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**STATE OF THE BUDGET ADDRESS**  
**BY**  
**THE HONORABLE WALTER J. HICKEL**  
**GOVERNOR**  
**STATE OF ALASKA**  
**BEFORE A JOINT SESSION**  
**OF THE**  
**SECOND SESSION OF THE**  
**EIGHTEENTH ALASKA STATE LEGISLATURE**

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**January 13, 1994**

**Juneau, Alaska**

1. The first step is to identify the problem or goal. This involves understanding the current situation and what needs to be achieved. It is important to be clear and specific about the objectives.

2. Next, it is necessary to develop a plan. This involves breaking down the goal into smaller, manageable tasks and determining the order in which they should be completed. It is also important to consider potential obstacles and how to overcome them.

3. Once a plan is in place, the next step is to execute it. This involves putting the plan into action and monitoring progress. It is important to stay focused and motivated throughout the process. If there are any changes or adjustments needed, it is important to be flexible and adapt accordingly.

**STATE OF THE BUDGET ADDRESS  
by the Honorable Walter J. Hickel**

**before the 18th Alaska State Legislature  
Juneau, Alaska  
January 13, 1994**

Mr. President, Madam Speaker, members of the Cabinet and Legislature, and fellow Alaskans.

We have gathered to discuss the budget of the State of Alaska.

A new year is upon us---and, with it, new challenges.

This is Alaska. Where we steer by the North Star.

**Where my job, and yours, is to keep the crew healthy, the ship strong, and the bow on a steady course---North, to the future.**

And as we chart our course, let's keep one thing firmly in mind:

We have to look beyond today's headlines.

Tonight, I will spell out my plan to face down and move past the current drop in the price of oil.

And I will lay out my plan for progress in the decade ahead.

What we have here is a challenge---not a crisis.

**Alaska has many options.**

**And Alaska is too great for small dreams.**

In the late 1960's, we truly acted like the Owner State we are.

We boldly opened up the Arctic.

Since then, oil revenues have been the backbone of our state budget---and most of our economic activity.

But, we have experienced dramatic ups and downs in the price of oil---the most serious in the 1980's.

It took Alaska by surprise.

**THE CURRENT BUDGET SHORTFALL**

Last year, oil prices took a similar dive.

From a high of over \$18 a barrel when we met here and adjourned last May...to a low of nearly \$10 in December.

As a result---if oil averages a little over \$13---(the Department of Revenue's estimate)---we face a revenue shortfall over what was anticipated of \$600 million.

Unlike 1986, the private economy is strong.

And state government has financial reserves in the bank.

After taking office three years ago, we moved to nail down 15 years of oil tax disputes---and put nearly 1.7 billion dollars in the state treasury.

Not everyone agrees whether \$924 million of that money belonged in the General Fund or the Constitutional Budget Reserve.

That question will be decided by the state Supreme Court.

This \$924 million represents spending over FOUR fiscal years.

It is NOT---as some have said---a one year spending spree.

But the bottom line is this: to meet our potential obligations---this year and next---funds are available---now, when Alaska needs them.

It comes down not to a budget question---but a political one.

Which of our savings accounts do we use?

**My position is clear: the Constitutional Budget Reserve should be used to bridge the gap.**

That's what it was designed for.

**NEXT YEAR'S BUDGET**

Next, as we look to the coming year, we must recognize that the problems we are overcoming are not the legacy of one person, one party, or even one generation.

But for both the near term and the long term---our plan of action is the same.

Number one---hold the line on government spending.

Number two---boost the untapped revenue from Alaska's natural resources.

And number three---fight back against the feds.

**Leave Alaska to Alaskans---and we will pull our weight and solve our problems.**

### **REDUCING GOVERNMENT GROWTH**

I've put my cards on the table. And they're all face-up.

Our proposed budget for next year will be delivered to the Finance Committees tomorrow---13,653 pages of specifics.

It is a conservative budget. If it wasn't, it would be twice that big.

And it begins with a basic premise: the Alaska people have asked that we make government as efficient as possible.

When we took office in 1990, Alaska's budget was in serious need of a crash diet.

We acted. We launched a four-year campaign.

We brought the growth in the operating budget to a stop.

This was not easy with a growing population.

But---supported and spurred on by many in this room---Alaska held the line.

In the past three years, we've slashed more than twelve hundred positions from the bureaucracy.

And if we hold the line again---we will reduce our agency budgets down to fighting weight---a reduction of over 25 percent in real dollars in just four years.

Real per capita state spending will drop to the lowest level in 15 years.

State wages and benefits have received close attention.

As you remember, during the construction of the trans-Alaska pipeline, state employees were lured away by higher private wages---so government upped the ante.

Slowly but surely, we have been getting back in balance.

Our goal is to bring personnel costs into line with market standards.

There's some who roll their eyes when I talk about the real cuts departments have taken.

They say, "Holding the line is not streamlining government."

But when I propose that school districts hold the line, the cry goes up that they have been CUT.

You can't have it both ways.

Holding the line this year also means slashing my annual goal of a \$300 million capital budget by two-thirds.

I think you all know last year we were criticized for a large capital budget.

In reality, it was a three-year capital budget---to catch up on a decade of neglect.

We stepped up to the shameful lack of deferred maintenance...

...and the need for new schools...

...electrical interties...

...and projects for oil spill impacted areas.

These will all take two to three years to complete.

### ENCOURAGING EXPLORATION

Still, simply holding the line will never be enough for a forward-looking state like Alaska.

The key to a dynamic future is vigorous economic growth.

As we look at the long term---developing our natural resources is truly the Alaska option.

It addresses both sides of our agenda.

Resource revenues can continue to pay for needed government services.

And resource development will provide good-paying jobs and opportunities for Alaska's businesses and families.

Tonight, I call on you to act.

Let's spur oil and gas exploration on state lands.

Let's license those with the courage to explore large areas.

We've worked on these bills for three years.

And let's offer incentives for wells that provide vital geologic data.

Our legislation is fair not only to Alaska's major industries but also to smaller companies with big ideas.

Let's pass them into law now!

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For the record, the big oil companies have never supported me in an election.

**Nobody owns me---and nobody ever will.**

But they know that I care about Alaska. And they know that I am fair.

Companies that looked ready to pack their bags and leave before I took office are now taking a second look.

As attractive as the lack of government regulations may appear overseas...

...Alaska offers something better...

...a sense of political stability...

...and a sense of pride in doing a job right.

More and more people are realizing that we've hardly scratched the surface of Alaska's potential.

Nearly 90 percent of Alaska's state lands are open to mineral entry and mining.

Many of our historic land selections---officially completed last week were aimed at lands rich in valuable resources.

Our Native corporations have done the same.

As a result, we have a land base of astonishing proportions---150 million acres.

And those lands can help produce the revenues and the jobs our people need.

**A LIFELINE TO THE FUTURE**

Exploration is the key.

But we don't need to invest another dime to find one of the greatest bonanzas in American history---right here in Alaska.

The North Slope holds a 35 to 50 year supply of known reserves of natural gas.

**Alaska's gas pipeline can be a lifeline to Alaska's future.**

Depending on the world economy, and the global demand for cleaner energy, when it comes on line, the pipeline will generate up to \$500 million a year.

And instead of an additional tax burden on Alaska's families...

...it would produce a lift in the form of new jobs and new business opportunities.

The market is there.

It's time for the oil companies to start this project!

**SPURRING A DIVERSE ECONOMY**

As we pursue these larger issues, we must press to make our healthy economy even stronger.

Alaska is not just a state, but an idea---one that is alive in the minds of our people.

In Sitka---where we're helping those who dream of a modern fiberboard plant to replace jobs lost at the Pulp Mill---the idea called Alaska is alive.

And in western Alaska---where we secured federal legislation to provide 300 longshoring jobs that used to go to foreigners---the idea called Alaska is alive.

We're lending a hand at a fish meal plant in Kodiak, at the Healy clean coal project, at a high-tech and environmentally-sound steel processing plant on Cook Inlet...

...three major gold mines that are now near start-up...

...north-side access to Denali Park---and new tourist destinations.

In spite of efforts to divide us by Outside interests...

...our travel and sport-related industries have remained united with those Alaskans who harvest our natural resources.

We are re-opening 556,000 acres of state land that had been off limits to mining.

We're fighting to keep Alaska's timber supply available.

We're battling for fishing rights in our treaty negotiations. Fighting against the wanton waste in the North Pacific.

**And in the Bering Sea, we're pushing for increased community development fish quotas---CDQ's---rural Alaska's greatest jobs victory since the signing of the Land Claims Bill.**

We're working throughout rural Alaska to improve the quality of life...

...to build roads, develop low-cost energy systems, safe water and sanitation.

It's time to upgrade and replace bulk fuel tanks, to fight for the rights of Native artists to carve and sell ivory, and to protect and enhance traditional economic mainstays such as the chum salmon in our great river systems.

Subsistence is not only a cultural and traditional value---it is the heart of the economic system of our rural communities.

**And I believe the people who live on those rivers should have first call on those fish.**

Mental health trust lands are another key to our economic future.

Judge Greene ordered the state to reconstitute the trust.

This we did. Our plan was challenged.

Last week, the judge said we are on the right track.

**This session, let's finish the job!**

But economic issues aren't the only place for government partnership.

I think of Alaskans like Janie Goodhope of Shishmaref.

Like so many concerned elders, Janie saw that suicide had emerged as a sad and perplexing problem.

**She got involved. She took a stand. And she made a difference.**

Starting with a small state grant---Janie enlisted the Lutheran Church--- which lent their basement for a carving studio.

Now Shishmaref elders are passing on to their young people their remarkable artistic skills.

Pride of culture and art is inspiring young lives---and with it---a reason for living.

We had hoped that she would be here, but she is in Sitka.

Leilani Peters-Knight used drama to inspire the children of Hoonah to re-capture the greatness of their heritage.

**And she is with us---another Alaska hero---LEILANI PETERS-KNIGHT.**

These two courageous women are symbolic of thousands of other Alaskans.

Thanks to the investment of a few state dollars, some volunteer energy, and a lot of creativity...

...the rate of suicide among young Alaskans appears to be declining.

And every life saved is a victory won!

### **THE OIL EXPORT BAN**

All of these efforts can make a difference at home.

But to secure Alaska's future, there is one great battle that we have to carry beyond the borders of the state.

One morning not long ago, a huge oil tanker sailed out past Alcatraz and beneath the Golden Gate Bridge.

Painted across the bow was her name, the "John Young," an oil tanker owned by Chevron Oil.

She was carrying 200,000 barrels of California crude.

And her destination was the Far East.

But had she left Valdez this same ship with Alaska oil bound for the same port---those on board would have faced the federal fury of the Alaska oil export ban.

**It's wrong. It's unconstitutional. And it's got to stop!**

I sent our lawyers into court---asking that the export ban be lifted.

A study, released last month by the California Independent Petroleum Association, estimates that the Alaska revenue from lifting the ban could be as much as \$600 million a year.

The export ban is hurting both Alaska and the nation.

We're not talking about California oil---or Alaska oil---we're talking about American oil!

We will win this case. It's only a matter of time.

President Clinton's Domestic Oil and Gas Initiative has already called for a review of this issue.

But it's been 20 years.

And so tonight, in the spirit of NAFTA, GATT, and free trade, I am calling on President Clinton to act.

**Mr. President: LIFT THE BAN NOW!**

### **OTHER FEDERAL REGULATIONS**

We must also continue to educate America about why so many federal regulations rarely fit in Alaska.

Last summer I traveled with Interior Secretary Bruce Babbitt as he toured Alaska.

We talked access and ANWR, fishing and mining---and we discussed wetlands.

I told him, "Mr. Secretary, we are not going to have roads all over, just enough to get here and there."

I explained that we only want and need to develop one percent of our land.

If any other state came in with such a small request and was denied---there would be a revolution!

We must battle to educate those who do not understand.

### **TAXES AND DIVIDENDS**

Efficient government. Harvesting Alaska's resources. Taking our country back from the feds.

All three currents can carry Alaska healthy and strong into the next century.

But there are other options. And we should look at them.

The Alaska people didn't send us here to shy away from hard choices and even the most painful of options.

Do we dare talk about taxes?

...in an election year?

**Well, I have.**

I have recommended taxes on tobacco, alcohol and fuel, on fishing by limited entry permit holders, and an employment tax.

Our first priority should address Outside workers who come to our state on a seasonal basis.

Their presence is welcome.

But Outside workers should pay their fair share!

Let's work on this together.

Last month, in speeches in Anchorage and Fairbanks, I mentioned the revenue potential of both an income tax and placing a cap on Permanent Fund dividends.

While we look at these concepts, the public should know the facts.

A state income tax, like the one repealed in 1979, would provide between \$250 to \$400 million a year.

A reasonable dividend cap could generate about \$254 million this fiscal year---and it would keep growing.

By 1999, it would produce over \$400 million a year.

While some states are taxed to the limit, in Alaska this is not the case.

Alaska is fortunate to have these tools available if and when we need them.

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In conclusion, the budget proposal I have submitted is not carved in stone.

Alaska has many options from which to choose.

And so my message to the Legislature tonight is this...

Let's work together---building on the positive spirit we developed last year.

Let's work together---putting ALASKA FIRST.

This past Sunday night, on the eve of the Session, I joined the President of the Senate, the Speaker of the House, and leaders from both parties at an informal dinner.

**Continuing in that spirit, I have invited the leadership of the Legislature to meet with me in my office tomorrow afternoon.**

We will roll up our sleeves, sit down and talk and get with it.

If there is a legitimate place we have missed in cutting unnecessary government, we want to know it.

If there are additional ways to raise revenue, more appropriate at this time, I have an open door---and an open mind.

### CONCLUSION

Yes, I'm the optimist. Miracles happen because people believe.

**And I believe.**

Alaska---the idea---is alive...

...in the enduring dream of any pioneer who walked the land...

...breathed the air...

...beheld the great beauty of Alaska and said:

This is the place.

This is my home.

This is the future.

And so let's make a common pledge.

To keep that dream alive.

Because what Alaskans can dream...

...Alaskans can do.

Thank you. God bless you. And God bless Alaska!