

**SENATE AND HOUSE
JOINT JOURNAL SUPPLEMENT**

March 18, 2008

Tuesday

No. 15

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Address by

The Honorable Lisa Murkowski

United States Senator

Before a Joint Session

of the

Second Session of the

Twenty-fifth Alaska State Legislature

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March 18, 2008

Juneau, Alaska

The following was submitted for publication:

Speaker Harris, President Green, members of the Legislature, thank you for allowing me to address the Legislature today. I want to talk about making history together, but first let's thank those Alaskans who are making us safe.

This morning I was honored to address the Joint Armed Services Committee. We talked about health care services for our veterans in Alaska. The federal government clearly needs to improve its health care services for veterans, and I promise to the tens of thousands of Alaska military personnel, veterans and their families, to keep fighting for the care they need and deserve. They didn't give up the fight to protect America, and I will not give up on them.

As elected officials, we owe it to these brave men and women to make Alaska the best place we can. Just as they are protecting our freedoms, we need to protect the jobs and homes and economy. That is what I want to talk with you about today.

As a mom, I get anxious as my oldest son starts to look at college and leaving home. It seems like just yesterday he was 8 years old, here in these chambers as a guest page. Just as my sons have grown and learned over the years, so have I.

We all learn as we get older – or at least we should. We learn from history. We learn by doing. We learn from our successes and failures.

Next year will be Alaska's 50th anniversary. That is a lot of learning. We built a real economy with roads, harbors, airports, schools, university campuses and hospitals. Opponents of statehood said it couldn't be done, but we proved them wrong.

We worked together for the good of the state, for the good of all Alaskans. We looked at the problems and found a way to overcome them. We need to build on that "can do" attitude for the next 50 years.

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Alaska is a different place than when I was growing up here in Juneau, Wrangell, and Fairbanks. The average resident has been in the state for just six years. Forget knowing about life before the Permanent Fund dividend; they don't even remember that I served in the Legislature.

Alaskans are moving out of smaller, rural communities to the urban centers. Alaskans are a part of a diverse international community. Eighty-seven different languages are spoken at home by students in the Anchorage School District. This year, for the first time, minority students in Anchorage comprise half the enrollment.

It used to be that as you grew older, you moved to the Lower 48 for retirement and warmer weather. But today, Alaska's senior population is the second fastest growing in the nation. Between 1990 and today, the number of seniors in our state has doubled – and it is expected to double again by 2020.

Twenty years ago, the median age in Alaska was 29. Now it is 33, going on 34. We're getting older. We just need to make sure we grow wiser, too.

We have the money. We have the oil and gas, fish, minerals, timber, tourism and everything else we need. We have ideas and a state full of smart, hard-working people. We have what it takes to meet the challenges that lie ahead.

We need to remember that our collective successes over the years – the state constitution, the Alaska Native Claims Settlement Act, the oil pipeline and the Permanent Fund – came from debate, negotiation and compromise. Consensus is not an ugly word. It is how you get things done. Sometimes we need to put aside our individual lists of must-haves and be willing to compromise for the greater good of a great State.

Energy

This being Alaska, energy is a logical place to start toward building for our next 50 years.

Our state budget is heavily dependent upon the oil industry. Oil taxes and royalties have provided Alaska with financial luxuries other states can only dream of – no state income tax or state sales tax, the lowest motor fuel tax in the nation, and the \$37 billion Permanent Fund.

But our oil resources are in decline. From 2 million barrels a day in 1988, we're down to around 700,000 barrels a day from the North Slope. And unless companies spend billions of dollars to develop the new fields under evaluation, we could be down to 450,000 barrels a day 10 years from now.

Without the opening of ANWR or some other large, new fields, we could see a day when there just isn't enough oil moving down the pipeline to keep it viable.

All the more reason to get a natural gas pipeline. It would help promote increased oil exploration, and it would diversify the state's tax and royalty revenues.

You have heard me say more than once that we face real competition in the North America natural gas market. Well, meet your competitors:

Sempra's LNG receiving terminal on Mexico's Baja Peninsula is scheduled to open later this year to accept 1 billion cubic feet of gas a day. The company already has applied for a permit to more than double its capacity.

Cheniere Energy put together two LNG projects on the gulf coast in Texas, totaling 4 billion cubic feet per day. LNG tankers are expected to start docking at the berths later this year.

Canaport LNG at Saint John, New Brunswick, also is expected to start taking gas deliveries later this year, importing an additional 1 billion cubic feet per day for East Coast markets.

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The \$4 billion, 1,600-mile Rockies Express pipeline will move up to 1.8 billion cubic feet a day of natural gas from the Rockies to the Midwest starting next year.

El Paso and Pacific Gas & Electric are working to build a new gas pipeline from the Rockies to the California-Oregon border. They hope to start construction in 2010, with initial capacity of 1.2 billion cubic feet per day.

Ever heard of the Barnett Shale gas field in Texas, or the Marcellus Shale field a mile beneath four Appalachian states? If not, get used to hearing the names. Geologists and researchers estimate there could be as much as 80 trillion cubic feet of gas in those rocks.

OK, that's enough bad news about the competition. There is some good news for Alaska. The U.S. Department of Energy reported at a Senate briefing two weeks ago that it is counting on the Alaska North Slope gas to help meet America's energy needs far into the future. The problem is, given today's uncertainty, the Energy Information Administration does not expect to see the gas line in operation before 2020. That same agency two years ago predicted an Alaska gas line by 2015.

We are slipping and cannot afford to slip any further. Our competitors are moving ahead. Our oil production is dropping. Steel and construction prices climb higher every year. There is nothing stopping us from getting a gas line built, but possibly ourselves.

There was a time, just over 30 years ago when Alaskans were in a similar position. We wanted to get our oil from the North Slope to market. There was no pipeline and there were plenty of issues to overcome – the new federal National Environmental Policy Act, the need to address the land claims of Alaska Natives, figuring out how to build the hot oil line in the frozen Arctic, and the huge cost of the project when oil was selling at just \$3 a barrel in 1972.

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People considered icebreaking tankers and even submarines to move the oil. But Alaskans persevered. What looked like an insurmountable stack of problems plagued by delays became the Trans-Alaska Oil Pipeline, supplying the nation with 31 years of reliable energy and bringing \$80 billion in tax and royalty revenues to the state treasury. Alaskans worked together on federal legislation and the required business deals to make the pipeline happen. We need to repeat that success with the gas line - sooner, not later.

I call on all sides – the State, North Slope lease holders, pipeline companies and the federal agencies that oversee the loan guarantee – to come together to start this project now, this summer.

This is a business deal, the largest private construction project in the world. If it goes well, everyone at the table stands to benefit from North Slope gas production and transportation. But with big opportunity comes big risks. All of the parties need to get together, look at the risks, and make the tough calls needed to get this project going.

While pushing hard on the energy production side of Alaska's future, we can't ignore the energy users. The high price of oil and natural gas can be a long-term boon for Alaska's coffers, but it is also driving consumers to empty their pockets just to stay warm and keep the lights on at home and work.

I want to commend Governor Palin for appointing Steve Haagenon as the States' energy coordinator. While Senator Stevens and I have been calling for Congress to enact a national energy plan, it is essential that the State have its own plan as well. For a State so rich in natural resources, it's painful to watch as Alaskans pay some of the highest prices in the nation to heat their homes and fuel their vehicles. We must do better.

I applaud the State for adding to its funding for home weatherization programs. For all of the good that programs like LIHEAP and PCE have accomplished, the fact remains they are

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reactive programs that do not address the root of the problem and do not bring down the costs of energy. Expanding Alaska's weatherization program will make buildings more energy efficient - allowing for increased conservation - an important step in addressing the rising cost of energy. Tighter and more efficient homes and offices are good for consumers, but finding affordable alternative energy sources is even better.

When we think of alternative energy, Iceland is probably the poster child for meeting energy needs in a clean, sustainable manner - at low cost to consumers. Using geothermal and hydropower, Iceland has an excess power supply, and its low cost of electricity has attracted U.S. and European companies to set up shop on the island.

Iceland didn't just stumble upon this - it got serious about how it was going to address its energy needs. The nation established its own bank to underwrite geothermal projects - not just construction but exploration as well.

Think about it - an isolated area, with a small population, in a cold climate - sound familiar? I want to work with you to write our own version of this success story here in Alaska. As I said, we have the money, the ideas, the will and the people. We just need the commitment.

The Energy Bill of 2007 includes a provision -- open only to Alaska -- where the federal government can provide grants to cover up to half of the cost of all forms of renewable energy development. It includes additional aid specifically for geothermal projects.

That's the authorization; now we need the money. Obtaining federal funds for this Renewable Energy Deployment Grant program will be a lot easier if Congress sees some State money in the game.

Which is why I want to commend the Legislature for considering several bills to help promote and fund alternative energy projects statewide, especially Speaker Harris' bill to establish a renewable energy fund that could be used to match federal funding for renewable projects. I see it is co-sponsored by more than half the House and Senate.

I strongly encourage you to make energy project funding a priority this session. That will deliver a strong signal that Alaska wants to work with the federal government in developing our energy sources – traditional and alternative. That would be of great help as we fight for federal funding this year.

Think energy and think jobs. Getting Alaska firms recognized as experts in wind, geothermal and biomass projects will help our economy grow in the years ahead. Bernie Karl at Chena Hot Springs is the “go to” guy for low-temperature geothermal power.

Health Care

Health care is another issue where the state and federal governments can do more by working together.

The State's fastest growing age group is our senior citizens. And looking ahead, it is going to get even bigger -- baby boomers comprise one-third of our state's population. That is a lot people worrying about access to health care.

I am working at the federal end to revamp the Medicare payment formula so that physicians can afford to take on new clients – and not drop existing patients. It is unacceptable that many of our seniors cannot find a doctor who will see Medicare patients.

At the state level, I repeat my encouragement from last year for increased support for our Community Health Centers – our safety net providers who provide care to all, regardless of ability to pay. The centers are an invaluable source of preventative care – which reduces the cost of health care overall.

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We should also be looking at what we are doing right in the field of health care and how to do more of it. Necessity has driven innovation in providing health care in many areas:

SEARHC is using Frontier Extended Stay Clinics and a demonstration program we set up in federal legislation that allows those Southeast Alaska clinics to provide hospital-like care close to home.

The Alaska Dental Health Aide Program -- the first of its kind in the nation -- has provided thousands of Alaskans with cleanings, fillings, and uncomplicated extractions in villages where dentists may only visit once a year.

The Southcentral Foundation's Patient Centered Primary Care has dramatically changed the healthcare delivery model. The doctor and clinical team provide the expertise, keep track of preventative care and provide options, but it is the customer who is in control and makes the decisions. This program has lowered costs by a 40% drop in urgent care and emergency department use, and a 30% drop in hospital days. Both patients and providers are happier.

Education

Good health also includes a good education.

I applaud your action to increase education funding and bump up student allocation amounts, as well as taking a closer look at how to calculate district cost factors and support for intensive-needs students.

As we look to educating our young people and preparing them for their future careers, one issue that has always been a source of frustration for me is matching Alaskans with jobs in the state. Alaska has one of the highest unemployment rates in the nation, yet I am constantly hearing from employers that they cannot find the workers that they need. We must do a better job of training Alaskans for the jobs that we know need to be filled.

The jobs that are available today are not the jobs of yesterday. It's no longer an option to become a car mechanic without having training in electronics. Health care providers need to be trained in telemedicine and electronic record keeping.

There are 113 occupations in the state that are experiencing worker shortages. No, political office doesn't seem to be one of those. I applaud you for looking at how to get more workers into these fields. Legislation to help cover student loan debt for those working in health care, especially nursing, and professions with "severe shortages" of workers is a smart answer.

While college is a great opportunity for our young people, we also know that college is not necessarily for everyone. Vocational education opportunities must be available to help us meet the job demands in our state and to help meet the needs of our students.

The Anchorage School District's King Career Center is expanding its programs, offering real job training to more students than ever before.

The Associated General Contractors Construction Academy and union apprenticeship programs are open to all Alaskans interested in job training.

Whether its college, voc ed or military training, it's all about learning the same things – a strong work ethic, job skills, earning a living and self respect.

Arctic

And, thankfully, the world is starting to respect the Arctic. Too bad it took global warming to get people to pay attention.

The United States is an Arctic nation because of Alaska. Without us, we would be a nation without an Arctic coastline, without Arctic oil and gas wealth, without the Midnight Sun and Northern Lights.

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By virtue of geography and expertise, it is our responsibility to show the rest of the nation the way forward in this part of the world. After all, we know it better than anyone.

I will continue to push our government to recognize the tremendous opportunities in the Arctic, and that Alaska should help the United States become an international leader in Arctic research.

The Executive Branch has not conducted a detailed review of U.S. policy on the Arctic since 1994. The world was a different place 14 years ago. The Cold War had just ended. Climate change was barely discussed. An accessible, navigable Arctic Ocean was nowhere near as real a prospect as it is today. And the world's nations had nowhere near the sensitivity they do today to the changes imposed on the Arctic's indigenous residents.

It's past time our nation updated its Arctic Policy, and I am glad to see that the State Department is sharing the lead in the review. It has been difficult to get the Administration to engage on this issue, and I am hopeful the White House will act on the review and its recommendations.

The United States must be out in front on Arctic issues. It's about commerce and environmental protection and national security as the ice cap continues to melt and circumpolar navigation becomes a reality. We need new polar icebreakers to protect our coastline, our shipping and to respond to emergencies. The nation needs to commit to more research on fish and wildlife, pollutants, transportation and climate change.

Alaskans bemoan federal control over much of our state. We shake our heads when we need to get federal permission to develop our resources. We gripe about dealing with misdirected laws, asking why no one listened to us.

Here we have an opportunity to take the lead. The state needs to take a seat at the table, and if federal agencies decline to offer a chair, the state needs to bring its own and push itself into the

discussions. I'll be there with you. We should not let the federal government even think about Arctic issues without consulting Alaska.

Conclusion

Whether new Arctic shipping lanes and oil and gas exploration, a pioneering dental health aide program or a new state fund for alternative energy projects, Alaskans have good reasons to be excited about the next 50 years.

We are well positioned geographically and economically to lead in the coming years. We are well positioned with the right ideas, the right people and the right attitude.

We just need to keep in mind that a community gets more done by working together on a collective list of needs rather than individual lists.

We need to remember that Alaska can do great things by looking for common ground and finding answers. We have solved a lot of big problems in the past, and I look forward to working with you to solve the big problems of the future.

Thank you.

Please report corrections to the Senate Secretary's office.