

Alaska: Legislation permitting use of Permanent Fund Dividend for state expenses awaits governor's signature



David M. Kall | Friday, May 25, 2018

The Alaska Department of Revenue has a [division](#) devoted entirely to management of the state's Permanent Fund Dividend. Its purpose is "assuring that all eligible Alaskans receive timely dividends; fraud is prosecuted; and all internal and external stakeholders are treated with respect."

In 2017, the dividend was \$1,100 per person. It is calculated simply by dividing the amount of funds available for distribution from the Permanent Fund earnings account by the number of eligible applicants. In 2016, the dividend amount was \$1,022.

[Vox](#) characterized the Permanent Fund as an "amazing true socialist miracle" and reported that the state-owned investment fund, established using oil revenues, has paid out "an annual dividend to every man, woman, and child living in Alaska" since 1982. In 2015 when oil prices were high, the dividend was \$2,072 per person, or \$8,288 for a family of four." As noted above, the 2017 dividend was reduced to \$1,100, "because the state needed the fund for other purposes."

We have addressed Alaska's reliance on oil revenues before. In one of our pieces this week, we noted that Alaska has struggled with revenue collections since the recession, largely due to the uneven oil prices and its lack of a sales or income tax to help smooth revenues when oil prices fluctuate.

And last November, we [described](#) the governor's payroll tax proposal to shore up the state's fiscal health. He reasoned that "[w]ith the downturn in oil prices, however, it's clear that we must find a new source of revenue to pay for troopers, teachers, transportation and other essential services. We must end the uncertainty for a healthy economy." Lawmakers had already cut 44 percent from state spending over the previous four years, and had used up \$14 billion of savings.

A different solution, which has been sitting on the books since Jan. 18, 2017, has finally taken hold: the use of the Permanent Fund to stabilize revenues, by way of [SB 26](#).

SB 26 adjusts the amount of funds available for distribution from the Permanent Fund, among other things, to 5.25 percent of the fund's market value, to be used for Permanent Fund dividends and sustaining the government. After three years, that figure will drop to 5 percent. The *Fairbanks Daily News-Minor* [noted](#) that in fiscal 2019, the Fund will generate about \$2.7 billion, which will pay the 2018 dividend of \$1,600, and government services.

In a [press release](#) explaining his support for a compromise version of SB 26, the Permanent Fund Protection Act, Gov. Walker declared that the measure would "ensure [that] services provided by the Alaska State Troopers, road maintenance crews, and teachers will continue for generations...[and] provide for efficient investment of the Permanent Fund, improve[] the state's position in financial markets."

At the same time, the governor promised that the Fund, and its dividend program, would remain permanent: "most importantly, [the bill] allows Alaskans to be fully confident in the future of their households and their communities."

In April, prior to SB 26's passage, an editorial in the *Fairbanks Daily News-Minor* expressed support for using the Permanent Fund to address the budget shortfall. Opining that SB 26 "is one of the only means of generating revenue that a majority of lawmakers in Juneau can agree on," the writer urged lawmakers to "cooperate and pass SB 26. It would be a giant step toward stabilizing Alaska's budget woes," while also conceding that it "would not entirely solve the problem."

Likewise, the Alaska Permanent Fund Corporation [applauded](#) the passage of SB 26.



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