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BY

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JUNEAU, ALASKA

Speaker Grussendorf, President Bennett, members of the House and Senate, fellow Alaskans:

Thirty years ago this winter, on a hill just outside of Fairbanks, a group of Alaskans sat down in a university gymnasium and wrote a constitution for a state that didn't exist.

That took patience, courage, pride, and confidence.

* Patience - because governments must be carefully constructed.

* Courage - because there were no guarantees for statehood.

* Pride - because Alaskans had dreams to fulfill.

* And confidence, confidence above all else - because they knew Alaskans had the will to turn potential into success.

The 30th anniversary of our constitution is a time for reflection and celebration. It's also a time to re-affirm our pride in Alaska, and our confidence in the future.

I'll tell you this: At no time in the last 32 years - which is how long I've been here - at no time since I first set foot in Seward have I felt so good about Alaska's future. Let me tell you why:

First of all, our state's economy is still one of the fastest-growing in the country.

In the last three years alone, we've added roughly 33 thousand jobs to our workforce, a workforce that is rapidly approaching a quarter of a million people.

And our three largest private industries - petroleum, fishing and tourism - are thriving.

Nearly 750 thousand people traveled north to see the wonders of Alaska last year - an increase, as usual - over the year before. And for the first time in history, the industry provided more than 10 thousand full-time jobs for Alaskans.

Meanwhile, petroleum production continues to put money both into the economy - and the state treasury.

State income, primarily from oil development on the North Slope, remains well over two billion dollars a year - five times what we earned less than a decade ago.

While that underlines the fact we're an oil state, we're a fishing state as well. In fact, fishing puts more food on the table and more people to work than any other private industry. I'm proud to say - that industry is doing well.

We've had two consecutive record years for salmon harvest - more than one hundred and forty million fish last year alone. Fishermen from Ketchikan to Kotzebue are sharing in that good fortune.

Talk to the black cod fishermen in Petersburg, or the pioneers in the surimi industry in Kodiak or Dutch Harbor. They'll tell you the fishing's good, and so is business.

Good management and a healthy business climate have a lot to do with that success. So have new marketing techniques, new technology, and a solid partnership between the state and the industry.

Last year, after more than two decades of negotiations, we reached accord with Canada on an international salmon treaty.

This year, my administration will work just as hard to bring an end to the interception of Alaska salmon by foreign fishermen on the high seas. That threat to our industry has not gone unnoticed - nor has it gone unchallenged.

Likewise, we have moved quickly to meet the challenge of renewing our forest products industry.

The federal government has not been responsive to changing times and changing conditions in the timber industry, and that's hurt.

But the State of Alaska is responding, through aggressive marketing on the Pacific Rim and creative initiatives here at home.

As world markets change, Alaska - with our valuable stands of old-growth, high-quality timber - is poised to seize new markets that other states cannot.

The same goes for coal and hard-rock minerals. We have more than half of America's coal reserves and world-class deposits of strategic minerals, and Alaska is poised to realize that potential as well.

True, we've still got a lot of work to do. We're working our way through a stabilizing period in the economy, after several years of incredible growth.

And - we've got some tough issues on the table. The rising cost of insurance has emerged as one of the biggest - for governments, individuals and business.

But despite the hard work ahead, Alaska is still growing strong. The base is solid.

All over Alaska, in all walks of life, through their own initiative and in partnership with government, individual Alaskans see the potential. And they're reaching for it today.

Alaskans are producing more goods and services in our state - for Alaskans. Take, for example, the farmers providing milk for the Matanuska Maid dairy, which doubled production and turned a profit last year.

But there are plenty of other examples you don't notice right away. Products like special cold-weather paints . . . automobile batteries . . . bricks . . . potatoes . . . even windshield wiper fluid.

Companies are growing with Alaska markets, right here at home.

Others are looking overseas.

- * Timber for China.

- * Coal for Korea.

- * Fish for Japan.

- * And this year, the State of Alaska will ship Cook Inlet oil overseas, reaching Asian markets, and becoming America's only oil exporter.

After three years of concentrated effort, we're making deals with Pacific Rim buyers and sellers.

Those business initiatives are rivaled by pioneers reaching for other frontiers - the frontiers of science and education.

No other state can match our per capita investment in education. From elementary schools right up to the University of Alaska, all our education programs come to more than a billion dollars.

It's money well spent. It's an investment in our future, and a commitment to our children.

Our great and growing University system is sparking the intellect of a new generation of Alaskans, from basic education to sophisticated research.

We're expanding those horizons in basic and applied research as well. Alaskans are playing a prominent role in setting national and international priorities in Arctic research. We must coordinate our research efforts with those of scientists around the world.

It's my personal goal - one shared by many Alaskans - to convert the knowledge we gain in the laboratory into practical applications in the villages, cities and lives of Alaskans.

So, as you can see, the people of our state are looking for - and finding - new challenges every day -- in industry, science, and education.

Production and exploration on the North Slope is going strong. Alaska's fishermen are enjoying record seasons. Our natural beauty continues to attract hundreds of thousands of visitors.

We're building markets for timber, coal and minerals overseas.

Meanwhile, small businesses are carving out new markets right here at home.

And our commitment to the next generation of Alaskans, through a positive investment in education, science and research, brings us closer to fulfilling the promise of Alaska's bright future.

The point I'm trying to make is this: Today's Alaskans aren't any different than the Alaskans of 30 years ago -- the Alaskans who saw the potential, seized the initiative, and realized their dreams.

The people of this state have pride in Alaska. We have confidence in the future.

We can be proud to say that Alaska is a place where social justice flourishes, just as the framers of our constitution intended.

We've put special emphasis on child abuse and juvenile crime, with help for both the victims and offenders. We recognize our responsibility to the needy and act quickly, with extra money and effort for day care assistance and aid to families with dependent children.

In the budget I have proposed for the coming fiscal year, I made sure the numbers added up to social justice. While I reduced the cost of state government, I increased our commitment in four key areas:

- * Health and human services
- * Environmental protection
- * Public safety, and
- * Criminal justice.

On Thursday, in my budget address to the House and Senate, I'll go over those increases in more detail.

I'm confident that all Alaskans understand the emphasis on those human needs, and I'm looking forward to working with the members of the House and Senate as we refine that proposed budget.

I'm also looking forward to action on two important matters of social justice facing this state.

The first is the subsistence hunting and fishing priority for rural Alaskans. I, like many Alaskans, thought we put that issue to rest with an overwhelming vote in support of subsistence back in 1982.

Last year, because of a Supreme Court ruling, the issue has come up again. I immediately proposed a solution, one that's straightforward and fair. However, a variety of factions stalled it.

That will not happen in 1986.

Our constitution built a strong framework for allocating our fish and game. It's a system that works - and works well - because the real decisions about who hunts or fishes at any given time or location are made by the people -- people appointed and confirmed to the Boards of Fish and Game.

Ladies and gentlemen of the House - and especially the Senate - let us not undermine the system that's serving Alaskans so well. We must rise above regional rivalry, and allow the Fish and Game Boards to do the job they were appointed to do.

Legislation I've introduced - House Bill 288 - would do just that. And I urge you to act on this bill with all due speed.

We don't need politicians exploiting the emotions of our citizens, pitting one part of Alaska against another. What we need - and it's before you right now - is a flexible law that meets these standards:

It is constitutional, enforceable, in accord with federal requirements, and -- most important to me -- it allows our Fish and Game Boards to treat every Alaskan fairly.

To do any less would betray the spirit of our constitution, which was written by people who believed in the ability of Alaskans to manage our own fish and game.

The second major matter of social justice we face concerns something equally as important to individual Alaskans -- namely, our right to a resident workforce in Alaska.

Local hire is an issue in all kinds of work in Alaska - restaurants, canneries, construction, you name it. In fact, our Department of Labor has found that 677 million dollars in Alaska wages went to non-residents in 1984, the most recent year we have complete data for.

In terms of numbers, fish processors are the biggest offenders - more than 12,000 jobs went to non-Alaskans in that year.

But in terms of dollars, the biggest offenders were oil and gas, and construction. Between them, they were responsible for more than a quarter of a billion dollars lost from Alaska.

Of course - oil has been good for Alaska. It has been a source of jobs and state income for many years, and it will remain that way for a long time to come.

But at the same time, Alaska has been good to the petroleum industry. For a fee, we let them take oil and gas from under our land -- products they sell at a great profit.

It's a good business partnership. But there's more to business than balance sheets, budgets, and the bottom line.

I was in business for more than 25 years, and here's one lesson I learned: You've got to be a good corporate citizen. If you take from Alaska, you have a moral obligation to leave behind benefits of equal value.

And we are not getting a fair share of the business when oil industry jobs - both in operations and construction - go to Outside workers who do not contribute to local communities.

In the next few years, construction for the petroleum industry will intensify. And by hiring Outside contractors - cut-rate contractors who hire Outside labor and drive down the fair and prevailing wages in Alaska - the industry will certainly drag down the quality of life in our own state.

How low will they drag it? Until Alaskans can't make their house payments or shop at the local grocery store? Until the only people making money in Alaska are people who don't live here?

Pretty soon, they'll reach a point where the industry makes its profit at the expense of Alaskan workers and families.

Remember, this is a partnership. Those companies have a moral obligation as good corporate citizens to hire qualified Alaskans. And if they don't recognize that obligation, we will capture our fair share however we can.

Here's one idea:

Right now, I am awaiting a decision from the Alaska Supreme Court on our current local hire statute. In addition, our Department of Labor is on the verge of completing an extensive study of non-resident hire in Alaska, with special emphasis on public construction projects.

This study should give us the evidence we need to prove to the courts that Outside workers are slowly draining the economic lifeblood from many communities.

Those two building blocks - the court decision and the labor study - will complete the foundation I am already preparing for an effective local hire measure.

Some members of the Legislature are working hard on other measures, and I encourage you to continue.

For my part, I'm preparing an administrative order that would require local hire on projects bought and paid for by the people of Alaska. If the court's decision and the study support that order, I will issue it immediately.

I'm confident it will meet any legal challenge. Moreover, I'm confident we can use a similar strategy to require local hire on projects conducted on state land - oil and gas leases, for instance.

Don't misunderstand me -- I'm sure you join me in welcoming new Alaskans, people who come to this state with a commitment to contribute to our northern society.

However, I have too much pride in Alaska to watch armies of mercenary labor invade our state, only to withdraw with the spoils.

And I have confidence the oil industry, construction companies, fish processors - and all other employers - will help us meet the goal of hiring Alaskans first.

Make no mistake - Alaskans feel deeply about local hire. It came up - over and over again - at the 32 town hall meetings I held across the state last year.

While Alaskans have a lot to say about local hire, they also take a hard look at the way the state spends and manages its money.

To Alaskans today, good financial management begins with a solid and unwavering commitment to the Permanent Fund, our state savings account.

The fund now totals nearly seven billion dollars, and it is a testament to the foresight and forbearance of this generation.

So far, we've saved nearly a third of the billions of dollars earned from our oilfields. That's impressive. And what's more impressive, Alaskans are telling me they want to save even more.

Overwhelmingly, they say we should protect the principal of that Permanent Fund. Overwhelmingly, they say we should hold on tight to the earnings from the fund.

Those are powerful statements about Alaska's commitment to saving for the future. We - here in this chamber - have a mandate from the people to protect the Permanent Fund.

Of course, there were some people at the town hall meetings who spoke in favor of spending the earnings of the fund. That's not surprising. We have many needs in this state, and I can understand why that 800 million dollars looks attractive.

However, what's surprising are the suggestions for spending that undistributed income:

An endowment for education . . . a children's protection fund . . . training for the mentally ill and physically impaired . . . aid for women and children at the poverty line.

In short, Alaskans say that concrete and steel rank behind our own flesh and blood.

Overall, I came away from the meetings with an even deeper respect for the people of this state, and a more powerful commitment to the Permanent Fund.

I know the Alaska Legislature shares that commitment. Twice, the House and Senate have made special appropriations totalling more than two and a half billion dollars.

When I took office in 1982, 700 million dollars of the most recent appropriation hadn't been paid to the Permanent Fund. I was pleased to pay off that 700 million dollar debt - in full - in a little more than 700 days in office.

That money is now safely tucked away for future generations, providing a permanent foundation for the future of this state. Clearly, Alaskans recognize and appreciate that fact.

I welcome - and encourage - any positive steps by the House and Senate this year to strengthen the Permanent Fund.

Of course, saving money is just one way that Alaskans show their historical preference for wise money management.

The second is a careful and conservative state budget. I share that preference, and so do most members of the House and Senate. Together, we have reversed a decade-long trend of double-digit growth in the rate of government expansion.

In fact, my budget proposal for next year calls for a smaller government than the one we have now.

But while it calls for a decrease in state spending, it provides for an increase in service and efficiency. Government is running right -- even as our population grows faster than any state in America.

To make sure the state government continues to run right, this year I will ask the Legislature and the people to approve measures that will bring greater stability to the State of Alaska's finances.

Those actions will address two important areas of sound fiscal management. They are:

* First, better control and management for the money we borrow. And when I say "we," I mean the state, local governments and school districts.

We've borrowed a considerable amount of money to help build Alaska. In fact, we have the highest rate of debt per capita in the Union. The state government's debt alone comes to more than 1,000 dollars per Alaskan - 20 times the national average.

But when you add the debt of school districts and local governments to that total, your individual share of Alaska's debt is nearly 7,000 dollars.

We can manage that debt, but control starts at the highest level of state government. I will ask you to consider a package of measures to manage that debt, lest that debt manage us in the future.

* Next, I will introduce a plan to provide stability in state funding for local governments, school districts, and other Alaskans who depend on state programs. Included in this plan is a truly effective limit on state spending.

In short. I will put before you a spending plan, a savings plan, and a spending limit. It's also a buffer protecting the Permanent Fund.

The cornerstone of this plan is a constitutional amendment setting up a buffer account, a limited cash reserve that would allow us to shave off the peaks and even out the valleys in state revenue.

On Thursday, in my budget message, I'll outline this plan in more detail. It emphasizes the principles of wise money management that Alaskans expect their government to follow.

But money management is only one measure of good government. Alaskans also demand - and deserve - a government that conducts itself with honor.

For that reason, I will also submit for the consideration of the people and the Legislature a code of ethics for everyone in the executive branch, beginning with the chief executive.

We are a society of laws, and it's important that the standards of ethical conduct are written clearly - in the law - so there are no disputes - no questions - about what those standards are.

The people of Alaska demand - and deserve - nothing less.

You know, we tend to use that phrase a lot - quote/unquote, "the people of Alaska." But what does it mean? Can you round up all 520 thousand of us into a four-word phrase?

Of course not. The people of Alaska are individuals, with individual ideas and aspirations. And over the course of more than three months last year, I had the distinct pleasure of hearing the many voices of Alaska at the town hall meetings.

People talked about the Permanent Fund and local hire. But there was a lot more on the minds of Alaskans:

Education in Fairbanks. Insurance costs in Wrangell. Senior housing in Anchorage. Roads in Homer. Subsistence in Kivalina. Fishing in Dillingham. Child protection in Sitka.

There was a great diversity of comment and opinion. However, one common sentiment revealed itself everywhere. At each meeting, Alaskans showed a powerful and spontaneous pride in their communities.

It re-affirmed my commitment to serving Alaskans with a government they can be proud of - a government committed to wise money management, social justice, and honorable conduct.

The people of Alaska have never wavered from those ideals in the three decades since our charter of government was written. Today, our young state is very healthy indeed - from our economy to our environment, from our culture to our conscience.

And as we look back, along the road this state has come in little more than a generation, we have much to be thankful for. Alaska - at the age of 27 - is still a land of opportunity.

We see our economic potential - and reach for it. We seek out our human potential - and embrace it. We stand in awe of our natural beauty - and protect it.

But perhaps a gentlemen in Homer said it best, at the very first town hall meeting.

Near the end of the meeting, the man stood up to speak. He looked around the room, and he began to list the many things the prosperity of Alaska has helped to provide for the people.

It was a long list. And when he finished, he looked at me and said, "I think we're truly blessed, don't you?"

Goodnight, and God bless you.

