

## Parnell's oil tax plan takes a beating in the Legislature

'DISTORTIONS': Both houses, parties take turns bashing scheme.

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Gov. Sean Parnell's proposed oil tax cut came in for more bipartisan criticism Tuesday, with a Republican senator saying it gives away at least \$2 billion a year with nothing guaranteed in return, and several House Democrats saying it's even worse than that for Alaska. The oil-tax measure dominated back-to-back morning news conferences by the opposition House Democratic caucus and the bipartisan Senate majority coalition.

Alaska's current oil-taxation structure came into place partly as a reaction to the scandal-plagued effort in 2006 by the defunct oil-field service company Veco to hold down taxes using bribes, booze and, in the case of one perennially broke ex-legislator, burgers. Now taxes quickly rise as oil profits rise, giving Alaska a healthy budget reserve even as many other states face financial catastrophes.

But Parnell says the tax discourages oil field investments by industry, risking future petroleum returns. He'd still have the tax rise as oil prices rise, but not to the current extent.

Rep. Berta Gardner, the House minority whip and a Democrat from Anchorage, said tax cut supporters have used "distortions" to make their case. For instance, she said, at legislative hearings, the governor's office cited a survey of oil company executives and oil field investors showing nearly half said Alaska's tax structure was a deterrent to investments. "What they didn't say, if you look at that study, 25 percent said it was an incentive to investment and 31 percent said it had no impact," Gardner said. "So you could say that 56 percent said it was an incentive or had no impact, but we're justifying this multibillion bill on the fact that 44 percent said it was a deterrent."

Rep. Mike Doogan, D-Anchorage, said the information provided to the Legislature has been faulty, resulting in continually rising estimates of how much the state would lose if the bill passed. It started out at \$1.7 billion a year, and now might be as high as \$3 billion, he said. Among the senators meeting with reporters Tuesday, Republican Tom Wagoner, R-Kenai, was the most vocal against the tax cut, though it faces opposition across the senate majority.

"If we're going to continue with a bill that gives away \$2 billion to the companies with no guarantees at all of how that money will be spent or what work would be done with that money in the state of Alaska, how many Alaskans will be hired, I have a hard time supporting the bill," Wagoner said.

Parnell has been largely silent as his tax bill has gotten raked the last few days. On Tuesday afternoon, his aides announced he would attend a news conference today, where the issue undoubtedly would come up and Parnell would have a chance to defend the measure. But two hours later, they postponed the meeting with reporters until Thursday.

### MAT-SU PRISON

Sen. Bert Stedman backed off slightly Tuesday on his threat to dismantle the huge state prison still under construction at Point MacKenzie, but said he is calling for an immediate audit of the facility's costs. "It's a pretty heart-stopping budgetary impact," Stedman said of the prison, which is projected to cost up to \$70 million a year to operate, up from the current \$20 million to keep prisoners in other facilities, primarily a contract prison in Colorado.

"I wouldn't jump to the conclusion we're looking into mothballing it," he said. "Clearly it's an option on the table for discussion."

Stedman, a Republican from Sitka, is co-chairman of the Senate Finance Committee and what he says carries a lot of weight. He said he wants an expedited audit of the facility to be completed by next January so legislators could understand why it's become so expensive.

"We have serious concerns over how that project has been managed and where we ended up today," Stedman said.

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