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By Senator Hollis French and Representative Les Gara

Seven hundred million dollars is a lot of money, at least where we come from. It's also the difference between what Alaskans would receive under the oil tax reform plan the Legislature's international oil tax expert recommends, and the lower tax rate passed by the State Senate on May 22.

Today we're locked in debate about how to provide Alaskans with a fair share for the oil all Alaskans own in common, and how to provide incentives for future development. Republicans and Democrats in the House will serve the state well by passing a stronger oil tax reform law than the Senate passed. Debate starts again after Memorial Day.

Straying too far from the expert recommendations we've received will come at a cost to future generations. It will dampen our hope for real improvement in our schools, better college and job training opportunities, better access to health care, and better law enforcement to protect our citizens from crime.

Here are some details that might give you better insight into the debate in Juneau.

The advisors the Legislature hired demonstrated that Alaskans could maximize long term revenue and development if we finally started taxing near the world average. The Senate bill raises 10%-15% less revenue than if we taxed at the world average.

The Legislature's lead adviser, internationally recognized oil tax expert Daniel Johnston, recommended we adopt a modest 25% oil tax rate. So did Governor Murkowski, until a February meeting with oil company executives. Three days later he lowered his proposed rate to 20%, and cost the state $500 million/year.

On May 22 the Senate passed a 22.5% tax rate. At today's oil prices Alaskans lose roughly $100 million for every percent decrease in this tax. Compared to the recommended 25% rate, the Senate's 22.5% proposal costs Alaskans $250 million/year at today's oil prices.

The other crucial element of the bill is known as "progressivity". This ensures the tax rate will rise as oil prices rise. The state should share fairly in the windfall profits oil companies enjoy at high prices.

Johnston recommends that the tax rate rise by roughly 1/3 of a percent for every dollar the price of oil increases above $40/barrel. The House reached a compromise number of 1/4 of a percent above $50/barrel. The Senate chose the weakest approach yet – a 1/10 of a percent increase that doesn't apply until oil reaches roughly $50/barrel.

What does that choice mean in terms of dollars? At $60/barrel, this costs us more than $500 million/year when compared to what the Legislature's lead consultant recommended. It costs the state roughly $150 million a year compared to the House compromise.

The Legislature's seen better moments. In March the Senate Resources Committee adopted a proposal that came close to what Mr. Johnston recommended – a 25% tax, with a rate that increased 1/5 of a percent for every dollar the price of oil rose above $40/barrel. That left the state just short of reaching the world average tax rate. That bill was a fair compromise, and would have provided the state with $700 million more, at $60/barrel, than the bill passed by the Senate.

The Senate bill also raises $100 million less, at current prices, than the version it passed just 2 weeks earlier. If oil falls to $20/barrel, the bill raises $250 million less than we receive under the current oil tax rules and loopholes we all agree must be fixed. We're going downhill fast.

We have many other concerns about this bill. For example, one provision lets oil companies reduce their taxes by roughly $100 million/year for past investments they've made over the last 5 years, even if they don't increase their level of investment in Alaska. We think tax incentives should promote future development, not reward past decisions. But fixing the tax rate would make this a much better bill.

This is a debate about the future of our state. It's likely to involve give and take. It will hopefully result in action by legislators to improve upon what's been passed so far.