

**HOUSE AND SENATE  
JOINT JOURNAL SUPPLEMENT**

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**January 20, 2010**

**Wednesday**

**No. 9**

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**State of the State Address**

**by**

**The Honorable Sean Parnell**

**Governor**

**State of Alaska**

**Before a Joint Session**

**of the**

**Second Session of the**

**Twenty-Sixth Alaska State Legislature**

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**January 20, 2010**

**Juneau, Alaska**



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**State of the State Address  
Governor Sean Parnell**

PRESENTED TO THE 26th Alaska Legislature January 20, 2010.

Lieutenant Governor Craig Campbell, President Gary Stevens, Speaker Mike Chenault, cabinet members, legislators, my family – Sandy, Grace and Rachel.

Thank you for joining us.

Tonight, we remember the people of Haiti and the extreme loss of life and economic devastation due to recent earthquakes. We honor our servicemen and women, both guard and active duty, who deployed yesterday morning as part of Operation Unified Relief to assist the Haitians in their hour of need.

And we admire the courage of Alaskan siblings Christa and Julian Brelsford, who I spoke with yesterday. Christa and Julian were in Haiti when their building collapsed. Rescued by her brother, Christa's leg was crushed and later amputated – but she proved to the world that nothing could crush her spirit.

Christa wanted me to pass along to Alaskans that she is grateful for our support for her and her family, as well as for the people of Haiti. She encouraged us to be thankful for everything and to count life a "big blessing." Her brother, Julian, selflessly asked that we remember the people of Haiti. Julian said they are a people like us who draw together under tough circumstances.

Tonight, our thoughts and prayers are with the Brelsford family, with our servicemen and women, and with the people of Haiti.

Now, let us begin.

Legislators, having once been where you are – both in the House and in the Senate – on behalf of the residents of our great state, I thank you for your service.

# **HOUSE AND SENATE JOINT JOURNAL SUPPLEMENT**

---

**No. 9**

**January 20, 2010**

Fellow Alaskans, 2009 was a year of change for us. Since Governor Palin turned the reins of this state over, I have led aggressively to bring measurable results for Alaskans.

Alaskans are safer tonight because in 2009, the Department of Public Safety filled more than 24 trooper vacancies and 18 Village Public Safety Officer vacancies.

Alaskans are better prepared for this winter because, under Lieutenant Governor Campbell's and Commissioner Emil Notti's leadership, Department of Commerce employees made over 1,500 phone calls into nearly 200 communities, all located off the road system. They worked to assure Alaskans had adequate heating oil and food for the winter.

In 2009, we saw a 14-percent increase in Alaskans graduating from job-training programs through Alaska's Department of Labor.

And one more mine is employing Alaskans at Kensington because, for two decades many, including my administration, banded together to fight for federal permits.

Over the next 88 days, legislators gather here in Juneau to further define Alaska's future. But tonight, we also do well to remember her past.

In the last year, Alaskans celebrated our 50th anniversary of statehood. We honored the strength and spirit that ultimately placed the 49th star – Alaska's star – on America's great flag. But that strength existed in this land as far back as the historical eye can see.

It took resilience for Alaska's First People to survive here. For ten thousand years they've carved their existence and their identity from a fierce land and harsh climate.

With a steady hand and smart political work, Secretary of State William Seward navigated Alaska's purchase from Russia.

With determination, Alaska's pioneers drafted a constitution and took a stand for statehood half a century ago.

With patience and strength, Alaska's leaders of the 70s helped bring about the Trans Alaska Pipeline System.

This day and every day, my administration works with that same determination to position Alaska's economy for growth and our families for opportunity.

We realize that economic growth for its own sake – that's not the end – it's the means to an end. For this is really about Alaskans. It's about our future.

To create these opportunities, we must take certain actions.

**Fighting the Federal Government: Determining our Destiny**

First, we grasp our future. We determine our destiny.

The United States' purchase of Alaska in 1867 began a relationship with the federal government, one that has at times been contentious. From the beginning, Alaska has been treated with skepticism from Outside. Every student knows the controversy inherent in the phrase "Seward's Folly."

Years later, Congress debated whether Alaska could support itself as a state. Statehood champions contended that Alaska was rich in natural resources that could be developed for the benefit of Alaskans.

With statehood, the strong assumption prevailed that, as a fledgling state, we would be allowed to develop our own resources without constant federal interference.

Today, however, the federal government's actions often seem at war with Alaskan interests.

The federal government has misused the Endangered Species Act as a regulatory weapon to delay development of Alaska's resources. Now,

## **HOUSE AND SENATE JOINT JOURNAL SUPPLEMENT**

**No. 9**

**January 20, 2010**

they have proposed setting aside an area larger than the state of California as critical habitat for polar bears. I strongly oppose such overreactive ESA listings and critical habitat designations. These are job killers and beyond the feds authority.

Additionally, when they tried to deny access to lands, I told the Interior secretary how this harms Alaska's economy and intrudes on the culture and way of life of many Alaskans.

With the Tongass National Forest, I have strongly urged the secretary of agriculture to maintain the current exemption from the national roadless policy. And if that is not enough, my administration will not hesitate to take the issue to court.

And now, the federal government hyperextends its reach by proposing to zone the oceans. They call it "marine spatial planning." But the wild and shifting seas were never meant to be defined by little square boxes of regulated activity. Fish do not check their maps and get their passports stamped as they swim from zone to zone.

National oceans policy should be rational, should recognize the important role of coastal states, and should strike a balance between our ocean protection and commercial activities, like our fisheries and oil and gas production.

But beyond escalating federal agency intrusion, Alaskans have another fight on our hands – and this time, it is with Congress.

I have expressed great concern to congressional leadership over legislation that would disregard our people's cultural and economic needs. We can manage our own predator and prey species.

Besides trying to manage our wildlife, they are now trying to manage us.

Federal health care legislation would force Alaskans to purchase health insurance, and tax us for years before the benefits are obtained. And it cuts Medicare to our seniors. This is bad policy. It diminishes our freedom.

For these reasons, I have asked our attorney general to review and make recommendations for action, and I have joined many other governors in urging Congress to take a breath, listen to the people and do what is right.

We best realize statehood's promise and grow our economy when we determine our destiny – not Washington.

**Economic Growth Through Responsible Resource Development**

Second, we will grow our economy through responsible resource development.

On January 9, 1971, Governor Bill Egan said in his inaugural address that, "Alaska has become established as America's greatest oil province." That remains true today.

Alaska's numerous oil fields send approximately 650,000 barrels of oil per day down the Trans Alaska Pipeline System. For three decades, oil has substantially funded our state treasury, and provided jobs and income to thousands of Alaskans.

And then there is the future of further oil and gas discoveries in Alaska's Outer Continental Shelf, and maybe even one day – ANWR. Alaskans need the estimated 35 thousand jobs and \$72 billion dollars in payroll that responsible OCS development would create.

I have made exploring and developing the OCS our priority. I have met with all the stakeholders, from whaling captains to oil company executives. We do not have to sacrifice traditional subsistence whaling in order to have jobs from OCS exploration and development. We can have both.

Besides oil, Alaska has clean burning natural gas in abundance. Indeed, Alaska will become America's next great natural gas province.

Alaska's gas will be the nation's bridge to a cleaner, more secure, domestic energy future. The demand looks solid. The price structure looks good. We are ready.

# **HOUSE AND SENATE JOINT JOURNAL SUPPLEMENT**

**No. 9**

**January 20, 2010**

Pessimists say Alaska's gas will be derailed by Lower 48 shale gas development. But, experts say that both natural gas and unconventional gas will be required. And Alaska gas has environmental and production advantages not held by shale gas.

Gas gushers like Prudhoe and Point Thomson require Alaska-sized dreams. We will draw on that timeless Alaskan strength and ingenuity to make it happen. We will not settle for any less than maximizing recovery of Alaska's gas for Alaskans' benefit.

Bringing Alaska's gas to market represents the largest economic opportunity before us.

And we have made significant progress towards realizing that opportunity for Alaskans. I joined many of you in supporting a legislative framework to get a gasline – the Alaska Gasline Inducement Act, or AGIA, as it is known.

AGIA is not a pipeline. It's a framework to move us past milestones and toward a project sanctioning decision. And that is what AGIA has done – taken us off high center and brought us to this historic place.

Within a few weeks, the Alaska Pipeline Project – a partnership by TransCanada and Exxon – will file its open season proposal with the Federal Energy Regulatory Commission.

Following the filing, the next milestone will be FERC's approval for the Alaska Gas Pipeline Project to hold its open season. And later this spring, we anticipate another milestone to be cleared; the initial open season will begin, around May 1st.

What is more, the Denali Pipeline Company – that is ConocoPhillips and BP – moved their open season process forward from late fall to April, putting them just one step behind TransCanada and Exxon. This is competition at work and true progress for Alaska.

I anticipate conversations with the companies on how the state might improve the chances for a successful open season. For example, I

expect the state to come forward with royalty incentives for those companies participating in the open season under AGIA's framework.

Though Alaskans have talked about a gasline for at least 30 years, it is the first time significant milestones have been crossed. The first time field work has been completed, it is the first time we will have detailed cost estimates, and the first time open seasons are at hand. At this rate, the companies could be building a pipeline four to five years from now.

But, getting pipe in the ground will take what Alaskans are known for meeting the challenges together, problem solving, not rock throwing. It will demand the best of all of us.

I remain committed to developing Alaska's resources for Alaskans. For that reason AGIA requires access to gas for Alaskan communities. But we do not have to wait for a large diameter pipeline to get gas to our communities.

I have appointed Bob Swenson as Alaska's new In-state Gasline Project Manager to evaluate a number of options for in-state gas. We want the lowest cost, most reliable option for Alaskans.

On Cook Inlet gas storage, we are moving ahead by supporting the proposed underground gas storage facility on the Kenai Peninsula. This means hundreds of jobs on the Kenai and it means greater energy security for Southcentral Alaska.

Turning now to mining. We saw some victories in 2009. The Kensington Mine near Juneau was successfully permitted. The Fort Knox Mine near Fairbanks expanded, as did Red Dog Mine. These three mines provide good-paying jobs for nearly 1,200 Alaskans. And work on the Donlin Project in Southwest Alaska is continuing.

Moving to timber. My administration successfully pursued jobs and economic opportunity in timber for Alaskans. I personally fought for the Logjam timber sale all the way to the secretary of agriculture. We saved valuable jobs near Ketchikan and my administration will continue to battle for these important jobs.

Now to fishing. Alaskans are proud of our fishing traditions and heritage. Control of our seafood resources was one of the original drivers behind Alaska's push for statehood. Today, we budget for better scientific data and work to reduce bycatch to ensure continued abundance for all Alaskans.

This spring, low salmon returns coupled with flooding on the Yukon River, created economic and subsistence difficulties for Alaskans in the region. I was pleased when the secretary of commerce granted our request for a federal disaster declaration. And, our budget proposal contains a request for dollars needed to obtain another sonar counter so we can get better scientific data.

The climate for economic growth is set not only by federal action and state resource policy, it is also established by the state's fiscal policy.

**Budget Restraint and Sound Fiscal Policy**

We submitted a balanced budget. We left a surplus of revenue. We do not spend everything on the table.

Our budget focuses on priorities mandated by Alaska's Constitution. On education, public safety, transportation and resource development.

And, I established some guiding principles for this budget.

First, budget discipline;

Second, results for Alaskans; and

Third, save and invest Alaska's dollars for our future.

I held the line on state agency growth. I held it to just over two percent, when they asked for a ten percent increase.

We fully funded Alaska's K-12 education an increase of \$58 million mandated by law.

## **HOUSE AND SENATE JOINT JOURNAL SUPPLEMENT**

**January 20, 2010**

**No. 9**

And we are beefing up public safety. We are funding new troopers, new sexual assault investigators, as well as 15 new Village Public Safety Officers.

We are increasing funding for shelters that provide a safe haven for survivors of domestic violence and sexual assault. And, we have asked legislators for \$75 million for a much-needed new crime lab.

In these tough economic times, I am pumping up Alaska's capital budget. Capital dollars fuel Alaska's economy. They put Alaskans to work and provide long-term economic opportunity.

Our state dollars will leverage about \$800 million in federal infrastructure funds for Alaska.

I have also proposed a five-year deferred maintenance plan to fix what we have got. We will invest \$100 million per year for five years. Alaska's private-sector carpenters, electricians, plumbers, roofers, HVAC contractors, and road crews, these and others will have a dependable stream of work for years to come.

Legislators, I am asking you to approve this funding by March 1st, so work can commence and Alaskans can go to work on these hammer-ready projects this summer.

And, we will create even more jobs by funding construction of two new statewide buildings, the Anchorage crime lab I mentioned earlier and we will construct the Life Sciences building at UAF.

What goes on inside these buildings after construction is also significant to our economy. Like our deferred maintenance plan, these buildings mean hundreds of millions of dollars in direct and indirect economic impact for years to come.

Where energy is concerned, we will continue reducing dependency on diesel across Alaska. And we are putting \$25 million toward more in-state renewable energy projects.

## **HOUSE AND SENATE JOINT JOURNAL SUPPLEMENT**

**No. 9**

**January 20, 2010**

We will provide better access to state lands for resources, recreation, and communities.

We will build the road to Umiat. We will continue work on the road to Nome, and with money already in hand, we will improve the road to Cascade Point, here in Juneau.

Besides building new roads, we are fixing the ones we have got like funding Dalton Highway maintenance. Our budget includes over \$136 million for road and airport maintenance.

And, we have provided funds for a stable, reliable Alaska Marine Highway System. I directed them to provide spring ferry runs down the Aleutian Chain to better connect those communities. Also, we have budgeted money for fuel costs and salaries, for vessel and ferry terminal upkeep, and deferred maintenance.

So far tonight, I have talked about how our state budget spends to improve job opportunities, education, public safety, roads, and the like, now, let's talk about how we are doing on the revenue side of the house.

Our state budget is heavily dependent on oil revenue. Oil prices can rise and fall quickly. And therefore, the state has to maintain its savings for the lean times.

Not counting the Permanent Fund, our budget reserves contain enough money to safeguard us through the next ten years, if we exercise spending restraint.

Where the State of Alaska has enough money to get by, we ought to return some of it to the people. That is why I proposed suspending the state motor fuel tax for two years.

The state's road maintenance money is in no way tied to the amount of the fuel tax. So where the state can responsibly give the people's money back, we ought to do it.

Now, let's talk tax credits for boosting Alaska's economy.

Tourism jobs are found in almost every community in the state. I have seen how our tourism industry has taken a hit from the global downturn. I have seen how costs have risen for businesses. That is why I support legislation permitting an income tax credit for tourism companies that contribute to an Alaska tourism marketing program.

And, I am open to more ideas on how we might improve tourism opportunities in this state.

Immediately after becoming governor, I requested economic models detailing how our oil tax regime, known as ACES, is working. In this difficult economy, I am concerned about jobs and oil production.

The Department of Revenue prepared an ACES status report. After this analysis, I proposed a series of tax credits to boost jobs and production.

Earlier this fall, I said if oil tax credits were justified, I would support them. My oil tax credit proposals are just that, because companies must invest here in Alaska, create Alaskan jobs, and drill more wells before qualifying for these new tax benefits. I do not support giving tax breaks without an Alaska work commitment.

Besides putting more money in Alaskan's pockets and providing tax credits to spur economic growth, we are going to save more as a state, and invest wisely in our future.

### **Transformational Educational Opportunity**

Investing in Alaskans, in their ingenuity, hard work and resourcefulness is the smartest investment we can make. And, investing in our young people makes sense.

If we give every high school student the opportunity for a merit scholarship, if we challenge them to reach higher to take personal responsibility for their futures, many will. These students will transform our economy and positively change the trajectory of Alaska's future for generations.

## **HOUSE AND SENATE JOINT JOURNAL SUPPLEMENT**

**No. 9**

**January 20, 2010**

With the Governor's Performance Scholarship proposal, all Alaskan high school students can earn tuition for an in-state university or job-training program. They must complete a more rigorous curriculum than what's now required to graduate from high school. Four years each of math, science, and English and three years of social studies. But for students who take this curriculum, better grades will mean greater tuition awards.

If a student maintains a 'C+' average but completes this more rigorous curriculum, they will earn 50 percent of their tuition; a 'B' average will earn them 75 percent tuition and with an 'A' average while taking this tougher curriculum, a young person will earn 100 percent tuition for an in-state university or job-training program. This is great news for Alaska's students, and perhaps even better news for parents!

Merit scholarships work. States with merit scholarships have measurably higher graduation rates, measurably higher academic achievement, and measurably higher post-secondary completion.

To responsibly pay for these scholarships, I propose saving \$400 million, setting it aside and using the interest and investment earnings from this savings account to pay for these yearly scholarships.

That way, 30 years from now, we will still have the \$400 million but we will also have a workforce better prepared for the future.

We are pleased to have with us tonight, Cora Bontrager, a 7th grader at "DZ" Middle School here in Juneau, and a member of the graduating Class of 2015. Cora's family and teachers are proud of her character and work ethic – and those qualities show up in her grade point average.

With the Governor's Performance Scholarship, generations of hard-working Alaska students, just like Cora, will have a real opportunity to, as one author said, "Go confidently in the direction of their dreams." And we want our students to have the opportunity to dream big.

In addition to funding K-12 education and providing merit scholarship opportunities for Alaska's kids, I will work to resolve school construction issues using part of the 2010 surplus, particularly in the rural areas where a number of schools need to be replaced.

And, we hired the state's first director of rural education, Juneau's own Phyllis Carlson.

**Safe Homes, Schools and Communities**

Tonight, I have spoken to my vision and policies for growing our economy. I focused on fighting undue federal intervention, promoting resource development, a sound fiscal policy, and moved to educational opportunity. Now, I must go to a more personal topic.

We cannot be indifferent or uncommitted when our children are nearly six times more likely to be sexually assaulted in Alaska than anywhere else in the nation. We cannot stand aside when our reported rape rates are 2.5 times the national average.

That – fellow Alaskans – is an epidemic.

These are real Alaskans with faces, names, stories.

We are taking a different approach, a comprehensive approach to stop the epidemic.

We have proposed to address the domestic violence and sexual assault (DVSA) epidemic in three key ways;

First, we will put more abusers behind bars.

Second, we will protect survivors and help them heal. And,

Third, we will focus on prevention and education.

If we commit ourselves to this great cause, we can end the epidemic in a decade.

# **HOUSE AND SENATE JOINT JOURNAL SUPPLEMENT**

**No. 9**

**January 20, 2010**

Our first step – beefed-up law enforcement and tougher prosecution.

As I mentioned before, we are hiring 15 new Village Public Safety Officers this year and 15 more every year for the next ten years, until every village without a VPSO that desires one – has one; and, we will put a stronger emphasis on domestic violence and sexual assault prevention training, bringing law enforcement and advocates together.

I am proposing legislation that will make it mandatory for sex offenders registered in another state and who move to Alaska to also register here. And the bill will allow judges to lengthen sentences where the defendant knew the victim was especially vulnerable due to the influence of drugs or alcohol.

This legislation will ensure that a person who is convicted of human trafficking or child pornography will carry that record for the rest of their lives.

Second – we will protect and help victims heal.

My administration is increasing funding for shelters, providing survivors with a refuge from abusive situations.

I am pleased to have with us in the gallery Sandy Samaniego, Executive Director of the Council on Domestic Violence and Sexual Assault, or CDVSA. Sandy and the Council are responsible for distributing funding grants to the various shelters around the state. I appreciate the Council's efforts to provide safe havens for Alaska's families.

Additionally, we are calling on more private-sector attorneys to provide free legal services.

Third – prevention. We must change our practice of preserving silence. We must courageously confront this private evil where we suspect or see it. And, we must promote a culture of respect that will not tolerate this conduct.

The CDVSA partnered with Executive Director Peggy Brown and the Alaska Network on Domestic Violence and Sexual Assault to lay the groundwork for a statewide campaign urging Alaskans to "Choose Respect." By drawing attention to this grave situation, we believe that knowledge will spur more Alaskans to action.

Additionally, the state will hire our first ever domestic violence and sexual assault prevention coordinator.

Many public and private-sector groups address domestic violence and sexual assault issues, but we have greater possibilities for success if the public and private-sector have a point of connection, a point of coordination for we are stronger together. The new coordinator will better align the public and private- sector groups to stem the epidemic.

Changing a statewide culture is a huge challenge – but it's one that we are up for. It begins one Alaskan, one family, one community at a time. And I know this kind of change is possible because I have personally seen it happen across generations of my own family.

If we are to end this scourge on our families, communities and cultures, then we – all Alaskans – have got to step up.

### **Honoring Those Who Serve**

Before I conclude, I want to talk about one community in particular that is invaluable to Alaska – our military community.

The men and women serving in our military are some of the most courageous and character-filled individuals I have ever met. One of them, our final guest, is with us today and I want to share a little bit of Lieutenant Colonel Marc Hoffmeister's story.

After sustaining massive injuries while protecting our freedom overseas, Lieutenant Colonel Hoffmeister returned home to Alaska to recover. Always at the forefront was his focus on his fellow soldiers. So long as they were in the fight, he wanted to be too.

## **HOUSE AND SENATE JOINT JOURNAL SUPPLEMENT**

**No. 9**

**January 20, 2010**

Until he was ready to return to battle, Lieutenant Colonel Hoffmeister focused on encouraging his fellow Wounded Warriors, raising their spirits and their altitude as he led a group up the highest mountain in America. Lieutenant Colonel Hoffmeister is a great American and a great Alaskan. And he would tell you that he's not alone, that there are countless others like him in our military community.

Tonight, I am proud to have him with us in the gallery as we honor all of our military men and women.

And as we honor their service, we must also honor their sacrifice. Since last we met, 24 Alaskan or Alaska-based soldiers made the ultimate sacrifice. Please join me in a moment of silence and remembrance.

We will never forget the sacrifices made by these brave men and women and their families.

We have another opportunity to honor our veterans this time through legislation and the ballot box. I am sponsoring a bill that would assure access to revenue bonds so the Veteran's Housing Loan Program will continue.

Alaska has one of the highest percentages of veterans of any state. The Veteran's Housing Loan Program has been widely used by these honorable Alaskans. With legislative approval, the bond request will head to the 2010 general election ballot – where you, the people, can exercise your freedom and show your appreciation to those who have given so much to safeguard us.

Tonight, I began by pointing out the resilience of Alaska's people, of our strength, our grit and our character. We recalled more than 10,000 years of rich Alaska history.

I have also talked about Alaska's present, and what my administration is doing to develop and defend the opportunities before us.

And now, I am asking all Alaskans to join me – and to take hold of Alaska's destiny. Because, when we take hold of our destiny as a state,

**HOUSE AND SENATE JOINT JOURNAL SUPPLEMENT**

**January 20, 2010**

**No. 9**

"North to the Future," becomes more than a motto, it becomes a lifestyle.

A lifestyle that inspires our children – the hope of our great state – to seize their futures, and protect and defend the peace of our homes and communities. A lifestyle of self-determination of responsible use and management of the resources God blessed us with.

The spirit, innovation and strength that defined our early Alaskans lives on in us today. And, we are heirs of that same Alaska promise. The opportunity is before us; the mantle of responsibility has been passed to us – and together we will meet the challenges ahead.

Thank you, may God bless our great state and nation.

**Please report corrections to the Chief Clerk's office.**