

**SENATE AND HOUSE
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Address by

The Honorable Lisa Murkowski

United States Senator

Before a Joint Session

of the

First Session of the

Twenty-Fourth Alaska State Legislature

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March 30, 2005

Juneau, Alaska

The following was submitted for publication:

Mr. President, Mr. Speaker, my friends and colleagues. It's great to be back in Juneau and back in this chamber.

We have been busy in the 109th Congress, working on legislative reforms that have been pending for some time such as class action lawsuit reform and an update of America's bankruptcy code...Speaking of things that have been pending, how about that ANWR vote?

March 16 was a big day for Alaska. It was the first time the Senate has passed ANWR legislation in ten years. It was a pretty tense morning but I felt better when I saw Ted wearing his Hulk tie.

This Congress I've begun serving on a new committee – the Foreign Relations Committee. I've always bragged about Alaska's strategic global position and now I get the chance to make my point with the world's policy makers. I look forward to promoting trade between Alaska and our Pacific partners and raising the level of cooperation among Arctic Nations.

As the President said early this year, the United States is committed to defeating terrorism abroad and helping democracy thrive. We know our efforts have produced tangible results, with successful elections in the Ukraine, Afghanistan, Palestine and Iraq. I don't think any of us will forget the images of the Iraqi people on their election day – I visited Israel in early January and I saw the same faces of optimism in the Palestinians as they participated in their first election in almost a decade.

From supporting democracy in the Middle East to aiding in the aftermath of the recent Tsunami, Alaskans are contributing above and beyond the call of duty. It has been two years since the war on terror brought nearly 3,000 Alaskans to the Middle East as part of Operation Enduring Freedom. Our contribution continues today with over 3,800 active duty military, reservists and National Guard members from Alaska deployed overseas. By the end of this year nearly 5,000 based in Alaska will be deployed. I don't forget for a moment the brave men and women who are serving our country. We are honored and grateful for their service and their sacrifice.

Alaska's contributions to making the world better go far beyond our tenure as a state. We are a young state with enormous geography and a developing infrastructure. Because of this, over the decades we've built a reliance on the federal government. I'm not just saying this to limit your trips to Washington, D.C. each spring... but, our federal dependence is a reality we must address. As Congress works to reduce the federal deficit and we face competing funding priorities, we must recognize that the federal government will play less of a role in Alaska's budget in the years to come.

Let me be clear: I am NOT saying that Alaska now has to go it alone. There has been and always will be an important role for the federal government in Alaska. There are obligations to our citizens as Americans and there is important work to be done in this state that is appropriately done on a federal level. But we're entering a new era. There will continue to be budget obstacles and at almost 50 years old, we're not as young as we think we are. It's fair to re-examine our federal-state relationship.

This change is not a bad thing – for we have plenty of opportunities. We have the opportunity to effect real change for our future through the growth and expansion of our resources. A chance for real ownership of our future. To direct the state where WE choose.

Our opportunity begins with our resources – and when I say this I'm not just speaking about our oil, natural gas, timber, minerals or fish – I'm also talking about our human resources – our kids and grandkids. The question that we must answer is how to create a state for our children that is better than we know today. The future we want will be funded by our resources, and I hope that a portion of that will be from ANWR.

Two weeks ago, the Senate passed its version of the budget – a budget that contains expected revenue from development in ANWR – a budget that should pave the way to finally opening the 1002 area to responsible oil and gas exploration and development. This is a great first victory. The day we voted for ANWR, the Senate was in its own version of March Madness. But instead of brackets, my final four was determined by vote numbers 48, 49, 50 and 51.

Since that vote, we've been able to breathe a little easier, but the tournament is far from over. Congress must still pass a budget. ANWR not withstanding, the House and the Senate disagree on significant issues that could prevent a budget from passing.

That's why it's so important that we let people in the Lower 48 know that a majority of Alaskans want ANWR open and that when it comes to balancing development with care for our environment, we do it right. We need to reach out to those Senators who supported our efforts and thank them. I urge everyone to contact Hawaii's Senators Dan Inouye and Danny Akaka, Mary Landrieu from Louisiana, Mel Martinez of Florida and Arlen Specter of Pennsylvania because I assure you they are hearing from ANWR opponents.

I urge the legislature to support pro-ANWR groups like Arctic Power. For far too long, ANWR opponents have owned the public relations market on this issue. They have been able to misinform and distort our intentions for the coastal plain. We need to support pro-ANWR groups who are setting the record straight. And I urge the industry to raise their voice and make sure that their interest in ANWR is known.

ANWR opponents say that you can't have responsible development on the coastal plain. We know that's not true. We can have a healthy balance between production and conservation - between development and concern for the world we are developing. We work hard to strike this balance in Alaska. And I believe that for years to come, Alaska will continue to be the example by which other states measure their progress.

Taking ownership of our future means taking the lead and having the vision to examine important - potentially global issues - like climate change. Like it or not, climate change is real and we see the effects here in Alaska.

Without knowing with absolute certainty what has brought about the changes in our environment, my conversations with scientists in Alaska have convinced me that human contributions are at least a portion of our challenge. I am convinced that human efforts can be part of the solution as well.

Earlier this month, I co-sponsored legislation that offers a comprehensive approach to climate change. This legislation encourages the reduction of green-house gas emissions through economic incentives, industrial competition and governmental cooperation without creating burdensome and unrealistic goals that will harm our economy. Incentives, competition, and cooperation - these are distinctly American solutions to this inherently global problem.

While my focus in Congress right now is on ANWR and a national energy policy, I know that many of you are focused on natural gas. For we all know, that the construction of a natural gas line will allow us to take even greater ownership of our future. We must realize the potential that a gas line will bring and we must do it with some urgency.

Last year, I spoke to you about our work to pass fiscal tax incentives to encourage gas line construction. Ted, Don and I delivered those incentives in October. I certainly understand the position you are in. No one wants the state to rush into a project without ensuring the benefit to Alaskans. But, the country is looking to Alaska to get a project started.

America needs our gas and Congress believes that tax dollars should provide incentives to building a line. All of the projections and models count on Alaska gas coming online by 2014. This is not just an Alaskan project but a project for America. It's time to act on the faith that the Congress and the country have given the state.

It's not in the best interest of the State - or the producers for that matter - to wait indefinitely for a deal on the gas line. Without Alaska gas, the U.S. will be faced with importing an additional 25 billion cubic feet of natural gas a day by 2025 - 25 billion cubic feet that must be imported from overseas. I assure you, at this moment, tankers are being built in East Asia and the Pacific to carry the natural gas that the U.S. needs. We argue for ANWR because it will help lessen our dependence on foreign oil. Let's do the same with our gas supply, by building the line.

I don't have to remind you of the effect a tight energy supply and \$55 a barrel oil can have on Alaska consumers and business. We see this in Fairbanks with the cost of home heating fuel, in rural communities that rely on diesel and on the Kenai Peninsula as they try and hold Agrium together. The pieces of the puzzle are here in front of us: ANWR's oil potential; Alaska natural gas flowing through a pipeline; the harnessing of our gas hydrates; the continued development of our coal and mineral deposits. Any one of these will have a significant impact on our state and our country. Together, they will allow us to take important steps toward determining our own future.

Our resources serve two objectives. First: They fulfill our role as one of fifty states that share in the responsibility of advancing the country. Alaska oil and gas, and someday our gas hydrates, provide our country with secure and sustainable energy resources. We advance as a country because of the unique contributions of each one of the states – Alaska's contribution to energy security is through domestic production.

Secondly, our resources serve the objective of lessening our reliance on federal funds and providing financial security for the state. Our resources are an opportunity to create long term, local and sustainable funding streams. Which allow us to realistically approach the state's fiscal needs from year to year – including quality health care and education initiatives.

I applaud your recent move to add \$70 million to education funding. Investment in our greatest resource - Alaska's young people - can't be overestimated.

We must raise our graduation rates and the number of Alaskans that attend college. We must do more to provide for job training for those who chose not to go on to college as we develop our skilled work force. When we unlock our resources and diversify our economy, Alaskans must be trained and ready to fill those jobs.

Raising the bar on education at all levels continues to be a local and a national priority for me. No Child Left Behind has presented its share of challenges and opportunities to us in Alaska. And we have made some headway.

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In 2003, 43.7% of our schools made adequate yearly progress. We raised that percentage to 58.8 in 2004 and we have made strides in closing the achievement gap among different minority groups. I'm committed to the promise of No Child Left Behind – but recognize that we have far to go to deliver on that promise.

I have extended an invitation to the new Secretary of Education to come to Alaska so that she can see first hand the achievements our educators are making everyday – as well as the challenges we face.

To take ownership of our future, a well educated Alaska must also be a healthy Alaska. I'm troubled by many of the health statistics in our state: the obesity among our young people, a Fetal Alcohol Syndrome ratio that is far above the national average, the suicide rate – particularly among young men - and the high number of uninsured or underinsured Alaskans. At both a state and federal level we must do more to ensure all Alaskans receive quality health care.

I know that many of you are concerned about the proposed reduction of Alaska's Federal Medicaid Assistance Percentage – FMAP - funding. Slowing the growth of Medicaid will be one of the toughest issues we consider as we work to pass a budget. We know that here in Alaska, appropriate federal Medicaid funding is critical to helping us deal with the high cost of health care.

20 percent of Alaskans are eligible for Medicaid coverage – significantly higher than the national average of 12 percent. Currently, Alaska has a federal match rate of 57.5 percent, which helps offset the highest health care costs in the country. This FMAP rate is due to sunset in October and if it does we stand to lose millions in health care dollars. The House and Senate are at odds with their respective budgets as they relate to Medicaid funding. I have been working with the chair of the Finance Committee, Chuck Grassley to obtain an extension of our FMAP funds for a minimum of two years. In light of overall budget restraints, this will be a significant commitment to Alaska.

An issue equally contentious as Medicaid is that of Social Security reform. This has always been a dangerous topic and, in an environment as partisan as Washington is now, even beginning the

debate over reform requires additional strength. Some of you may recall that the same was said about the need for a fiscal policy when I first came to the Legislature. Just as I believed that beginning the debate was absolutely necessary then, I believe addressing Social Security is absolutely necessary now.

We need to start the debate and act while we have the luxury of time. As the baby-boomers retire, the demographics of social security are changing. Compared to when the program was begun in 1935, women now make up 47% of the work force and the average American lives to 77 – statistics few would question but societal changes that nonetheless require adjustments.

As important as Social Security is for retired workers, it is meaningful as a safety net for families. Especially for middle and lower income families, Social Security often makes the difference when a single breadwinner's wages are cut off whether by retirement, disability or death. Alaska has 60,860 Social Security beneficiaries and is first in the nation of beneficiaries who are children. Alaska is also seventh in the nation when it comes to beneficiaries who receive survivors' payments. The safety net of Social Security needs to be ensured. Future changes are necessary to strengthen the long term health of the program and guarantee benefits to future retirees.

Yesterday, I took part in a forum on this issue at the University of Alaska Anchorage. What became clear at that event is that Social Security means different things to different people. While some regard it as the source of their retirement, others have grown up expecting that at the most it will supplement their finances. And while there was certainly no clear consensus about any specific reform, there was a lot of discussion. And that's what needs to happen all over the country.

All options for reform should be open to discussion and on the table. Members of Congress are now submitting their ideas. Your opinion and those of all of our constituents are vital to ensuring that the best plan is carried out. To live up to our role as legislators and our obligation as parents, we can not let uncertainty be the only thing certain about our children's future. I welcome your ideas and I look forward to your input.

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Out of respect for you and your schedules, I have tried to keep my comments brief. I have tried to avoid a laundry list of accomplishments and instead focused on those resources that can enhance our position as a state.

The time to embrace responsibility is now. Through the power of our resources and our people, we can take ownership of our future. The time for leadership, the time for cooperation, the time to effect real change and determine our course is now. I look forward to our continued work together.

Please report corrections to the Senate Secretary's office.