

**SENATE AND HOUSE
JOINT JOURNAL SUPPLEMENT**

January 14, 1997

Tuesday

No. 1

State of the State Address

by

The Honorable Tony Knowles

Governor

State of Alaska

Before a Joint Session

of the

First Session of the

Twentieth Alaska State Legislature

January 14, 1997

Juneau, Alaska

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**1997 State of the State Address
To the 20th Alaska Legislature
January 14, 1997**

By Alaska Governor Tony Knowles

Lt. Governor Fran Ulmer, President Mike Miller, Speaker Gail Phillips, the 20th Alaska Legislature, my cabinet, my wife Susan, my children Luke and Sara, and fellow Alaskans.

Tonight marks my third appearance before you in this forum to take stock of Alaska and trace a vision for our future together. As I've noted often, this is a journey shared by the Alaskan family - a common desire for good jobs, better schools, safe, healthy communities and budget discipline.

I'm pleased to report tonight that for most Alaskans, our journey together is on the right course. The state of our state is sound; our economy is healthy; our future is bright.

A healthy economy is what fuels our journey. Jobs provide the resources to educate our children, keep police on our streets, plow the snow from our roads and care for our senior citizens. Good paying jobs and business opportunities allow us to fulfill our vision.

It wasn't so long ago that some predicted events beyond our control - like the international oil market - would make the road impassable, the trip impossible. Through partnerships with business, working together as Alaskans and doing development right, we've proved the naysayers wrong. We've forged a new direction toward a better future.

Before unfolding my roadmap that will guide us into the next century, let me offer congratulations to each of you in this chamber who were recently elected.

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As we take our places in Alaska's journey, let us rise above the partisan differences that so often delay or prevent progress. Regardless of political party, I pledge - and ask you to make it a joint pledge - to work together to serve all Alaskans.

Let me put it in a business perspective. We are in the service business. Our constituents are our valued customers and should be treated that way. They're our bosses. Every day I get up figuring out how I can give our customers better value at lower cost.

We're all headed in the same direction: toward a secure and healthy Alaska to grow up in, to grow strong in, to grow old in. A place where people care about each other, especially when times are tough - as the courageous actions during last summer's Miller's Reach fire remind us.

So now, let's take the next step on our Alaska Expedition with the first priority for Alaskan families: well-paying, meaningful jobs and a healthy growing economy. On that front, there's good news.

Alaska just marked its ninth straight year of growth - 4,600 new jobs and more than 600 new businesses have started up in just the past two years. And we've made history - for the first time in at least three decades, we've kept the annual unemployment rate below 8 percent for four years in a row.

Clearly the private sector is responding to our message that Alaska is open and ready for business.

Just as I did two years ago, I recently carried that message to the corporate headquarters of some of Alaska's major employers - ARCO, BP and Exxon. My purpose is to change the direction of the Prudhoe Bay curve so that instead of declining, it points north.

These company leaders told me of a positive new business environment in Alaska which encourages expanded development. They have responded in ways that will pay dividends to Alaskans for years.

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BP announced plans to increase its Alaska investment by one billion dollars, to a total of three and a half billion dollars over the coming five years. ARCO is nearly doubling its Alaska investment over the same period to one-point-seven billion. Both companies are extracting more oil from existing fields, tapping new ones and using innovative, cost-reducing, environmentally sensitive technology to keep oil flowing through the pipeline.

Our friendly business environment has attracted new interest in Alaska by independents - Union Texas Petroleum, Anadarko, Forcenergy - and Chevron has just renewed its Alaska presence.

These announcements are great news for Alaska. Just five years ago, many were predicting that by the mid 1990s, the oil pipeline stream would begin to slow to a trickle. They said we'd be turning off the lights on the industry with one of the state's largest payrolls and which pays most of the bills for our public services.

Now, that's all changed. Industry observers say Alaska has become the world's oil "hot spot." Within just two years, the amount of oil surging through that pipeline is projected to be nearly a third higher than forecast in 1990.

The privilege of developing our publicly owned resources carries with it an obligation to do so on Alaska's terms. That's why I've insisted the oil industry - and every other business working here - do development right, use Alaska businesses and hire Alaskans.

There has been progress, but more needs to be done. For example, both BP and ARCO are creating new Alaska industries, including building giant sealift oil field modules in Alaska for the first time, for BP's Northstar field.

We need their continued commitment to Alaska hire and to Alaska businesses for future projects. My Jobs Cabinet, working with industry, has put together a blueprint for getting more Alaskans into the work force - and sending less of Alaska's payroll out of state.

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Doing development right in Alaska means protecting our air, water and this land we love. Just one example is using the best technology available to ensure the safe transportation of oil. During my recent meetings, I received a commitment from the oil industry for the world's safest oil transportation system with new state-of-the-art escort tugs in Prince William Sound and the Gulf of Alaska.

Alaska oil and gas jobs and businesses will grow even more as we secure federal approval for environmentally responsible development in the Arctic National Wildlife Refuge. Alaskans are fortunate Senators Stevens and Murkowski and Congressman Young are well-positioned in Washington to advocate for Alaska's national agenda.

We all know objections to ANWR by many in Congress and the national administration are a formidable barrier. Yet, I have no doubt the oil and gas beneath the Arctic Refuge some day will be developed, and in a way that demonstrates to America that Alaskans care deeply about our fish, wildlife, wild lands and environment. I remain committed - and I ask Alaskans to continue our efforts - to develop ANWR.

This issue does not stand alone. This and other unfair federal control over Alaskan lives and livelihoods is part of a promise made, but not yet kept. The Statehood promise - delivered to hard-working Alaskan pioneers - was that they and their children could prosper as they developed a harsh land. The significance of this promise has not faded with time. I will use all the powers of my office to make sure the federal government keeps its word to Alaskans.

I continue working with the White House to tap oil and gas prospects in the National Petroleum Reserve west of ARCO's promising new Alpine discovery. This enormous reserve, set aside for oil production in 1923, may hold up to five and a half billion barrels of oil.

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I am announcing tonight the Clinton administration has committed to me that within 30 days, they will initiate a planning process to be completed by the summer of 1998. We are confident that by doing it right, this will result in an oil lease sale in the now dormant National Petroleum Reserve.

No one should consider development in the Petroleum Reserve a trade-off for ANWR. We will open up Alaska.

Building a gas pipeline to sell that world class resource is looking better than ever. In just the past year, that project has moved from the impossible to the improbable to the do-able. In coming weeks, we expect to sign an agreement committing the state and the producers to work jointly to bring the gas project closer to development.

As we review ways to make our gas competitive, investors must commit funds for preliminary engineering and design. So early in the new century, Alaska natural gas will fuel the fire in the belly of booming Pacific Rim countries.

Alaska's private sector is our economic engine. Government's role is to provide a healthy business environment and to partner with industry. This is working with the oil industry, so let's continue to strengthen our partnership with other industries and Alaska small businesses.

Since the free market system works by financial incentives, tonight I propose five initiatives to expand the partnership between the state and private sector - my Alaska Business Incentive Plan. Shortly, I will be proposing legislation for these incentives.

First, I propose a tax credit for businesses that hire Alaskans on public assistance. This will shrink the welfare rolls, while putting Alaskans to work. It will provide employment and self worth to individuals, while saving businesses and the state money.

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Our welfare reform bill, which passed last year, correctly requires capable people on welfare to work. It limits welfare benefits to a five-year lifetime total and provides for child care and job training. Now we need to make sure jobs are available.

Second, I will introduce legislation to expand the existing tax credit for contributions to Alaska's colleges and universities. I will also urge the legislature to consider ways to encourage similar private contributions to public secondary and vocational schools.

Third, I will introduce legislation for a small business investment tax credit. As a small business owner, I know this will help in the decision to start a business, buy new equipment, expand facilities and hire more Alaskans.

Fourth, I propose an incentive of at least \$1 million to pioneering companies which fill economic gaps and make significant, lasting investments that benefit Alaskans - such as the first airline to resume long-term, direct service between Alaska and Japan.

Fifth, I will propose legislation for incentives to fishermen and seafood processors who develop value-added products, improve fish quality and expand markets.

With a world oversupply of salmon driving down prices, our own salmon industry is facing one of the most difficult challenges in its long history. To focus the state's efforts, I appointed a Salmon Industry Response Cabinet.

We've helped reopen closed plants, sold surplus salmon through federal and state programs, initiated a targeted western Alaska marketing pilot project, and conducted successful seafood trade shows and missions in four Asian nations.

Later this month, we're sponsoring a statewide forum with industry to fine-tune our incentive legislation and devise other solutions. We will recapture our preeminent position as the world's leading supplier of wild salmon and seafood.

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Also facing tough times are many Southeast families working in Alaska's historic timber industry. Following the announcement of the pulp mill's closure in Ketchikan, we're working with local communities to revitalize the region's economy through a Coordinated Response Partnership to enhance economic opportunities, offer job training and help create jobs. We have a team of industry officials and mayors developing a Southeast timber business plan focused on value-added processing.

We are negotiating value-added timber sales which are increasing the number of Alaskan jobs, not exporting them. We will have a viable timber industry in Southeast Alaska.

In Alaska's diversifying economy, there is plenty of other good news. As we prepare to celebrate the Gold Rush Centennial, Alaska is leading the world in a mining boom. Some of the mines generating excitement are Fort Knox, Kensington, Illinois Creek, Donlin Creek, Nixon Fork, Greens Creek and Red Dog. Alaskans can expect more than 1,000 new good-paying, mining-related jobs in the coming year.

Tourism continues to set new records. In 1996 alone, we welcomed 1.2 million visitors to our state who left behind eight hundred million dollars in our gift shops, restaurants and visitor attractions.

Alaskans are taking advantage of our strategic position in the Age of the Pacific. Their efforts helped grow the value of Alaska's exports to four-point-three billion dollars in just the first nine months of 1996. That includes two-point-three billion in business at our international airports, which are booming with air cargo traffic. Overall, more than 50,000 jobs are related to Alaska's international trade.

As we provide incentives for expanded business investment in Alaska's industries, we must continue improving the climate for doing business in Alaska. My top priority in this area is tort reform.

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For several months, 20 distinguished Alaskans have undertaken one of the most comprehensive reviews of this subject ever. The result is a fair and effective tort reform bill I introduced yesterday which caps punitive damages, reduces frivolous lawsuits and speeds the settlement process while ensuring just compensation for innocent victims.

Other priorities are protecting Alaska oil refinery jobs and related businesses by dropping the discriminatory state tax on international jet fuel. In addition, I am working with Congress and the national administration to drop the unnecessary visa requirements for South Koreans. Almost overnight, this will bring thousands of additional visitors to our state.

As we work to create jobs and a healthy economy, we must recognize the importance of subsistence. I believe most Alaskans agree a subsistence solution be based on two consensus points. First, a recognition of the essential role of subsistence in the economy and culture of rural Alaska. Second, a recognition the state - not the federal government - is best able to manage Alaska's fish and game resources.

Failure to allow Alaskans to resolve this issue will result in the federal grab of the management of Alaska's fish and game resources. We cannot allow that to happen. Across our state, from small villages to the Anchorage Chamber of Commerce, Alaskans demand to be heard on this issue.

Therefore, yesterday I submitted legislation providing Alaskans a vote on an amendment to our state constitution recognizing a rural subsistence preference. Alaskans deserve the opportunity to vote.

A major threat to Alaska's safe, healthy communities is crime. At this moment, let me pause to say the thoughts and prayers of all Alaskans are with the widow and family of Alaska Trooper Bruce Heck of Glenallen, who Friday night sacrificed his life protecting us.

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My top crime priorities are domestic violence and juvenile offenders. In the last legislative session, we took a significant first step to combat domestic violence by passing a new law.

Yet, stalking our streets is a predator who preys on the most vulnerable Alaskans - children and women. Alaska has the shameful distinction of leading the nation in reported cases of child abuse and neglect. At the same time, Alaskans were shocked and outraged by 14 domestic violence murders last year of innocent children and women and Anchorage police officer Dan Seely.

To crack down on domestic violence, I propose three immediate steps: one, we're giving local communities additional tools to fight it. Two, I'm introducing a bill to keep better track of sex offenders by requiring their accurate, current, verified addresses. Three, I'm directing our Public Safety and Corrections departments to increase our monitoring of high-risk sex offenders with a unified effort of law enforcement officers.

I also am calling on Alaskans to gather at a statewide forum on the issue of domestic violence. We must resolve to punish the predators, protect the families and comfort the victims, as we rebuild the Alaskan Family.

We have also taken steps to fight juvenile crime: new laws on gangs, parental accountability, auto theft and zero tolerance for teens drinking and driving.

But we must do more. My message to juvenile offenders is this: there will be consequences for your crimes and they will be swift and severe.

This year I am proposing a new comprehensive juvenile crime package to crack down on young offenders by holding them accountable and punishing them quickly. This is the result of hard work by 90 Alaskans who served on the governor's statewide task force on Youth and Justice. Its guiding principles are responsibility, consequences and prevention.

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Those wiser than I have said, "open a school house door, close a prison." To that I would add, the ticket to success is education. Alaskans deserve better schools.

Our first responsibility is making sure we get value for the dollars we already spend. We present thousands of Alaskans a diploma as they graduate, but may not provide some of them the basic skills they need for a good job. Those young Alaskans and their families are being short-changed.

We're already working to improve the quality of our schools. In October, I co-hosted Alaska's first-ever education summit with Commissioner Shirley Holloway and ARCO Alaska President Ken Thompson. It laid the groundwork for new standards and accountability and partnering with the businesses which provide future jobs. That's continuing as communities across our state hold their own education summits.

Now, we need to raise the bar for students, teachers and administrators. Can we agree that high standards for basic courses should be mandatory for all our students? Can we agree that we need to get tough on districts that fail to educate our children? Can we agree teachers and administrators must meet the highest professional standards?

Can we agree that parents, businesses and the entire community play a key role in making our schools better? Can we agree that computer literacy should be added to the three R's as a fourth basic skill?

As it leads the charge for tough new standards in our Quality Schools Initiative, I'm asking the state Board of Education to talk with Alaskans on how to implement these improvements.

In this effort, I look forward to working with teachers, other educators and the thousands of Alaskans who serve on school boards, PTAs and other volunteer efforts. We need and appreciate your dedication to Alaska's children.

Every attempt to improve our schools will fail if children show up tired, hungry, sick or even worse - abused. We're changing that. Our Children's Cabinet is working with Alaskans across the state to develop solutions to the challenges facing our children in their early years.

Thanks to the efforts of that Cabinet - and bipartisan support from many of you in this room - the Alaska Children's Trust is up and running. This summer, we'll start investing interest from the \$6 million Trust to creative, community-based programs that prevent child abuse and neglect.

When it comes to the good schools, caring teachers and the value of prevention, I recently met a student who demonstrates the strength of that combination with individual spirit. Just 18 months ago, Dan Fink was a high school sophomore on a dead-end road to destruction, a drug abuser and heavy drinker destined to drop out - or worse.

Then Dan's teachers at Juneau-Douglas High School introduced him to the Alaska Teen Institute, a school-sponsored, state-funded program that helped him turn his life around.

Today, his grade point average has soared. He serves as a mentor to other students to help them understand the dangers of substance abuse, AIDS and discrimination. Recently, he was the lone recipient of a statewide award which honors young Alaskans helping their peers - the Bette O'Moor Youth Prevention Award. Dan graduates this spring and plans to go to college to be a teacher.

Most importantly, Dan has found an new inner strength that rubs off on everyone he meets. One school official said the following about this inspirational young man - quote: "It is seldom that I have seen a student rise from such depths to such heights in achieving a wholeness of body and spirit."

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With us tonight is one of the educators who has helped him change course, counselor Kelly Hopson, and Juneau-Douglas High School senior Dan Fink. Please join me in recognizing them.

The final part of Alaska's vision to make our journey complete is budget discipline - our ability to live within our means. On this, we are making progress although there is plenty left to be done.

Last year, I outlined five budget discipline principles which I said are necessary if Alaska is to live within its means.

First, we must close the budget gap and balance our budget.

Second, we must continue to cut the budget.

Third, we must protect and enlarge the Permanent Fund.

Fourth, any plan to raise taxes and fees to pay for essential services must be fair.

And fifth, there will be no changes to the Permanent Fund without a vote of the people.

Several of these principles already have been achieved. My budget plan for the coming year continues our budget discipline progress. In Thursday evening's Budget Address, I will detail that progress and our need for a long-term plan.

At this moment in our journey, we find ourselves at the cusp of a new millennium. Yet Alaskans are accustomed to big events. We live in a land where the ground shakes, where the mountains smoke, where the skies shimmer, where we routinely find a half-ton wild animal foraging in our yards. These things we take in stride as we live and work in this last and most precious frontier.

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So how will Alaskans mark this enormous event called the turn of the century? When does a journey end and the future begin? At the change of a calendar? The birth of a child? The graduation of a son or daughter? It begins, of course, with all these things and more.

It begins when Alaskans know we have the opportunity for good jobs, when our schools are better, when our children are healthier, when our communities are safer. The future begins with this vision foremost in our minds and hearts as we take on the awesome responsibility of moving forward in this great Alaska expedition.

Thank you, and good night.