

**SENATE AND HOUSE  
JOINT JOURNAL SUPPLEMENT**

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**January 28, 2000**

**Friday**

**No. 11**

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**Address**

**by**

**The Honorable Frank Murkowski**

**United States Senator**

**Before a Joint Session**

**of the**

**Second Session of the**

**Twenty-First Alaska State Legislature**

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**January 28, 2000**

**Juneau, Alaska**



The following was submitted for publication. A verbatim recording is available from the House Sergeant-at-arms or the State Library.

**Address to the Twenty-First Alaska Legislature  
By United States Senator Frank Murkowski**

**The way it was....**

A little over five years ago I stood before you and described some of the challenges we faced in Washington:

- Our economic landscape was awash in a sea of red ink...
  - The federal government was spending \$200 billion per year more than it took in...
  - Washington was raiding \$100 billion per year from the Social Security Trust Fund...
- The First Lady was promoting a government-controlled national health care system...
- Medicare's insolvency was projected to come as early as 2001...
- Millions of Americans were trapped in a welfare system that robbed them of their dignity...
- We were shortchanging our kids' education by wasting 35 cents of every education dollar on bureaucracy... funds that never reached the classroom.
- Our Armed Forces were spread too thin and were provided with inadequate resources.

The nation was undefended from rogue state ballistic missiles...

That's what it was like in 1995.

## SENATE AND HOUSE JOINT JOURNAL SUPPLEMENT

No. 11

January 28, 2000

### What's happened since...

While it's not my intent to be partisan... I have to note that 1995 was the year that Republicans took control of Congress for the first time in 40 years. Today:

- Instead of deficits, we are running \$100+ billion surpluses...
- The national debt is being paid off--nearly \$200 billion in just 2 years. (from \$3.6 Trillion to \$3.4 Trillion)
- Medicare is on a more solid footing...
- We fought past two Presidential vetoes to pass landmark welfare reform legislation. As a result, 6 million Americans have come off the welfare rolls and are enjoying the rewards of hard work and a paycheck.
- We not only forced the President to accept a balanced budget, we increased federal revenue by reducing taxes and spurring the private sector.
  - We gave families a \$500 tax credit for each of their children.
  - We provided a \$1,500 tax credit for college and allowed student interest to be deducted.
  - We eased the estate tax rules for small businesses and raised the amount that can be passed on to our children.

And we are working today to **end the marriage penalty!**

- Instead of the First Lady's unworkable government health care system, we passed a law guaranteeing that no person is denied health insurance simply because the individual had a pre-existing health ailment.

## SENATE AND HOUSE JOINT JOURNAL SUPPLEMENT

January 28, 2000

No. 11

- And this year, we are going to pass a Patients Bill of Rights that will put doctors back in charge of medicine instead of insurance accountants.
- We are trying to return control of education to states and localities.
  - We are determined to put more of every education dollar to work in the classrooms of Alaska where it belongs... not in the hands of bureaucrats in Washington.
  - Finally, we have begun to address the situation facing our Armed Forces and to protect our nation from potential missile attacks from rogue nations.
  - We have added more than \$44 billion to rebuild our military, modernize their equipment and provide a much-deserved pay raise.
  - And we are moving toward deployment of a missile defense system, likely in Alaska.

What we have accomplished in these areas and others over the past five years has contributed to our nation's unprecedented economic prosperity.

### Is Alaska Sharing in the Nation's Economic Prosperity?

Unfortunately, the answer is NO.

While state governments throughout the lower 48 are running multi-billion dollar budget surpluses... you are struggling with the difficult issue of how to close Alaska's budget deficit.

**Today, Alaska's overall economy, adjusted for inflation, is smaller than it was in 1982.**

## SENATE AND HOUSE JOINT JOURNAL SUPPLEMENT

No. 11

January 28, 2000

- **For the first time since Statehood, our per capita income has fallen below the national average.**
- 20 years ago, Alaska's per capita income was first in the nation...
  - Today, we rank 20th.
- Alaska received a grade of "D" from the Corporation for Enterprise Development in its 1999 report on overall economic performance. We got an "F" for business vitality and a "D" for development capacity.
  - We ranked 50th on average annual pay growth;
  - 50th on improving part-time employment;
  - 50th in trade sector strength;
- **The Consequence: young Alaskans are leaving in droves for better jobs Outside.**
  - 20% of those aged 20-34 left Alaska in the past eight years. That's 32,000 people who represented a big part of Alaska's future.

**This is the predictable result of the loss in our good, high paying resource development jobs.**

**In the past decade:**

- Alaska's year-round timber industry has fallen from 4,000 jobs to roughly 1,500.
- Alaska's oil and gas industry has lost 2,200 jobs.
- Alaska's mining jobs have fallen from 11,500 to 9,600.

## SENATE AND HOUSE JOINT JOURNAL SUPPLEMENT

January 28, 2000

No. 11

- Even seafood processing jobs have fallen 3 percent.
- The exception is employment in tourism. But it's a short season.

### What must we do to reverse this situation?

- **We must seize each and every opportunity to control Alaska's own economic destiny and reject the tendency of our past to let outsiders shape our destiny.**
  - When the resource in worldwide demand was fur, Russians in Moscow and St. Petersburg pulled the strings in Alaska.
  - When the resource was copper, the Guggenheim/Morgan trusts pulled the strings from New York.
  - When the resource was gold, interests in San Francisco and Seattle pulled the strings.
  - When the resource was salmon, companies in Washington State pulled the strings.
  - Today the resource is oil and gas, but national environmental groups have emerged as a force that also shape Alaska's economic destiny. The result is that Washington, Houston, London, and Baghdad pull the strings.
  - Meanwhile, we are watching as many Alaska companies are being bought by Outside entities:
    - Safeway bought Carrs. Wells-Fargo bought NBA, Canada's Agrium bought Unocal's Ammonia-Urea plant. And most of Alaska's media is now controlled by outside interests.

In a free society and a global economy, that's just the way it is!

## SENATE AND HOUSE JOINT JOURNAL SUPPLEMENT

No. 11

January 28, 2000

- There are some who seem to think that a substantial Permanent Fund and a strong Congressional Delegation are substitutes for a vibrant, sustainable private sector economy. Well, they're not.
    - Sure... new money from Washington can build and maintain basic services in rural Alaska.. but if there are no jobs and no local economy, how long can they be sustained? In the long run, what have we really accomplished?
  - Alaskans -- rural and urban -- are suffering from a lack of economic diversity. Nothing illustrates that better than the fact that a staggering 27.4% of Alaska's work force works in Government -- the highest of any State. That's where we rank number 1.
  - **This dependence on government will never produce the type of prosperous economy that is a fundamental prerequisite to meeting our social, educational and environmental obligations.**
  - **And one of the reasons our economy is stagnating is because Alaska has never had an economic development plan to rationally develop our bountiful resources.**
  - To claim ownership of our State and our economic destiny, we must develop a long-term plan to leverage our resources, our people, and our geographic advantages.
    - **We should move to privatize a significant portion of the State-owned lands.** Right now, the opposite is happening. **Instead of privatizing our public land, we are selling our private land to government and non-profit entities that will put it off-limits to economic activity.**
- (The Exxon-Valdez Trustees are committed to spend more than \$400 million to acquire 650,000 acres)
- We should **extend our railroad** to the Canadian railway, to Northwest Alaska and other areas of economic potential.

**SENATE AND HOUSE JOINT JOURNAL SUPPLEMENT**

**January 28, 2000**

**No. 11**

- We should **build a road and ferry system** adequate to the challenge of moving people and commerce around our vast state.
- We should **open our minds to new possibilities for financing a gas line and promoting gas-to-liquids technology.**

If we need to have State equity participation, or even the participation of interested foreign governments such as Taiwan to make a gasline project a reality, then we should explore those options. I will soon be going to Taiwan to further pursue such activity.

- We must **continue to leverage Alaska's unique position at the crossroads of Asia, Europe and North America.**
- The FedEx and UPS facilities in Anchorage are only a start. Let's not be satisfied to merely be a trans-shipment point...

... Why can't Alaskans finish or customize high value products on their way from their point of primary manufacture to their niche foreign market? A global economy, with substantial growth potential in e-commerce and niche marketing, gives Alaska an unprecedented opportunity in the global marketplace.

- We must continue to promote our new commercial spaceport and its geographical advantages in launching polar-orbiting satellites...

...and we must expand the geographical advantage we enjoy in downloading satellite information from Alaskan earth stations.

## SENATE AND HOUSE JOINT JOURNAL SUPPLEMENT

No. 11

January 28, 2000

- We have the means to take control of our own economic destiny if we can **open our minds** and **open our lands -- two thirds of which are still owned by the federal government.**
- But we must also **open our hearts** with compassion to the situation that faces many in rural Alaska...

...and the most compassionate thing we can do for rural Alaska is promote the kind of resource development that will result in jobs for rural Alaska.

- Our common vision for Alaska is a thriving and diversified private sector with economic and educational opportunity for all Alaskans, no matter where they live...
- And our economic development and diversification will not come at the expense of Alaska's beauty and wild resources upon which our Native cultures, fishermen, and tourism industry depend.

### My role: Helping to tame the Federal Dragon

- You know, the Federal Government is a little like a fire breathing dragon. It's a great thing if it is on your side, but you can really get burned if it's not.
  - The federal government "dragon" is moody and schizophrenic with respect to Alaska...

...on one hand it is halting our timber harvests; shutting down mining; limiting access; and shutting down our fisheries...

...but on the other it is helping us with rural sanitation, education, health care, and transportation.

## SENATE AND HOUSE JOINT JOURNAL SUPPLEMENT

January 28, 2000

No. 11

- So while we certainly don't want to slay the dragon, my job, along with Ted and Don, is to help tame the dragon. We have enjoyed some success:
  - This summer we hope to celebrate the opening of a **veneer manufacturing facility in Ketchikan** after months of hard-fought negotiations with the Forest Service to get the veneer plant a stable and profitable source of wood.
  - We also passed legislation in the Senate permanently preserving commercial fishing on the outside waters of **Glacier Bay**. I want to commend the Governor for bring suit in federal court to finally resolve the state/federal jurisdictional issues relating to the inland waters of the Bay.
    - Also pleased the Governor recently filed an appeal to maintain State control over our navigable waters.
  - Another success is, after years of negotiations, we have finally achieved a **Salmon Treaty** that should end the long-running dispute we've had with Canada and Washington.
  - To maintain and even expand our mining potential, last year I worked to fend off the Administration's proposal to impose nearly a **billion dollars of new taxes on the mining industry**.
  - We were also successful in keeping the IMF (International Monetary Fund) from dumping billions of dollars of gold on the world market which would have further depressed gold prices.

### What we still need to accomplish:

But those successes are certainly not enough to satisfy me. If we are to succeed in "taming the federal dragon," there are a number of further accomplishments we must pursue:

## SENATE AND HOUSE JOINT JOURNAL SUPPLEMENT

No. 11

January 28, 2000

- **We must support our timber industry as they continue to press the case against the illegally-developed Tongass Land Management Plan and fight the Clinton Administration's roadless policy. The Delegation has asked the Governor to sue and are still waiting for his answer.**
- **We must continue efforts to keep Glacier Bay open to commercial fishing and subsistence activities that pose no threat to the Park or its resources.**
- **We must continue our efforts to halt illegal foreign fishing. I have been working with both the Coast Guard and the State Department to keep Russian fishermen in their waters.**
- **We must keep Alaska forests out of the national moratorium on forest road construction.**
- **We must continue to defend our rights of access to federal lands as guaranteed by ANILCA and continue to assert our RS2477 Rights.**
- **We must thwart the rumored efforts by the Secretary of the Interior and the Administration to try to permanently lock up ANWR.**
- **We must continue to fight for our fair share of a land endowment for Alaska's land-grant university.**
- **To help address the concern that has recently arisen over wastewater dumping by cruise ships operating in Alaskan waters, I intend to introduce federal legislation to ensure that none of our waters, including the so-called "doughnut holes" outside the three mile limit, will be harmed.**

## **SENATE AND HOUSE JOINT JOURNAL SUPPLEMENT**

**January 28, 2000**

**No. 11**

- I will try to extend the \$100 million Medicaid funding formula change I won three years ago. That special formula change will run out at the end of this year. **I have asked the Governor to provide me with a detailed report on how many more Alaska children and families received health care coverage because of this change.**
- I will work this year to develop a DOE lab in Alaska. The justification for the lab is simple: (1) We know there are 13 billion barrels of heavy oil at West Sak... a tremendous potential. The infrastructure is already in place (at Kuparuk) to move the oil. We need to develop the technology that will make the field economic. Secondly, a DOE lab could provide the new technology that may make gas-to-liquids viable.
- **We must continue our efforts to return control of Alaska's fish and game to Alaskans.** And you know that I have introduced legislation that would return management of our subsistence fisheries to the State if a Constitutional amendment is put on the ballot. Under my bill, the day the legislature acts, federal management would end!
- Don and I will also continue to pursue **OCS revenue sharing** which would provide local communities in Alaska with at least \$130 million per year. This bill has concerned some individuals, since part of the money could be used to buy up private lands by the federal government. I believe our bills would provide better control of how the acquisition money is spent.

**Make no mistake about this.** If our bills are not adopted the Clinton Administration will continue to cut deals with Congress that guarantee more federal lockups of private land. Just last year, the Administration used their leverage to acquire more than \$400 million of private land without a single day of public hearings or any public input!

## SENATE AND HOUSE JOINT JOURNAL SUPPLEMENT

No. 11

January 28, 2000

- Another area where the "federal dragon" has made its presence felt is the case of the **BP-ARCO merger**. While some may view the FTC as a friend standing in the way of a bad deal, the disturbing reality for Alaska's economic future is that few new investment decisions are being made... little new exploration is underway... virtually everything is on hold.
  - While we must come to terms with FTC, BP and ARCO on a package that will ensure future competition in Alaska's fields, we must keep the process moving ahead. Without some certainty, we will not be able to attract the new players to acquire and expand any divested assets that a BP-ARCO deal might make available.
  - Speaking of certainty, I have heard some suggest that we should flex our muscles and use our taxing authority to extract more from the industry. Whether this takes the shape of taxing tankers in Valdez or changes to accounting procedures...I think this would be a mistake because what is most important in Alaska, **particularly now, is certainty about a positive business climate.**
  - Certainty will help us attract new players.
  - Certainty will help us get our oil and gas to market.
  - Anybody who doubts this need for certainty of the business climate need only look to what the absence of certainty has meant to Southeast...

...The failure of the Forest Service to provide timber in the Tongass has devastated every single community dependent on Timber! And the so-called value-added substitute industries have just not succeeded in replacing the jobs we lost.

**Concrete examples of ways to seize control of our own destiny:**

## SENATE AND HOUSE JOINT JOURNAL SUPPLEMENT

January 28, 2000

No. 11

You have sat patiently listening to my long speech, as you always do, and I thank you for that. I can report that the end is near.

But as I close, I want to give you concrete examples that illustrate what I've discussed about the need to determine our own destiny by opening up our lands, our minds, and our hearts. **For example:**

- **Why not build a railroad from the tremendous coal reserves at Point Lay to the mine at Red Dog?** Such a railroad could bring energy, in the form of coal, to the mine where it could be used to power a new electro-refining technology that would add tremendous value to the product being shipped from Alaska, and, most importantly, provide much needed new jobs.
- And with the railroad and coal as far as Red Dog, **why not extend it out along the existing roadbed to tidewater** where this high quality, low sulphur, low ash, high BTU coal could be marketed?
- **Let's explore what it would take to bring the Alaska Railroad to the Ambler mining district** in an effort to bring those rich mineral deposits closer to market.
- Let's explore if the huge geothermal deposit at Unalaska could provide the low-cost power needed for a smelter to process rich mineral deposits.
- And perhaps with the construction of an anti-ballistic missile system at Greely or Clear, **why not join the Alaska and Canadian railways** to lower the cost of bringing freight needed for the construction of these facilities? A recent conference in Vancouver that Rep. Jennette James and my staff participated in demonstrated significant support for an Alaska-Canada rail link on both sides of the border.

**We have to open our minds to these possibilities that can open our lands for a simple, fundamental reason:**

**SENATE AND HOUSE JOINT JOURNAL SUPPLEMENT**

**No. 11**

**January 28, 2000**

**We are, and will remain, a resource development state.**

Even if we are successful in launching multitudes of polar satellites and leveraging our position in the high latitudes to process and distribute the data from those satellites... Alaska's resources will still matter.

Even if we find new ways to interpose ourselves as a niche marketing and e-commerce hub between the markets of Asia, North America and Europe, Alaska's resources will still be needed to drive a long term, sustainable economy.

**We just cannot escape the fundamental fact that our resources are, for the foreseeable future, the economic foundation of our state's economy.**

**Opening our minds and our lands would be a good start toward a brighter future. But that alone is not enough. We must also open our hearts** to that generation of young people who are either escaping Alaska to search for employment outside, or escaping reality through inhalant, drug or alcohol abuse.

Even if we optimally manage our resources to enrich Alaska's economic future, we profit nothing if we lose future generations of Alaskans.

I will, for that reason, do two more things:

- First, I will continue my efforts against inhalant abuse. We held a forum in Bethel in December that brought children from all over the state to hear about the dangers of this tragedy that is putting a generation of Alaskans at risk. That effort will continue in March.
- Second, I will convene a forum of young Alaskans to discuss their expectation for Alaska's economic future and begin to engage them in the effort to help build that future.

**SENATE AND HOUSE JOINT JOURNAL SUPPLEMENT**

**January 28, 2000**

**No. 11**

But there is also one final area where we must open our hearts if we are to succeed in the 21st century:

**We must begin to heal the wounds that separate citizen from citizen... that divide urban and rural.**

**We are all Alaskans, we deserve to treat each other with greater respect.**

**Let us open this new millennium with a greater understanding that there is far more that binds us than that which separates us.**

**We live in a great state; not because of its beauty, its resources, or its geography... but because of the people who live here.**

**I am proud to serve you and thank you for this opportunity.**