

Permanent Fund Dividends and Poverty in Alaska

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The Alaska Permanent Fund

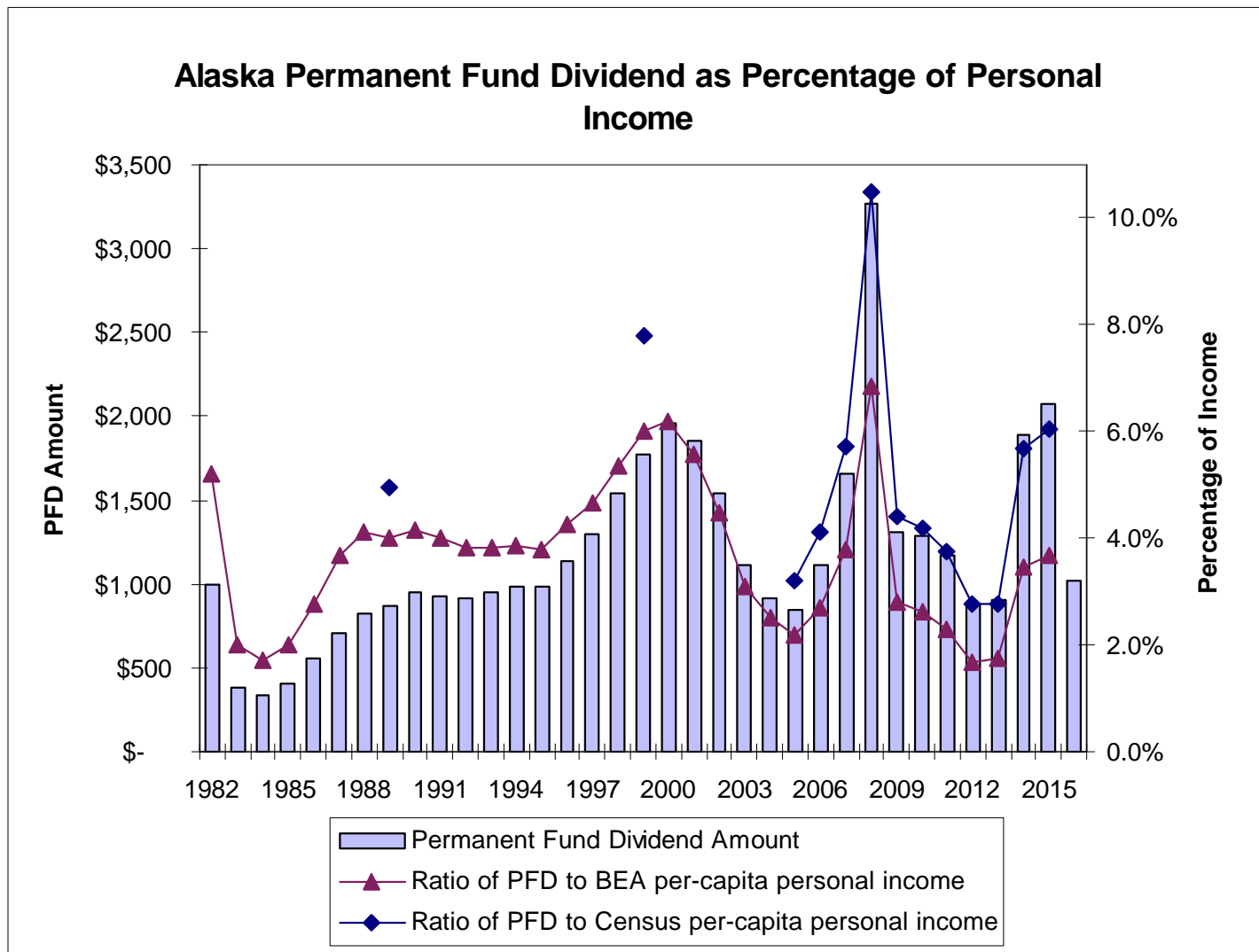
- Permanent Fund established in 1976 to save a portion of oil revenues for future public needs
- Permanent Fund Dividend program created as mechanism to bolster political support for conservative management of the PF
- PFD succeeded in its primary purpose. With conservative management, PF principal \$55 billion in 2016.
- With the drop in current and projected oil revenue, the time has come to consider using PF earnings for their original purpose. That requires reducing or eliminating the PFD.

Evaluating the Permanent Fund Dividend Program

Beyond its success in protecting the PF principal

- A unique social experiment in providing “basic income” to entire population
- What has been the overall effect of the PFD on poverty reduction in Alaska?
- How has the PFD’s effect on poverty differed for different populations?
 - Alaska Native people
 - Urban versus rural Alaskans
- What would be the likely effect of reduction or elimination of the PFD on Alaska poverty rates?

PFD varies from year to year, but recent PFD a smaller percentage of per-capita personal income than in the 1990s



Note difference in 2015 per-capita personal income:
BEA's \$56,000 vs. Census Bureau's \$34,000

Challenges for Assessing the Role of the PFD in Reducing Poverty in Alaska

- Official definition of poverty is complex and imperfect
 - Based on family living together in one household
 - Unmarried partners not counted
 - Different poverty thresholds for 47 different family configurations
 - Adjusted every year for inflation
 - Regional cost-of-living differences ignored

Size of family unit	Weighted average thresholds	Related children under 18 years								
		None	One	Two	Three	Four	Five	Six	Seven	Eight or more
One person (unrelated individual).....	12,071									
Under 65 years.....	12,316	12,316								
65 years and over.....	11,354	11,354								
Two people.....	15,379									
Householder under 65 years.....	15,934	15,853	16,317							
Householder 65 years and over.....	14,326	14,309	16,256							
Three people.....	18,850	18,518	19,055	19,073						
Four people.....	24,230	24,418	24,817	24,008	24,091					
Five people.....	28,695	29,447	29,875	28,960	28,252	27,820				
Six people.....	32,473	33,869	34,004	33,303	32,631	31,633	31,041			
Seven people.....	36,927	38,971	39,214	38,375	37,791	36,701	35,431	34,036		
Eight people.....	40,968	43,586	43,970	43,179	42,485	41,501	40,252	38,953	38,622	
Nine people or more.....	49,021	52,430	52,685	51,984	51,396	50,430	49,101	47,899	47,601	45,768

Source: U.S. Census Bureau. Poverty Thresholds, 2014

Challenges for Assessing the Role of the PFD in Reducing Poverty in Alaska (continued)

- Data are limited
 - Information on income and detailed household characteristics needed for a representative sample of Alaskans
 - National Surveys such as Current Population Survey and Consumer Expenditure Survey -- Alaska samples too small
 - Census Data (American Community Survey) provides large sample with information on race and region of residence
- Limitations of Census Data
 - Income self-reported
 - Because of survey timing and wording of questions, many people forget to report PFD in census surveys
 - No information about income asked or recorded for children under age 15

Reporting of Permanent Fund Dividends in the U.S. Census Long Form (1990, 2000) and the American Community Survey (2005-2014)

Data from 2014 ACS Public Use Sample

Percent of households reporting unearned income

	No other income	Some other income	Total
No interest, rent, dividends	30%	31%	60%
Some interest, rent, div.	22%	18%	40%
Total	51%	49%	100%

Regression equations for how amount of income reported varies with household size

Variable	Other income		Other income		Interest, rent, and dividends	
	Effect	p	Effect	p	Effect	p
Children under 15	\$ 211	0.03	\$ (3)	0.98	\$ (418)	0.06
Adults	\$ 1,216	0.00	\$ 1,282	0.00	\$ 1,126	0.00
Constant term	\$ (92)	0.68	\$ 1,772	0.00	\$ 1,154	0.02

Can we observe directly from ACS data how changes in PFD distributions affect income and poverty?

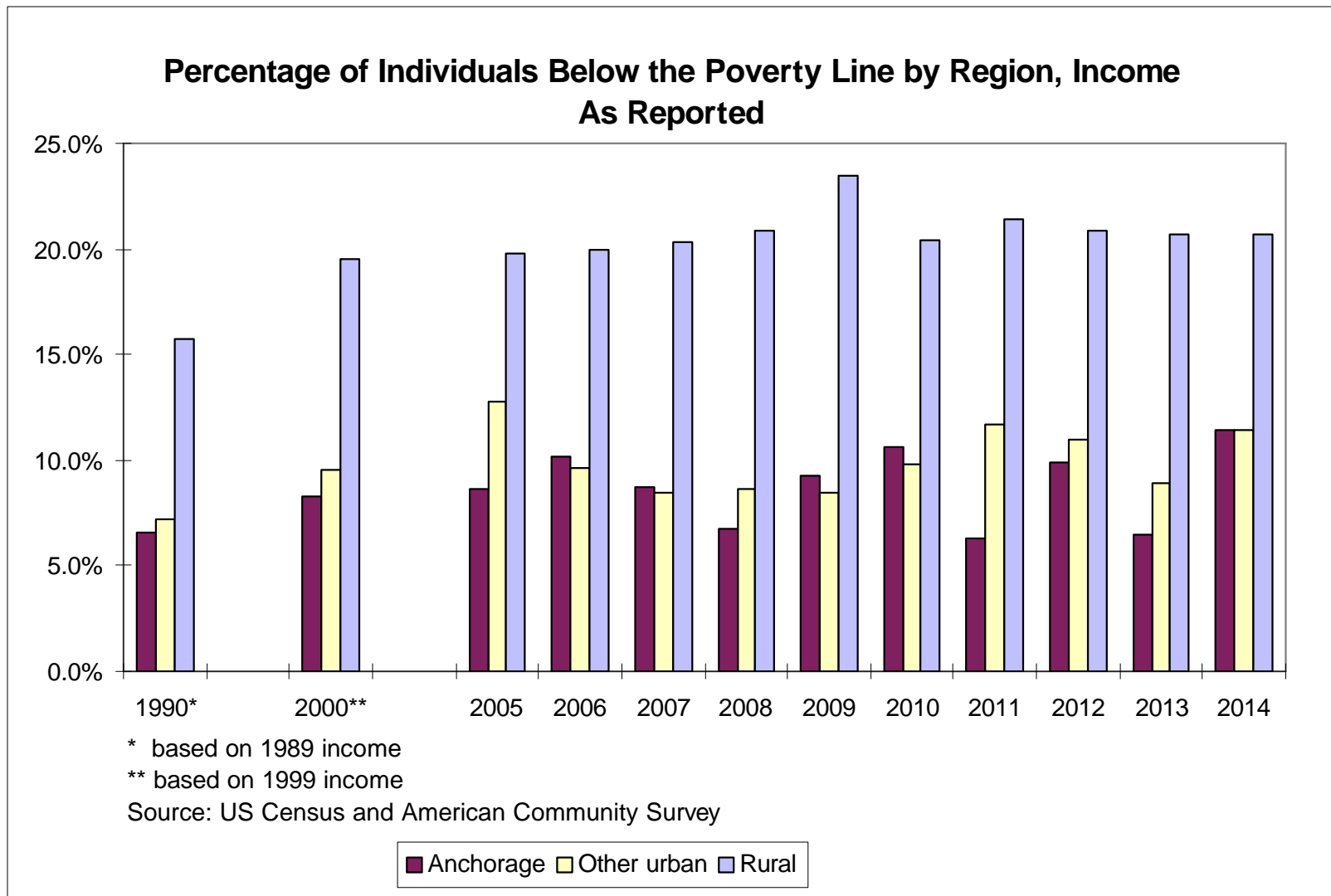
Problem: Only about half of ACS households reported receiving any "other income," the category that should contain the PFD, in 2014.

No questions asked about income of children under 15. Child PFD payments (as well as dividends from ANCSA corps. that enrolled descendants) are missing in the data. No evidence that adults are reporting children's income.

Data and Methods

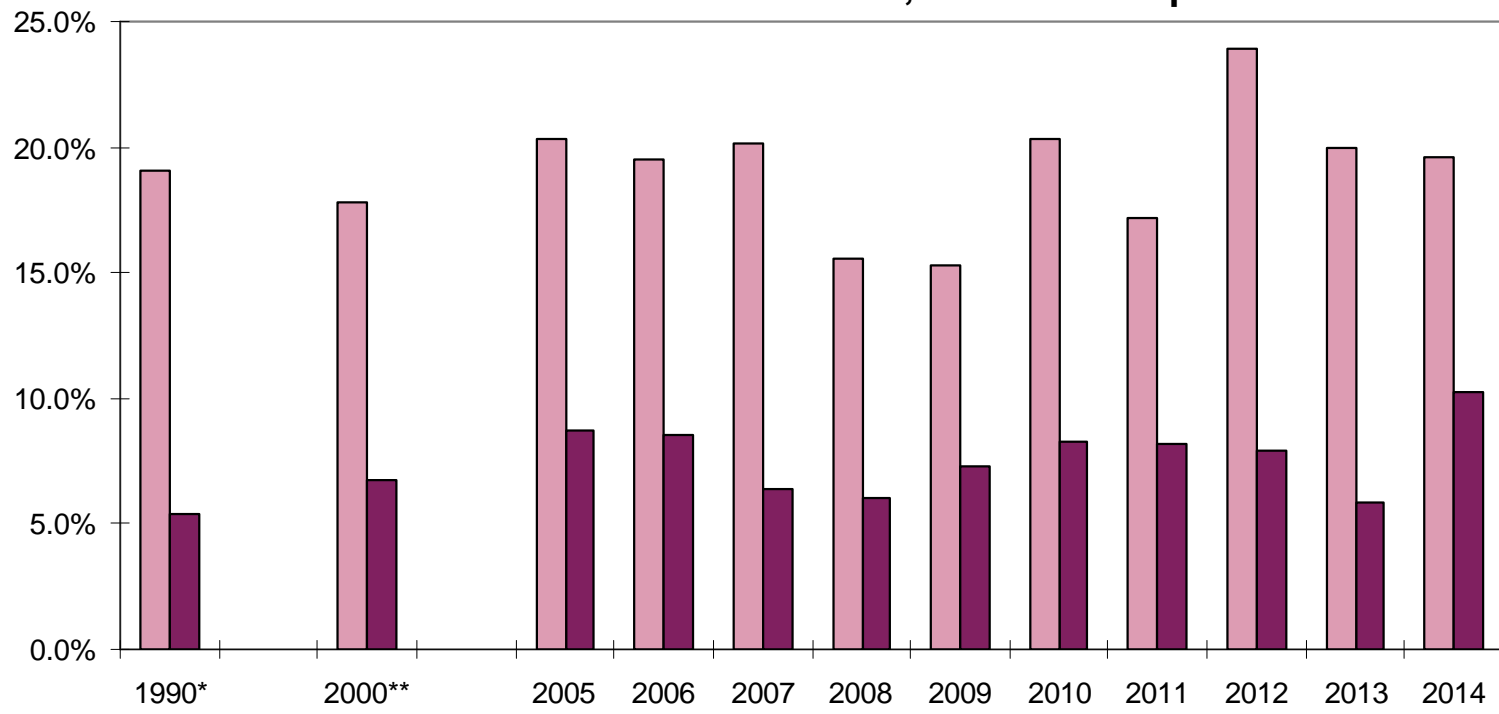
- Data sources
 - Public Use Microdata Samples (PUMS) for U.S. Census Long Form: 1990, 2000
 - Public Use Microdata Samples (PUMS) for American Community Survey (ACS): since 2005
- Analysis steps
 - Calculate poverty threshold for each sample person in PUMS data
 - Replicate Census Poverty calculation for each person to check calculations against reported percentage of poverty line
 - Calculate individual and family income without the PFD
 - Find and remove PFD income from each person when reported
 - Compare income without PFD income to poverty threshold for that family
 - Calculate individual and family income with the PFD
 - Add current year's PFD amount for eligible individuals to individual income without the PFD
 - Compare income with PFD income to threshold defined for that family

Official poverty rates are much higher in rural Alaska



Alaska Native poverty rates are higher than non-Native rates

Percentage of Individuals Below the Poverty Line, American Indian/Alaska Native and Non-Native, Income As Reported

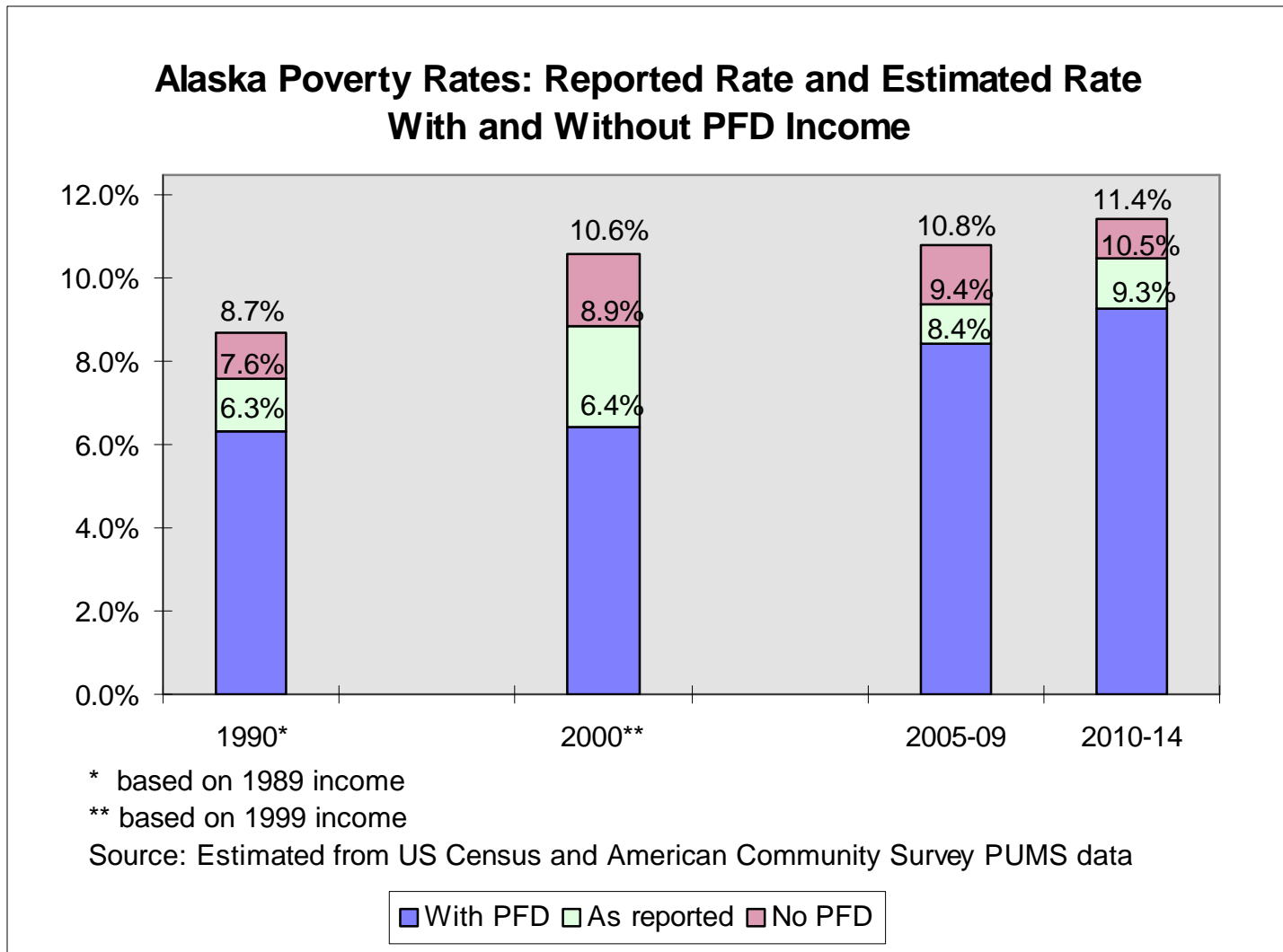


* based on 1989 income
** based on 1999 income

Source: US Census and American Community Survey

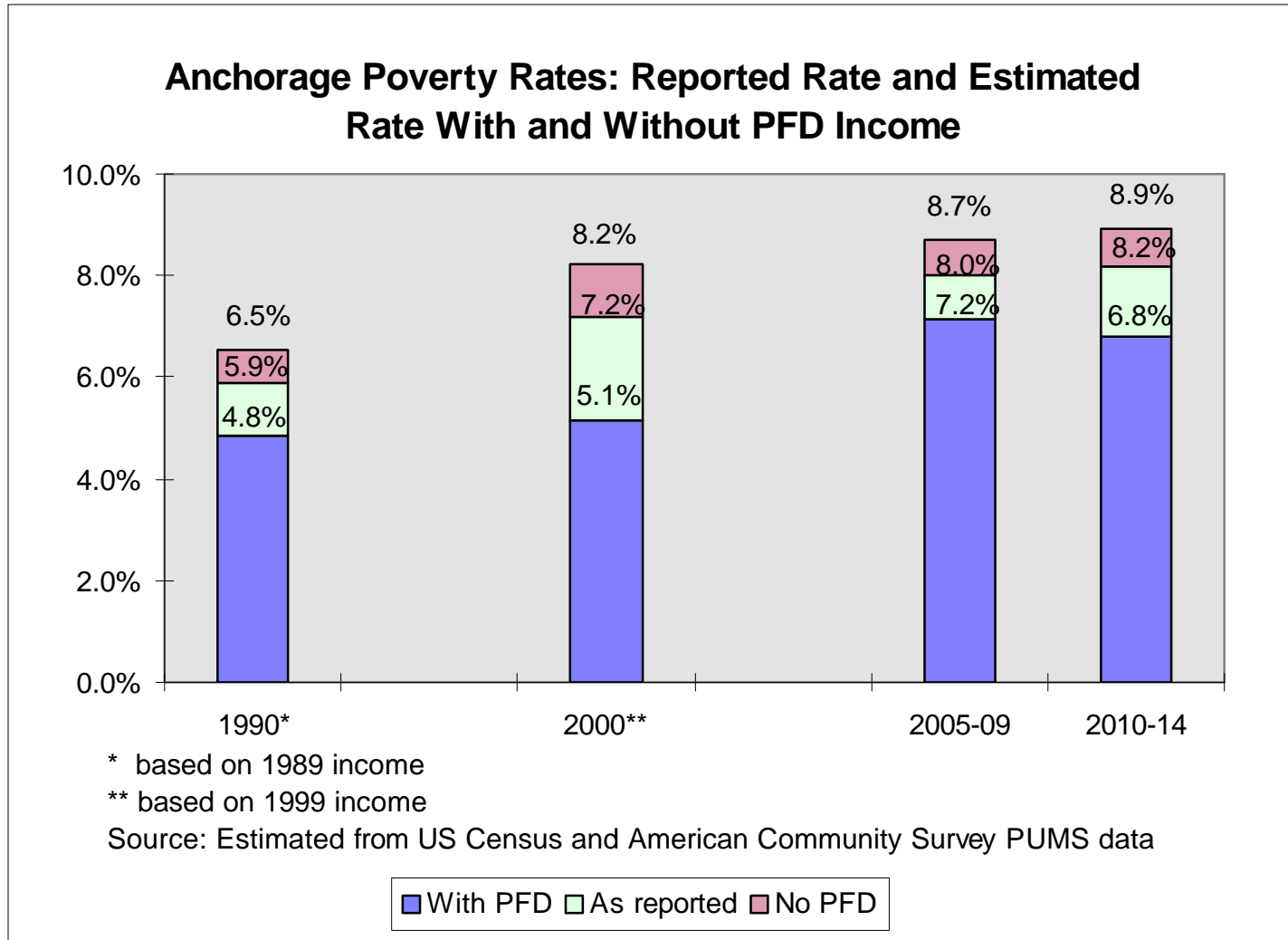
American Indian/Alaska Native Non-Native

PFD reduces poverty by 20 percent (about 2 percentage points).
 However, PFD increasingly less able to ameliorate poverty.

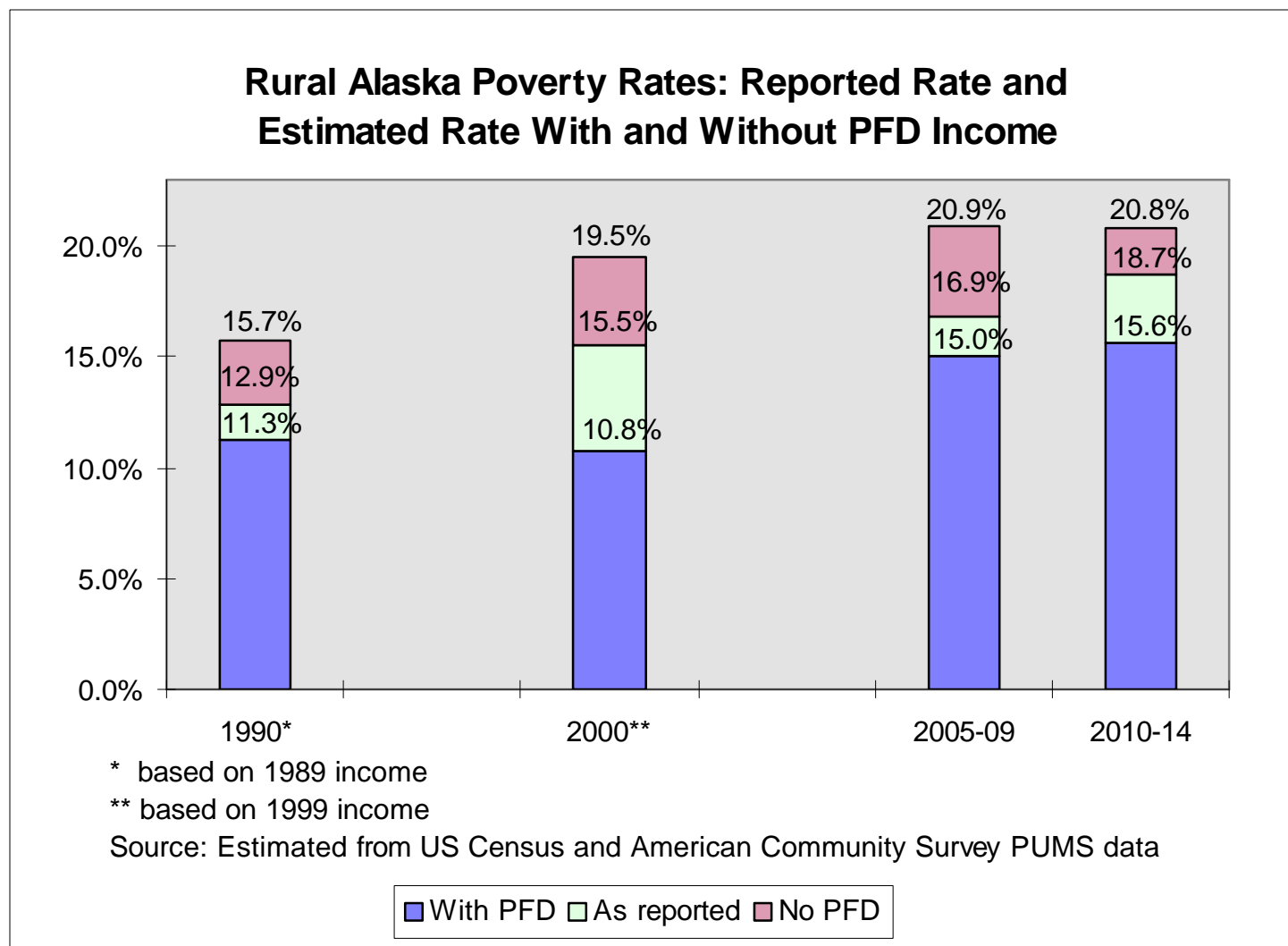


Poverty rates excluding PFD income are rising in Anchorage.

Anchorage has welcomed about 1,800 foreign immigrants per year since 2005. Between 2005 and 2009, 45% poor (and not eligible for PFD the first year).



PFD much more important in reducing poverty in rural Alaska.
Without PFD, more than one in five rural Alaskans poor.



Conclusions about the Alaska Permanent Fund Dividend and Poverty

- The PFD annually lifts 15,000-25,000 Alaskans out of poverty, depending on the size of the dividend.
- The PFD reduces the number of Alaska Native living in poverty by one-quarter.
- Despite PFD, poverty rates are rising in Alaska, especially in urban areas.
- Reducing the PFD by \$1,000 will likely increase the number of Alaskans below the poverty line by 12-15,000 (2% of Alaskans).
- Unless the Census substantially revises its survey methods, Census data will show a much smaller increase in poverty rates than will actually occur.

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