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A path to economic health and stability

By LISA WEISSLER

With history as our guide, Alaska can chart a path to economic health and stability.

In 1939, before commercial oil production in Alaska, territorial Governor Ernest Gruening sought to establish a tax system that would provide funds for the improvement and welfare of the territory and its people. For the next nine years, corporate interests, primarily salmon cannery and mining companies, succeeded in defeating every major tax measure that Gruening put forward. The territory's financial condition deteriorated to the point that bills could not be paid and the University of Alaska was on the brink of collapse. Finally, during the 1949 legislative session, a new crop of legislators passed comprehensive tax laws, including an income tax, that would raise revenue to benefit Alaskans.

POINT OF VIEW

The income tax instituted in 1949 was repealed in 1980 because of the influx of oil money. As a result, Alaska became almost entirely dependent on the state's oil and gas production tax and lease royalties to fund the public services and infrastructure we all rely on.

Our dependence on oil revenue once again made us subject to the influence of outside corporations, this time oil and gas companies. Starting in the 1980s, oil company interests became the top contributors to state legislative races. They supported candidates who shared their views on oil tax policy and resource development. "We need to flex our political muscle," ARCO president Harold Heinze wrote in an in-house publication in 1986. "We're the largest private employer in the state. People know we've got a loaded gun. They don't know yet if it's a blank or silver bullet. They will see the proof in this election."

Since then, corporate interests have supported candidates who are anti-tax and anti-government. This has led to where we find ourselves now – on the brink of financial disaster from years of low oil prices and with a governor intent on reducing or eliminating many government services while maintaining an anti-tax policy that leaves us reliant on volatile oil revenue.

To end the cycle of corporate influence on our politics and bring more stability to our budgeting, we need more reliable revenue. A state income tax, responsible use of Permanent Fund earnings for public services, a reduced Permanent Fund dividend when necessary, and changes to the oil and gas production tax will help steady the state budget and give us more control over our future.

All of this is possible this legislative session. Responsible use of permanent fund earnings was addressed last year and is in law. Many Alaskans are already calling on legislators to reestablish a state income tax; introduction of income tax legislation would give focus to public comments and help guide legislators to a workable solution.

As for the oil and gas production tax, two actions could be taken this year. One is to eliminate the sliding-scale credit applicable to the large fields operated by major producers. Under the sliding-scale credit, the amount of credit increases as oil prices decrease. With oil prices remaining low, oil companies can claim the maximum deduction of $8 per barrel of produced oil. It is an odd tax reduction scheme that makes little sense in today's fiscal environment.

The other action is to scale back the cash payment for oil tax credits previously issued to smaller companies. Under current law, funds available for purchase of credits are based on a specified formula and allocated among credit purchase applicants. The law was crafted to protect the state in times of low oil prices and legislators should limit cash payments as intended.

In 1949, Alaskans overcame corporate influence to adopt a tax system that supported Alaska's growing communities. It is time again to take control of our destiny.

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