

The state's personal income in 2008 is a standout, but in 2009 it loses steam

Slightly more than a year ago, we analyzed Alaska's per capita income numbers for 2007, in *Trends'* December 2008 issue. So what's changed so much to warrant looking at this story again so soon?

The answer is everything. In 2008, all Alaska residents – women, men and children – earned \$30.2 billion. So what? Well, that's \$2.2 billion or 7.8 percent more than Alaska's residents earned the year before. The \$2.2 billion represents the largest increase since 1989, when the oil spill cleanup pushed personal income up by 9.7 percent.

Only North Dakota bested Alaska in 2008, with a 9.3 percent increase. The nation's grew by 2.9

percent. Over the past decade, Alaska's average annual increases have been about 5 percent.

Personal income is the income received by all people from all sources. It includes net earnings (mostly wages and salaries), investment income (corporate dividends, income from rent and interest earned from savings), transfer payments (income from government or private social insurance programs and in Alaska's case, Alaska Permanent Fund dividends) and interest income.

Once those sources are added up, it becomes the total personal income and represents the most comprehensive measure of income in Alaska.

One of the most popular uses of personal income data is to compare states and other areas. (See Exhibit 2.) Per capita income is calculated by dividing the total personal income of people in an area by the resident population of that area. It's considered a good measurement of economic well-being because its definition is so inclusive.

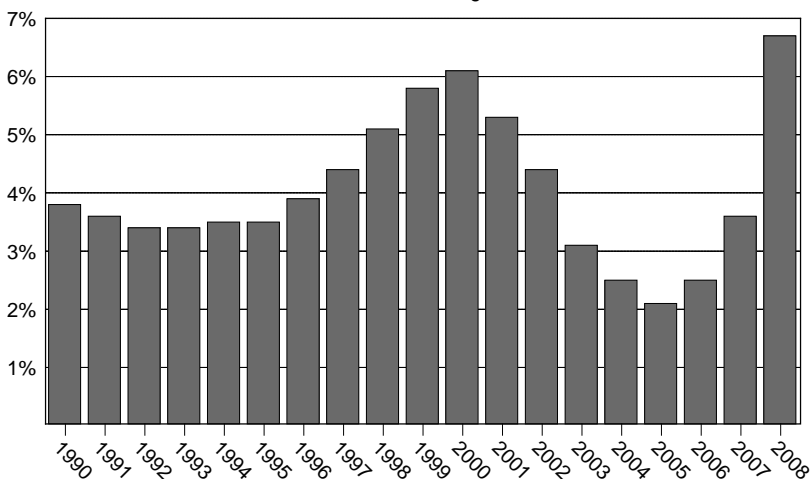
The 2008 record Permanent Fund dividend was the big reason

There's more than one explanation for the spectacular increase in income in 2008.

Hands-down, the record Permanent Fund dividend is the biggest reason. A healthy, robust economy, driven largely by record employment levels in the state's highest-paid industry, oil, is another reason.

1 PFD Has a Record Influence in 2008 Impact on personal income, 1990 to 2008

Alaska Permanent Fund Distributions as a Percentage of Total Personal Income



Sources: U.S. Department of Commerce, Bureau of Economic Analysis; Alaska Department of Revenue, Permanent Fund Dividend Division

2 Alaska's Ranking Up Seven Spots Per capita income by state, 2008

Rank		Per Capita Income in 2008	Percentage of U.S.
1	Connecticut	\$56,272	140%
2	New Jersey	\$51,358	128%
3	Massachusetts	\$51,254	127%
4	New York	\$48,753	121%
5	Wyoming	\$48,608	121%
6	Maryland	\$48,378	120%
7	Virginia	\$44,244	110%
8	Alaska	\$44,039	110%
9	California	\$43,641	109%
10	New Hampshire	\$43,623	108%
11	Minnesota	\$43,037	107%
12	Colorado	\$42,985	107%
13	Washington	\$42,857	107%
14	Illinois	\$42,347	105%
15	Hawaii	\$42,055	105%
16	Rhode Island	\$41,368	103%
17	Nevada	\$41,182	102%
18	Delaware	\$40,519	101%
	U.S. Average	\$40,208	100%
19	Pennsylvania	\$40,140	100%
20	North Dakota	\$39,870	99%
21	Florida	\$39,267	98%
22	Nebraska	\$39,150	97%
23	Kansas	\$38,820	97%
24	Vermont	\$38,686	96%
25	South Dakota	\$38,661	96%
26	Texas	\$37,774	94%
27	Wisconsin	\$37,767	94%
28	Iowa	\$37,402	93%
29	Missouri	\$36,631	91%
30	Maine	\$36,457	91%
31	Louisiana	\$36,424	91%
32	Oregon	\$36,297	90%
33	Ohio	\$36,021	90%
34	Oklahoma	\$35,985	89%
35	North Carolina	\$35,344	88%
36	Tennessee	\$34,976	87%
37	Michigan	\$34,949	87%
38	Georgia	\$34,893	87%
39	Montana	\$34,644	86%
40	Indiana	\$34,605	86%
41	Arizona	\$34,335	85%
42	Alabama	\$33,768	84%
43	New Mexico	\$33,430	83%
44	Idaho	\$33,074	82%
45	South Carolina	\$32,666	81%
46	Arkansas	\$32,397	81%
47	Kentucky	\$32,076	80%
48	Utah	\$31,944	79%
49	West Virginia	\$31,641	79%
50	Mississippi	\$30,399	76%

Note: Alaska ranked No. 15 a year earlier, in 2007, with a per capita income of \$40,352. That was 105 percent of the U.S. per capita that year.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Given 2008's record Permanent Fund dividend of \$3,269, which includes a \$1,200 resource rebate, it's not surprising it had such an impact. The total disbursement was nearly \$2 billion, double the previous year's payout. It represented nearly 7 percent of all personal income (see Exhibit 1), the highest contribution in the dividend's history. The Permanent Fund dividend has been responsible for 3.8 percent of the state's total personal income since the first dividend in 1982.

Permanent Fund dividends are accounted for as transfer payment income, and in Alaska, that grew by \$1.3 billion in 2008, according to the U.S. Department of Commerce's Bureau of Economic Analysis. As a result, total transfer payment income in Alaska grew nearly 31 percent. In contrast, that same income for the United States as a whole grew 9 percent.

More than half the increase in Alaska's personal income came from the jump in the transfer income category. That pushed transfer income to 17.6 percent of all personal income, the highest level in the state's history.

The run up in oil industry employment, along with no big negatives in Alaska's economy, also explains this past year's strength. While the nation lost wage and salary jobs in 2008, Alaska gained wage and salary jobs. And since wages and salaries represent the largest source of personal income, Alaska's relative income position improved that much more.

Alaska's ranking leapfrogs from 15th place to eighth in a year

Alaska's per capita income of \$44,039 in 2008 put Alaska in eighth place in the rankings among all 50 states. (See Exhibit 2.) The state's \$44,039 was 10 percent higher than the nation's per capita income.

That represents Alaska's best ranking since 1994 and the biggest improvement of any state in 2008. As recently as 2000, Alaska's per capita income ranked 14th and was only \$23 higher than the nation's. (See Exhibit 3.)

The 2009 picture turns a bit negative – a sneak preview

The Bureau of Economic Analysis recently released data through the third quarter of 2009 that show Alaska's income picture is changing from 2008's highs. (See Exhibit 4.) In fact, comparing the first three-quarter average of total personal income from 2008 to 2009, total income actually fell by 1.4 percent.

Alaska's personal income hasn't declined since 1987, but like in 2008, the state is faring better than most of the rest of the nation. For the same period – the first three-quarter average of total personal income from 2008 to 2009 – total national personal income fell 1.7 percent.

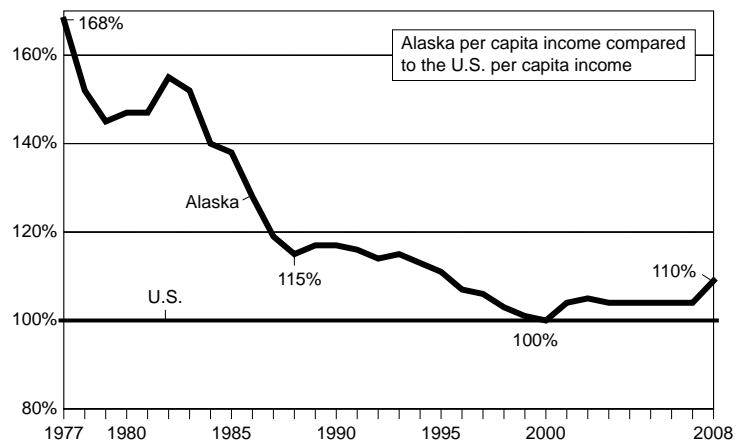
A weakening job picture for Alaska and the U.S. in 2009 explains part of the change.

In addition, Alaska received a much smaller boost from Permanent Fund dividends in 2009 – a \$1,305 dividend versus 2008's \$3,269.

Per capita income data for 2009 won't be available until all four quarters of personal income are released in 2010.

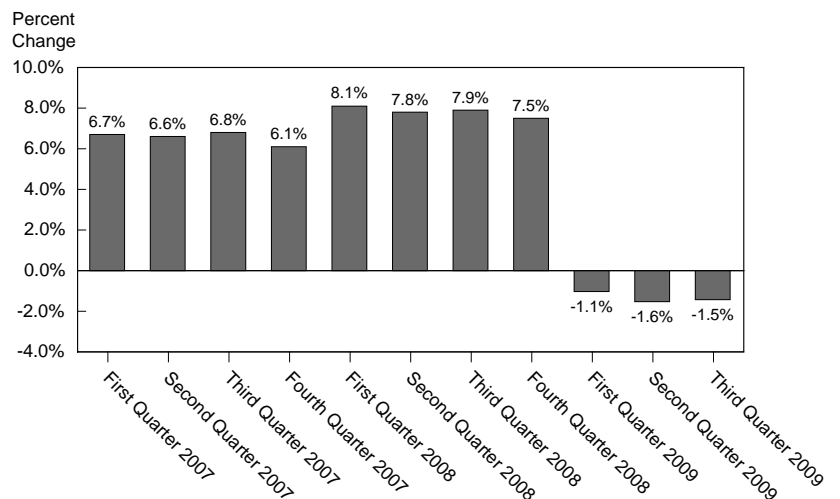
But it's clear that 2009 won't come close to 2008's stellar income. Even so, Alaska will likely still hold onto some of its improved per-capita ranking because its income numbers are performing a bit better than the nation's.

An Improvement in 2008 Alaska's per capita income, 1977 to 2008 **3**



Source: U.S. Department of Commerce, Bureau of Economic Analysis

Alaska's Income Falls in 2009 Year-over-year percent change, 2007 to 2009 **4**



Note: Each bar represents the percent change in the total personal income from the same period the year before. For instance, the far right bar shows that personal income was down 1.5 percent in third quarter 2009 compared to third quarter 2008.

Source: U.S. Department of Commerce, Bureau of Economic Analysis