

Here's what has the Alaska Capitol gridlocked

[Austin Baird](#), Political, Rural Reporter, [KTUU](#), April 19, 2016. [See full article and video here.](#)

[video platformvideo managementvideo solutionsvideo player](#)**JUNEAU** – Ninety-two days have passed since the regular legislative session started, and still there is no end in sight. Here's what is behind the gridlock:

– According to Department of Revenue forecasts, the state is projected [to pay small oil companies \\$775 million during fiscal year 2017 while taking in \\$1 billion in petroleum revenue](#). Policymakers generally agree that ratio is unsustainable and that changes are needed this year, but there is no consensus over what exactly should change.

– [House Bill 247](#) is Gov. Bill Walker's oil and gas tax credit reform proposal, an overhaul projected to put the state \$500 million closer to a balanced budget in fiscal year 2017, if adopted exactly as the governor recommends. Most of that comes from immediately reducing credits given to companies that develop Cook Inlet and North Slope resources, and \$100 million would be generated by increasing production taxes from 4 percent to 5 percent. Some of the credits attempt to spur new development, and others let companies write off operating losses.

– [House Republicans heavily amended the bill](#) leading to it being scheduled for floor sessions four days in a row last week, before [it was finally pulled from the calendar and sent back to the rules committee](#) when it became obvious there were not the 21 votes needed to pass the bill. House Speaker Mike Chenault, R-Nikiski, offered this candid analysis at that moment: "I think it would have been an almost unanimous vote

to fail that bill,” he said. There is wide disagreement in the House over what needs to change, with some saying the system needs to basically stay intact and others calling for a full overhaul. Specific policies being contested include the proposed production tax increase, whether or not a “hard floor” should be enacted so all companies pay at least some taxes, and if changes should take effect immediately or gradually over the next few years.

– While the House Democratic minority caucus is badly outnumbered by the Republican majority – 13 to 27 – Democrats have leverage over oil and gas tax credits because it requires a three-quarter vote to draw from the Constitutional Budget Reserve, a state savings account that will likely be needed to pay for government services as the state faces a \$4.1 billion budget deficit, and to get a plan to use Permanent Fund earnings to pay for government off the ground.

– The governor introduced several tax proposals as pieces of a broader solution to the fiscal crisis, but lawmakers are unlikely to seriously consider taxes that fall far short of solving the state’s financial woes unless broader changes are made first.

– That means all other key policy proposals are likely on hold until there is a resolution to disagreement over oil and gas tax credit reform: finalization of the capital and operating budgets, plans to use Permanent Fund earnings to pay for government, and proposed taxes that would collect revenue from individuals and an array of industries.

– The House Rules Committee scheduled a Wednesday hearing, but the committee chair, Rep. Craig Johnson, R-Anchorage, said Tuesday evening that it is simply a placeholder and that lawmakers are still working to find a viable committee substitute to the bill that was pulled from the floor.

– While voters approved a 90-day regular lawmaking session in

2006, the state Constitution still allows a 121 day session plus a 10-day extension, if needed. The governor or Legislature can call special sessions in 30-day increments beyond that, so there is no true limit on how long policymakers battle over the response to the fiscal crisis. However, the Capitol can only be occupied until May 2 when a renovation effort picks up in full, so the discussion would need to move somewhere else if there is no resolution before then. Budgets must be finalized before the fiscal year ends June 30 in order to avoid a government shutdown.