The Permanent Fund  
and  
Alaska’s Citizen Dividend at 40

Presentation to the  
North American Basic Income Congress  
Hamilton, Ontario  
by  
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HOW IT ALL BEGAN

• 1956 – Alaska Constitutional Convention

“The legislature shall provide for the utilization, development, and conservation of all natural resources belonging to the State, including land and waters, for the maximum benefit of its people.” [Emphasis added]
• 1955 – Alaska Constitutional Convention

• 1959 – Alaska Statehood
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  • 1968 – Prudhoe Bay oil discovery
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• **1969** – Oil lease sale nets **$900 million**

[$16,900 per capita in today’s U.S dollars]
• 1955 – Alaska Constitutional Convention
• 1959 – Alaska Statehood
• 1968 – Prudhoe Bay oil discovery
• 1969 – Oil leases net $16,900 per capita (2017 dollars)
  • 1976 – Voters create a Permanent Fund
Why a Permanent Fund?

First Reason:

A consensus developed that Alaska save a fraction of the oil money for the future, *without specifying how those savings would be used.*”
Second Reason:

Politicians dangled everything from dams, to day care centers, to cash payments, to residents as possible benefits that could flow from creating a Permanent Fund.
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• 1981 – Alaska per capita state spending tops nation
  ($26,549 in real 2017 dollars)
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• 1980 – Alaska becomes only state with no income or sales tax.
• 1981 – Alaska per capita state spending tops nation
• **1982 – Permanent Fund Dividend created**
What did Alaska do with the rest of its oil revenue?
Fiscal Years 1977-2010
Cumulative State of Alaska Financial Flows
(billions of dollars)

Oil Revenue
$103.5

Permanent Fund Principal
$34.8

Inflation Proofing
$12.7

APF Earnings Reserve
$18.3

PFDs

General Fund
$99.5

Constitutional Budget Reserve
$84.5

Non-Oil General Fund Revenue
$15

Legislative Appropriations
$7.0

Draws from CBR
$8.4

Repayments to CBR
$8.4

$7.2

$11.8
• 2014 – State petroleum revenue collapses
Alaska Petroleum Revenue

Billions

2012 2013 2014 2015 2016 2017

$0 $1 $2 $3 $4 $5 $6 $7 $8 $9 $10

Alaska Petroleum Revenue

Erickson & Associates

Juneau, Alaska & Bend, Oregon
• 2014 – State petroleum revenue collapses
• 2015 – Alaska state government scrambling to pay bills
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• 2015 – Alaska state government scrambling to pay bills
  • 2015 - 2018 – Cash reserves near exhaustion
State looks to Permanent Fund for salvation
Three Lessons from 40 years:

• Permanent Fund was an improbable success
• Alaska Dividend was a success
• Success is not permanent
Where does Alaska go from here?
Ideal solution

• Send all Permanent Fund income to households

• Finance state government with taxes (like other 49 U.S. states)
More Likely:

- Increased use of Permanent Fund to finance state budget
- Shrinking citizens dividend
- Shrinking Permanent Fund
Many of us are not giving up. Many Alaskans are working for better solutions.

Please wish us luck. We will need it.
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