

**HOUSE AND SENATE
JOINT JOURNAL SUPPLEMENT**

January 17, 1996

Wednesday

No. 16

ADDRESS

BY

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UNITED STATES SENATOR

BEFORE A JOINT SESSION

OF THE

SECOND SESSION OF THE

NINETEENTH ALASKA STATE LEGISLATURE

January 17, 1996

Juneau, Alaska

The following speech was submitted to the Chief Clerk's office for publication:

**Prepared Speech of Senator Frank Murkowski
Alaska State Legislature, Juneau,
January 17, 1996**

I bring you greetings from our Nation's Capitol as a survivor of the Great Blizzard of '96.

Speaker Gail Phillips, President Drue Pearce, this morning I want to share with you my perspective on the state of affairs in Washington and how the policies implemented there bear directly on the citizens of our state.

Currently, the historic debate underway in Washington is not just a partisan budget dispute, but a debate about the role and scope of Washington, whether Washington will continue to tax more, spend more, regulate more, and control more, or whether we will begin to reduce the size, scope and power of Washington.

America and Alaska are today at a cross roads. In this year, we will engage in the last national election of the 20th century. And I believe that the elections of 1996 may prove to have as great a historical significance as the events of 1776.

For it is clear, that unless we begin to loosen the federal chains from Washington, and return power and responsibility to the states and the people, we will again intone the immortal words of Thomas Jefferson:

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“When in the course of human events, it becomes necessary for one people to dissolve the political bonds which have connected them with another....”

Dissolving the political bonds with England was what the revolution of 1776 was about. By no means am I suggesting that this body dissolve its bonds with Washington. But I do believe that Americans and Alaskans are totally fed up with the seeming incapacity of Washington to work.

We've spent the last three and a half decades spending the people's hard-earned money on numerous federal programs that have really not helped people, only made them more dependent.

We've spent the last three and a half decades piling up a mountain of debt, which today approaches \$5 trillion. Interest on our debt is now more than our annual deficit.

The last three and a half decades have been spent over-regulating and micro-managing every element of the economy with the result that unfunded mandates from Washington on state and local governments and on American business and individuals have strangled our country in red tape and bureaucracy.

The historic election of 1994, which led to the first Republican Congress in 40 years, represents what I believe is a clarion call to roll back the arrogant power of Washington. The election of 1996 hopefully will move us closer to fundamentally changing the role and scope of Washington.

Will Washington continue with business-as usual -- taxing more, spending more, controlling more? Or will the government in Washington change. Each side has compromised to a point that

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further yielding has severe political consequences. That's what the debate about the balanced budget is all about. That's what the election of 1996 may be about if the gridlock continues.

For Alaska, returning power to the states and a smaller federal government means moving closer to fulfilling our Statehood dream. Statehood was thought to move out the federal dominance in Alaska, yet with expanded power, the Feds controlled much of our lands and resources. Examples include: oil export, ANWR, Tongass reform, ANILCA, wetlands, ANCSA, and endangered species regulations.

Well in this last year, we have learned much about what can happen when we have control of both Houses of Congress and Alaska's Congressional delegation become Chairmen of Congressional Committees. But much more could be done if we had an administration supporting our goals.

The most difficult job your delegation has is to convince others in Congress that we Alaskans really care for our environment. That through science and technology, we can develop our resources responsibly and that we learn from the mistakes of others. Alaskans take pride in knowing that we do a better job of environmental consciousness building than virtually any other state. Yet as we look at the years ahead, resource development is really the key to the state's future.

Value-added development sounds attractive, but it is tough to implement. The state currently does not offer enough incentives. Our resources must be competitive on world markets with limited marketability for our products here at home. For year-round, high-paying, local-hire jobs, it simply comes down to oil, gas, timber, fish, coal, and government.

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Yet as a state we are really the new kid on the block. Only 37 years have passed since Statehood. As we attempt to develop our resource wealth, we do so in a vaccum of sorts. Other states established their land patterns, 100 to 200 years ago. We are by ourselves and other states have little interest in helping champion our cause. A case in point is Washington State.

As a public land state we find ourselves in conflict with the Feds over the issue of who really controls Alaska, unlike say Texas, where there is virtually no federal land, and hence little federal presence.

To compound our task are the unscrupulous extreme environmental groups that see Alaska as their cause. They fight and litigate every development project that comes along, even challenging our right to dump our own snow in our own wetlands. They seldom give us credit for doing anything right, yet the Alaska cause is used to raise dollars and increase membership.

Make no mistake, environmental groups are big business. The top 12 have assets in excess of \$1 billion, have revenues in excess of \$633 million a year and spent more than \$32 million on lobbying over a recent four-year period. The former director of the National Wildlife Federation, for example, received salary and benefits of \$299,876 -- more than the \$200,000 a year paid to the President of the United States.

Sometimes the battle is a little like rowing up hill. And sometimes, we can't wait for consensus but have to move when the window of opportunity is open. When you are in the minority, you don't control the agenda.

Oil Export Ban: Twenty-three years ago in 1973 Washington finally allowed us to develop Prudhoe Bay. But it took

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us all this time to finally end the Washington economic arrogance that prevented us from exporting that oil. The mandate to end the ban came from Alaskans back in 1984 when a referendum directed the Delegation to act.

With the strong help of the seafaring unions and British Petroleum, we were finally able to push through Congress and get the President to sign the law lifting the ban on the export of Alaska's North Slope oil.

Ending this ban may add \$40 million to the state's coffers this fiscal year and some \$700 million to the state in the future. Most importantly, it puts our state on a more equal footing with the other 49 states in determining how we can develop our natural resources.

And I'll add one more point. It could not have been done without Don Young and me, chairing our respective committees of jurisdiction, as well as Ted Stevens' assistance as chairman of Government Affairs. And the knowledge that he, next year, will be chairman of the Appropriations Committee has not gone unnoticed.

Natural Resource Development in the State

Ending the export ban is merely a beginning. We are still quite far from gaining our state's economic independence. And this Administration, especially Vice President Gore and Interior Secretary Babbitt, represent the biggest stumbling blocks for us to move ahead economically.

At nearly every turn, the Administration in Washington has stymied our efforts to develop the oil, gas timber and mineral resources that will guarantee economic freedom and growth for our citizens far into the future.

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ANWR: We have never been so close to opening ANWR. For the first time in history, both the House and the Senate passed legislation opening ANWR. And just before Christmas, through the efforts of many including Mano Frey and Jerry Hood, the AFL-CIO Building and Construction Trades Council, representing 15 unions nationwide, announced their support for the opening of ANWR. The AFL-CIO thus joins the Teamsters, Laborers, the Maritime Unions and the IBEW -- all of whom know how important opening ANWR is for America and for jobs in Alaska.

And in the next few weeks, the delegation will meet with the President to present the case for ANWR and we will ask the President to reconsider his position. The President has indicated that ANWR is an environmental issue. He is wrong on that score.

We Alaskans know it is really a jobs issue and the single biggest jobs issue in the country. Winning ANWR this year, at a minimum, will require that ANWR stay in an overall budget package along with issues such as welfare, taxes and spending -- issues over which the Alaska Delegation has relatively little control. Without such a comprehensive agreement there is no legislative vehicle available to carry a stand-alone ANWR bill. Thus ANWR's opening may possibly have to await a new President. Make no mistake, only one person stands in the way of opening ANWR now, and that person is President Clinton.

Tongass: The Administration's continuing opposition to resource development is best illustrated by the Forest Service's mismanagement of the Tongass and the jobs dependent on it.

With another sawmill closed in 1995, the Administration appears determined to abandon the compromise embodied in the 1990 Tongass Timber Reform Act. It instead wants a new plan that is not based upon sound science, only upon a desire to further reduce logging and timber jobs in Southeast.

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The President was again misled when he vetoed the Tongass compromise worked out between Ted, Don and I and the environmental-leaning members of the House. That compromise was part of the Interior Department appropriation bill for this year and offered the prospect for returning management of the Tongass to a balanced and scientifically sound foundation.

If there's no compromise on Ted's amendment soon, I will again introduce a more comprehensive bill to restore the spirit of the 1990 Act. I have received constructive suggestions for improving the measure I first introduced last year -- especially from fishing, tourism groups and the Southeast Conference. If I introduce a revised bill, I will conduct additional hearings. And we will need the support of the Governor and the Legislature.

If the Forest Service would simply live up to the 1990 compromise we would be looking at logging of no more than 10 percent of the Tongass over the next 100 years. We already have protected some 50 percent of the region's old-growth timber, imposed buffers to protect all of its salmon streams and placed more than 7 million acres of the forest into permanently protected status. Given the 42 percent decline in timber employment since 1990 and the harmful effects on the economies of Wrangell, Sitka, Ketchikan and a host of smaller communities, it is truly reasonable that the Forest Service do more to maintain a reasonable timber base.

With the record salmon runs and the multi-fold increase in timber from second growth in the spruce and hemlock forest, we have proven that we can maintain a significant wilderness portion and still grow trees and fish, and that the only species endangered in the Tongass is the commercial logger.

Mining Reform: For the first time, a Congress has passed my legislation that would require mining companies to pay a royalty for minerals taken from federal lands. This measure also requires mining companies to pay fair market value for the surface estate

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before winning patents and to pay to clean up abandoned mine sites. Unfortunately, as in the case of ANWR, the Administration vetoed this measure when it vetoed the budget bill.

When you take just these Alaskan issues -- ANWR, Tongass and mining reform -- along with timber salvage and grazing issues from other states, it is clear that the federal government and the Western states are in a total disconnect that may have political consequences in 1996.

But when the Federal and State governments can work together we can get some things done. For example:

ANCSA Native Amendments: We succeeded in making a host of changes to the Alaska Native Claims Settlement Act. We set in motion a process to clean up contamination on Native lands and resolved a host of mining and land conveyance problems.

Alaska Power Authority: After nine years and three Presidents, we finally won congressional approval for the sale of the Alaska Power Authority to the state, and local utilities.

RS-2477: We were successful in extending the moratorium to keep the Department of Interior from imposing regulations that would preclude the state from ever claiming rights-of-way across federal lands. We have now joined with Utah to continue the fight to insure Congress lives up to its 1867 agreement.

And we did everything from clearing the way for new base housing for the Coast Guard in Ketchikan to getting the Dalton Highway designated as part of the National Highway System.

The future: I want to note two issues of critical importance

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to the health of the Alaskan economy that we in Congress have not yet addressed:

FISHERIES: In fisheries we lead the world in the production of wild salmon. Our successful efforts to rid the world's oceans of high-seas driftnetting helped bring more fish back, as have Alaska's uniquely successful management techniques.

But producing fish is not enough. The world is flooded with salmon, driving down prices and disrupting seafood markets. We have a bad habit of talking about diversifying our markets whenever the price goes down, and forgetting about it when the price rises. It is past time to take market diversification more seriously.

And that will take a concerted effort from fishermen, processors and policy makers.

We also have to remain vigilant against infringement of our ability to manage our own fisheries. Last year saw yet another escalation in the continuing saga of the U.S.-Canada salmon treaty, when Pacific Northwest Indian tribes, the states of Washington and Oregon, and Canada joined in bringing suit against Alaska's king salmon troll fishery. This marked the first entry of the courts into this complex issue, creating a precedent we must oppose at all costs.

Meanwhile, back in Congress, we are wrestling with the reauthorization of the Magnuson Fishery Conservation and Management Act. I am confident that by the close of this Congress, we will see major changes beneficial to Alaskans, including Community Development Quotas, bycatch and discard reduction, and the establishment of new ground rules for fishery management policy with respect to Individual Transferable (fishing) Quotas.

SUBSISTENCE: Subsistence remains a hot-button issue for nearly all Alaskans, rural or urban, Native or non-Native. It also

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remains an issue that must be faced here in Alaska before the door is opened to major changes in Washington.

I commend the Governor and Lieutenant Governor for their efforts to examine the issue thoroughly and work towards a consensus. But unfortunately, we will never come to total agreement. So we must make our judgments on the basis of what gives Alaskans control, rather than the federal government. Our alternatives appear to be limited to a state constitutional amendment or the amending of ANILCA.

I am willing to open ANILCA and try to make the changes Alaskans want, but first we must decide exactly what these changes are. [As chairman of the committee of jurisdiction, I believe I can adequately guide the federal agenda.]

Each year that we allow subsistence management to remain divided leads to more and more encroachment on our prerogatives as a sovereign state to manage our own wildlife and our fisheries. We are now seeing instances in which Federal bureaucrats appear to set subsistence rules based on politics, not biology or need.

This is directly contrary to Alaska's long dependence on "science first, politics later," and one which we should be resisting with all our strength.

Other Items: During this year I, Ted Stevens and Don Young, as a team, will be trying to win final passage of several bills and regulations to:

* Finish the Anaktuvuk Pass, Alaska Peninsula and Greens Creek land exchanges.

* Permanently protect Alaska's rights to access rights-of-way across federal lands (RS-2477).

* Fix some problems with ANILCA relating to wilderness and park management.

* Remedy the problems of Kantishna miners.

* Fix wetland problems.

* And to get more access for visitors into Denali Park and Glacier Bay.

Returning Power to the States -- Welfare and Medicaid

Finally, I want to return to the major theme that will dominate the remainder of this year -- What do we as citizens want from our Federal government and what do we want returned to our communities.

I think the best metaphor for this is the philosophical debate we are having in Washington about welfare and Medicaid.

Like so many of the issues before Congress these days, this debate is about the scope of government, its role in providing a "social safety-net," and about the inherent trade-offs that occur when you substitute government programs for individual initiative.

This debate is about how Congress and the states can address the problems of a failed welfare system - - a system of programs with perverse incentives that encourage dependency and complacency -- a system that has had a ruinous impact on much of the American family and the social fabric of this country.

Today's welfare system pays some more to stay home and not work than many working families are able to earn. That just

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makes no sense and explains why there is such a disconnect between the American people and their government.

I believe the welfare reform program that passed the Republican Congress represents our best hope for changing the culture of dependency. We want to send block grants back to the states so that Alaskans can decide the best solution to the problems of Alaskans.

The bill we passed would allow Alaska's federal Medicaid dollars to grow in excess of 5% per year from \$178.5 million in fiscal year 1995 to \$280 million in fiscal year 2002. The legislation would repeal the most burdensome federal mandates and allow persons to choose the health delivery system that best suits their needs.

Unfortunately, the President has opted to veto the Republicans welfare reform bill and the Medicaid reforms that were contained in the balanced budget bill. The vote in the Senate was 87-12, truly a bi-partisan vote.

So at every turn, we are in a continuing debate on what sort of a government we want. An activist government from Washington that "knows the answers" and best decides how to spend the citizens' tax dollars, or a renewed emphasis on local leadership, responsibility and citizen self reliance.

These are issues that confronted our founding fathers more than 200 years ago and these are issues that bought may Alaskans to our state.

In this year, I believe we will decide the course for America

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that will shape the next 50 years in the great American experiment. This may well change Alaska, as well, by putting more responsibility on you, the elected representatives, on the Governor, and on your Congressional Delegation. And WE will be held accountable, and not Washington, D.C.

But do we want it any other way?

Thank you.

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