

Personal Transfer Payments

Types of income outside regular employment

Personal transfer receipts are payments people receive without performing any current service. These payments are part of a person's total personal income, which is the amount one takes in each year from all sources, including wages from a job.

Transfer payments are an important source of personal income and are intended to provide a social safety net for people in different circumstances, from old age or illness to losing a job or supporting a family. Examples are retirement and disability payments; medical, income maintenance, unemployment, and veterans benefits; and federal education and training assistance. In Alaska, transfer payments also include Permanent Fund Dividends.

Transfer payments can come from governments or private businesses, but the vast majority are payments government makes to individuals. Government transfer payments to nonprofit agencies

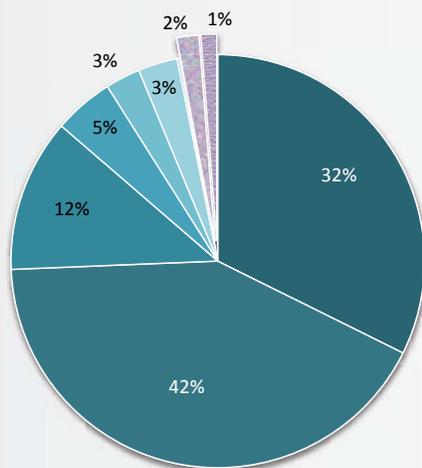
make up just 2 percent of the total annually, and payments to individuals from businesses are just over 1 percent. (See Exhibit 1.)

In 2011, the most recent year for which data are available, Alaskans received more than \$5 billion in transfer payments, or 16 percent of their total personal income. Nationally, more than \$2 trillion was paid out as transfer receipts, making up 18 percent of U.S. personal income. In Alaska and nationwide, 97 percent of these transfer receipts were payments to individuals from governments.

The largest share of government payments were medical benefits, both in the state and nationally. (See Exhibit 1). In Alaska, 66 percent of medical benefit payments were through Medicaid and the Children's Health Insurance Program — or CHIP — and 31 percent were Medicare benefits.

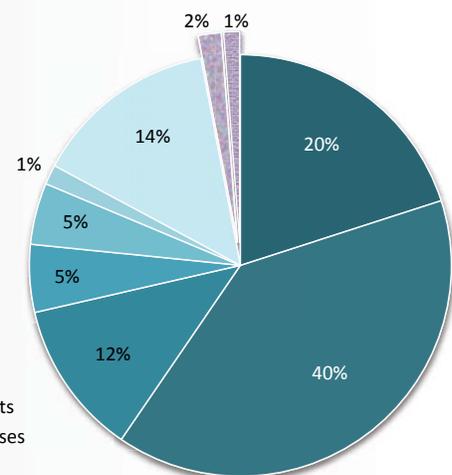
Nationally, Medicaid benefits and CHIP made up

1 U.S. and Alaska Transfer Payments In 2011 dollars



United States

- Government payments to individuals
 - Retirement and disability
 - Medical benefits
 - Income maintenance
 - Unemployment
 - Veterans benefits
 - Education and training assistance
 - Other (includes the PFD)
- Other types of payments
 - Government payments to nonprofits
 - Payments to individuals by businesses



Alaska

Source: U.S. Bureau of Economic Analysis

41 percent of total medical benefits, and Medicare benefits were 56 percent. Alaska's Medicare payment share is less because it has a much smaller proportion of senior citizens. That also explains why retirement and disability insurance benefits make up a smaller part of total transfer payments in Alaska than in the U.S.

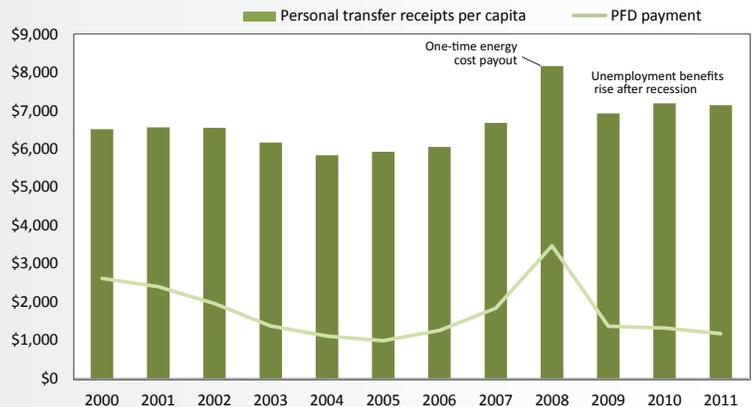
The third-largest category of transfer payments in Alaska was the Permanent Fund Dividend, which falls into the category of other transfer payments to individuals by governments. This category made up 14 percent of total transfer payments in the state in 2011.

Exhibit 2 shows Alaska per capita personal current transfer receipts graphed alongside that year's PFD, adjusted for inflation. The most obvious impact of the PFD was in 2008, when a large dividend was coupled with a one-time \$1,200 energy rebate.

Exhibit 3 compares Alaska and U.S. per capita transfer receipts, and also shows Alaska's per capita transfer receipts minus the PFD. Alaska's transfer payment trend becomes similar to that of the U.S. as a whole when the PFD's influence is removed.

Data on transfer payments are available for Alaska's boroughs and census areas, but estimates at the sub-state level are not as reliable. In 2011, Denali Borough had the highest per capita transfer payments at \$14,294, followed by the Yukon-Koyukuk Census Area at \$13,383. Amounts for

2 Transfer Payments and the PFD Alaska, 2000 to 2011



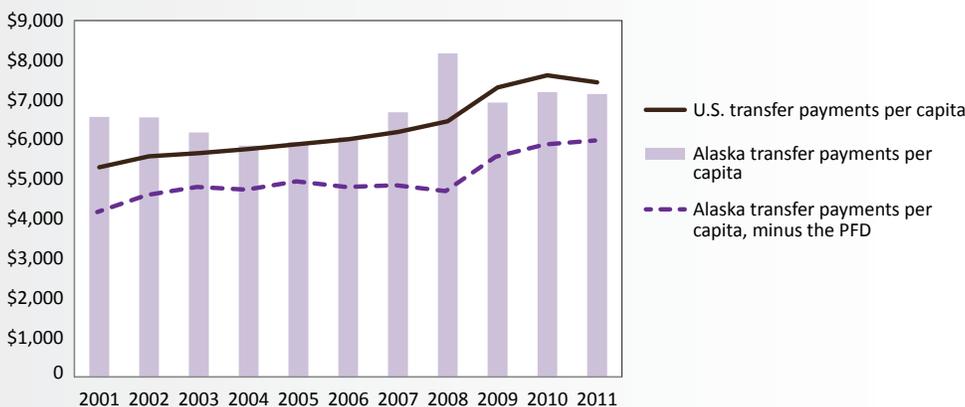
Sources: U.S. Bureau of Economic Analysis; Alaska Department of Revenue

the Hoonah-Angoon Census Area, Northwest Arctic Borough, Wade Hampton Census Area, and Nome Census Area were all between \$10,000 and \$11,000.

The lowest amounts were in the Aleutians West Census Area and Aleutians East Borough, at \$3,654 and \$3,521 respectively.

Demographics play a large role in transfer payments at the local level. Areas with higher populations of senior citizens have a larger share of retirement benefits. Lower income areas typically have higher percentages of income maintenance benefits, which include family assistance and supplemental nutrition assistance.

3 U.S. and Alaska Transfer Payments In 2011 dollars



Sources: U.S. Bureau of Economic Analysis; Alaska Department of Revenue