

**SENATE AND HOUSE
JOINT JOURNAL SUPPLEMENT**

January 22, 2009

Thursday

No. 1

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State of the State

Address

by

The Honorable Sarah Palin

Governor

State of Alaska

Before a Joint Session

of the

First Session of the

Twenty-Sixth Alaska State Legislature

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January 22, 2009

Juneau, Alaska

The following was submitted for publication:

Thank you. Our good Lieutenant Governor Parnell, President Stevens, Speaker Chenault, lawmakers, Native Leaders, my dear family, and all Alaskans. Thank you for this opportunity.

First, please join me in thanking those who protect our freedoms that allow us to assemble – our good men and women in uniform – they are America’s finest, our U.S. military.

It’s been quite a year since we last gathered in this chamber. Just two days ago we witnessed a shining moment in the history of our country. Millions of Americans are praying for the success of our new president, and I am one of them. His work is cut out for him, but if President Obama governs with the skill, grace and greatness of which he is capable, Alaska’s going to be just fine. We congratulate President Obama.

And, for keeping the homeland safe, and being a friend to Alaska, I thank President Bush.

2008 was the year when America looked to Alaska, and one of our own sprang to national attention. There was political drama, controversy, lively debate, a few awkward moments and in the end, some disappointment. But what a glorious debut for a unique Alaskan - and we congratulate our former Senator Mike Gravel.

In the history of Alaska, it was also the conclusion of a long and distinguished Senate career. We thank Ted Stevens, and wish him all the best. We look forward to working with his successor Senator Mark Begich. The best to our new man in Washington. And to working with long-serving Representative Young and Senator Murkowski. Congratulations on her worthy committee assignments.

Tonight, I’m pleased to see new faces here, and I appreciate all who have sworn to uphold our constitution. Newcomers, some say we have some pretty strong differences among us, and well – subtlety is not always one of our strong points. But we try to keep things friendly and civil, and we’ve been known to actually succeed.

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I used to wonder if the occasionally rough edges of politics were unique here under the Great North Star. But I ventured out a bit this past year, and I tell you that, as partisan quarrels go, ours really aren't so bad. At our best, we are forthright in our opinions, charitable in our judgments and fair just like the people who hired us to work for them.

Today, when challenges may seem as high as Mt. McKinley, and change as constant as the mighty Yukon flows, and political events send shockwaves through our foundation like the '64 quake – what do Alaskans do? We climb Denali, we forge the river, we rebuild a stronger foundation on higher ground. When it matters most, lesser differences fall away. Just like family, Alaskans unite.

It was this kind of determined action that turned the northland wilds into a territory, a territory into a state, and that state, across 50 years, into a land of industry, opportunity, and enduring beauty. And now that perseverance is needed again, as we go through a time of testing for our country – a time of economic worry for many Alaskans – a time of challenge to the wisdom and resolve of state government.

Governor Wally Hickel said he feared more than any economic depression – a depression of the spirit. Alaska, it's time we revive the optimistic, pioneering spirit that our founding mothers and fathers birthed in our State Constitution! As we celebrate statehood – let that spirit rise now, and our actions correspond as our founders intended.

See, we have that choice, how to respond to circumstances around us. As public servants, will we draw from a servant's heart the resolve to put pettiness and power struggles aside and work together for the good of the people? We have the choice. I speak for the entire Palin/Parnell Administration when I declare we choose optimism and collaboration and hard work to get the job done.

It starts with a frank assessment of our economy and our budget. We have natural advantages to defer some effects of the global recession. Our banks have good liquidity, our credit market is relatively strong, home foreclosures are lowest in the nation. That's the upside of a regional economy. The reverse side, our unemployment rate is about the national average – over seven percent, which means thousands of Alaskans need jobs. And when our budget is 90 percent reliant on the value of energy resources, there are consequences.

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Two years ago at this podium, I urged spending restraint. I asked that billions of surplus funds be deposited in state savings. This struck me as a simple precaution against, as I described it, massive single-year cuts down the road, if and when we faced tougher times. You legislators agreed, so we can now meet our challenge in a stronger position.

And you understood the challenge is not just to think fast and change plans when the price of oil suddenly falls, affecting revenue by billions of dollars. The challenge is to follow a consistent plan despite inconsistent prices.

With prudence, you built our reserves – that was good planning. This national economic downturn that’s spread to the energy market – it found us prepared. And that’s more than many states can say about their financial situation.

When oil prices and state revenue are on the rise, as was the case, there’s temptation to assume it’ll go on rising forever, and to spend accordingly. Since prices fell, there may be an equal temptation to draw heavily on reserves or, for some, to be tempted to tap the permanent fund earnings or tax our hardworking families. No. With the budget, the aim is to keep our economy on a steady, confident course. The aim is – with discipline – we protect our reserves and promote economic growth.

Now, unless the price of a barrel of oil dramatically increases, soon, we’re looking at a potential revenue shortfall in excess of a billion dollars this year. So with a close eye on price, we need to be willing to curtail spending as needed. If there’s a shortfall, there are options. It’ll take a cooperative spirit all around to see us through the uncertainty.

I had proposed we start with an overall reduction of seven percent from last year’s expenditures. This is a real reduction, not just a reduction in the rate of spending increases – as cuts are often defined elsewhere. That’s transparency in budgeting – just as the public saw when we put the state’s checkbook online. We stand ready to work with lawmakers – who hold the purse strings – to amend the budget, as we receive revenue updates in weeks ahead.

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Last year, we all expected another surplus. But even then, with record high prices, I chose prudence and directed state commissioners to cut millions in operating costs. Finding efficiencies even during times of plenty – that’s common sense fiscal responsibility.

Now obviously, circumstances have changed that even international seasoned oil experts could not predict, requiring us now to adjust even more. Therefore, I am implementing a hiring freeze, exempting public safety, and I am restricting non-essential purchases. These actions reduce the draw on savings as we monitor revenue for the rest of 2009.

For too long, Alaska’s economy has struggled with fluctuating revenue due to global commodity prices. In a volatile economy, numbers are not fixed, but principles are. We’ve followed the same principles from the start of this administration: fiscal discipline, limited government, and responsible stewardship.

At a time when other state legislatures are staring at multi-billion-dollar deficits, and when our federal government proposes a deficit in excess of a trillion dollars this year alone, we have all the cautionary examples we need in the virtues of living within our means. With less revenue, we have an obligation to spend less money.

With our share of federal funds and Congress’ stimulus package, our obligation is equally clear: we must ensure these public funds serve vital needs – as is the case of infrastructure for our gas pipeline, needed by the nation; and the Kodiak Launch Facility, adding to national defense. President Obama pledged not to let this stimulus package devolve into the past familiar scene of politicians lining up for obscure earmarks. This is reform at work.

Thankfully, in the state, these past couple of years we’ve allocated billions for roads, ports, schools, and other vital public works. That money hits the streets and grows the economy this year – so the private sector creates, and we keep, many thousands of good Alaskan jobs through this. We can stay on that path of investment in growth with continued support for essential construction projects that will – literally – build this state.

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Now, we can't buy into the notion that for government to serve better, it must always spend more. Reductions we support are a chance to show the true measure in public policy. Simply increasing budgets every year, a common government practice, is no guarantee of success. More often, it's an incentive to failure. Good public policy is accountable for results, and focused on critical priorities.

We promised public education reform – so schools can plan ahead, and bureaucracies do not smother a school's creativity or a student's aspiration. We now take the next step in our three-year education plan – to offer every young Alaskan – rural and urban – the opportunity to learn and work and succeed in the world.

We'll fully forward-fund all our school districts with more than a billion dollars – that's more than 21 percent of General Fund expenditures. Education is that high a priority. We'll focus on early learning, voc-tech and workforce development, an enhanced University, streamlined operations, we'll hold schools accountable, and we'll encourage opportunities for students with special needs.

One of the great privileges given to me last year was the chance to be a witness for the truth that every child has value; to say to special needs children that they are beautiful and loved. And needed. We learn more from them than they from us. Across America, a great change is coming in public policy affecting these children, and Alaska can lead the way. This is a part of the culture of life where every child is cherished and protected.

In this chamber, we share a commitment to serious health-care reform. We've learned from experience that all the answers do not come from Washington. When Congress turns to health-care reform this year, we look to our delegation to make the case for greater competition, more private sector choices, and less litigation in the health-care market. But we're not going to wait. Here, reform can move forward without delay.

I look forward to working with you on adjustments to kid's health insurance. We'll fund more early screening – for example, for autism – because early detection makes all the difference. We'll focus on preventing disease and promoting healthy living. I'll ask that physical education be incorporated into daily school schedules, too.

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We have alarming levels of heart disease, diabetes, childhood obesity – and all of these maladies are on the rise. Now, I won't stand here and lecture – for very long – but health care reform on an individual basis is often just this simple: we could save a lot of money, and a lot of grief, by making smarter choices.

It starts by ending destructive habits, and beginning healthy habits in eating and exercise. In my case, it's hard to slack when you have the ever-present example of an Iron Dogger nearby. But many of us could use a little more time in our great outdoors – and when you live in the Great Land, there's no excuse.

Protecting good health is largely a matter of personal responsibility, but government policy can help. Our new Alaska Health Care Commission will recommend changes that affect the well-being of Alaskans far into the future.

So, a healthier Alaska via personal responsibility, and subsisting more on our pure and plentiful Alaskan food sources! It's why we protect our waters and soils from pollutants, and it's a reason we manage our wildlife for abundance.

To ensure this, we've successfully brought the Habitat Division back into Fish and Game, as I promised. Our biologists have protected game by eliminating predators from calving grounds and we'll further protect herds, some of which are at precariously low levels of abundance - thus ultimately promoting the population growth of every species.

We're building viable personal use and commercial fisheries in some of the most controversial and complex fisheries in the world, dealing with half a dozen foreign countries, including Japan, Russia and Canada. We're establishing sustainable seafood stocks, and limiting salmon bycatch in the trawl fishery. We've increased research on salmon runs, and we're building new hatcheries for vibrant industry.

As the largest and only Arctic state, we're studying climate-change through our DEC-led subcabinet. And we're suing the federal government for misusing the Endangered Species Act. There is an attempt there to use the ESA to impose environmental policies that

should be debated and approved legislatively, not by court order or bureaucratic decree. Alaskans have shown through our protective laws that we're willing and able to protect our magnificent wildlife, while developing our God-given resources, by using conservation laws as they were intended. We'll challenge abuse of federal law when it's used just to lock up Alaska.

Vital projects now underway show how much science and technology have improved in a generation, greatly reducing risk to the environment. Continued work in Cook Inlet and on the North Slope, new drilling at Nikaitchug, new exploration in NPRA – these projects and more will be carried out with the safest methods. My administration has dramatically ramped up oversight. We demand the highest standards of stewardship and corporate responsibility, because we want to pass on this Alaska that we cherish to our children and grandchildren and beyond.

And just as we strive to keep our environment safe, we're dedicated to keeping Alaskans safe. We've finally filled vacant trooper positions this fall and we have several innovative initiatives moving, like a Highway Patrol Bureau focused on road safety and DUI enforcement. And I'm excited about the Troop to Trooper program, which offers our National Guard hometown heroes careers in law enforcement.

These priorities should be a powerful incentive to think clearly and act decisively – not politically – in pursuit of funding them with our next economic lifeline: the gasline. Without revenues from developing clean natural gas, priorities can't be funded, and we will deplete reserves within a decade. Working together, we're developing a 10-year plan to keep a healthy balance in the Constitutional Budget Reserve. We're laying up stores, until strong revenue comes in with the flow of natural gas to feed hungry markets here and outside.

Unfortunately, some focus only on potential obstacles when they discuss projects like the gasline: the giants in the land preventing us from gathering fruit. But as I recall, we've already slain a few giants.

Remember TAPS 30-some years ago? Alaskans were told the oil line was impossible. And then, all those years when this capitol was filled with talk about a \$40 billion gasline, but that's all it ever amounted to

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– talk, and closed door deals? Working with you, we shook things up, and passed Ethics Reform and AGIA and ACES. By inviting the private sector to compete for the right to tap our resources, we now have two major efforts underway to commercialize gas – without surrendering Alaska’s sovereignty.

The big line will be the work of years. Last month we took another step closer to steel pipe when we signed the license with TransCanada-Alaska.

To further develop, we’re commissioning preliminary work on a road to Umiat, and pursuing a road to Nome. We need access to our resources. Alaskans – especially in our smaller communities, the heartbeat of Alaska, with truly so much potential – we need jobs for income and achievement. Responsible resource development – including drilling, mining, timber and tourism – means more jobs, instead of more government.

Now with the big line, every enterprise – every great thing worth doing – involves challenges. But we can be confident in this enterprise because it’s founded on the fundamental interests of our state and nation. America needs energy: affordable, abundant and secure. With international conflicts, war, and environmental concerns, laws and markets seek safe, clean energy, and that’s what we offer. The last president supported a gasline, and so does the new president.

Because even the most promising renewable energy sources are years from general use, between then and now, we need a clean interim fuel to power our grid and heat our homes. Natural gas is ideal.

In Alaska, all roads lead – well, really we only have the one, North – but it leads to the North Slope, and to the central importance of our North American gasline. America’s security, Alaska’s revenue, Alaskan careers, affordable fuel, even our ability to finally diversify our economy – all these hinge on the success of this great undertaking. I assure you: The line will be built – gas will flow – Alaska will succeed.

Ironically, our people are blessed with owning the richest natural resources in the country; here we're getting ready to flow four-and-a-half billion cubic feet of gas every day in a huge line; yet we've been more vulnerable than other Americans to every rise and fall in energy prices. Even though we own the resources.

The solution for our state is much the same as for the rest of our nation – only the source is ours and much closer to us, so delivery can come sooner. We're facilitating a smaller, in-state gasline with legislation we'll hand you next month. My goal for this in-state line is completion in five years. It will carry 460-million cubic feet of gas every day to energize Alaska.

Previously, we've relied on a diminishing gas supply from Cook Inlet, and expensive diesel, and a mix of government subsidies, and not enough conservation – but that is not sustainable. And it shouldn't take another spike in energy costs to stir us into action. Alaska will help achieve energy independence and security for our country, and we can lead with a long-needed energy plan for America. But let us begin with energy security for ourselves.

This includes meeting my goal of generating 50 percent of our electric power with renewable sources. That's an unprecedented policy across the U.S, but we're the state that can do it with our abundant renewables, and with Alaskan ingenuity.

In our energy plan, for the first time, Alaskans will see cooperation among our utilities. We'll introduce legislation creating the joint utility corporation to finally accomplish this. No more fractured efforts to generate power along the Railbelt via so many different utilities, headed in so many different directions. We will have coordinated power generation that will finally make sense for consumers.

Energy is key. Governor Hickel spoke of the undeniable tie-in between energy and poverty, energy and peace and life. He said, "Our answers begin with energy. Freedom depends on it, so does hope."

For goals of hope, opportunity, and self-sufficiency, government is not the answer, but government can help with energy challenges. In villages, our weatherization programs provide jobs and reduce the cost

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of living. We continue to support bulk fuel purchases, PCE, power plant upgrades and many projects that foster opportunities and self-sufficiency. We've got to row together as one crew – that's the only way to reach these goals.

Now, we need more oil in the pipeline, too. So we strictly enforce state laws and contracts with oil companies. We'll hold them accountable with those contracted commitments they signed, to develop our resources – as we are expected to keep our word to them. Our reformed oil production formula, ACES, helps them with strong incentives to keep capital re-invested, and it's working with new developments, as DNR just announced a banner year for new companies entering our competitive oil and gas arena.

Alaska, there will come a day when our success is not measured in barrels. The goal is multiplicity – an economy made strong by a wealth of petroleum, but no longer solely dependent on it. And again, the test of leadership is to be prepared.

We need a plan. Business leaders, local officials, and other stakeholders, we all agree for our economic future, we need this. Like the saying, "Fail to plan? Then you plan to fail." To that end, I issued an administrative order this week calling for the state's first comprehensive economic strategy.

Like our unprecedented energy plan rolled out this month, the Alaska Legacy Plan is the first of its kind. It will determine practical strategies to implement today and for the next 50 years.

In the past, organizations have studied our strengths and weaknesses. They offered generalized suggestions for change. That's good, we'll utilize that. We propose a strategic action plan for private sector and government to stimulate and diversify the economy. We'll need participation and common sense from those who make this economy run – namely, the small-business owners who do the hard work – they create jobs. That's where the best ideas are.

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This will be the road map for activities and investments, to grow us strong, here in the Great Land of plenty. With our ideal, strategic position on the globe as the air-crossroads of the world; with our massive size, with stores of potential, with our spirit, with our people – together we will plot the course.

I have confidence in Alaskans, in their judgment and groundedness. Even more so after the journey I completed on November 4th. I learned more about fighting the good fight, facing long odds, the need to protect family – my own and our Alaska family – and putting Country First even when voters put you second. Not unlike Alaska's journey.

When I took my oath of office to serve as your Governor, remember, I swore to steadfastly and doggedly guard the interests of this great state like a grizzly with cubs, as a mother naturally guards her own. Alaska, as a statewide family, we've got to fight for each other, not against and not let external, sensationalized distractions draw us off course.

As an exciting year of unpredictable change begins, we, too, have our work cut out for us. And we're all in this together. Just like our musk ox, they circle up to protect their future when they are challenged. We've got to do the same. So now, united, protecting and progressing under the great North Star, let's get to work. Thank you. God bless.

Please report corrections to the Senate Secretary's office.