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Scandal shaped session

When news broke early last month that federal investigators had conducted electronic surveillance of a suite at Juneau's Baranof Hotel rented by two executives of VECO, an Anchorage-based company with close ties to the oil industry, there were just two kinds of people in the Capitol, those who said, "It's about time," and those whose reaction was unprintable in this newspaper.

I'm in the "about time" school. The unprintable-reaction folks were trying to recall every conversation that might have been heard by federal listeners. That changed the legislative dynamics in dramatic ways.

The earlier FBI searches of legislative offices played a role in passage of a new petroleum profits tax during last August's special session. Since the new tax took effect, it has already captured for the state more than a billion dollars in oil profits that would have otherwise been forever lost. Bottom line, the good guys won. Yet this year, as the scandal unfolded, some legislators claimed the new tax is tainted by corruption, and needs to be reconsidered. Statements by Gov. Sarah Palin suggest she might agree.

Palin's Alaska Gasline Inducement Act passed with ease despite oil company opposition. Legislators with close oil industry ties became reluctant to spend limited political capital on the industry's behalf. Also important was Palin's clear focus on what she wanted, and her willingness to accommodate lawmakers on details.

An overlooked factor in AGIA's easy passage was the decision by oil lobbyists to use what little influence they retained to block a bill that would have disallowed tax deductions for costs related to improper pipeline maintenance. Axing the deductions could have cost the companies as much as \$100 million in reduced profits. The bill ended the session in the House Finance Committee, where Co-chairman Mike Chenault claimed there wasn't time to give it a hearing.

A bill setting tough new ethics standards for state officials surfed into law on

the anti-corruption wave. How far it will go to changing the legislative culture remains to be seen.

The unfolding scandal made legislators anxious to adjourn. Two members of the ruling coalition, including Rules Committee Chairman John Cowdery, had their offices searched by the FBI. Legislators feared that indictment of those senators during the session might fracture the majority coalition, creating chaos at the end of the session and making everyone look bad. That anxiety played a role in the Legislature's failure to resolve education aid funding, municipal revenue sharing and how to allocate burgeoning costs of public employee retirement obligations. Frustrated with House-Senate differences on those intertwined issues - and at loggerheads on how to renovate an expiring senior benefits program - legislators were unduly ready to give up.

When the House and Senate are at odds, it's an invitation for a governor to exercise extraordinary leverage. Palin's reluctance to use that power in the session's final days was puzzling. Having achieved victory on AGIA, administration officials seemed to take a couple of days off to figure out what they should do next. By then the Legislature had adopted one-year Band-Aids for the education, revenue sharing and retirement issues, and adjourned, leaving the senior program without even a Band-Aid. A little gubernatorial leadership surely could have prevented that and the need for the special session scheduled for Anchorage later this month.

Department of Health and Social Services Commissioner Karleen Jackson declined to be interviewed, but the department's Sherry Hill, the administration's lobbyist on the senior issue, said they didn't realize how deeply divided the two bodies were until it was too late. "I guess I was a little naive," Hill said.

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