

**SENATE AND HOUSE
JOINT JOURNAL SUPPLEMENT**

February 19, 2002

Tuesday

No. 12

* * * * *

Address by

The Honorable Frank Murkowski

United States Senator

Before a Joint Session

of the

Second Session of the

Twenty-Second Alaska State Legislature

* * * * *

February 19, 2002

Juneau, Alaska

The following was submitted for publication:

**Speech of U.S. Senator Frank Murkowski
Alaska State Legislature
Tuesday, Feb. 19, 2002, Juneau**

1. Introduction

President Halford, Speaker Porter, Ladies and Gentlemen of the 22nd Alaska Legislature. Thank you for once again inviting me to deliver my annual report to you.

I want to start by making it clear that I am not before you today as a candidate for Governor, but rather my speech to you is as Alaska's U.S. Senator.

I will share with you today an update on our current challenges.

But before I do, I want to step back for a minute and tell you about a conversation I had with the President last Saturday as we flew together on Air Force One to Anchorage.

2. Alaska's Relationship to the Federal Government

The President feels strongly that the federal government needs to allow people to take responsibility for their affairs.

The President agreed that empowerment and self-determination are important principles that should shape the federal relationship with states, local governments and individuals.

We talked about how in the drive for Statehood, and after, Alaskans never looked for a hand-out. We looked for empowerment, equal footing, and a chance for greater self-determination.

In the 1920's, 30's and 40's many Alaskans, and many in Congress believed we could not afford our social responsibilities as a state. They argued that Alaska should remain a territory dependent on, and under the protective wing of, the federal government.

SENATE AND HOUSE JOINT JOURNAL SUPPLEMENT

No. 12

February 19, 2002

That was the view of Cap Lathrop who owned the Fairbanks News Miner and others at the time of the 1946 referendum on statehood. But still, that vote went 3 to 2 for Statehood because of the desire for greater self-determination and the optimism of Alaskans who believed that Statehood would bring more investment, jobs and opportunities.

From Colony to Incorporated Territory to Statehood, we have fought for a relationship with the federal government that would allow us to take responsibility for our own and prosper through our hard work.

Our fight for empowerment and greater self-determination continues today. We need the infrastructure and access to develop our resources. We need regulators that help us get the job done responsibly, not stop us in our tracks. We need free trade and fair treatment to develop our markets.

But unfortunately, over the last decade, we have become more dependent upon the federal government to meet the day-to-day needs of our citizens.

It seems that lately we ask less about what we can do for ourselves, and more about what we can get the federal government to do for us.

It is not that we do not want or need federal assistance. But we need to focus on and fight for the kind of help that allows us to help ourselves.

A dangerous dependence on federal hand-outs has developed that conceals the failure of our economy to produce new jobs in mining, fishing, timber, or oil and gas in the last ten years.

If the federal presence in Alaska evaporated tomorrow, the State's economy would contract by one-third.

Federal employment always has played a major role in Alaska's economy. But during the last ten years, federal employment has actually dropped while federal spending has doubled. Federal money and the increase in Permanent Fund dividends have more than replaced the lost wages in our basic industries.

New jobs in the service sector fueled by government spending just do not pay as well and are not long lasting. In the last decade Alaska per capita income stayed flat, while it grew across the U.S. by 12 percent.

We must together turn the tide.

And President Bush indicated that he wants to help us achieve a robust economy based upon our resource wealth that will allow us to meet the education, health care and other social needs of Alaskans.

The President invited us to work with the Bush Administration to implement programs to provide greater local and state control and greater self-determination for our State. We can realize our State's potential to expand and diversify our economy while protecting our unique environment and Alaska way of life.

But this can only be done by growing our economy and providing challenging job opportunities to young Alaskans who want to reside in our State.

And we can't let them down.

And no where is the fight for Alaska's future more intense than on the floor of the United States Senate.

3. Gas line and ANWR

- Next week the Senate debate on our Nation's energy security will begin. There are many provisions the energy bill that will benefit Alaska's economy.
- **Heavy Oil: A tax incentive for North Slope producers to develop more of the 24 billion barrels of our heavy oil resources with a \$3 dollar/barrel tax credit.**
- **There's also \$25 million for further development of the Department of Energy's Office of Arctic Energy.**

SENATE AND HOUSE JOINT JOURNAL SUPPLEMENT

No. 12

February 19, 2002

- This lab will work as a partnership between industry, the University, the federal government and state and local officials to develop the energy technologies of tomorrow.
- Additionally, this lab will assist our rural communities to develop energy sources close to home to power their futures.
- Earlier this month I held a summit in Washington which included representatives of all the gas owners, the 10 pipeline companies who make up the ANGTS ownership group, members of the legislature, and the Governor's Office.
- This meeting helped to mitigate many of the differences between the owners and the pipeline companies in order to move this project forward.
- Because of that meeting the underlying legislation is substantially better than it had been.
- Along with making sure this project will not get caught in an unyielding regulatory bureaucracy, we brought the 25-year-old ANGTA (law) into the 21st century and maintained it as an option to move Alaska gas to markets.
- But there are significant changes to be made – and I intend to make them. Among those amendments are:
 - **Route:** Once and for all, we will put the route issue to bed – and mandate a southern Alaska (Highway) route! This route will guarantee more jobs for Alaskans and give us the chance to develop our own petrochemical industry right here in the state.
 - **Jobs for Alaskans:** As we maximize the job benefits for Alaskan's we also will make sure we are training the next generation of Alaskans to take those jobs.
 - **Therefore, I will provide up to \$20 million in job training assistance for Alaskans and Alaska Natives.**

- **A well defined role for the State:** We will make sure we maximize the role of the State of Alaska regarding in-state gas, regulatory oversight, and enforcement.

In this regard I look forward to receiving input from the Governor and Legislature in time to be included as part of the debate on this issue. We need it soon.

- **Future Development Opportunities:** I will also make sure that future gas discoveries in Alaska have access to the pipe so we can maintain vibrant exploration and production programs in Alaska.

ANWR

Of course, the center stage of the debate in the Senate will occur over ANWR.

And remember, had Bill Clinton not vetoed ANWR in 1995, we would be pumping oil from the refuge today; there would be more than 3,500 new jobs in the state and we would likely not have a state fiscal shortfall!

- We have built a massive nationwide coalition to support our efforts — from labor to veterans to senior citizens to leading figures and organizations in the Jewish community, the Latino community — all who support responsible development of ANWR.
- The Teamsters, under the leadership of Alaska's own Jerry Hood, have played a critical role in organizing labor unions behind my efforts.
- Thousands of carpenters, tradesmen, ship builders, and seafarers have joined behind us and had their voices heard.
- The veterans, seniors, women business leaders, and health care officials have reached and joined our efforts.
- More than one thousand businesses have allied in a single coalition to urge passage of a comprehensive energy plan.

- I appreciate the support this body has provided for these efforts through funding Arctic Power -- your dollars are well spent.
- Unfortunately, we have been the victims of our own success.
- When it became evident we had the votes to move the provision out of the Committee, Senator Daschle shut the Energy Committee down.
- When it became evident we had the 51 votes to pass the measure on the floor, Senator Daschle declared he would use a procedural move to require 60 votes.
- As we move towards 60 votes, Senator Daschle has now stated he will pull the bill if we are successful in getting 60 votes -- so our work is still not finished.

4. Electricity Amendment

- **After the ANWR debate, I will work to help our rural communities who are paying high electric bills and face increasing cuts in Power Cost Equalization.**
- **Ironically, Tom Daschle is on my side on this issue. Our solution provides more than \$200 million a year in direct assistance to rural communities.**
- These funds will help construct electricity infrastructure, bulk fuel distribution, weatherization assistance, and water management facilities.
- These grants also will be available to upgrade our telecommunications systems in these areas.
- From Southeast to Western Alaska we can begin to put the infrastructure in place needed to make our villages more self sufficient, and affordable.

- **Finally, my amendment will provide \$5 million per year to help further fund the permanent endowment for the Alaska Power Cost Equalization Program.**

5. Education and Youth

When you and I are no longer serving the State, the young people who are in school today will be the leaders of Alaska.

I am very concerned about the youth of Alaska.

In the last decade over 30,000 young Alaskans left our State because of the lack of meaningful employment -- challenging jobs -- lack of opportunity.

Our University President, Mark Hamilton, has a great program to offer scholarships to the University for the top 10 percent of each graduating class -- but what good is a scholarship if those students cannot succeed at a university level?

We can go a long way to bridge the urban/rural divide through education and opportunity.

In October last year I had the opportunity to convene a three-day Youth Summit in Talkeetna, with over 100 teens from all across the State. (Done with private sector donations).

The purpose of that gathering was for young Alaskans to express their views on solutions to problems they face and come up with their own answers.

They suggested greater student input into educational decisions, and better educational integration between rural and urban Alaska.

They talked about integrating real-world working opportunities into the school curriculum including practical career counseling and job fair exposures.

They talked about the need for greater community involvement for teens seduced by drugs, alcohol and violence -- through encouraging positive alternatives, ending adults' double standards, and providing more hands-on guidance. They talked about discipline and being held accountable for their own actions.

One young woman from Anchorage said she had not really focused on what life was really like in rural Alaska before she met and talked with some of her peers from the villages. She told us that the Summit had taught her tolerance and humility. We need more of this kind of interaction between our young people.

One of the things I took away from the Youth Summit was a clear conviction our young people have a strong commitment to building a better future for Alaska.

Our responsibility is to give them the educational resources to enable them to build that better future.

We also need to focus on the tools to build a competitive workforce with young Alaskans. Whether it is dealing with a high technology computer position, a welder's trade, well-trained teachers with innovative skills, or health aides in villages with telemedicine capabilities.

I believe the historic education legislation that President Bush signed into law this year will truly move us to a goal we all share -- to leave no Alaskan Child Behind.

The New Education law requires greater accountability for schools to show that our children are getting a first-class 21st Century education.

And it provides adequate funding for those schools.

*** Federal education funding for Alaska will be up nearly 10 percent to \$231.9 million. That's nearly 30 percent more than in 2000.**

* Title I funding to boost the quality of education for disadvantaged kids is up more than 50 percent above 2000 -- to \$41.3 million.

* \$2.1 million in funding is provided for the Reading First program to ensure that every public school child in Alaska learns to read at or above grade level by the third grade.

* The new law requires every classroom in Alaska to have a highly-qualified teacher and provides more than \$13.6 million to train and retain skilled educators.

* And there's more than \$2 million to help ensure safe and drug-free schools throughout our state including money I earmarked to prevent the tragedy of teen suicide.

* Moreover the state will get more than \$3.5 million to help our school districts assess how well children are learning and schools are teaching.

* Finally, I would note that there's more than \$10 million earmarked for Pell Grant funding to ensure greater access to a college education for deserving students from disadvantaged backgrounds.

6. University Lands

* And when it comes to making a choice about what college to attend more of our children are looking to the University of Alaska as their first choice.

* It is my hope that one day in the not-too-distant future, college-bound students from all over the country will look at our University as an affordable option for a first-rate education.

- **That is one reason that in December, I re-introduced the University of Alaska Land Grant Act.**
- It will fulfill an 80-year-old promise made by the federal government to the University as a land grant university.

- My bill would allow the University to acquire up to 250,000 acres of federal land that will provide the University with a stable source of revenue. An additional 250,000 federal acres would be available if the state matches the grant.
- As you know, this legislation was opposed by the Clinton Administration, but I think that we will have a much favorable response from the Bush Administration.
- This is an exciting time for the University.

7. Health Care

This year I will continue my work to guarantee access to quality health care services for all Alaskans.

Access comes in many forms. It means having a trained professional who can be reached when an emergency strikes, or when care is needed. It means having intervention programs that identify problems in communities, offer workable solutions, and prevent unnecessary suffering. And most importantly, it means ensuring that no Alaskan goes without care simply because they lack the means to pay for it.

Throughout my Senate career, I have worked to improve access to health care in Alaska. On the Finance Committee, I've worked to find flexible funding programs that address rural facility funding problems. The Critical Access Hospitals and Community Health Center programs have brought needed funds into rural and underserved communities, while strengthening safety-net facilities.

This past year, I introduced comprehensive legislation that will provide real regulatory relief for Medicare providers. If this bipartisan bill becomes law this year, there's a far better chance that Alaskan seniors will not find their doctors turning them away because they just don't want to deal with federal red tape.

Last year marked the opening of the Billy McCann Inhalant Treatment Facility in Bethel. Several years ago, while I was visiting Bethel, Billy McCann asked me how I could help him get his son off inhalants.

Since then, I have worked to create awareness about the dangers of inhalant abuse through school-based programs, as well as to provide Alaskan communities with the resources to make a difference.

I'm proud of this federally-funded facility, and I'm certain it will serve the community well.

8. Need for Resource Development – Forest Issues

If we are going to get Alaska back to work, we are going to have to revitalize one of our key industries--timber.

- During this past cutting season, the industry harvested the smallest volume of timber in Southeast Alaska since the Second World War.
- This was the result of at least three factors:
 - The philosophy of the previous Administration,
 - Litigation by extreme environmentalist and
 - Poor market conditions.
- We can't do much about the latter, but we are working hard to reverse the effects of the first two.
- Under the new Administration, with strong encouragement by your Congressional Delegation, the Forest Service has made significant efforts to put people back to work in the Tongass National Forest. These efforts have included:
 - Using appropriated funds to let contracts for road construction and repairs to bridges, culverts and other infrastructure improvements.
 - Pressing for completion of environmental analyses on future timber sales.
 - Redesign of certain timber sale projects to improve economics.

- Vigorous defense of timber planning efforts against environmental lawsuits.

I want to call your attention to a plan put forward by President Bush that would establish Charter Forests. If Congress approves this new idea, we will see far more local participation in the Forest Service decision-making process.

In fact, we could see a pilot project in Southeast that would allow local citizens to make forest management decisions rather than Washington bureaucrats.

It is my hope that this will be another step to ensuring that we can revitalize economic activity in our Southeast Alaska communities.

9. Fisheries

Another critical area that must be revitalized is our fishing industry, especially our salmon industry.

First, we need to face some hard facts.

Number one, the seafood world has changed and is still changing.

We need to establish a process -- one that will result in solid, specific, industry-driven and industry-analyzed recommendations. Alaska fishermen must be the core group, working with other essential experts: processors and shippers.

The end result should describe what we want our fishing community to look like in the future and how we can get there.

Our coastal communities and their people are NOT expendable, and they must NOT be sold down the river. And that goes for all fisheries, not just the salmon industry.

Our small boat fisherman located throughout coastal Alaska cannot become share croppers of the State.

I authored two amendments to the Agriculture bill that passed the Senate just last week.

One allows the Secretary of Agriculture to develop standards that allow wild fish to be marketed as a federally approved "organic product" for the first time.

The other requires that retailers tell consumers when they are buying imported seafood. Together with Senator Stevens, we are also seeking to require labels that differentiate between farmed and wild products.

We need to be open to almost all suggestions, but there is **one idea we should rule out -- Salmon farming in Alaska.**

Farmed salmon gluts the market and depresses prices. It's not the answer for Alaska.

In fact, our salmon stocks themselves are threatened by poorly controlled salmon farming in nearby areas.

If escaped Atlantic salmon from British Columbia establish breeding populations in Alaska streams, it truly would be an environmental disaster. We cannot just dismiss it as another country's "internal matter."

Today, I believe we should call on both national governments to negotiate a new Annex to the Pacific Salmon Treaty. The annex should address each country's responsibilities where farming of Atlantic salmon is concerned. Without such an Annex, the treaty will not be complete.

I recently wrote to Secretary of State Colin Powell to urge his support for the new annex. I call on Alaska's representatives on the Pacific Salmon Commission and the Commission's Northern Panel to join me in pressing for action.

10. Railroad

All of you know of my interest in connecting Alaska with the rest of the world by rail.

I am pleased to note that we have not only gotten authorization for a bilateral commission to study this issue, but set aside several million dollars for that purpose.

Rail is a big-ticket item, but a valid investment, in my mind. It would open up a tremendous number of mineral possibilities that are now stagnating, create a whole new arena for tourism, and help make major construction projects like the gas line a reality. I am pleased at the Governor's suggestion to use Railroad tax exempt financing to help build the gas line.

This is a long-term project, but it is necessary if we are ever going to fulfill our potential to develop the resources that enrich our state.

11. Conclusion

I am often reminded of the optimism of an earlier time in our State captured in the phrase "**North to the Future.**"

I know we have some serious financial problems and I applaud the efforts many of you are making in this regard. But sometimes I feel that we have collectively stared at the graph showing the decline in production from Prudhoe Bay and the decline in state revenues for so long that we are no longer willing to try to turn that graph around.

I call this the decline mentality." Proposals are made to pull money out of our economy through taxes rather than put money into our economy through jobs and development.

It is time to pull out of the decline mentality and look North to the Future.

We have the resources, the people, the technology, and the markets. We need State regulatory and fiscal certainty. We need to be competitive with other oil regions in the world to attract investment and development dollars. We need to be efficient, innovative and, above all, we need to work together toward common objectives expanding the State economy and improving the quality of life for all Alaskans.

One thing we can do is coordinate the vast scientific research resources we have in our State and direct them to focus on how we can use technology to expand Alaska's resource based economy while protecting and conserving the environment.

The U.S. Arctic Research Commission, which I created many years ago, has this as part of its mission. **The Commission, working with the Alaska Science and Technology Foundation and the University, should develop a joint research and development plan to help expand and diversify Alaska's economy.**

This plan could identify ways to ensure the federal and state governments work jointly to assess areas of high economic potential from resource development and tourism on federal and state lands in the State.

I would encourage this type of plan to include information from the private sector on ways government-supported research can help expand the private economy of the State. The report should be completed in one year.

We can and must have a robust and diverse economy. We have the fish, we have the timber, we have the minerals, we have a unique and beautiful landscape with recreation resources and we have the oil and gas.

With the right federal incentives that untie our hands and reward our contributions to national energy security we can apply technology, develop markets, build infrastructure, and secure access to get the most out of our vast resource wealth.

SENATE AND HOUSE JOINT JOURNAL SUPPLEMENT

No. 12

February 19, 2002

But first, we need a positive attitude and federal and state governments that are efficient and work with industry to responsibly achieve our goals together. I know that we have a President and an Administration that are ready to work with us to achieve our objectives.

But we have to be ready to work together to do our part.

It takes more than just saying we are open for business. It takes the best people in our government. There is no room for special interests or personal agendas among our officials when the state's future is on the line. We need to cut the layers of political management, promote our experts and hold them accountable. And we must practice fiscal responsibility, but recognize we must not try to balance the state budget on the backs of state employees.

We must protect our environment and our fish and game resources from harm, but at the same time we must be more consistent and more responsive in supporting responsible resource development to provide hope and opportunity to our most important resource -- young Alaskans. Let's give our young people a challenging future right here at home.

What we need is an attitude and an operating environment that once again has us looking "North to the Future."

I know we are up to the challenge -- Lets roll!