

**HOUSE AND SENATE
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No. 3

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Address by

The Honorable Lisa Murkowski

United States Senator

Before a Joint Session

of the

First Session of the

Twenty-Eighth Alaska State Legislature

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February 21, 2013

Juneau, Alaska

The following was submitted for publication:

Mr. Speaker, Mr. President, fellow legislators and fellow Alaskans – it's great to be back in Juneau. Thank you for your warm welcome and the privilege of this hour.

I usually begin with an update about my family, not least because I consider many of you to be an extension of it. And as we do with family, it's best to be honest with one another.

Despite the seriousness of our nation's challenges, Americans have witnessed an atmosphere of unprecedented dysfunction and partisanship in Congress that has compromised our ability to govern. The list of accomplishments out of the Senate in the past year is a short one. It seems we went from impasse, to crisis to kicking the can down the road – and then we started over again. We have been unable to muster the comprehensive solutions the nation demands.

This is a brutally honest assessment. We've had partial victories at the federal level, but given the enormous challenges we face, the progress is inadequate. And that's why I want to use this occasion to renew our partnership in overcoming the biggest obstacles to growing Alaska's economy.

We all know that federal spending and resource development drive the lion's share of our state's economy – and employ a huge share of our workforce. Our reality is that both are threatened as never before. Years of deficit spending have generated unprecedented debt that jeopardizes the ability of the federal government to meet its basic obligations. Meanwhile, decades of denial and overreach by the very same government have limited access to many of our best opportunities for oil, mineral, and timber production - the very things that can help reduce our dependency on federal funds.

So let's talk about the budget situation; it's likely to get worse before it gets better.

Just one week shy of sequestration, folks are asking the question: what will it mean for Alaska? You need to know there's very little certainty

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around this chaotic process. But at least in the short-term, sequestration is likely to be our new reality because the plans put forward by House Republicans and Senate Democrats are supported by those majorities, but not the other chamber. And that means decisions about every proposal, policy, and program will soon have to be made within the context of these indiscriminate cuts.

I can tell you that sequestration will shield some of the programs important to our State, like Medicaid, Social Security, and veterans' benefits, but that others, like the Interior and the Coast Guard, won't fare as well. And because of lack of information from the Administration about sequestration, we still don't know what it may mean for programs like Head Start, Indian Health Service, or BLM offices.

I asked for – and the Appropriations Committee held – a hearing last week on the impacts of sequestration. During that hearing, the Administration's witnesses couldn't even agree that these across the board cuts should be replaced with more targeted and less painful ones. I worry the Administration has come to view this as an opportunity to make the most visible cuts, not the least painful. We should not be messing with people's lives for political gain.

What is certain is that spending reductions are unavoidable. The choice now is how we make them. Can we do better than the 'meat cleaver' approach of sequestration? Absolutely. But there is not enough discretionary spending that can be cut, or revenues that can be raised, that can affect a \$16.4 trillion debt without real economic damage being incurred. And we can't permanently increase taxes to secure a temporary 10-month delay to achieve sequestration targets intended for a 10-year budget timeline. That's why I will keep pushing for a balanced plan with targeted spending cuts, an overhaul of our tax code, and changes in mandatory spending – in line with the revised Simpson-Bowles plan that came out earlier this week.

I'll continue to protect Alaska to the greatest extent possible. We can make a solid case for federal funding – just look at our demographics: highest veteran population per capita, significant Native population, strong presence of active military, and third highest federal employee

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population per capita – due in large part to federal ownership of over 60 percent of our land.

But whether through sequestration or the regular budget process, we need to be prepared for a reduction in federal dollars. We need to prioritize our requests for funding. We need to look carefully at what the State can handle on its own. And we must jointly oppose the cuts that would have the most severe impacts on Alaskans.

That includes cuts to our national defense. Given our strategic location and our geographic advantages, the Last Frontier should be one of the last places where military capability is reduced. If Generals alone made those decisions, I'm sure the military's presence in our State would remain stable or increase. But today, accountants also play a substantial role – and that helps explain why the Air Force has proposed a downsizing of Eielson Air Force Base citing costs. I contend that the benefits of Eielson are priceless.

I continue to believe that the Air Force proposal to move the F-16s is short-sighted. That's not a parochial criticism; it's practical. We have to make cuts, but the cuts have to make sense. The Air Force has acknowledged its plan will actually cost \$5.6 million to implement in its first year. The savings projected for future years are limited, and do not outweigh the strategic benefits of an unencroached base in the Asia-Pacific region with strategic access to the most troubled spots around the world.

The Air Force is accepting comments on their Eielson plan until March 1. And while they won't accept electronic comments, I am, and will forward those comments as a package. You can submit your comments on my website, murkowski.senate.gov. Many of you already have, but if not, I hope you will weigh in. Eielson benefits our entire State and our entire nation, not just the Interior.

But commenting is not enough – we also have to compete with defense communities across the country that are attempting to make their bases more attractive in this environment. You took a major step by funding construction of the Tanana River Bridge, which will open up vast training grounds to the Army. I commend you for that, and urge you to keep it up.

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We also need to think creatively. The Governor has suggested a single squadron of F-16s in Germany might be better situated at Eielson, as that would reduce our footprint overseas and make Eielson more cost-efficient. I've directed the Air Force to look at it – and Eielson's appropriateness for any other missions that might be viable.

Another factor in the military's decision-making is the cost of energy. The truth is, that's not just important to our military; it's critical to every Alaskan. The Interior in particular is hurting right now, and some families in rural communities are spending up to 47 percent of their budgets on energy.

The fastest progress can be made at the State level. And that's why I hope you will devote some time to the slate of energy proposals being circulated by Governor Parnell and members of this body. I encourage you to aggressively work to reduce energy prices in our Bush communities and along the Railbelt – particularly a plan to get natural gas to the Interior. And I hope you will consider our longer-term options: an in-state gasoline, underground coal gasification, geothermal from our volcanoes, coastal wind farms or expanded use of our vast hydro resources.

At the federal level, many are rightfully celebrating our energy boom. The United States just posted its largest-ever increase in annual oil production, some 790,000 barrels per day. That's good news, but production here in Alaska fell by about 35,000 barrels. Despite nearly 40 billion barrels of oil waiting to be developed, TAPS is emptier than ever. What I'm pointing out to my colleagues, the administration, and anyone else who will listen is that we have tremendous opportunity in Alaska, yet face unbelievable frustration. We need an all-of-the-above energy policy – but it must include all 50 states.

To help make that case, I recently released a blueprint entitled, "*Energy 20/20: A Vision for America's Energy Future.*" It's intended to provoke a new and more thoughtful discussion about energy, and to recognize how bright our future can be if we produce our resources and prioritize innovation. As you might expect, it is chock full of ideas that would allow Alaska to produce more energy – of every kind.

I'm encouraged by my relationship with the new Chairman of the Energy and Natural Resources Committee, Ron Wyden. I invited him to visit Alaska last summer to better understand our issues. One area where we're in strong agreement is hydropower. We're collaborating on ideas to promote this resource – and look forward to advancing legislation this year.

Our committee focused on natural gas last week, and exports were a key part of the conversation. Given the boom in Lower 48 production, and given our location, overseas markets are Alaska's best opportunity. Most of Congress' attention is focused on Lower 48 exports, but the greatest prospect could be right here in Alaska.

I recently visited Japan and Taiwan to facilitate movement among potential buyers. Alaska's LNG will not be ready for delivery in the next several years, when Japan needs it most. But stability is just as important as timing, and Japanese officials brought up their 42 years of importing LNG from Nikiski in every meeting we had. Long-term relationships matter. So does the open water between Alaska and Asia. There are no choke points, no pirates, and no third-party national waters to traverse.

Export markets may be the key to the development of our stranded Arctic resources. And that's one of the reasons I'm so pleased with your decision to create the Alaska Arctic Policy Commission. With the U.S. set to take over as Chair of the Arctic Council in 2015, I hope the Commission will move quickly, and make its recommendations in time for the State Department to incorporate them into its policy decisions. To further our engagement with the Arctic community, I will also continue to push the State Department to appoint an Arctic Ambassador.

Another area where Alaska can lead is on the re-establishment of our nation's mineral supply chain. Last Congress, I introduced the Critical Minerals Policy Act with broad bipartisan support and I'm now working with Chairman Wyden to re-introduce it. My bill will bring our mineral policies into the 21st century, and that will bring direct economic benefits to Alaska.

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In this new Congress, we've also got a real shot at revenue sharing for our State. Senator Mary Landrieu and I will soon introduce bipartisan legislation on this subject. We realize that an Alaska-only bill will not pass Congress, so our focus is national. We direct 27.5 percent of revenues from all forms of offshore energy production to coastal States. We offer an additional 10 percent of revenues if States establish funds for clean energy and conservation projects. And we extend revenue sharing to cover alternative and renewable energy projects that are located onshore, as well. Our proposal means more energy for America – and billions of dollars in new revenue for Alaska.

Those are some of my energy priorities for the next two years. But overshadowing all of them – and overshadowing our future prosperity – is a more insidious problem that we fight every day. And that's federal overreach. Alaska bears a disproportionate share of that growing national burden, both in costs imposed and opportunities lost.

We've seen federal overreach at the Colville River and on the banks of the Yukon. We've seen it on health care and our Second Amendment rights. Regulatory encroachment affects fishermen, our families trying to keep warm, and our ability to develop our resources.

This federal overreach has severely impacted our economic opportunities, and that's disturbing enough. But just a few weeks ago, we were dealt a new low when the Department of the Interior decided that a few miles of habitat within a vast refuge are more important than our villagers in King Cove. The Fish and Wildlife Service somehow found cause to oppose a single-lane gravel road that would allow non-commercial travel between King Cove and the all-weather airport at Cold Bay – a road that is desperately needed to prevent accidents and save lives.

Interior's decision effectively prioritized conservation over the health and safety of the people who live in King Cove. But this isn't over. The Interior Secretary must still make a "public interest" determination. I will do everything I can to make this Administration understand the gravity of its mistake and, in the end, to do the right thing. I will not stand down when the safety of Alaskans is at stake.

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I've told Secretary Salazar – and Vice President Biden – as much. And I've warned Sally Jewell, the nominee to be the next Interior Secretary, that she must right this wrong if it falls to her.

The Izembek decision is one of dozens of instances of federal overreach in our State. I'm sure all of you have examples of your own. We're in this fight together, and that's why I want to conclude with a serious request.

There has probably never been a time in our 54 years of statehood when the congressional delegation, the State Legislature, and the Governor need to work more closely together. On Eielson and energy and so many other issues, we must recognize that our broader economy won't be healthy unless our regional economies are healthy. We must jointly make the case for the resource development needed to refill TAPS and diversify our economy, and do a better job of coordinating our fiscal priorities. We must research and weigh in on the endless string of rules, regulations, and restrictions coming out of the executive branch. And we must communicate with one another – about what we're seeing, what we're doing, and where we could use each other's help.

In that spirit, I'll give you a chance to talk. Thank you again for this wonderful privilege.

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