What were the original arguments for the Permanent Fund dividend?

By Cliff Groh, printed in the Anchorage Daily News, 9/10/19

I was the legislative assistant who worked the most on the bill that created the Permanent Fund dividend in 1982. Advocates for the dividend offered essentially five rationales during consideration of the legislation that put in place the "equal payments for all" program we have today. The per capita dividend adopted in 1982 was the result of a bill that served as a backup — or backstop — for the original "the longer you're here, the more you get" dividend created by a law passed in 1980, which quickly became stalled in litigation. The Alaska Legislature passed the bill providing for the per capita dividend as a backstop 11 days before the U.S. Supreme Court struck down the original dividend bill as unconstitutional, and so the first dividends were paid in the summer of 1982 under the backstop bill.

The five arguments for per-capita dividends made at the creation were:

1. Paying dividends out of the Permanent Fund's income or earnings would build a political constituency to protect the Permanent Fund's principal against raids by special interests. The logic: The bigger the Permanent Fund, the bigger the Permanent Fund dividend. A variant of this argument was that the dividend would strengthen political opposition to pork-barrel spending and budgetary hyper-growth.

2. Paying dividends would provide greater economic “bang for the buck” than spending the same amount of money on the operating budget, capital projects or loans to residents. A related argument was that compared to the alternatives, dividends would more efficiently allocate the surplus oil money coming into the state of Alaska’s coffers in the early 1980s.

3. Individuals have a right to use a portion of their oil wealth. This argument’s supporters pointed to the Alaska Constitution’s statement that “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.” Legislators recognized this individual entitlement to state-owned natural resources by adopting findings to the 1980 dividend bill stating that the legislation “fairly compensates each state resident for his equitable ownership of the state’s natural resources….” (The legislation in 1982 that created the per-capita dividend we have today had no findings, however, as some legislators considered such philosophical statements too controversial to include in the bill.)

4. Permanent Fund dividends would deliver benefits more equitably than alternative uses of the surplus oil money. Gov. Jay Hammond – the most important supporter of dividends – contended that the powerful and well-connected were already benefiting from the state’s oil wealth through special-interest appropriations, often arranged behind closed doors. The repeal of Alaska’s personal income tax in 1980 further tilted benefits toward higher-income people, some of whom were non-residents. The state’s highly subsidized loan programs were also cited as examples of inequitable distribution. As I noted in a document circulated in the Legislature during the 1982 session, per-capita dividends by contrast “treat all

Alaskans alike – whether they are rich or poor, or whether their home is Adak or Anchorage."

5. Universal direct distribution of a portion of the Permanent Fund's income would fortify the safety net for low-income Alaskans. Hammond never thought much of this argument, but legislators concerned over what seemed to them a possible perverse effect inserted "hold harmless" provisions in the 1982 legislation authorizing use of the state's general fund to offset loss of federal needs-tested benefits caused by receipt of a dividend.

Which arguments make sense now?

Cliff Groh*, an Anchorage resident, says he considers his work on the 1982 Permanent Fund Dividend legislation perhaps his most interesting, challenging and fun job ever. Some of this material overlaps with a chapter he co-authored with Gregg Erickson for a book published in 2012.*

Read the online opinion piece here.