

**SENATE AND HOUSE  
JOINT JOURNAL SUPPLEMENT**

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**January 19, 2011**

**Wednesday**

**No. 1**

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**State of the State Address**

**by**

**The Honorable Sean Parnell**

**Governor**

**State of Alaska**

**Before a Joint Session**

**of the**

**First Session of the**

**Twenty-Seventh Alaska State Legislature**

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**January 19, 2011**

**Juneau, Alaska**



**The following was submitted for publication:**

Mr. Speaker, Mr. President, Lieutenant Governor Treadwell, fellow Alaskans, thank you for joining us. The State of the State address is a time to take stock of the progress we've made together. In 2010, while other states faltered, Alaska grew stronger. By most measures, we have made impressive strides together and strengthened our quality of life. Tonight is also the time to chart a course for the important work ahead.

But first, let's take a moment to remember those we lost this past year. Tonight we remember our military and law enforcement heroes. They served with courage, they sacrificed their lives, and we are forever grateful.

Last year we also laid to rest two of our most beloved public servants, Senator Ted Stevens and Governor Wally Hickel. Senator Stevens once noted that many people doubted whether Alaska had what it took to be a successful state. In his words, "We proved that those doubters were wrong. Working with one another, Alaskans, with great friends...took control of our own destiny." And together, we continue to shape Alaska's destiny, improving the lives of Alaskans in many ways.

Working together, we positioned Alaska's economy for growth. While 48 other states lost private-sector jobs, our state added them. Our unemployment rate stands almost a full point-and-a-half better than the national average.

Because of the work we've done together to tackle our deferred maintenance plan, and to build our "Roads to Resources," more Alaskan contractors, builders and their families have secure, well-paying jobs. I'm proud to report that last year we funded more than 300 infrastructure projects. Alaska was one of only seven states that managed an increase, growing them at two percent, far better than the national average of minus six.

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Because of the work we've done together to lower passenger head taxes, more cruise ships and visitors are returning, and Alaska's family-owned businesses will thrive.

Because of the work we've done together, our natural gas industry had an historic year; for the first time, companies bid gas toward a gas pipeline project, bringing us closer to a pipeline. Because of the work we've done together, new companies moved to Cook Inlet to take advantage of tax incentives and create jobs, and a new natural gas storage complex is under construction there.

Our local economies benefited from the production of two major Hollywood films. One hotel saw an additional 12,000 bed nights, and these movie productions meant hundreds of jobs for Alaskans. This is just the tip of the iceberg. Get ready for your close up, Alaska; 29 more productions have pre-qualified for Alaska's film tax-credit.

Because of the work we've done together, we opened the Southeast State Forest, and now have an additional 25,000 acres available for sustainable, long-term timber harvests. And, the salmon harvest hit an 18 year high. That's one of the best years since Statehood.

Because of the work we've done together, Alaskans can now renew their drivers' licenses and ID cards by mail. For our families living off the road system, this DMV improvement is a big convenience. That's something you don't hear often: "DMV" and "convenience" in the same sentence. Only in Alaska!

Because of the work we've done together, entrepreneurs now have an easier time starting businesses. We streamlined business license applications, and shortened the time it takes to form a business. We also combined two divisions to cut duplication, boost efficiency, and improve economic opportunity. At a time when most states face staggering budget shortfalls, we balanced our state's budget, cut taxes, and paid off debt that once exceeded \$5 billion. As a result, Alaska today enjoys a triple-A bond rating, which, in itself, saves the state millions of dollars in interest charges.

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Working together, we made Alaska's families safer. Because of the work we've done together, there are 15 more Village Public Safety Officers in communities that had no law enforcement presence. In fact, we went from having 47 filled VPSO positions in 2008 to 86 filled positions now. That means thousands more Alaskans can call for help when they're in danger, and get a timely response.

Because of the work we've done together, more Alaskans have access to counseling and suicide prevention services, and more domestic violence survivors were sheltered and, at last, able to escape their abusers. And, because of the work we've done together, we launched the "Alaskans Choose Respect" initiative. Eighteen communities held "Choose Respect" rallies and marches to courageously confront the evil of domestic violence and sexual assault. We gave more Alaskans permission to speak up and take action against this epidemic.

Working together, we gave Alaska's children more access to life-transforming education. Because of the work we've done together, implementing the Alaska Performance Scholarship, this year more than 9,000 high school seniors have the opportunity to earn scholarships for university or job training. In the next three years, 30,000 more Alaska high school students will have the same opportunity. Did you hear that? Thirty thousand high school students will have this opportunity. And because of the work we've done together, more than 500 rural children, in Kipnuk, Alakanuk and Kwigillingok, will now have the opportunity to attend a brand new school, just like their peers in the organized areas of the state. Together we've also renovated entire schools, we've added gyms and classrooms, sprinkler systems and space for vocational education all across this state. Our children will have more, and better, space to learn and grow. Because of the work we've done together, post-secondary education will get supercharged by private-sector donations, now that we boosted tax credits for gifts to Alaska's higher education and job-training institutions.

Alaskans, the state of our state is measured by the condition of our liberty; by the soundness of our economy; and by the well-being of our families. Our state is on sound footing. And while 2011 will present significant challenges, together, we will overcome them.

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First, I want to address the challenges to our liberty. When nearly 50,000 Alaskans cast their ballots for statehood in 1958, Governor Hickel said they, "...literally signed a contract. They didn't just say 'yes' to statehood. They agreed to the terms of statehood. And, that contract, like all contracts, cannot be changed without the consent of both parties." The federal government's expectation, its terms, were that together we Alaskans would develop our resources, build our own economic system, and become largely self-sustaining. We did just that, by logging our timber, mining our minerals and metals, exploring for oil and gas, and harvesting seafood from our waters. These are the engines of our economy: past, present, and future. But today, the federal government owns 240 million acres, almost two-thirds, of Alaska's 371 million acres, and Uncle Sam has posted a virtual "Keep Out" sign on those lands. This is contrary to the federal government's promise, made not so long ago, that Alaska's resources would be available to economically support the people of this great land. Congress did not want Alaska to become a ward of the federal government, and neither did we. Indeed, at statehood Alaskans were guaranteed a share of revenues from the development of federal land in our state. But when no meaningful development is permitted on federal lands, Alaska's share of no development is nada, nothing. Absolutely no jobs, no revenue, no growth! And that makes no sense!

Federal agencies also engage in more subtle ways of stifling Alaska's economy. Take the EPA for example. Five years after completing its paperwork with the EPA, one company is still trying to get an air permit to explore the Arctic Outer Continental Shelf. Five years! Why, then, are similar permits routinely granted in the Gulf of Mexico in a matter of months? The EPA has no answer. Red tape is a needless drag on our economy. It's inefficient, and it comes at great cost to Alaska, where we are still working hard to build out our most basic road system. For most of the Lower 48, the relationship between the states and the federal government was established 100, even 200 years ago. In Alaska, we are still defining that relationship, and "they're still not returning our calls." We demand to be treated as a state, not as a colony.

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The 49<sup>th</sup> state will not stand down. We engage regularly, reasonably, and aggressively with federal agencies. We fly to Washington to advocate in person and we work diligently with our Congressional delegation. But when persuasion fails, litigation prevails. Litigation is never our first choice. We prefer to coordinate rather than litigate; to persuade rather than pay attorneys. But when pressed, we will take every lawful measure to protect Alaska's sovereignty, and our right to develop our own resources. For these reasons, I mobilized our Department of Law to actively defend Alaska's interests. When the federal government threatened monument status for ANWR, we submitted a detailed legal analysis to the president demonstrating that such a unilateral move would be illegal. We sued the federal government to lift the unlawful and unfounded Arctic drilling moratorium. We aggressively fight unwarranted listings and habitat designations. These federal actions threaten Alaskans' jobs and our economic potential, and the federal government must reconsider them. Alaskans, you can count on the Parnell-Treadwell Administration to continue fighting for you so that, together, we have the right to determine our future.

Without liberty, we cannot have a strong economy. So let's take stock of our economy and what we must do to keep it sound. Of course, there are many topics we could discuss: gasoline, the university, fish. All are important, but tonight our focus is on three sectors of Alaska's economy: oil, energy, and mining. With the federal government thwarting job potential on public lands, it is up to the state to look for every opportunity to foster business investment, and grow private sector jobs.

So the question tonight is, how do we continue growing an even more vigorous and diverse economy? And how do we create that gravitational pull for private-sector investment and job growth? It takes four things: keep taxes low, gain access to our resources, invest in Alaska energy, and strategically expand undeveloped resources.

That's why this year I'm asking that we work together to lower taxes on oil, and create more jobs in Alaska. Let's build off the success of last year's tourism head tax reduction that pulled more investment to Alaska. Let's pass legislation to make our oil tax regime more globally

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competitive. Lower taxes lead to more resource development, and that leads to more jobs for Alaskans.

And while we're at it, let's work together to keep more dollars in Alaskans' pockets. I'm asking you to help me pass legislation suspending Alaska's eight cent per gallon motor fuel tax. The state has almost \$12 billion in budget savings accounts. There is no need to nickel and dime Alaskans every time they pump gas into their truck, snow machine, boat, or even their plane. Other states like Illinois are busy raising taxes on their citizens by 66 percent, but Alaskans know you create more jobs and opportunities for families by lowering taxes.

Low-cost access to state lands is also a key to unlocking more jobs. So let's work together to finish roads to significant resources in the next five years. If we can finish the road to Umiat and the road to the Ambler Mining District, we can create access and economic opportunity previously thought impossible. We can grow jobs in rural Alaska.

Now, besides lower taxes and access to resources, energy drives economic growth. That's why this year I know we can work together to enact the energy strategy that I've submitted. This comprehensive plan puts us on track to achieve the renewable energy goal we established, together, that Alaska will derive 50 percent of our electrical power from renewable sources by 2025. To get there, I'm asking you to move decisively and aggressively with me. Let's work together this year to invest at least \$65 million to jump start planning, design, and permitting for the Susitna Hydro Project; provide at least \$25 million for renewable energy grants; \$10 million for a Southeast Energy Grant Fund; and \$25 million for weatherization.

If we want our economy to become even more dynamic, we must also look to our untapped resources. Few people have ever heard of rare earth minerals, but rare earth minerals are of increasing importance in the world economy. These rare earth elements are used in almost every piece of electronic equipment you can think of; flat screen TVs, iPods, cell phones, aircraft radar systems, and much, much more. Today, our Pacific Rim neighbor, China, controls 97 percent of the world market

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for these rare earth elements. Recently, China imposed trade quotas and increased tariffs on these precious commodities. And, China announced it is substantially reducing access to these rare earth elements. These policies will cost Americans more of our hard-earned money and jeopardize national security. We cannot afford to rely on foreign sources to meet our nation's demand. And you know what; there may be no reason to. Alaska is a storehouse of rare earth minerals. Let's explore them. That's why this year we should work together to fund a strategic assessment of these minerals to determine, once again, how Alaska can help meet America's needs.

Our economic condition is sound, in part, because of the vast potential we possess for resource development and for economic diversification. We can create more opportunity for Alaskans if we work together to lower taxes; to provide access to resources; to invest in energy; to act strategically.

Beyond that, I have already met with legislative leadership and many members here to express my willingness to work together to restrain government spending. I have asked the leaders, gathered in these chambers, to establish a spending limit with me early in session so together we can avoid the spending frenzy at the end of session.

As I said in my inaugural address, the strength of our state cannot be measured in dollars alone. The success of our state must also be measured by the well-being of our families. And when it comes to the well-being of our families, there's nothing more vital than safety and education. Our "Safe Homes, Strong Families" initiative is the cornerstone. Last year, I set a goal to rid the state of this epidemic of domestic violence and sexual assault within a decade. Tragically, Alaska leads all other states in these crimes. Our children should be our next generation of leaders. Instead, they are being exploited and sexually abused. And, behind every statistic, is a real child, with a soul, with a future.

These are difficult words to utter, but working together, we will bring these issues out of the darkness, into the light. Let's work together to pass legislation to better protect our children from the manufacture and distribution of child pornography, and against graphic texting. Let's

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better protect Alaskans and work together again to fund 15 new Village Public Safety Officers and new troopers. And let's work together to hold "Choose Respect" rallies in 40 communities on March 31<sup>st</sup>. There, we can challenge more Alaskans to courageously speak up and take action against domestic violence and sexual assault. Together, we can end this epidemic, banish the shame, and embrace life without fear.

There are many, many stories of heroism in our state. Then there are those who are heroes not because of a single act, but by a lifetime of daily acts. Village Public Safety Officers are those kinds of heroes. Two of them were to be with us tonight, but due to our Alaska weather, they did not make it in from Bethel. But let me tell you about them anyway, as they're probably watching us on Gavel to Gavel. John Pleasant serves as a roving VPSO across the Yukon-Kuskokwim Delta. And he's seen it all. He's pulled people out of the water, out of the ditch, and out of harm's way. He's responded to homicides, suicides, domestic violence, and sexual assaults. He's coordinated volunteer search and rescue efforts. And much of the time he must do all this singlehandedly, following in the footsteps of his father, Wasillie, a retired VPSO officer. John and Wasillie, if you're watching tonight, I want to thank you personally for your valor and your service.

I have some good news to share about our VPSO program. Every position that was open in the Yukon-Kuskokwim Delta has been filled. We want more men and women, like John, who will step forward into these leadership-service positions. Because when a child is safe, he or she can learn.

So let's turn our attention to education. Our goal is a transformational education for every student; one that adequately prepares them for post-secondary education and good jobs. We describe the Alaska Performance Scholarship as an invitation to excellence, but it's so much more. Every student willing to take the challenge of a more rigorous curriculum can earn these scholarships. Over the long term, these scholarships will have a profound impact on the quality of life in Alaska, and on our state's ability to compete in the global economy. Even now in its early stages, we are seeing encouraging signs that the

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power of high expectations is taking hold all across Alaska. The Lower Yukon School District reports that several of its students stepped up to increase the rigor in their class schedules in order to meet the requirements of the Alaska Performance Scholarship. One of those students is with us today. Please welcome Daniel Edwards of Russian Mission School, and his mother, Helen. This year, let's work together to pass a sustainable funding mechanism for these scholarships so these students' hard work will be rewarded.

Fellow Alaskans, the state of our state is strong, and together, the challenges ahead can be overcome. Our great state has been built on the firm foundation of our people and our resources. We must continue to invest in both. Our state government remains focused on growing our economy, and providing safety and opportunity for all Alaskans. Our economy is stronger than most, and given access to our abundant resources, we are well-positioned for continued growth. Our budget is balanced, and we have the money in the bank to keep it that way. And while our liberties are threatened, we are fighting fiercely for Alaskans' right to chart our own destiny.

In conclusion, let's hold liberty high and keep taxes low. With those principles in hand, and with the strength and spirit of the Alaskan people, together, we can put Alaska on even firmer ground. God bless you, and may God bless the Great State of Alaska!

**Please report corrections to the Senate Secretary's office.**