

House Democrats Leading State Down Wrong Path

By Representative Dan Saddler

The consequences of the Democratic takeover of the Alaska House of Representatives are becoming clearer, and they don't look good for Alaska's economy or the financial well-being of Chugiak-Eagle River residents.

As the legislative session enters its second half, the Democrat-led House Majority is pursuing strategies that let them spend Alaska's Permanent Fund without having to cut the budget or compromise with Republicans, while pursuing damaging income taxes and oil tax increases.

Our community has long sent Republicans to Juneau, and conservative-led coalitions have held the House for many years. The 2016 election saw Alaskans send 21 Republicans to the state house in Juneau. However, three of these erstwhile Republicans – Reps. Gabrielle LeDoux of East Anchorage, Paul Seaton of Homer and Louise Stutes of Kodiak – joined Democrats to create a 22-member coalition majority, and win top leadership jobs.

Thanks to them, the Democrats setting the House agenda are using their power to:

- Drain \$4.2 billion from the Permanent Fund to increase the budget
- Reject efforts to reduce the size and cost of government
- Impose an income tax on productive citizens
- Increase taxes on the struggling oil industry that undergirds our economy
- Advance an activist liberal agenda

Here are the details: Last week, Seaton, as Finance Committee co-chair, surprised members with an amendment to pull \$4.2 billion from the Permanent Fund's Earnings Reserve. While the \$44 billion in the Fund's principal can't be spent, he needs only 21 votes to draw from the \$11 billion Earnings Reserve Account to help fund budgets for the next two years.

With no need to accept cuts to win Republican votes to access the Constitutional Budget Reserve, Seaton's committee has the power to muscle a budget through the House without a single minority vote. This has cut 18 representatives, and the 316,000 Alaskans they represent, out of the budget process.

The hypocrisy here is that two years ago, Seaton was among those vehemently opposed to accessing the Earnings Reserve, even to move the money safely into the Fund's principal. LeDoux, Seaton, and Stutes, along with Reps. Bryce Edgmon and Neal Foster, and former Rep. Jim Culver, all signed a letter to the House speaker opposing the idea.

"We strongly believe that major actions having to do with the Permanent Fund, such as this, should go before the voters," wrote the members of a dissident "Musk Ox Caucus." Now, Edgmon is Speaker, Seaton and Foster are Finance co-chairs, LeDoux is Rules chair, and Stutes is Majority Whip.

Even Gov. Bill Walker criticized the idea of pulling over \$4 billion from the Fund, saying in a May 2016 column that it would cost \$200 million in lost interest every year.

The Democrat budget-writing process of combining budget subcommittees with policy committees was complicated, confusing, and contrary to the imperative to match low revenue with reduced spending. Subcommittee chairmen have rejected most minority amendments to the

governor's draft budget but accepted \$127 million in new spending recommended by Majority members.

To find money to pay for this budget, the Democrats are advancing House Bill 115. It pairs \$655 million in income tax and capital gains taxes with a plan to restructure the Permanent Fund to spend two-thirds of its \$2.4 billion in annual earnings on government, and one third for dividends of about \$1,100. Income taxes affect the most productive Alaskans the hardest, tend to depress economic activity, and would inequitably harm our hard-working community.

The Democratic Majority is also looking to raise taxes on the oil industry, which has been hammered by the dramatic drop in world oil prices. Alaska's oil industry has lost 9,000 jobs and reduced drilling activity, and the ripple effect has caused Alaska to slip into recession.

Putting more oil in the trans-Alaska Pipeline is the best way to grow revenue, and 2013's Senate Bill 21 oil tax reform has spurred exploration leading to discovery of billions of barrels of oil such as the Pikka, Smith Bay, and Greater Moose's Tooth 1 and 2 prospects. Although SB 21 has its critics, even the state revenue commissioner admits it brings in more tax revenue at low oil prices than the previous ACES regime would.

Still, Democrats in the Resources Committee are pushing their House Bill 111, which would take up to \$300 million per year in additional taxes under the guise of reforming tax credits. Walker's veto of previous credits has already damaged Alaska's credibility as a reliable industry partner, and tax increases could drive away the investment needed to bring new oil to production, which is our best long-term hope for fiscal stability.

At the same time they are advancing tax-and-spend policies, the Democratic Majority is advancing an activist liberal agenda. They have introduced bills to establish a \$15 minimum wage, legalize "ballot selfies," overturn the Supreme Court's *Citizens United* decision and label genetically modified food. They also want to memorialize "Indigenous People's Day," "Post-Traumatic Stress Injury Awareness Day," "Katie John Day" and "Sobriety Awareness Month."

House Republicans believe solving Alaska's fiscal challenge should be our top priority. Our plan starts with establishing a spending limit, followed by continuing reductions in the state budget, instead of burdening the private economy with unnecessary taxes. We should protect the integrity of the Permanent Fund, and support innovative strategies to increase economic opportunities for citizens, not just government. We believe that our budget challenges are serious enough that they, and not feel-good social engineering, deserve our fullest attention.

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