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## Politics

# Will Parnell slash capital projects if his oil tax bill fails?

Patti Epler | Apr 05, 2011



JUNEAU -- With less than two weeks left in the legislative session, the state Senate appears unlikely to give more than a courtesy review to Gov. Sean Parnell's proposed oil tax rollback.

And that's causing increasing hand-wringing among politicians about what's being seen as a threat Parnell made last week that he might veto parts of the capital budget if his oil tax bill doesn't pass.

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"We are not going to use the capital budget to buy votes as long as I am the chairman," Senate Finance Committee co-chair Bert Stedman told reporters on Tuesday.

He said the capital budget and the projects it funds should be evaluated on their own merits and not in light of a bill that one politician wanted to get through.

The governor can be "abusive" if he chooses, Stedman said, noting in a later interview Tuesday that Parnell's predecessor, Gov. Sarah Palin, abused her constitutional authority to veto items from the budget, in his opinion.

Stedman pointed out there may well be legitimate vetoes to be found within the capital budget, which senators are still working to finalize.

On Tuesday afternoon, Parnell spokeswoman Sharon Leighow said via email that the governor "remains optimistic that an oil tax adjustment bill will be passed."

"If we don't take steps now to improve Alaska's economy by increasing oil production, the governor will take steps to rein in spending to a greater degree," she added.

Senate leadership, a bipartisan coalition of Republicans and Democrats, has consistently turned up its collective nose at the governor's bill, which would significantly cut taxes on North Slope producers while adding new state tax credits for work in existing fields as well as new developments. Senate leaders have said from the beginning of the session that they intend to wait for detailed studies that look at how Alaska stacks up against other oil-producing regions in terms of tax policy and other factors oil companies use in deciding where to invest their money.

Moreover, as testimony has unfolded over the last few weeks, primarily in the House, senators have grown increasingly concerned that the state would be giving up billions of dollars in tax revenue without getting any commitment for new work or more jobs from oil companies. It's also become clear that the state Department of Revenue has not done any audits on oil company tax returns filed under the current tax system, and that the first audits might still be years away. And the state has not been able to verify what billions of dollars in tax credits have gone to -- new exploration as many lawmakers thought or to simply maintain aging facilities.

Last week, Parnell notched up the rhetoric in an effort to get the measure pass through reluctant House committees and then by the full body. He annoyed senators by referring to them as "do-nothing senators" at a political rally in Anchorage.

The House passed its version of the governor's oil tax bill on Friday, but the vote was a close one -- 22-16. House Democrats pointed out that the bill was approved by only two votes because it takes 21 votes to pass a measure out of the 40-member House.

That same day, Anchorage Sen. Hollis French, saying he was offended by the governor's remarks about the Senate, challenged Parnell to a debate on the tax issue. The governor declined the invitation.

On Monday, Senate President Gary Stevens, joking about "do-nothing senators," assigned the House bill to

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the Senate Labor and Commerce Committee, as well as Resources and Finance. That raised some eyebrows because bills generally go through only two committees, and with 12 days left in the session it's unlikely to make it through three.

On the same day across the building, House Speaker Mike Chenault assigned Senate Bill 97 to three committees. That bill is a top priority for Senate leaders because it boosts revenue-sharing to local communities as oil prices -- and thus gas prices -- rise.

On Tuesday, Senate President Gary Stevens explained to reporters that the chairman of Labor and Commerce, Sen. Dennis Egan, had requested to hear the bill because of the implications for jobs in the oil industry and other issues.

But Stevens said he still doesn't anticipate the governor's bill moving out of the Senate. In fact, he said, he didn't even see enough votes to get it out of the Senate Resources Committee, let alone the full Senate.

If it did make it to the Senate Finance Committee, it would run into trouble from Stedman and other senators who want the detailed financial data they are still waiting for.

Stedman said the committee has added more than \$37 million into the capital budget to help the Department of Revenue buy new software needed to get the audits done.

And, he said, it's not like the decline in North Slope oil production is a surprise, so there's no need to rush through a bill.

"It is dangerous for the state of Alaska to change our fiscal structure every year," Stedman said. "I'm more concerned in getting it right."

"I'm not comfortable making multibillion-dollar decisions when I don't have the data," he added.

Earlier Tuesday, House Democrats held a press conference at which they reiterated their concerns with the oil tax measure, including the loss of billions of tax dollars without a commitment from the industry to reinvest that money in Alaska.

Reps. Bob Miller and Berta Gardner pointed out that the Legislature demands accountability in virtually every other arena, whether its education funding or incentivizing more drilling in Cook Inlet.

Miller noted that House Finance, which was OK with not requiring any performance measures for the oil tax bill, on Monday insisted that TransCanada Corp. demonstrate that its state-supported natural gas pipeline project is economically feasible by mid-July or risk losing the state's financial backing.

Gardner talked about a state loan that will fund a jack-up rig for Cook Inlet but only if the company, Buccaneer, agrees to drill at least four wells and make the rig available to other companies.

In an interview later, House Minority Leader Beth Kerttula said the combination of a 90-day session and a large number of new House members has made it difficult to adequately address an issue as complex as the oil tax bill.

Parnell's "thinly veiled threat" to veto projects that are important to many legislators isn't helping matters, she said.

"I thought it was unfortunate," she said. "That is an old way of doing politics. I think we need to turn away from that and look at things on their merits."

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