

**HOUSE AND SENATE
JOINT JOURNAL SUPPLEMENT**

February 24, 2005

Thursday

No. 4

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Address by

The Honorable Ted Stevens

United States Senator

Before a Joint Session

of the

First Session of the

Twenty-Fourth Alaska State Legislature

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February 24, 2005

Juneau, Alaska

The following was submitted for publication:

Annual Address to the Alaska State Legislature
February 24, 2005
Juneau, Alaska
By Senator Ted Stevens

President Stevens and Elizabeth, Senate Majority Leader Stevens, Senate Minority Leader Ellis, Speaker Harris, Majority Leader Coghill, Minority Leader Berkowitz, members of the House and Senate, thanks for the invitation to appear before you.

I recently traveled to Taos, New Mexico with Senator Pete Domenici. In a local store, Catherine and I saw a bunch of stuff tied together and I asked what it was. A young clerk said, "That's a smudge stick. Down here they're made of sage."

I asked him, "What's it for?"

"Well, you light it and walk through the house. The smoke will chase away the evil spirits you can't see. But," he said, "If you smoke it, you can see those spirits!"

Now, Alaskans don't need smudge sticks for either effect because we have every reason to be in GOOD SPIRITS!

The Denali Commission received over \$135 million in funding for FY 2005. \$20 million of those funds will be used for elder housing and assisted living, \$10 million for teacher housing, and \$5 million for multi-purpose community facilities in several areas throughout our state.

We are happy to see the reports of the rejuvenated mining industry here. Coal, gold, zinc – all report a bright future.

The Alaska gas pipeline – the largest privately financed project in history – promises to usher in an exciting new era of growth and prosperity for our state.

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Congress passed Senator Murkowski's Land Transfer Acceleration Act, which will accelerate the pace at which the federal government releases land to our state and Alaska's Natives. Our goal is to finish conveyances by 2009.

I noted in my press clips that our state observed a Suicide Awareness Day and I applaud those involved. Our state leads the nation in per capita death by suicide, and I am pleased to see Alaskans working to curb this public health problem.

The Alaska Federal Health Care Access Network (AFHCAN) has been a success. Over \$40 million has been allocated for this project, which now has telemedicine stations in 235 sites across our state. It is the largest telemedicine network in the world – and an award-winning one at that. The network has received several national and international awards.

And, all of us have been witness to history this year. Our young men and women in uniform – the new "greatest generation" – preserved freedom and liberty in Iraq. And, the Iraqi people voted for their own leaders in a free and fair election. Iraqi women are involved in their government.

I think a young woman in Baghdad put it best. Holding up her purple thumb, she told a reporter, "This is democracy."

The question now is: Will the United States continue our war against militant Islamic terrorists?

We cannot waiver. If we don't pursue terrorists abroad, they will renew their efforts to attack us here at home, as they did on 9.11.

One of the first steps will be to establish peace between the Israelis and the Palestinians. It looks like the President finally has a real chance of achieving this.

However, the War on Terror extends beyond the Middle East. This is not a war bound by geography; it is a war against an ideology.

The War on Terror is a global war with fronts throughout the world. Many of our men and women in uniform still defend our freedom abroad. It is our duty to continue to support them and provide the resources they need.

We honor their sacrifices by assuring a firm foundation for America's future.

As you know, I've just concluded my term as Chairman of the Appropriations Committee.

As Ronald Reagan once said: "This is not the end of anything. This is the beginning of everything."

My new beginning is I am co-chair of the Commerce Committee with a Senator so close I consider him to be my brother, Dan Inouye of Hawaii.

The Commerce Committee has wide jurisdiction with many issues important to Alaskan families, including aviation, communications, oceans, global climate change, and disaster prevention.

I promised last year that, as Chairman, I would make the reauthorization of the Magnuson-Stevens Act and the Marine Mammal Protection Act my top priorities. These acts are vital to our fisherman, Alaska's Natives, and others who depend on Alaska's resource-based industries. I intend to make good on that promise.

President Bush recently created a Committee on Ocean Policy in the White House. This Committee will help coordinate the government's ocean-related activities.

The purpose of this Committee is to pursue the recommendations of the Commission on Oceans Policy, the Commission which was chaired by Admiral Watkins and had participation from Alaska's own Ed Rasmusen. The Commission's Report was the most sweeping analysis of oceans policy since NOAA was formed 30 years ago. Senator Inouye and I have closely examined their recommendations,

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which will be valuable to our Committee's efforts to modernize our laws protecting the oceans.

Earlier this month, in his State of the Union message, President Bush outlined his second term agenda. He highlighted the need for comprehensive energy policy and supported the development of our domestic energy resources to reach that goal.

ANWR is not just a priority for our state; it's at the top of the list for the President and the Senate and House leadership.

Lisa, Don, and I try to make sure members of Congress know the truth about ANWR. I've seen firsthand what a difference the facts can make.

Just last month I received a letter from a good friend and former colleague, Senator Jim Buckley. Jim, now Judge Buckley, served in the U.S. Senate from 1971 to 1977. Sadly, he was a staunch opponent of development in ANWR. He helped pay for full-page ads opposing ANWR exploration that listed him as the lead signatory.

In his letter, Judge Buckley told me he had reversed his position. He now supports exploration and development in ANWR. He said, and I quote:

"... it is simply preposterous to claim that oil development in the Study Area would 'destroy' the critical values that ANWR is intended to serve."

I sent Judge Buckley's letter to members of the Senate and the House. I urge you to read it and make use of it. Send it to everyone you know who opposes ANWR.

(A copy of Senator Buckley's letter is attached to this speech).

In October, Congress approved the gas pipeline and opened the door to the largest construction project in history. This project will create up to 400,000 new jobs, and it must start now – this year. I'm concerned

about the delays predicted for permitting both by the state and the federal government.

As we focus on the future, the most difficult question all of us face is: How can we keep increasing Alaska jobs in the near-term? I've tried to modernize our military bases, assure financial soundness for our fisheries, and extend the Alaska Railroad. But, we will need more new jobs. The gas line will lead to new jobs, but we must keep pressure on the permitting process.

Building the largest construction project in the world cannot occur in a vacuum. In order to ensure this process meets the nation's energy needs and the economic needs of our state, all parties must work together from the beginning.

I hope that this Legislature and the Governor will adopt a process to join together the state and federal agencies involved in permitting. A joint process could take less time than each level of government proceeding separately.

I would like to see joint coordinators on the federal and state payrolls who can work with all parties to ensure this project does not face long delays due to litigation.

I also hope there will be on-going environmental coordination so we don't face a situation similar to the one Governor Hickel encountered when he had to convene the oversight team under the jurisdiction of Bill Pecora, the head of the U.S. Geological Survey, to bring about modifications in design and construction methods.

The appointment of the federal coordinator – created by our bill last year – will help expedite this process. The key now is to develop the gas line project in a way that does not engender litigation.

The pipeline is particularly time-sensitive; it is vulnerable to the potential advent of massive quantities of LNG on our shores by 2013. And, our nation cannot wait for the resolution of lengthy court battles.

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As we seek both the gas pipeline and ANWR, Alaskans must speak the truth: our resources are the best hope for preventing our nation from becoming overwhelmingly dependent upon foreign sources of energy.

We also have a great opportunity with gas hydrates. An estimated 32,000 trillion cubic feet of gas hydrates lie under Alaska's permafrost. Between 40 and 100 trillion cubic feet are beneath the oil and gas infrastructure which already exists on Alaska's North Slope.

Our state needs to awaken to the tremendous potential of these gas hydrates. When commercialized, gas hydrates will be a fantastic addition to our energy resource production.

This is going to take the overwhelming commitment of our state and federal government and private enterprise. All involved must share a commitment to do the research necessary for commercialization – to be able to produce these gas hydrates and transport them to market at prices competitive with LNG.

In 2000, Congress provided \$49 million for gas hydrate research here and in the Gulf of Mexico. Lisa, Don and I have asked that the program be reauthorized and additional funds made available this year. I urge you and private industry to join in this effort.

Our state's natural resources can also help meet the global demand for clean water. 500 million people live in countries experiencing a chronic water shortage. By mid-century, this number could grow to as many as four billion people.

Our state can be part of the global solution. Alaska contains up to 40 percent of all fresh water in the United States. Bulk water exports from Alaska could help meet global demand. Important work is already being done in this area, and we must continue our efforts to identify the most effective way to export this resource.

Another place where I hope we will work together is in confronting our national challenges. In his State of the Union message, the President discussed issues important to the future of Alaska and basic to the survival of our country. He highlighted Social Security reform.

Social Security has been debated in campaigns, but people in public office have not paid enough attention to it. For many years, Social Security has been the "third rail" of politics. For people who touched it, their career was over.

We are entering a period when the challenge of Social Security is enormous. Elected officials must have the political will to touch the "third rail" and survive because the system itself must survive.

As President Pro Tempore of the Senate and Chairman of the Commerce Committee, I intend to be deeply involved in this issue.

Our mutual constituents will watch, listen, or read of our discussion today in their homes and offices. I hope they will pay close attention to this, an issue which affects all of us.

Social Security must survive. It is not bankrupt, but great problems loom ahead. And they cannot be resolved simply by raising taxes, which has been the solution since 1936.

We have a duty which we share with all Americans in public office not to leave the burdens of an ailing Social Security system for another generation. We owe it to our children and grandchildren to try to fix this system now.

Our people must decide: Does Social Security have real problems? For me, there is no doubt – there are problems and a real crisis is brewing.

It was a different world when Social Security was designed in 1935. Most women did not work outside the home. The life expectancy of the average American was 61, and Social Security was paid at 65. A working man did not live long enough to collect much in retirement benefits.

Today, women make up 47% of the workforce. The average American lives to 77; the life expectancy for American women is 79.

Social Security is an insurance program. It was set up so that today's workers support retirees through the payroll tax. In the 1940s, there

were 41 workers paying into Social Security for every 1 person receiving benefits. In the 1950s, that number declined to 16 workers for every beneficiary. Today, that ratio is just over 3 to 1. By the time our children and grandchildren retire, there will be only 2 workers for every beneficiary.

(I've attached a chart that illustrates this decline).

Let me emphasize: the Social Security system is safe for today's seniors and those born before 1950. But if we fail to modify this system soon, then by 2018 – just 13 years from now – Social Security will start paying out more in benefits than it takes in.

(The second chart illustrates this timeline).

All the signs of the real crisis are there – one only has to look. We must heed these warnings.

Unless the system is changed, a 30-year old can expect a 27% benefit reduction when he or she retires. Younger Americans understand this. 79% of Americans under retirement age don't think Social Security will provide benefits by the time they retire. That perception is magnified in our state where the average age is only 32.

Young people on my staff tell me the first question a financial planner asks them these days is: "Do you want to assume Social Security will be here when you retire?"

It's clear to me - this system needs repair. President Bush has started the discussion about how to fix it. A series of solutions have been presented. In coming months, Congress will debate these and other solutions.

Two decisions have been made:

First, no one 55 or older will be affected – their Social Security will not change. Whichever plan we choose, the changes will only impact Americans born after 1950.

Secondly, raising Social Security taxes is not, in and of itself, a long-term solution.

As the President said: All options are on the table. I intend to ask Alaskans to look at the facts, study the issues, and help Congress deal with this crisis now!

In a speech tomorrow in Anchorage I will outline the crisis in detail. I want to have a dialogue with Alaskans – including you – on the options that will best serve our people.

One of my concerns about the growing Social Security crisis is its impact on federal taxes. In 2002, 43% of the federal taxes collected in Alaska went to Social Security. Let me repeat that: 43% of all federal taxes paid by Alaskans in 2002 were Social Security taxes.

These taxes have been raised 22 times. To once again raise Social Security taxes would have serious consequences for us. Social Security now takes 12.4% of a worker's wages. Under the tax relief Congress passed, some lower income workers pay no income tax at all. But all income up to \$90,000 is taxed at 12.4% for Social Security. And, the Medicare tax rate is 2.9%, split between an employer and their employee.

That's a great burden on lower income people. No matter how much income tax relief Congress provides, the costs of their own Social Security are great.

We also need real tax reform. The Internal Revenue Code is more than a million words long. It takes more than 11 hours to prepare the "short" income tax form – about the same amount of time it took to complete a "long form" a decade ago. Americans spend six billion hours every year working on tax-related paperwork.

In January, the President created the Bi-partisan Advisory Panel on Tax Reform. He appointed former colleagues of mine – Senators Connie Mack of Florida and John Breaux of Louisiana – to lead the effort. This panel will examine ways to simplify the tax code, reduce costs, and create a system that helps grow our economy. They will file their report in July.

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Lawsuits cost Americans \$233 billion a year. At \$800 per person, those costs amount to a "hidden tax." And the effects of this tax are felt throughout the economy.

Our state suffers from lawsuits waged by extreme environmentalists who use the legal system to block and delay resource development and other activities. They use the courts as a forum for their activism, and their tactics cost our state time, money, and valuable resources.

I intend to help enact reforms that will address these problems.

I recently voted in favor of the Class Action Fairness Act of 2005. This Act permits moving class action lawsuits above \$5 million from state to federal court, an important step in reforming the legal system. Plaintiffs will still have their day in court, but this change will eliminate "forum shopping" and reduce frivolous lawsuits.

All Alaskans are worried about our state's federally funded programs. The President's budget, released earlier this month, proposed cuts in 150 programs. Some agree with those recommendations. Some do not. But because of the current studies of our debt and costs of our security, I believe Congress will end up very near the limits he suggests for discretionary spending.

The point is that we have to draw down the deficit. Increased borrowing will lead to increased inflation and higher interest rates. This – more than anything – will have a negative effect on discretionary spending.

Just look at history: In 1979, the inflation rate was 11.3% - a 30-year high. Interest rates were raised in order to control inflation, which led President Reagan in 1981 to propose a net spending reduction of \$1.2 billion.

President Bush's budget reduced funding for the Denali Commission. One of the reasons is some of the problems we identified for the Commission have almost been solved.

Since the Commission's founding in 1998, we have received growing federal support. For 2005, the Commission – as I said – received over \$135 million. That's more than six times the amount appropriated in 1998, which was \$20 million. Since 1998, the Commission has received over a half billion dollars.

To increase this level of funding, new challenges and new tasks must be identified. Working with you, Lisa, Don, and I will do our best to assure continued federal assistance through the Denali Commission for our state's modernization.

Our Congressional Delegation wants to hear your ideas on the issues I have talked about today.

We live in a profound moment in Alaska's history. This is a chance for real, lasting change. It is our opportunity to make the kinds of contributions which could forever alter the course of our state. This is not a moment to look back at the past. We need to look ahead and dedicate ourselves to the hard work that will build our future.

Please report corrections to the Chief Clerk's office.

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Attachments:

"JAMES L. BUCKLEY
28 GREAT ELM DRIVE
SHARON, CT 06069

P.O. BOX 597

TEL. (860) 364-2207

January 24, 2005

The Honorable Ted Stevens
522 Hart Senate Office Building
Washington, DC 20510

Dear Ted:

Twenty-six years ago, after leaving the Senate, I was a lead signatory in full-page ads opposing oil exploration in the Arctic National Wildlife Reserve that appeared in the New York Times and the Washington Post. I opposed it because, based on the information then available, I believed that it would threaten the survival of the Porcupine caribou herd and leave huge, long-lasting scars on fragile Arctic lands. Since then, caribou populations in the areas of Prudhoe Bay and the Alaskan pipeline have increased, which demonstrates that the Porcupine herd would not be threatened, and new regulations limiting activities to the winter months and mandating the use of ice roads and directional drilling have vastly reduced the impact of oil operations on the Arctic landscape.

In light of the above, I have revised my views and now urge approval of oil development in the 1002 Study Area for the following reasons:

1. With proper management, I don't see that any significant damage to arctic wildlife would result, and none that wouldn't rapidly be repaired once operation ceased.
2. While I don't buy the oil companies' claim that only 2,000 acres would be affected, even if all of the 1.5 million-acre Study Area were to lose its pristine quality (it wouldn't), that would still leave 18.1

million acres of the ANWR untouched plus another five million acres in two adjoining Canadian wildlife refuges, or an area about equal to that of the States of Connecticut, Massachusetts, Vermont, and New Hampshire combined. In other words, it is simply preposterous to claim that oil development in the Study Area would "destroy" the critical values that ANWR is intended to serve.

3. In light of the above, it is economic and (to a much lesser degree) strategic masochism to deny ourselves access to what could prove our largest source of a vital resource.

Having visited the Arctic on nine occasions over the past 13 years (including a recent camping trip on Alaska's North Slope), I don't think I can be accused of being insensitive to the charms of the Arctic *qua* Arctic. I just don't see the threat to values I cherish.

With best regards,

Sincerely,"

Problem No. 1: Demographic Changes

In 1950, there were 16 workers paying into Social Security for every person receiving benefits. **16:1**

Today, slightly more than 3 workers pay into Social Security for every person receiving benefits. **3.3:1**

By the time today's young workers retire, there will be only 2 workers to support each person on Social Security. **2:1**

* * * * *

**Annual Social Security Surplus/Deficit
(in billions of inflation-adjusted dollars)**

