

**HOUSE AND SENATE
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February 18, 2010

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No. 13

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Address by

The Honorable Lisa Murkowski

United States Senator

Before a Joint Session

of the

Second Session of the

Twenty-Sixth Alaska State Legislature

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February 18, 2010

Juneau, Alaska

The following was submitted for publication.

**REMARKS OF SENATOR LISA MURKOWSKI
TO THE ALASKA LEGISLATURE
FEBRUARY 18, 2010
JUNEAU, ALASKA**

President Stevens, Speaker Chenault, my friends in the Alaska Legislature, I'm glad to be home. And to our fellow Alaskans who are watching on Gavel to Gavel and listening on APRN and KTOO, thank you for inviting me into your home.

My family is the thing that grounds me and allows me to wake up with a smile every day. But the things that are going on in Washington are serious and weighty.

Our Nation faces unprecedented challenges on a global scale. Our intelligence community predicts Al-Qaeda will attempt another attack on the United States within three to six months. We contend with the threat of Iran as a nuclear power in the Middle East. We have decisions to make about the future of our involvement in Iraq and Afghanistan. As we investigate the attempted Christmas Day bombing we question how we failed to keep the terrorist off the plane.

We are waking to the implications of China's growing economic and military power. And we are recognizing our responsibility to help the nation of Haiti, a mere 750 miles from our shores, recover from the devastating earthquake.

And with these weighty global challenges we also face an economic crisis at home. While I am hopeful our Nation may be beginning its economic recovery, January's national unemployment rate of 9.7 percent is nothing to celebrate. You can't brag about an economic recovery when people are still losing their jobs and can't pay their mortgages. It's been described as a "statistical recovery and a human recession."

From Kotzebue to Key West, from Bakersfield to Bangor, the American people are sending us clear direction. The economy is your number one challenge. Fix it!

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But the strategy in Washington thus far has been fundamentally flawed. The federal government has a habit of taking a short-term approach to engineering an economic recovery. Spend a bunch of money, run the deficit higher. Hope that business will pay it back in taxes.

In Washington, hope springs eternal that the economy will boom before people realize it's busted.

On Main Street, that just doesn't sell. In the aftermath of TARP, the bank bailout, the failed stimulus last winter, and the huge cost of the health care bill, "We the People" are skeptical that massive deficit spending will lead us to prosperity.

And "We the People" are increasingly concerned about the mountain of federal debt this strategy imposes on our children.

If you look at one of the national debt calculators on the Internet you will see that a junior in high school, like my son Matt, already owes more than \$40,000 of our national debt. That's not chump change.

It's time for some real change. No more failed stimulus plans. Instead, let's focus on improving the fundamentals of our economy.

In order to revitalize our economy we must remain committed to the tax incentives that encourage American enterprise and job creation. We should enact regulatory reform, lawsuit reform, and wake up to the fact that growth in government does not create wealth.

America cannot take economic prosperity for granted in the 21st century. Countries such as Brazil, Russia, India and China are moving up quickly while our economy stagnates and our policies send jobs overseas.

In Alaska, we also need to do some soul searching about the future of our economy. While in many respects we are faring better than the rest of the Nation in this economic downturn, Alaska's unemployment figures suggest we're not immune to the troubles in the Lower 48.

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And January's edition of Alaska Economic Trends said, "Alaska's 21-year streak of job growth ended in 2009. It was a good run...." Those words should be a wakeup call to all of us.

We are proud to claim the title, "The Last Frontier." Alaska remains less settled, both literally, and figuratively, than any other state. That's a point of pride, a source of opportunity and yes, risk. The course of our economy is less established than any other State. We have great infrastructure needs and are an expensive place to do business. We're still the Last Frontier when it comes to attracting investment capital and new industries.

Alaska has been a sovereign state for 50 years, yet the federal government continues to exert an often oppressive level of influence over our economic choices. Roughly 60 percent of our land remains in federal hands and federal regulations and restrictions restrain resource development throughout our state.

So-called public interest litigation groups view Alaska as fertile ground to push the edges of environmental advocacy, without regard to the Alaskans who may be hurt by the outcome. These groups have long enjoyed a sympathetic ear in the San Francisco-based Ninth Circuit. And adding insult to injury, when they succeed in establishing gotcha precedents, U.S. taxpayers are required to pay their expenses. We will need a sea change in Congress to make it happen, but I will never drop my fight to move Alaska out of the Ninth Circuit.

Alaska's future is also challenged by a myriad of problems that face our people. High rates of fetal alcohol disorders – four times the national average. While we haven't found a cure for cancer – we do know how to prevent FASD -- simply consume no alcohol during pregnancy.

Far too many Alaskans also come home to the reality of domestic violence. Thank you Governor Parnell for taking this issue head on.

We have a dropout rate in Alaskan schools that is one of the most disappointing in the Nation. For decades we've known that vocational

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and technical education can offer the promise of a fulfilling career for many Alaskans. But we have been slow in making those opportunities available.

The strength of any State lies in its ability to support good paying jobs, provide a skilled and educated workforce and promote healthy families and communities – kind of a three-legged stool. This morning I would like to focus on the economy leg because if our economy is weak, our ability to educate and care for our Alaskan families is compromised.

The Institute for Social and Economic Research (ISER) also uses a three-legged stool analogy to identify the three components of our economy:

- petroleum, which supplies most of our income,
- other private industry, which include jobs in mining, tourism, fishing, air cargo, and timber, and
- government.

Let's start with petroleum. In the words of an *Anchorage Daily News* editorial, Alaska without oil is like Florida without sunshine. It is unthinkable.

On a national level, however, it is no overstatement to say that the industry is under attack. It's not politically correct to champion domestic production these days, and it's something I've been attacked for on a personal level. I agree that over time, oil will, and should, steadily decline as a percentage of our total energy mix. I want our vehicles to be battery powered, I want to dramatically increase the use of renewable energy -- whether wind, solar, geothermal or biomass. But by anyone's most optimistic estimates, America is going to need large amounts of oil and gas for decades to come.

For the sake of our nation's economy, for the sake of our national security, and, I strongly believe, for the sake of the world's environment, the more of America's oil supply we produce domestically, the better.

Too many, however, seem to think that if we shut down drilling, our need for oil will magically vanish, rather than shift to an ever increasing reliance on foreign imports. This kind of thinking may explain why the White House is proposing over \$80 billion in taxes and fees targeting the oil industry. It could explain why after years of ANWR opponents arguing that Alaska should develop NPRA instead, the Federal Government has denied the very permits at CD5 that would allow for initial development in the NPRA. For heaven sakes, if we can't drill in the National Petroleum Reserve – an area specifically designated by Congress for oil and gas production – where can we drill?

It could explain the EPA's continuing to move the goalposts on Shell's air quality permits – actions that could effectively prevent offshore development in the Chukchi and Beaufort, with implications for offshore drilling nationwide. This strain of thinking has infected the effort to list and designate critical habitat for polar bear, walrus, and beluga whale, which pose a giant federal hammer held over a multitude of Alaska projects.

We all know that TAPS' throughput is declining, and there are already days where the throughput falls below 500,000 barrels per day, causing significant operational problems when it's cold. We know we need to get more oil into that line.

And while I was pleased by President Obama's comment about Outer Continental Shelf development in the State of the Union address, I remain skeptical as to whether the President's words will translate to agency actions to ensure our nation's energy security. I intend to work hard to ensure that offshore development is allowed to proceed, and in harmony with the cultural traditions of our Native people. These goals are not mutually exclusive.

But even if Alaska's offshore development goes as planned, it will still be a decade before those resources reach TAPS. In the meantime, it's critical that Alaska do its part to maintain the viability of our petroleum industry – so the producers have a reason to stay and that those global companies who have not been involved in Alaska have a reason to come.

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I will do my part in Washington by fighting against new taxes on the oil and gas industry that threaten to make America – and therefore Alaska – one of the least desirable places in the world to explore and develop. And I will fight for OCS revenue sharing for Alaska and other coastal states. And of course, we never give up the fight to open ANWR.

So let's talk about Alaska's energy future. In the 21st century gas will become one of the world's dominant energy sources. Alaska must be a player on the world's energy scene. But we've got to get our gas to market. I've included 30 billion dollars in loan guarantees and improved inflation proofing for the gasline in the Senate Energy bill. I've repeatedly engaged the White House at all levels on the importance of the gasline. I continually ask all parties, what more can be done on a Federal level to make the line a reality.

Recent news about the cost of the project and competition from other gas finds in the Lower 48 are not reasons to give up. The gasline continues to enjoy strong support from energy companies, my colleagues on both sides of the aisle, and the President.

Even though shale gas is coming on line, our gas still has a critical role to play. I believe the abundance of gas will cause industrial sectors from trucking to power generation to convert to gas, creating a more stable market where Alaska gas, shale gas, and foreign LNG will all find their market.

So while the window for a gasline remains open, that should not be read as an invitation to procrastinate. Maybe America can wait for Alaska's natural gas. Perhaps industry can wait. Alaska cannot wait.

We can't wait because the other parts of our economy are not strong enough to carry the state. Without hydrocarbons, whether oil or gas, or some combination of the two, without a gas line, or a line to South Central, the balance is disrupted. And ultimately our economy will decline.

ISER tells us that 31 percent of Alaska's jobs are dependent upon this one industry. The industry accounts for a third of Alaska's gross state product, and fuels 60 percent of the private investment in our state.

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The thoughtful development of our energy resources has brought more than \$141 billion in revenues to the State.

As we consider those numbers, however, I think it is important to remember how easy it could be for all of that to become yesterday's news.

In 1972, the Southeast timber industry was one of the largest economic drivers in the state, and in 1990, just 20 years ago, timber jobs hit an all time employment high. Now there are but a few small mills left, scratching desperately to hang on.

Many of the same outside forces that killed timber – opposition from environmentalists, misguided federal management, and alternative supplies from abroad, now target our State's oil industry. I know you are faced with hard decisions this session about how to protect what we have, and build Alaska's economy for the future. You have my pledge to work with you.

So as important as petroleum is to Alaska, we can't minimize the importance of other sectors of our economy. Our visitor industry has grown rapidly over the past 20 years and with it, support to hotels, restaurants, retail and local government.

Yet the visitor industry is perhaps the sector of Alaska's economy most impacted by the national recession. As Americans in the Lower 48 have less disposable income to spend, that big "Before I Die" trip to Alaska doesn't make the cut. That's why it is important to champion sound economic policies at the national level to help us here at home. We also need to continue to make Alaska attractive to those international visitors whose disposable income is increasing and who view Alaska as a year-round destination.

With minerals, the United States is going down the same path of dependency on foreign countries as we are on oil. The approval process for a mine in the United States is one of the longest in the world. With an average wait time of seven years it is easy to understand why companies look elsewhere for their raw minerals.

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In Alaska we continue to wrestle with accessing our abundant mineral resources in a manner that is compatible with our needs and values. Just yesterday we learned that several groups appealed an EPA decision to grant Red Dog mine a permit. These are decisions we must resolve as a State and push back against outside interests that would attempt to pit Alaskan against Alaskan.

Here in Juneau, the community came together to fight for the Kensington Mine all the way to the United States Supreme Court. I personally met with the Administrator of the EPA to face down a fresh attempt at further delay. You were rewarded with the first significant new employment opportunity Southeast Alaska has seen in a decade. That's the kind of consensus I hope can be built elsewhere in the State.

Commercial fishing will always have its ups and downs, but it remains a shining star. We can all take pride in the recent news that Target will sell only Alaska salmon in their stores.

We sought statehood in part to assert our sovereignty over Alaska's fisheries. For 50 years we've managed those fisheries with an absolute commitment to conservation. Today, they are among the best managed fisheries in the world. And the world is rewarding us for it.

The state of the timber industry in Southeast Alaska is a source of deep frustration to me. Seemingly endless appeals, lawsuits and policy revisions have prevented local mills from gaining a dependable supply of timber to maintain jobs in the region, and just last year a new suit was filed to override a court settlement and impose new roadless policies in the region. I applaud the State for making it crystal clear that you expect this Administration to follow the terms of the Tongass Land Management Plan, and permit enough timber to be harvested to maintain a viable industry.

And while I support the Tongass Futures Roundtable's efforts to develop a long term land plan – a plan that will break the vicious cycle of appeals and litigation – I know that our family-owned mills are on their last leg. I encourage the stakeholders in that process to work as quickly as possible to forge a consensus plan, but until agreement is reached, we must redouble our efforts to maintain a viable timber

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industry. I have been seeking federal aid to help the industry transition, but if timber is allowed to die, the industrial base in the region will be so weakened that any economic development strategy in the Panhandle will be hard pressed to succeed.

Government is the third and final pillar of our economy. Some continue to view the federal government's involvement in Alaska as one giant earmark that could go away at a moment's notice. I don't see it that way. For better in many cases, for worse in others, the federal government is here to stay.

Alaska remains one of the best investments America has ever made. And that's not just because of our abundant supplies of oil, gas and minerals. In 1935, General Billy Mitchell referred to Alaska as 'the most strategic place' in the world because of our geographic proximity to the world's trouble spots. This remains true today.

This month we are welcoming members of the 4th Airborne Brigade Combat Team back to Fort Richardson after a year in Afghanistan. Last Fall we welcomed the 1st Stryker Brigade Combat Team back to Fort Wainwright after a year in Iraq. Their performance on the battlefield was outstanding. Their commanders say it's something about Alaska. We provide an optimal training environment. We take care of our military families with a level of community support that's simply not found anywhere else.

And we don't just field the best troops the military has to offer. Alaska remains an incubator for top military leadership. Just look at Nordy Schwartz, Howie Chandler, Doug Fraser and Chuck Jacoby. We are proud to claim them as Alaskans.

Alaska has earned our role in the defense of America through decades of solid performance. Every year, to ensure we make the best use of our strategic location, I fight to secure the hundreds of millions of dollars of military construction funds.

The United States Constitution explicitly recognizes the special responsibility of the federal government toward America's Native peoples. The federal government fulfills this responsibility through ongoing financial support for tribes and tribal organizations. Nearly

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20 percent of our population are Alaska's first peoples. More tribes reside within our borders than any other state in the union. These expenditures ripple through both the urban and rural economies, benefitting a great many Alaskans.

The Nation also owes a special debt to our veterans and military retirees. Alaskans have served with distinction in the Armed Services for generations. We have more veterans per capita than any other State in the union. But sometimes it seems that our veterans are out of sight...out of mind...when it comes to their earned benefits.

Over the past year I led the successful fight to restore retirement benefits for the Alaska Territorial Guard. I was gratified by the support that the Legislature provided me in this battle. You made sure that no member of the Alaska Territorial Guard lost his benefits during the year it took to make things right. Thank you.

This spring the VA will open its new Anchorage outpatient clinic. That's great news for veterans in South Central, but vets in rural Alaska still struggle to get any service from the VA at all. And too many older disabled veterans are still asked to get on an airplane for care in Seattle. I put language in the VA Appropriations Bill last year explicitly authorizing the VA to pay for care at Native health facilities serving rural Alaska. I'm also challenging the VA's position that its regulations require that Alaska veterans travel if the VA can't provide their care in Alaska. Nowhere else in the country does the VA require veterans to fly 2,000 miles to access their earned benefits. It's time they stop doing it to Alaska's vets.

For 2011, the VA has established a goal of providing 90 percent of veterans a burial option within 75 miles of their homes. It's time that the VA fulfills that goal in Alaska with a state veteran's cemetery in the Interior. Another VA national goal is to significantly reduce the rate of homeless veterans. This is especially a problem in Anchorage, and I want to work with the VA and the community on more aggressive solutions.

The federal government has also undertaken an obligation to provide medical care for Alaska's seniors who paid into Medicare. But a

Medicare card does you no good if you can't find a doctor to see you. The government has fallen flat on this obligation. Thanks to a 35 percent fix in Medicare reimbursement rates in 2008, we were able to make it possible for Alaska's doctors to keep their existing Medicare patients. This has helped in Anchorage and Fairbanks but it doesn't help new Medicare patients seeking a doctor. Any health care reform must address the issues of access to care that so many rural states face. And cutting a half of trillion dollars from Medicare as the Senate bill does won't help us here in Alaska.

Although the federal government has a critical and welcome role in our state, we must be wary of the tendency of the federal bureaucracy to overreach.

One of the hot topics in snowy Washington these days is climate change. As I visit communities like Shishmaref and Newtok, I appreciate that we need to address the impacts of a changing climate. The responsibility for establishing climate policy rests with elected representatives in the Congress – not unelected, unaccountable bureaucrats at the EPA. The EPA is poised to enact regulations to limit greenhouse gas emissions, a move that could have economically devastating consequences to our economy.

In Alaska, the impacts of EPA regulations on a gas pipeline, to TAPS, to any new oil development, to businesses as diverse as fish processors to hospitals, make it clear that the EPA's endangerment finding opens the back door to regulations that will damage the very foundations and future of our State's economy.

Around the country, State and local officials, labor unions, farmers, fish processors, chambers of commerce, and taxpayer advocates have all weighed in to oppose the EPA's proposed regulations. Many environmental groups, Members of Congress from both sides of the aisle, and the Administrator of the EPA all agree that it is far from the best way to address the challenge posed by a warming climate. I appreciate the focus the Alaska Legislature is giving to this issue. Working together, and with all members in the delegation, we can be far more effective.

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Another area where Alaskans feel the weight of the government hand is with the Endangered Species Act. The Parnell Administration wisely questioned the Endangered Species Act decisions concerning polar bears, beluga whales and many other species being considered for listing. The military depends upon the Port of Anchorage to move troops and equipment from Alaska to battlefields around the world. The implications of a critical habitat designation in Cook Inlet on their ability to continue operations are uncertain. Equally important are the commercial operations in the state's largest regional port, the fisheries, and the oil and gas industry in the Inlet.

Now, I don't question the importance of finding solutions to our climate issues, nor the need to protect our diverse species of marine mammals. I think there are solutions to be found in scientific research and thoughtfully crafted government responses. But I reject heavy handed regulations, abruptly formulated under threat of litigation that allows no role for Congress.

Yes, the immediate challenges facing our economy are weighty. But we've faced weighty challenges before. This is a state that teaches its children there's nothing they can't achieve. Alaska is a young state, where one person can still make a big difference.

That's why we've produced three MacArthur genius fellows in recent years and we continue to develop Olympic athletes.

Alaska has been blessed with an engaged citizenry and a group of citizen-legislators who are ideologically diverse but manage to come together to make things happen.

No one better exemplified that spirit of citizen-legislator than Richard Foster. Richard represented the very best of Alaska. Perhaps no legislator represented the coalition politics that keeps this body grounded better than Richard. Elected a Democrat, Richard was nonetheless willing to caucus with Republicans as he worked to serve his constituents in rural Alaska. We valued Richard's independent spirit. He made us better as a body. When our debates in the House would reveal sharp differences, Richard would bring us back together with a joke, a note, or some other thoughtful gesture. And after a witty

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birthday tribute, Richard would lead the body in singing happy birthday. He made our differences seem less important and we will miss him. And his memory inspires us to do our best for Alaska's people.

And with that – I would love to take your questions.

Please report corrections to the Chief Clerk's office.