	12	13	25
NENANA	620	264	884	573	256	829
NEW STUYAHOK	179	135	314	192	132	324
NEWHALEN	6	13	19	6	7	13
NEWTOK	91	84	175	87	81	168
NIGHTMUTE	78	58	136	80	55	135
NIKISHKA	7	6	13	18	6	24
NIKOLAI	72	33	105	62	34	96
NIKOLSKI	34	10	44	32	9	41
NINILCHIK	366	151	517	404	190	594
NOATAK	179	116	295	190	125	315
NOME	2167	1039	3206	2089	1043	3132
NONDALTON	129	61	190	123	73	196



TABLE G.3. (Continued)  
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Destination of Checks	1982 Adult	1982 Children	1982 Total	1983 Adult	1983 Children	1983 Total
NOORVIK	288	214	502	282	197	479
NORTH POLE	1814	910	2724	1931	1079	3010
NORTHWAY	165	110	275	172	102	274
NUIQSUT	151	98	249	152	93	245
NULATO	220	143	363	196	126	322
NUNAPITCHUK	199	125	324	180	127	307
NYAC	11	3	14	6	3	9
OLD HARBOR	221	156	377	187	155	342
OTHER MILITARY	151	96	247	87	94	181
OUZINKIE	152	85	237	145	73	218
PALMER	7625	4025	11650	7870	4347	12217
PAXSON	26	5	31	25	6	31
PEDRO BAY	47	20	67	48	27	75
PELICAN	220	78	298	204	75	279
PERRYVILLE	68	52	120	64	47	111
PETERSBURG	2302	927	3229	2129	918	3047
PETERSCREEK	5	1	6	4	2	6
PILOT POINT	38	23	61	40	23	63
PILOT STATION	202	157	359	204	163	367
PITKAS POINT	23	15	38	11	7	18
PLATINUM	30	17	47	36	23	59
PLEASANT HARBOR	1	0	1	1	0	1
POINT BAKER	95	22	117	91	20	111
POINT HOPE	284	229	513	284	215	499
POINT LAY	46	25	71	51	25	76
PORT ALSWORTH	42	19	61	47	21	68
PORT GRAHAM	72	25	97	72	37	109
PORT HEIDEN	71	32	103	67	34	101
PORT LIONS	165	89	254	188	109	297
PORTAGE CREEK	21	7	28	11	9	20
PORT ALEXANDER	87	45	132	75	46	121
PRUDHOE BAY	81	3	84	88	7	95
QUINHAGAK	274	190	464	270	189	459
RABBIT CREEK	1	0	1	1	0	1
RAMPART	41	34	75	38	27	65

TABLE G.3. (Continued)  
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Destination of Checks	1982 Adult	1982 Children	1982 Total	1983 Adult	1983 Children	1983 Total
RED DEVIL	34	20	54	31	15	46
RUBY	152	88	240	146	81	227
RUSS MISSION	112	108	220	106	105	211
SALCHA	29	20	49	46	36	82
SAND POINT	424	177	601	352	168	520
SAVOONGA	276	194	470	280	185	465
SCAMMON BAY	142	125	267	145	113	258
SELAWIK	332	231	563	322	227	549
SELDOVIA	388	187	575	363	172	535
SEWARD	2171	722	2893	1979	688	2667
SHAGELUK	83	49	132	78	48	126
SHAKTOOLIK	100	72	172	93	66	159
SHELDON POINT	63	58	121	65	52	117
SHEMYA AFB	13	0	13	15	0	15
SHISHMAREF	225	175	400	222	173	395
SHUNGNAK	126	71	197	124	83	207
SITKA	5097	2169	7266	4679	2042	6721
SKAGWAY	649	278	927	516	221	737
SKWENTNA	64	28	92	71	32	103
SLANA	15	4	19	22	6	28
SLEETMUTE	95	39	134	87	37	124
SOLDOTNA	5618	3044	8662	5767	3175	8942
SOLOMON	4	0	4	4	0	4
SOUTH NAKNEK	113	54	167	99	44	143
SQUAW HARBOR	4	0	4	1	0	1
ST GEORGE ISLAND	98	58	156	83	54	137
ST MARYS	313	210	523	297	205	502
ST MICHAEL	139	123	262	139	123	262
ST PAUL ISLAND	310	195	505	266	158	424
STEBBINS	161	162	323	159	162	321
STERLING	627	394	1021	681	416	1097
STEVENS VILLAGE	70	33	103	63	29	92
STONY RIVER	40	35	75	44	36	80
SUTTON	326	166	492	323	166	489
TAKOTNA	59	24	83	45	11	56



TABLE G.3. (Continued)  
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Destination of Checks	1982 Adult	1982 Children	1982 Total	1983 Adult	1983 Children	1983 Total
TALKEETNA	497	203	700	492	221	713
TANACROSS	67	35	102	61	30	91
TANANA	306	169	475	279	149	428
TELIDA	2	0	2	5	4	9
TELLER	144	56	200	134	66	200
TENAKEE SPRINGS	121	30	151	97	22	119
TETLIN	73	42	115	73	39	112
THORNE BAY	198	84	282	212	97	309
TIN CITY AFB	11	0	11	5	0	5
TOGIAK	338	192	530	330	195	525
TOK	740	372	1112	710	384	1094
TOKEEN	5	1	6	2	1	3
TOKSOOK BAY	199	164	363	193	148	341
TRAPPERS CREEK	221	106	327	232	112	344
TULUKSAK	148	131	279	145	129	274
TUNTUTULIAK	138	111	249	141	115	256
TUNUNAK	200	127	327	199	122	321
TWIN HILLS	15	1	16	19	2	21
TWO RIVERS	0	0	0	46	24	70
TYONEK	197	134	331	186	130	316
UGANIK BAY	3	0	3	2	0	2
UGASHIK	4	1	5	5	3	8
UNALAKLEET	459	252	711	458	256	714
UNALASKA	530	133	663	413	113	526
UNKNOWN	3	0	3	67	28	95
UPPER KALSKA	88	40	128	87	39	126
USIBELLI	94	58	152	22	15	37
VALDEZ	2487	1158	3645	2262	1067	3329
VENETIE	124	94	218	113	89	202
WAINWRIGHT	263	182	445	263	165	428
WALES	84	43	127	81	38	119
WARD COVE	822	449	1271	754	431	1185
WASILLA	6106	3107	9213	7103	3769	10872
WHITE MOUNTAIN	91	45	136	105	49	154
WHITTIER	177	70	247	163	48	211
WILLOW	826	400	1226	849	407	1256
WRANGELL	1856	814	2670	1682	736	2418
YAKUTAT	434	218	652	411	209	620
TOTAL	311753	138307	450060	297490	134689	432179

TABLE G.4. RATIO OF 1983 DIVIDENDS RECEIVED TO  
1982 DIVIDENDS RECEIVED, BY COMMUNITY

Destination* of Checks	Total	Adult	Children	Total Checks 1982	Total Checks 1983
ANCHORAGE	0.94	0.94	0.95	169822	160147
FAIRBANKS	0.95	0.94	0.97	50176	47689
JUNEAU	0.96	0.97	0.95	25865	24956
KETCHIKAN	0.94	0.93	0.95	12587	11773
PALMER	1.05	1.03	1.08	11650	12217
EAGLE RIVER	1.08	1.08	1.08	11185	12100
KENAI	0.99	0.99	0.99	9829	9716
KODIAK	0.91	0.90	0.94	9695	8862
WASILLA	1.18	1.16	1.21	9213	10872
SOLDOTNA	1.03	1.03	1.04	8662	8942
SITKA	0.92	0.92	0.94	7266	6721
HOMER	1.00	1.00	1.02	5898	5921
CHUGIAK	1.03	1.02	1.06	4996	5165
BETHEL	0.91	0.92	0.91	4062	3713
VALDEZ	0.91	0.91	0.92	3645	3329
PETERSBURG	0.94	0.92	0.99	3229	3047
NOME	0.98	0.96	1.00	3206	3132
SEWARD	0.92	0.91	0.95	2893	2667
DELTA JCT	0.92	0.92	0.92	2836	2610
NORTH POLE	1.10	1.06	1.19	2724	3010
BARROW	0.91	0.91	0.90	2711	2461
WRANGELL	0.91	0.91	0.90	2670	2418
CORDOVA	0.93	0.91	0.98	2559	2369
KOTZEBUE	0.99	1.00	0.97	2458	2429
ELMENDORF AFB	0.74	0.72	0.77	2385	1773
COLLEGE	0.89	0.91	0.81	2246	1994
HAINES	0.95	0.96	0.92	2118	2004
FT RICHARDSON	0.80	0.74	0.88	1885	1516
DILLINGHAM	1.01	1.02	0.99	1817	1836
EIELSON AFB	0.92	0.89	0.95	1659	1527

\*Arranged by number of 1982 dividend checks received.

NOTE: Includes only dividend checks mailed on or before April 12, 1984.

SOURCE: Alaska Department of Revenue.



TABLE G.4. (Continued)  
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Destination* of Checks	Total	Adult	Children	Total Checks 1982	Total Checks 1983
ANCHOR POINT	1.00	1.02	0.98	1553	1558
METLAKATLA	1.00	1.00	1.00	1340	1335
WARD COVE	0.93	0.92	0.96	1271	1185
WILLOW	1.02	1.03	1.02	1226	1256
FT WAINWRIGHT	0.75	0.67	0.86	1169	882
TOK	0.98	0.96	1.03	1112	1094
GLENNALLEN	0.88	0.88	0.86	1083	948
HOONAH	0.97	0.96	0.97	1031	995
COPPER CENTER	0.94	0.93	0.95	1030	967
STERLING	1.07	1.09	1.06	1021	1097
BIG LAKE	1.12	1.10	1.14	975	1088
CRAIG	0.95	0.91	1.05	973	926
GIRDWOOD	0.93	0.95	0.86	963	896
MT EDGECEMBE	0.81	0.83	0.79	948	772
SKAGWAY	0.80	0.80	0.79	927	737
NENANA	0.94	0.92	0.97	884	829
KAKE	0.93	0.94	0.92	774	721
CLEAR AFB	0.86	0.87	0.85	735	633
FORT YUKON	0.95	0.96	0.93	711	676
UNALAKLEET	1.00	1.00	1.02	711	714
TALKEETNA	1.02	0.99	1.09	700	713
HOOPER BAY	0.95	0.96	0.95	683	652
UNALASKA	0.79	0.78	0.85	663	526
YAKUTAT	0.95	0.95	0.96	652	620
KLAWOCK	0.98	0.96	1.00	642	627
MTN VILLAGE	1.01	1.03	0.99	641	649
KASILOF	1.04	1.01	1.09	641	665
EMMONAK	0.97	0.96	0.97	614	593
SAND POINT	0.87	0.83	0.95	601	520
GALENA	1.00	1.01	0.98	593	593
SELDOVIA	0.93	0.94	0.92	575	535
DUTCH HARBOR	0.59	0.55	0.82	566	333
ANGOON	0.95	0.98	0.92	566	540
SELAWIK	0.98	0.97	0.98	563	549
MCGRATH	1.04	1.01	1.09	542	563

\*Arranged by number of 1982 dividend checks received.

TABLE G.4. (Continued)  
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Destination* of Checks	Total	Adult	Children	Total Checks 1982	Total Checks 1983
ALAKANUK	0.96	0.98	0.93	538	514
TOGIAK	0.99	0.98	1.02	530	525
ST MARYS	0.96	0.95	0.98	523	502
NINILCHIK	1.15	1.10	1.26	517	594
POINT HOPE	0.97	1.00	0.94	513	499
CHEVAK	1.00	0.99	1.01	506	505
ST PAUL ISLAND	0.84	0.86	0.81	505	424
NOORVIK	0.95	0.98	0.92	502	479
GAKONA	0.83	0.86	0.78	497	414
SUTTON	0.99	0.99	1.00	492	489
ANIAK	0.97	0.93	1.02	487	470
NAKNEK	0.90	0.90	0.92	487	440
KING COVE	0.84	0.87	0.80	477	403
TANANA	0.90	0.91	0.88	475	428
SAVOONGA	0.99	1.01	0.95	470	465
KWETHLUK	0.94	0.92	0.96	465	436
QUINHAGAK	0.99	0.99	0.99	464	459
GAMBELL	0.99	0.93	1.08	448	442
WAINWRIGHT	0.96	1.00	0.91	445	428
KING SALMON	0.92	0.93	0.91	438	404
HEALY	1.15	1.10	1.24	425	488
KIPNUK	0.95	0.93	0.97	407	386
SHISHMAREF	0.99	0.99	0.99	400	395
AKIACHAK	0.95	0.92	1.00	392	373
HYDABURG	0.95	0.94	0.96	391	371
OLD HARBOR	0.91	0.85	0.99	377	342
KASIGLUK	1.02	1.00	1.04	376	383
KIANA	0.96	0.96	0.96	375	361
TOKSOOK BAY	0.94	0.97	0.90	363	341
NULATO	0.89	0.89	0.88	363	322
PILOT STATION	1.02	1.01	1.04	359	367
KOTLIK	1.04	1.04	1.04	344	358
TYONEK	0.95	0.94	0.97	331	316
TUNUNAK	0.98	0.99	0.96	327	321
TRAPPERS CREEK	1.05	1.05	1.06	327	344

\*Arranged by number of 1982 dividend checks received.



TABLE G.4. (Continued)  
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Destination* of Checks	Total	Adult	Children	Total Checks 1982	Total Checks 1983
NUNAPITCHUK	0.95	0.90	1.02	324	307
STEBBINS	0.99	0.99	1.00	323	321
NEW STUYAHOK	1.03	1.07	0.98	314	324
NAPAKIAK	0.96	0.95	0.97	314	301
MANOKOTAK	1.02	1.03	1.01	304	310
PELICAN	0.94	0.93	0.96	298	279
ILIAMNA	1.09	1.05	1.16	297	325
NOATAK	1.07	1.06	1.08	295	315
THORNE BAY	1.10	1.07	1.15	282	309
AMBLER	0.94	0.96	0.92	280	264
TULUKSAK	0.98	0.98	0.98	279	274
NORTHWAY	1.00	1.04	0.93	275	274
COOPER LANDING	0.97	0.95	1.06	275	268
SCAMMON BAY	0.97	1.02	0.90	267	258
ST MICHAEL	1.00	1.00	1.00	262	262
EAGLE	1.06	1.04	1.10	259	274
FORTUNA LEDGE	0.92	0.89	0.96	257	237
EEK	0.91	0.89	0.95	255	232
LOWER KALSKAG	0.99	1.01	0.95	255	252
HOLY CROSS	0.95	0.94	0.96	254	241
PORT LIONS	1.17	1.14	1.22	254	297
KALTAG	0.98	0.97	1.00	252	248
NUIQSUT	0.98	1.01	0.95	249	245
TUNTUTULIAK	1.03	1.02	1.04	249	256
WHITTIER	0.85	0.92	0.69	247	211
OTHER MILITARY	0.73	0.58	0.98	247	181
CHEFORNAK	1.01	0.96	1.06	242	244
KIVALINA	1.03	0.99	1.09	240	248
RUBY	0.95	0.96	0.92	240	227
COLD BAY	0.94	0.97	0.87	237	222
ESTER	1.01	1.03	0.93	237	239
OUZINKIE	0.92	0.95	0.86	237	218
KWIGILLINGOK	0.97	1.01	0.89	233	225
KONGIGANAK	1.06	1.04	1.09	231	244
MCKINLEY PARK	0.86	0.81	1.12	231	198

\*Arranged by number of 1982 dividend checks received.

TABLE G.4. (Continued)  
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Destination* of Checks	Total	Adult	Children	Total Checks 1982	Total Checks 1983
ELIM	0.98	0.95	1.01	225	220
NAPASKIAK	1.14	1.03	1.31	225	257
AKIAK	1.07	1.00	1.21	223	239
HUSLIA	0.99	0.94	1.05	223	221
CLAM GULCH	0.98	0.93	1.18	222	218
ATMAUTLUAK	0.96	0.99	0.92	222	214
RUSS MISSION	0.96	0.95	0.97	220	211
BUCKLAND	0.87	0.83	0.91	218	189
VENETIE	0.93	0.91	0.95	218	202
ANAKTUVAK PASS	0.92	0.89	0.95	213	195
INDIAN	0.90	0.93	0.83	211	189
GOODNEWS BAY	0.96	0.94	0.99	209	200
CANTWELL	0.94	0.93	1.00	208	196
GRAYLING	0.92	0.87	0.99	206	189
KAKTOVIK	0.90	0.81	1.19	200	180
TELLER	1.00	0.93	1.18	200	200
SHUNGNAK	1.05	0.98	1.17	197	207
GUSTAVUS	0.95	0.99	0.86	191	182
MOOSE PASS	0.91	0.88	0.98	191	173
NONDALTON	1.03	0.95	1.20	190	196
KOYUK	1.07	1.04	1.12	188	201
MEKORYUK	1.01	1.05	0.94	177	179
NEWTOK	0.96	0.96	0.96	175	168
ALLAKAKET	0.94	0.97	0.88	172	161
SHAKTOOLIK	0.92	0.93	0.92	172	159
ALEKNAGIK	0.92	0.95	0.86	171	157
KOLIGANEK	0.89	0.90	0.87	171	152
MINTO	1.02	1.00	1.08	168	172
SOUTH NAKNEK	0.86	0.88	0.81	167	143
HOPE	0.89	0.84	1.10	163	145
CHIGNIK	0.89	0.93	0.84	157	140
ST GEORGE ISL.	0.88	0.85	0.93	156	137
BETTLES FIELD	0.93	0.89	1.02	156	145
USIBELLI	0.24	0.23	0.26	152	37
TENAKEE SPRINGS	0.79	0.80	0.73	151	119

\*Arranged by number of 1982 dividend checks received.



TABLE G.4. (Continued)  
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Destination* of Checks	Total	Adult	Children	Total Checks 1982	Total Checks 1983
BREVIG MISSION	0.99	1.02	0.94	151	150
LARSEN BAY	1.01	1.01	1.01	149	151
MANLEY HOT SP.	0.89	0.87	0.97	142	127
ATKA	0.91	0.90	0.91	139	126
DEERING	1.01	1.01	1.00	137	138
NIGHTMUTE	0.99	1.03	0.95	136	135
WHITE MTN.	1.13	1.15	1.09	136	154
SLEETMUTE	0.93	0.92	0.95	134	124
ARCTIC VILLAGE	0.81	0.88	0.69	134	108
PORT ALEXANDER	0.92	0.86	1.02	132	121
L. DIOMEDE ISL.	0.90	1.00	0.79	132	119
SHAGELUK	0.95	0.94	0.98	132	126
UPPER KALSKAG	0.98	0.99	0.98	128	126
WALES	0.94	0.96	0.88	127	119
KOYUKUK	0.91	0.90	0.93	127	116
CENTRAL	0.93	0.92	0.94	126	117
SHELDON POINT	0.97	1.03	0.90	121	117
PERRYVILLE	0.92	0.94	0.90	120	111
POINT BAKER	0.95	0.96	0.91	117	111
CROOKED CREEK	0.95	0.94	0.96	115	109
TETLIN	0.97	1.00	0.93	115	112
GOLOVIN	0.97	0.99	0.96	114	111
ANVIK	0.84	0.84	0.85	109	92
MOUNTAIN VIEW	0.38	0.41	0.30	108	41
HYDER	0.63	0.64	0.59	107	67
CIRCLE	0.93	0.89	1.00	107	99
CHITINA	0.90	0.89	0.93	107	96
NIKOLAI	0.91	0.86	1.03	105	96
EGIGIK	0.90	0.91	0.88	104	94
STEVENS VILLAGE	0.89	0.90	0.88	103	92
PORT HEIDEN	0.98	0.94	1.06	103	101
TANACROSS	0.89	0.91	0.86	102	91
EKWOK	0.99	1.02	0.95	98	97
PORT GRAHAM	1.12	1.00	1.48	97	109
CHIGNIK LAKE	1.32	1.30	1.36	96	127

\*Arranged by number of 1982 dividend checks received.

TABLE G.4. (Continued)  
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Destination* of Checks	Total	Adult	Children	Total Checks 1982	Total Checks 1983
KARLUK	0.98	0.90	1.07	95	93
CHALKYITSIK	0.98	0.93	1.06	92	90
HUGHES	0.99	1.02	0.94	92	91
ATKASUK	1.79	1.80	1.78	92	165
SKWENTNA	1.12	1.11	1.14	92	103
KOKHANOK	0.65	0.81	0.38	85	55
CHIGNIK LAGOON	0.81	0.85	0.76	85	69
PRUDHOE BAY	1.13	1.09	2.33	84	95
LEVELOCK	1.25	1.09	1.59	83	104
TAKOTNA	0.67	0.76	0.46	83	56
CHUATHBALUK	0.88	0.90	0.85	83	73
KOBUK	0.91	0.95	0.88	79	72
RAMPART	0.87	0.93	0.79	75	65
STONY RIVER	1.07	1.10	1.03	75	80
CLARKS POINT	1.03	1.06	0.96	72	74
FALSE PASS	0.94	0.80	1.27	72	68
POINT LAY	1.07	1.11	1.00	71	76
MEYERS CHUCK	1.01	0.96	1.16	68	69
CHICKEN	0.97	0.87	1.36	67	65
AKUTAN	0.96	0.88	1.20	67	64
PEDRO BAY	1.12	1.02	1.35	67	75
BEAVER	1.00	0.91	1.21	66	66
PILOT POINT	1.03	1.05	1.00	61	63
PORT ALSWORTH	1.11	1.12	1.11	61	68
ADAK	1.33	1.39	1.20	58	77
AKHIOK	1.37	1.29	1.46	57	78
DOT LAKE	1.44	1.16	2.00	55	79
RED DEVIL	0.85	0.91	0.75	54	46
SALCHA	1.67	1.59	1.80	49	82
PLATINUM	1.26	1.20	1.35	47	59
BIRD CREEK	1.07	0.89	1.78	46	49
NIKOLSKI	0.93	0.94	0.90	44	41
ELFIN COVE	0.95	0.87	1.25	39	37
PITKAS POINT	0.47	0.48	0.47	38	18
LK MINCHUMINA	1.08	1.11	1.00	37	40

\*Arranged by number of 1982 dividend checks received.



TABLE G.4. (Continued)  
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Destination* of Checks	Total	Adult	Children	Total Checks 1982	Total Checks 1983
PAXSON	1.00	0.96	1.20	31	31
ALEXANDER CREEK	0.90	0.63	1.86	31	28
NELSON LAGOON	0.89	0.67	1.30	28	25
PORTAGE CREEK	0.71	0.52	1.29	28	20
KASAAN	1.46	1.37	1.71	26	38
FORT GREELY BOUNDARY	0.60	0.58	0.62	25	15
NEWHALEN	0.64	0.50	1.00	22	14
SLANA	0.68	1.00	0.54	19	13
HALIBUT COVE	1.47	1.47	1.50	19	28
CAPE YAKATAGA	1.11	1.00	1.67	19	21
ENGLISH BAY	0.78	0.77	0.80	18	14
FLAT	0.44	0.60	0.25	18	8
TWIN HILLS	1.12	1.18	1.00	17	19
INTRA	1.31	1.27	2.00	16	21
NYAC	0.71	0.71	0.	14	10
SHEMYA AFB	0.64	0.55	1.00	14	9
NIKISHKA	1.15	1.15	0.	13	15
IGIUGIG	1.85	2.57	1.00	13	24
TIN CITY AFB	1.17	0.80	3.00	12	14
KLUKWAN	0.45	0.45	0.	11	5
CAPE LISBURNE	0.33	0.60	0.	9	3
CAPE NEWENHAM	0.63	0.63	0.	8	5
CAPE ROMANZO	0.71	0.71	0.	7	5
CANDLE	0.71	0.71	0.	7	5
TOKEEN	0.33	0.67	0.	6	2
COLD BAY AFB	0.50	0.40	1.00	6	3
PETERSCREEK	0.17	0.20	0.	6	1
UGASHIK	1.00	0.80	2.00	6	6
DEADHORSE	1.60	1.25	3.00	5	8
SOLOMON	1.75	1.75	0.	4	7
SQUAW HARBOR	1.00	1.00	0.	4	4
BARTER ISLAND	0.25	0.25	0.	4	1
LORING	0.50	0.50	0.	4	2
UGANIK BAY	0.75	0.50	1.00	4	3
	0.67	0.67	0.	3	2

\*Arranged by number of 1982 dividend checks received.

TABLE G.4. (Continued)  
Page 9 of 9

Destination* of Checks	Total	Adult	Children	Total Checks 1982	Total Checks 1983
BELL ISLAND	1.33	1.33	0.	3	4
UNKNOWN	31.67	22.33	0.	3	95
TELIDA	4.50	2.50	0.	2	9
HAWK INLET	3.50	2.00	0.	2	7
ANDERSON	2.50	2.00	0.	2	5
GALENA AFB	0.50	0.50	0.	2	1
MANOKTAK	8.00	7.00	0.	1	8
RABBIT CREEK	1.00	1.00	0.	1	1
PLEASANT HARBOR	1.00	1.00	0.	1	1
TWO RIVERS	0.	0.	0.	0	70

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\*Arranged by number of 1982 dividend checks received.





## APPENDIX H

### STATISTICAL ANALYSIS OF THE IMPACT OF PERMANENT FUND DIVIDENDS ON GROSS SALES IN SITKA

#### Summary

As one method of assessing the economic impact of the dividend distribution on local Alaska economies, a site-specific analysis was carried out. This analysis attempted to relate the distribution of dividends to the residents of Sitka to the level of gross sales in the community. The analysis suggests that each dollar received from dividends by Sitka residents resulted in an increase of about \$1 in gross sales on taxable goods and services.

#### Data

Permanent Fund dividends received by Sitka residents were compiled by week from Department of Revenue computer tapes. The data were then aggregated into a series on the total dollar amount of dividends received, by quarter.

Total gross receipts for the first quarter of 1979 through the first quarter of 1984 were aggregated for all businesses which filed quarterly sales tax returns with the City and Borough of Sitka. The receipts included retail and wholesale sales and receipts from services and rents of property or equipment. All businesses were categorized by the McDowell Group according to their appropriate two-digit Standard Industrial Classification (SIC) codes. Several categories of sales are exempt from the tax and thus not reflected in total receipts. These exemptions are (1) sales outside the district; (2) sales to government agencies; (3) wholesale or sales for resale; (4) sales over the taxable limit (single sales over \$1,000); and (5) sales, services, or rent to elderly persons.

It appears that most of the businesses which claim one or more of these exemptions on the majority of their receipts do not report their gross sales via City and Borough of Sitka quarterly sales tax returns. Therefore, many businesses such as travel agencies, wholesalers, etc. are not included in this analysis. Those businesses who do report in the above mentioned manner do not necessarily report accurately, and the Sitka sales tax laws are not strictly enforced. Therefore, the values in this analysis should not be regarded as totally accurate. More than likely, they are understated. However, we believe that the understatement is likely to have been reasonably consistent over time.

Department of Labor data on nonagricultural payrolls for Sitka were used as an explanatory variable representing aggregate consumer demand. All data is shown in the accompanying table (Table H.1).



TABLE H.1. SITKA DIVIDEND IMPACT DATA

(thousands of dollars)

Year	Quarter	Gross Sales	Nonagricultural Payroll	Permanent Fund Dividend
1979	1	\$15,396	\$15,716	\$ 0
	2	19,624	20,319	0
	3	23,496	21,278	0
	4	19,888	19,703	0
1980	1	17,803	16,804	0
	2	23,717	22,012	0
	3	29,104	22,794	0
	4	28,172	21,037	0
1981	1	21,652	20,225	0
	2	27,543	23,619	0
	3	30,277	26,079	0
	4	24,868	22,963	0
1982	1	21,477	19,550	0
	2	26,439	22,826	34
	3	32,424	24,323	2,624
	4	28,230	21,949	2,809
1983	1	25,137	18,633	1,064
	2	31,511	22,119	305
	3	33,324	23,087	569
	4	27,571	19,710	2,091

### Analysis

The hypothesis was that dividend receipts, independent of other income, caused an increase in reported gross sales in the community. Several possible specifications of a relationship were tried, with the most satisfactory statistical result coming from the following:

$$\text{Gross Sales} = \text{CONST} + b_1 * (\text{PFDIV}) + b_2 * (\text{PAYROLL}) + b_3 * (\text{D1}) + b_4 * (\text{D2}) + b_5 * (\text{D3}) + b_6 * (\text{D1983})$$

where D1, D2, and D3 are seasonal dummy variables, and D1983 is a dummy variable for 1983. The estimated coefficients and their statistics are:

<u>Coefficient</u>	<u>Value</u>	<u>T-Statistic</u>
CONST	-8959.93	-1.395
PFDIV	0.957	1.733
PAYROLL	1.555	5.136
D1	-230.593	-0.152
D2	-825.904	-0.603
D3	513.274	0.356
D1983	5046.86	4.413

The Durban-Watson statistic is 1.629.

### Interpretation

Because of the openness of the Sitka economy, simultaneity bias between dividends and payrolls was assumed not to be a problem. Consequently, the coefficient on the value of dividends, .96, is a measure of the change in gross taxable sales in the community from a change in dividend income. A dollar of dividends received increases gross sales by about one dollar. Dividend income has a smaller effect than income from payrolls either because of a larger leak out of the economy from expenditures from dividends, because of a higher marginal propensity to save out of dividend income, or because ordinary income serves as a proxy for total final demand rather than just personal consumption expenditures.

Sitka was chosen for analysis not only because of the availability of data but also because it is a fairly stable community with few exogenous shocks affecting it during the period of analysis. Thus, isolation of the impact of the dividends is simplified. As it turned out, in 1983 the timber industry, an important basic industry in the community, suffered a significant decline. A dummy for 1983 was introduced to control for this, but it involved some temporal overlap with the dividend distribution. Consequently, the coefficient on the dummy is allocated some of the



dividend effect, causing the T-Statistic to fall below 2. An alternative specification reflecting permanent income (a moving average of past payrolls) was not investigated. Such a specification would primarily reduce the effect of the 1983 dummy.

## APPENDIX I

### STATISTICAL ANALYSIS OF THE EFFECTS OF PERMANENT FUND DIVIDENDS ON DEPOSITS IN ALASKA FINANCIAL INSTITUTIONS

by Matthew Berman

#### Introduction

Chapter IV of the report discusses how Alaskans reported they spent their Permanent Fund Dividend checks. Although as much as 20 percent of the dividends may have contributed to household savings (including debt reduction), it is not possible to determine how much of this amount may have remained in financial institutions for any length of time. Even ignoring the additional household savings in financial institutions, the dividend program is likely to have had significant effects on the balance sheets of these organizations.

On the one hand, households are likely to deposit dividend checks with financial institutions temporarily while waiting to complete purchases of new goods and services. On the other, businesses may increase deposits as a result of increased consumer spending. This appendix contains a statistical analysis of the direct effects on the level of certain types of deposits in Alaska financial institutions likely to have occurred as a result of the dividend program. Also included is a discussion of the likely consequences of the observed pattern for the financial sector.

A major conceptual problem with such an analysis is the obvious multiplier effect which the spending of Permanent Fund Dividend checks has on the economy. There is potentially both a "real" and a "monetary" multiplier. Spending of the dividends creates additional income, which may lead quickly to higher levels of deposits in Alaska financial institutions. Higher levels of deposits in financial institutions may (up to the reserve requirement) be available for additional loans, resulting in additional deposits and economic activity.

The intent of this analysis is to examine only the direct effects of the dividend program, that is, not including the multiplier effects. This is difficult to accomplish in practice, as described below. Also, one must recognize that deposits in financial institutions represent only a small part of household savings. Except for those households at the highest income levels, the largest portion of wealth is in real estate and durable goods. Higher income households are likely to hold most of their financial wealth in higher-earning assets such as stocks, bonds, and money market certificates. Thus, changes observed in deposits in financial institutions may reflect more portfolio adjustments in response to economic conditions created by the dividends than household savings behavior.



With these caveats in mind, one may now examine the evidence for effects of the dividend program on Alaska financial variables. The following sections describe a simple model developed for this purpose, and some results obtained from estimating the model using data for several types of deposits in Alaska financial institutions.

#### A Simple Model of Aggregate Savings

Households allocate their income into two basic categories: consumption and savings. Household savings may take many forms, but a portion may be added to savings account balances in financial institutions. There are a number of other factors which would also affect the aggregate level of deposits in these institutions. Among the most important of these may be household income, developments in financial markets affecting the choices available for savings, and fluctuations during the year associated with seasonal spending patterns.

A simple model of aggregate household savings in financial institutions might be stated verbally as follows. The change in net deposits for a particular type of account would be explained by a time trend (representing long-term structural change in financial institutions and the services they offer), the level of personal income (net of Permanent Fund Dividends), an indicator variable of conditions in the financial markets, Permanent Fund Dividend payments, and seasonal factors.

The rationale for assuming differing potential effects in the model for dividend payments relative to other personal income reflects an assumption that households consider dividends to be unpredictable, one-time payments during the year. Changes in other income, after adjusting for seasonal factors, are considered to be more permanent and recurring. Note that savings in this model is equal to the change in the level of deposits, as opposed to the actual level of deposits. Household savings may cause observed increases in all forms of deposits in financial institutions. Demand deposits (and the analogous "share draft" accounts in Credit Unions), however, are likely to show only a temporary increase. It is possible, then, that there may be a lagged (negative) effect of dividends on deposits, especially demand deposits, suggesting that dividend income deposited in financial institutions is gradually withdrawn and spent on consumption and investment.

#### Estimation of the Model for Alaska Deposits

Monthly data on aggregate savings, time and demand deposits representing most financial institutions with accounts in Alaska are available for the past several years. The specific data series for deposits include the following definitions:



Total savings deposits in savings and loan banks. Total savings account balances of Alaska member savings institutions of the Federal Home Loan Bank of Seattle (federally-chartered savings and loan associations and savings banks), available from the Federal Home Loan Bank of Seattle;

Total savings deposits in commercial banks. Aggregate savings deposits in Alaska member banks of the Federal Reserve System (source: Federal Reserve Bank of San Francisco);

Total time deposits in commercial banks. Aggregate time deposits in Alaska member banks of the Federal Reserve system (source: Federal Reserve Bank of San Francisco);

Total demand deposits in commercial banks. Aggregate demand deposits in Alaska member banks of the Federal Reserve System (source: Federal Reserve Bank of San Francisco).

In addition to these aggregate financial variables, the Fedalaska Credit Union has provided monthly total account balances for savings deposits, share draft deposits (similar to demand deposits) and money market certificates. The National Bank of Alaska has provided an adjusted series representing their aggregate VISA credit card account balances.

The indicator of conditions in national financial markets used for estimating the model was the three-month U. S. Treasury bill rate. Monthly data are not available for personal income, but it was possible to derive a series for the largest component of income, total wages, and salaries from data published by the Alaska Department of Labor. All dollar-valued data series were deflated by the Anchorage Consumer Price Index, and are expressed in million 1967 dollars.

As mentioned above, the multiplier effect of Permanent Fund Dividend income on the economy is likely to affect other income. If the multiplier works rapidly so that there is an effect in the current observation period of dividends received in that period, it may cause problems with estimating the model to isolate the direct effects of the dividend program. To correct for this problem, the actual values of the wage and salary income variable were replaced with instrumental variable estimates. The variables used as instruments for this procedure included national wage rates and employment in a number of exogenous Alaska industries, in addition to the other independent variables in the model.

Table I.1 shows the results of regression equations estimating the simple deposit model using the data described above. One should recall that the dependent variable in the equations represents the net change in the level of deposits. The table does not show the constant term and the seasonal factors (dummy variables for each month) which were included in the specification of the equations.



TABLE I.1. EFFECTS OF PERMANENT FUND DIVIDENDS AND OTHER FACTORS ON NET MONTHLY CHANGE  
IN REAL DEMAND, TIME, AND SAVINGS DEPOSITS IN ALASKA

(t statistics enclosed in parentheses, constant term and seasonal coefficients omitted)

Type of Account	Trend	Treasury Bill Rate	Permanent Fund Dividend Distributions	Wage and Salary Income	R <sup>2</sup>	Number of Observations
Total savings deposits in savings and loan banks <sup>a</sup>	0.200 (1.39)	0.036 (0.08)	0.355 (2.26)	-0.322 (-2.19)	0.36	71
Total savings deposits in commercial banks <sup>b</sup>	0.120 (1.52)	-0.350 (-1.34)	0.276 (3.19)	-0.050 (-0.61)	0.54	71
Total demand deposits in commercial banks <sup>b</sup>	0.067 (0.30)	-0.181 (-0.24)	-0.005 (-0.02)	-0.042 (-0.19)	0.49	71
Total time deposits in commercial banks <sup>b</sup>	-0.131 (-1.11)	-0.018 (-0.05)	-0.433 (-3.36)	0.193 (1.60)	0.30	71
Savings deposits in Fedalaska Credit Union	-0.027 (-2.07)	-0.051 (-2.17)	0.009 (2.89)	0.016 (1.46)	0.90	31
Share Draft deposits in Fedalaska Credit Union	0.040 (1.64)	-0.022 (-0.49)	0.002 (0.31)	-0.035 (-1.66)	0.55	31
Money Market certificates in Fedalaska Credit Union	0.011 (1.07)	0.077 (3.96)	0.001 (0.32)	0.005 (0.59)	0.80	31

<sup>a</sup>Alaska member savings institutions of the Federal Home Loan Bank of Seattle.

<sup>b</sup>Federal Reserve System Member Banks.



In addition to the results shown in Table I.1, a number of alternative specifications were estimated. Replacing the time trend variable with dummy variables for each year did not change the results, and using the actual values of wage and salary income instead of the instrumental variable did not cause a large change in the estimated coefficients. Specifications including lagged values of the monthly Permanent Fund Dividend distributions did not usually produce an improvement in the results, a topic which receives additional discussion below. Finally, attempts to add total regional (West Coast) deposits as an explanatory variable in the model failed to produce meaningful results.

The coefficients shown in Table I.1 show a pattern of household portfolio adjustments which appear to be associated with the payment of Permanent Fund Dividends and receipt of other income. Aggregate savings account balances rose with dividend payments and fell with other income while the reverse pattern occurred for time deposits. The effect of the dividends on these changes is, on the whole, statistically more significant than that of wage and salary income. The coefficient of around 0.4 for the aggregate measures suggests a magnitude of 40 cents of total change in deposits per dollar of Permanent Fund Dividends.

The effect of the dividends on changes in savings deposits in the single credit union are similar to those for savings banks, although the credit union accounts appear also to rise rather than to fall with their income. The negative coefficient for income in the savings account balances in savings institutions may reflect substitution of other forms of savings; e. g., real estate, stocks, and bonds, for savings accounts as the Alaska economy develops and personal income rises.

The results presented in Table I.1 for aggregate demand deposits and share draft accounts at the credit union fail to show any statistically significant effects. There is a high seasonal fluctuation (not shown in the table) and apparently a lot of random noise in this series. The money market account balance equation does not show any effects of dividends or other income, but rather shows an example of pure substitution (from savings and possibly demand deposits) in response to higher interest rates. A rise of one percent in the Treasury bill rate is associated with a shift of over seven million dollars into money market accounts from other accounts at the single credit union.

The estimates of the deposit model shown in Table I.1 do not consider the possible lagged effects of the dividends, such as might occur with subsequent withdrawal of funds temporarily deposited in financial institutions. Table I.2 shows results of the model including one- and two-month lags in effects of Permanent Fund Dividends on the change in demand and share draft deposits and on the VISA credit card account series. Estimating the equations



TABLE I.2. LAGGED EFFECTS OF PERMANENT FUND DIVIDENDS ON NET MONTHLY CHANGE  
IN REAL DEMAND DEPOSITS AND CREDIT CARD BALANCES IN ALASKA

(t statistics enclosed in parentheses, constant term, year, and seasonal coefficients omitted)

Type of Account	Treasury Bill Rate	Permanent Fund Dividend Distributions	Dividends Lagged One Month	Dividends Lagged Two Months	Wage and Salary Income	R <sup>2</sup>	Number of Observations
Total demand deposits in commercial banks <sup>a</sup>	-0.316 (-0.27)	-0.124 (-0.44)	0.227 (0.71)	-0.084 (-0.26)	0.127 (0.30)	0.51	69
Share Draft deposits in Fedalaska Credit Union	0.184 (2.05)	0.006 (0.88)	0.030 (2.21)	0.012 (1.24)	0.076 (2.01)	0.65	31
VISA account balances at National Bank of Alaska	0.032 (0.09)	-0.008 (-0.46)	0.028 (0.54)	-0.034 (-1.08)	0.060 (0.41)	0.74	21

<sup>a</sup>Federal Reserve System Member Banks.

containing lagged effects did not produce statistically significant results for the change in savings, time, or money market accounts.

The pattern shown in the coefficients in Table I.2 includes a statistically significant increase in share draft deposits associated with Permanent Fund Dividend payments with a one-period lag, rather than a decrease, as expected. Whatever reduction there may be in deposits in consumer checking accounts as dividends are spent is overwhelmed in the data by the multiplier on that spending. The multiplier raises deposits in this credit union by a total of around five cents per dollar of dividend payments after three months, due to the increase in economic activity in response to spending dividend income. The same pattern is possible as well for aggregate bank demand deposits shown in Table I.2, but there are no statistically significant results. The VISA accounts show a possible increase in response to dividend payments with a one-month lag and a possible decrease (with payment of the bills) with a two-month lag; but the coefficients are not statistically significant.

### Conclusions

The statistical analysis of changes in deposits in financial institutions shows significant effects associated with the Permanent Fund Dividend distributions. These include a substantial positive correlation with total commercial and total savings-bank savings account balances as well as a negative correlation of approximately the same magnitude for commercial bank time deposits. There is no across-the-board positive association with other income. Although there has been a rapid rise in the level of income received in Alaska during the past four years, and an even larger increase in aggregate assets of Alaska financial institutions during the same period, these two variables are apparently not highly correlated on a monthly basis.

The statistical results achieved for the individual credit union were in general more robust than those obtained using the aggregated data. There is a significant positive effect on the credit union's savings deposits of nearly one cent per dollar of total statewide dividends. The share draft account balances in the same credit union showed a lagged effect approximately five times as large as the effect on savings account balances, most likely reflecting the indirect effects of the multiplier process from spending of the dividends.

The statistical analysis of effects of the Permanent Fund Dividends on savings in financial institutions is inconclusive because only a portion of savings of Permanent Fund Dividends may have remained in financial institutions long enough to observe a statistically significant change in deposits. Much of the savings



may have quickly been transformed into investments such as real estate, debt reduction, and securities. This makes it difficult to determine whether observed changes in deposits reflect net savings behavior or simply portfolio adjustments of household wealth.

APPENDIX J

MULTIPLE REGRESSION ANALYSIS OF EFFECTS OF PERMANENT  
FUND DIVIDENDS ON RURAL SALES AND CREDIT ACCOUNT PAYMENTS





This appendix describes the multiple regression model presented in Chapter IV to examine the effects of locally distributed dividends on monthly sales by department in rural stores. The model was as follows:

$$\begin{aligned} \text{SALES/A.CPI} = & C1 + C2*D.80 + C3*D.81 + C4*D.82 + C5*D.83 \\ & + C6*D.FEB + C7*D.MAR + C8*D.APR + C9*D.MAY + C.10*D.JUN \\ & + C11*D.JUL + C12*D.AUG + C13*D.SEP + C14*D.OCT \\ & + C15*D.NOV + C16*D.DEC \\ & + C.17*WS97M*1000000/A.CPI \\ & + C.18*TOTALPF*1000/A.CPI \end{aligned}$$

where SALES is monthly sales for individual departments or for all departments of the store,

A.CPI is the Anchorage consumer price index, used to adjust all dollar values in the model to real terms,

C1 is a Constant,

D.80 through D.83 are dummy variables for the years 1980-1983,

D.FEB through D.DEC are dummy variables for the months February through December,

WS97.M is monthly wages and salaries in millions of dollars in the Alaska census division in which the store is located, as reported by the Alaska Department of Labor, and

TOTALPF is the value, in thousands of dollars, of Permanent Fund dividend checks mailed between the twenty-first day of the previous month and the twentieth day of the current month to addresses in the community in which the store is located.

In the regression results presented in Table IV.21, the figures shown in the column labeled "All Dividends" are the estimated values of the coefficient C.18 for the effect of the independent variable TOTALPF\*1000/A.CPI.

Our null hypothesis was that the real value of Permanent Fund dividends distributed locally during the month would not explain any of the variations in monthly sales. We tested this hypothesis using a one-tailed t-test. For those equations for which we were unable to reject the null hypothesis, we have shown the estimated coefficient in Table IV.21 and indicated its level of significance.



For most of the estimated equations, we had observations for the period July 1979 through December 1983, or 54 observations. For the equations in which the dependent variable was audeo/video sales, we had observations for the period March 1981 through December 1983, or 34 observations.

In estimating the coefficients presented in the columns of Table IV.21, labeled "Adults' Dividends" and "Children's Dividends," we replaced the last term in our regression equation by

$$+ C18*ADULT*1000/A.CPI + C19*CHILD*1000/A.CPI$$

where ADULT is the value of adults' Permanent Fund dividend checks distributed locally during the month, in thousands of dollars, and

CHILD is the value of children's Permanent Fund dividend checks distributed locally during the month, in thousands of dollars.

In estimating the coefficients presented in the columns of Table IV.21 labeled "1982 Dividends" and "1983 Dividends," we replaced the last term in our regression equation by

$$+ C18*TOTAL82/A.CPI + C19*TOTAL83/A.CPI$$

where TOTAL82 is the value of 1982 dividends distributed locally during the month, in thousands of dollars, and

TOTAL83 is the value of 1983 dividends distributed locally during the month, in thousands of dollars.

The values shown in Table IV.21 for these columns are the estimated values for C18 and C19.

In estimating the effects of Permanent Fund dividends on monthly credit account payments, shown in Table IV.25, we replaced the dependent variable SALES by PAYCON, which represents payments on contract purchase accounts by month. For these regressions, we had observations for the period June 1981 through January 1983, or 31 observations.