

**SENATE AND HOUSE
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January 21, 2015

Wednesday

No. 1

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State of the State Address

by

The Honorable Bill Walker

Governor

State of Alaska

Before a Joint Session

of the

First Session of the

Twenty-Ninth Alaska State Legislature

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January 21, 2015

Juneau, Alaska

The following was submitted for publication:

President Kevin Meyer, Speaker Mike Chenault, Lieutenant Governor Byron Mallott, members of the Legislature, members of the Cabinet and fellow Alaskans.

It is an honor to stand before you. I am humbled to serve Alaska as your Governor, and you have my pledge that I will always put Alaska first. I will forever be ready to work with anyone who shares this value. Tonight, I deliver this State of the State address. This is a rare privilege, to which I owe so much to my family.

I want to begin by recognizing my first lady of 37 years and now Alaska's First Lady, Donna Walker. As all of you who have met her know, she is one amazing, smart lady who truly has a servant's heart. I also want to introduce two of our four children: our daughter Lindsay Hobson and son Jordan Walker.

Next, I want to recognize my friend and Alaska's Lieutenant Governor, Byron Mallott. I also want to recognize his bride of 42 years, Toni Mallott. Donna and I treasure our friendship with you both and with your entire family.

I also want to thank the co-chairs of our transition team, Ana Hoffman of Bethel and Rick Halford from Dillingham for all of their hard work. Hundreds of Alaskans contributed to our administration's transition process. Alaska is better for it. Lieutenant Governor Mallott and I express our profound gratitude. Thank you.

I am committed to carrying forward the transition team's vision of creating a more collaborative approach to solving Alaska's problems. Now that we are in office, Byron and I have made a few changes.

Traditionally, the governor's office is at one end of the third floor and the lieutenant governor's is at the other end. Well, now the lieutenant governor has an office right next to mine—just six feet away. He has full access to my calendar and my standing invitation to attend every meeting I have.

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Overview

Alaska is a resource development state. As we've witnessed this past year, our economy rises and falls on the tide, yet we remain prosperous and blessed in so many ways. Forged in adversity. Tempered by the elements. And bound by the faith that when we hold true to our values, Alaskans emerge stronger and ready to seize the best for our future.

As owners of Alaska's resources, we must make decisions based on our long-term fiduciary responsibility. Not on short-term political expedience. It is our obligation to make sure all Alaskans experience the bounty and opportunity the state provides.

Our challenges mean we cannot afford zero sum, zero result politics. This administration has put a premium on solutions and strong ideas, regardless of from where or from whom they come. Being Alaskan transcends party affiliation. As my friend Senator Lisa Murkowski often says, "No one political party has a monopoly on good ideas."

Federal Delegation

I know I speak for everyone in this room when I say we look forward to working together with Alaska's federal delegation. Donna and I were honored to attend the swearing-in of Senator Dan Sullivan earlier this month.

I have also spoken with Senator Murkowski and Congressman Don Young. We pledged to work together to make the most of our God-given resources. And yes, this means at long last responsibly accessing the vast oil reserves under ANWR. We can. And we must. It's beyond time.

State Legislature

Members of the Legislature, I am so honored to stand before you and I look forward to working together to overcome the challenges before us. The men and women in this room are no strangers to adversity. Some of you have beaten cancer. Others have known childhood

poverty and overcome tremendous challenges in life. You are fishermen, educators, lawyers, farmers and veterans. Contractors, health care providers, pilots, engineers, accountants, a miner; and yes, even a reindeer herder to list just a few.

Uniting us all is a shared love for our state and our people and a desire to serve, to give back and to make a difference. The opportunity and sacred obligation we have over the next four years is to leave Alaska better than we received it and to secure blessings for future generations.

General Public

Opportunity! It's what inspires and motivates Alaskans. The desire to get up, put in a good day's work and build a better future. There are those of us here by birth and many others who are here by choice. And whether your family has been here five years, five generations, or five millennia, we are all Alaskans.

We are the descendants of adventurers, dreamers, the restless and survivors. Those who refused to accept no for an answer. Those who saw opportunity when others simply saw cold temperatures and impossibly high peaks.

Some of us are descendants of Alaska's First People. Resourceful, resilient people, deeply rooted in the land. Alaska continues to prove its bounty to those who feed a village with a whale, a family with a moose, turn logs into a home, bones into art, and wind and rushing water into electricity. This is who we are, Alaskans. And there is power in who we are - and where we live. That's what gives me and those in this room great hope for the future despite the challenges at hand.

Fiscal Challenge

Tomorrow, I will present to this body the State of the Budget. We know that Alaska is experiencing a significant drop in revenue. The price of oil has dropped by more than 50 percent over the past six months. This has moved us from a \$7 million-per-day deficit just six months ago to a \$10 million-per-day deficit today.

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This is unsustainable. It's unacceptable. We can and we will do better. This isn't the first time our young state has been through tough times. Many of you in this room served during the days of \$9-a-barrel oil during the recession of the 1980s. Today, we have fewer than 500,000 barrels per day flowing through the pipeline. The impact of the low prices is intensified by low production. Today, we are faced with a \$3.5 billion deficit, and using \$10 million every day from our savings.

Some might call this a crisis. I call this a challenge and an opportunity. We have an opportunity to make impactful and constructive changes; to challenge the traditional ways of doing business. Prior to the 1964 Earthquake, my family had the only homebuilding business in Valdez. When the earthquake struck, it devastated our community to the point that the entire town had to be relocated.

As a result of the quake, not only did we lose all of our materials and tools, we lost our livelihoods. We faced a down period with no income and few assets. We could not practice our trade since new homes could not be constructed in the old town and the new town-site was not ready for construction. But, we never stopped looking forward. Our focus was fixed on rebuilding and aspiring to future prosperity.

We had to continue on and we knew we had to do things differently. We had to be creative, we had to pull together as a family, and we had to make sacrifices; lots of sacrifices. While there were no houses to be built, the school and post office were open and needed to be cleaned. To financially survive, we seized the opportunity and the Walker family became janitors.

Our hard work paid off! When the new town-site was ready some years later, we were able to invest and buy houses in the Old Town, have them moved onto foundations in the new town and resold. However, when the house-mover from Anchorage left Valdez without moving the houses we had purchased, we once again adjusted. We became house movers!

This is what I learned from my parents: Don't panic when times are tough. Make a plan. Stick to it. Stay focused. Stay positive. And get to work. Now is not the time to sound the alarm, my fellow Alaskans.

Now is the time to pull together, to make a plan, sharpen our focus and get to work. We have the tools. We have the ingenuity. We have the team. We will work our way out and build an even stronger Alaska.

On December 26th, I took immediate action. I issued an Administrative Order requesting that six mega projects stand down until we can assess their overall costs and benefit to the state. I thank the leadership of both bodies here tonight for your offers to assist and for your helpful suggestions regarding our state's fiscal situation.

We have reached out to all Alaskans to solicit their input on the budget situation as well. My website has a form for anyone to use and we have received thousands of responses. We have asked students at three of the University of Alaska campuses to sort and analyze the suggestions. My staff tells me this is something called "crowd sourcing." I just call it reaching out to Alaskans.

Energy Cost

Reducing energy costs across Alaska is one of the highest priorities for my administration. We are the most energy-rich state in the nation. God has blessed us with almost limitless resources. It is unacceptable that so many fellow Alaskans wake up each morning in a cold house, as I did growing up in rural Alaska.

If Alaska was a country, we'd be among the top eight energy producers in the world and yet we have the highest cost of energy in the nation. We can and must do better.

This administration has made it a priority to reduce energy costs at state-owned and public buildings, including schools. Increasing energy efficiency will allow state dollars to be better concentrated on the services provided. And Alaska, when it comes to our public buildings and schools, wasted energy is government waste.

Every growing economy in the world has one thing in common, and that is low-cost energy. This administration will not rest until Alaska is squarely on the road to becoming an economic powerhouse thanks to low-cost energy that will bolster and diversify our economy. This

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Legislature has done good work in this area over the past few years. From wisely incentivizing natural gas storage in Cook Inlet, to recognizing the importance of a large-diameter gas line, to investing in renewable energy projects and conservation, your leadership has made a difference. Now it is time for even bolder steps.

Gas line

Thirty-seven years ago, Donna and I cheered and actually danced in the streets with hundreds of Alaskans as the first barrel of oil from Prudhoe Bay arrived in Valdez. A few short months later, Donna and I were married and I began working on a large volume gas line and LNG project. Alaska, it is time to build the gasline to provide gas to Alaskans and liquefied natural gas to world markets.

Under my administration, we will finally begin building the Alaska gas line to tidewater. It will be done with Alaska hire to the maximum extent allowed under the law. And it will comply with Alaska's constitutional mandate that our resources be developed for the maximum use and benefit of Alaskans.

I was honored to have the president of a major Japanese energy consortium travel from Tokyo to Juneau last month for our inauguration. I met with this Japanese delegation the following morning as my first official meeting as your governor. About 10 days later, they returned to Juneau with a memorandum of understanding.

Since signing that MOU, other significant LNG buyers in Asia have contacted me expressing similar interest. In fact, on our way to church on Christmas Eve, I received such a call from a major Japanese company.

The gas is available. The market is responding. And as we know, Alaska is the crossroads of the world. It's time we engage those markets, diversify our economy, create long-term fiscal stability and job growth. And it's beyond time to complete the work those in this room have started on this critical project.

Value-Added Opportunities

It is also long past time for Alaska to focus on value-added job opportunities with the extraction of our natural resources. Again, I believe that is our constitutional mandate. When we export our resources as raw material and import the finished product, we serve others as a colony. When we make something from our natural resources and export a finished product, that is an economy.

LNG is a finished product as is fertilizer from Nikiski, processed fish, produce from the Mat-Su and boats built in Ketchikan. We should be making and exporting cement north of Fairbanks given all the limestone available and the rail and highway infrastructure. We should be refining products from our own oil. All we need is affordable energy.

A great example of a value-added industry is right here in Juneau. In 1986, two local entrepreneurs, Marcy and Geoff Larson, convinced 88 people to invest \$5,000 each to start what is now the largest brewery in Alaska. Today, the Alaskan Brewing Company employs about 70 full-time workers in Juneau alone. They also load about four containers a day of a finished product bound for destinations across Alaska, the Lower 48 and beyond.

The Alaskan Brewing Company has become a leader in energy-efficient commercial brewing by developing and employing innovative technology and reducing their diesel consumption by 70 percent. We have a duty to future generations to make the most of our resources. If Marcy and Geoff can create 70 jobs utilizing Alaska's water resource, just imagine what can be done when we apply this ingenuity to our vast fish, oil, natural gas, timber and mineral resources.

And perhaps our greatest renewable resource is the majesty and allure of Alaska itself which draws nearly 2 million visitors annually. Our tourism industry creates nearly 50,000 jobs and has a direct economic impact of nearly \$4 billion annually. This is a healthy and vital industry which showcases a dynamic partnership between private enterprise and state and local government, one that has the potential of limitless growth and contribution to our economic wellbeing.

Health Care

This evening there are tens of thousands of Alaskans with no health insurance who could be covered at no cost to the state. These are mothers and fathers, sons and daughters; entire families who will go to bed tonight in fear. Fear that despite their best efforts, they are just one injury or diagnosis away from losing everything. That’s wrong. It’s unacceptable. And we’re going to put an end to that on my watch.

I began taking steps to accept the 100-percent federally funded Medicaid expansion on my first day in office. Many in the faith-based community, the Alaska State Chamber of Commerce and other job creators say Medicaid expansion isn’t just good for the health of our citizens, it’s good for the health of our economy. It is estimated this could create as many as 4,000 new medical jobs in Alaska.

My selection of Val Davidson as the Commissioner of Health and Social Services was the first step in accomplishing this objective. We have begun the process of extending federally funded coverage to thousands of our friends, neighbors, family members and coworkers. Thank you, Commissioner Davidson, for all of your hard work in this area.

Epidemics

The health of our communities and villages is also a top priority of my administration. The epidemics of rape, sexual assault and domestic violence plaguing our state must end. We all know the numbers, but even one case is one too many. Often lost in the facts and figures are the victims themselves. These are real lives. Women. Children. Men. Families torn apart. And each of us—all of us—deserves to feel safe.

The well-being of Alaska’s families, especially our children, is something Donna and I—and each of you—care about deeply. In 2009, Donna worked as a caseworker for the Office of Children Services. She saw firsthand the heartbreaking neglect and abuse being suffered by our most vulnerable population, Alaska’s children. Her first official act as First Lady was agreeing to serve as Honorary Chair of the Alaska Children’s Trust, an organization that works to provide real solutions to preventing child abuse and neglect.

I have asked my commissioners to look to states that lead the pack in fighting these epidemics. I will also ask our state and local officials to help us develop community-based solutions. We will continue to work alongside the agencies doing strong work in these areas and create a solid action plan.

I also ask that this legislature make Alaska the next state to pass Erin's Law. This is a bill that will enable our schools to further implement a proven, age-appropriate program to help children identify sexual abuse and seek help. Members of the Legislature: if you send this bill to my desk, I will sign it and we will take an important step toward protecting the lives of so many young, precious Alaskans.

National Guard

We thank the men and women who serve in the Alaska National Guard with honor and integrity. For your service, we thank you. Because of the sacrifices and commitment you have made to our state and nation, we honor your service. Tomorrow, my Attorney General Craig Richards will name an independent special investigator to examine what went wrong in the Alaska National Guard.

That investigator will have full access to all paper and electronic evidence to get to the bottom of the allegations of sexual assault, misconduct and cover-up. As the Commander in Chief of the Alaska National Guard, let me assure you that the perpetrators will be brought to justice, face expulsion, incarceration or both.

I also want to thank all the men and women in the military and in law enforcement who put their lives at risk every day to protect us. On May 1st, Sergeant Patrick Scott Johnson and Trooper Gabriel Rich were killed in the line of duty in Tanana. Our thoughts and prayers are with their families and those families of other law enforcement officers and servicemen and women who have made the ultimate sacrifice. Please join me in honoring the families of Sergeant Johnson and Trooper Rich, who have so graciously accepted our invitation to be with us this evening.

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To our military and law enforcement families: I speak for all Alaskans and say thank you for the sacrifices you make daily for us. Your fathers, your husbands, your mothers and daughters—these are the heroes who protect our freedoms and keep us safe. These are the gallant and the brave who help us all sleep a little better at night. Please join me once again in thanking and honoring all of the men and women in uniform for their sacrifice and service.

Education

I want to turn to education. We are perhaps facing the largest budget deficit in Alaska's history. To get on track during critical financial times, we must make difficult decisions. And sometimes we have to make sacrifices.

We will protect education funding and insulate it from the state's fiscal situation to the greatest extent possible. We will continue to invest in education as it is one of the highest priorities of this state—but not at the rate we could have when oil was over \$100 per barrel. Forty-six-dollar-per-barrel oil brings about a new day in Alaska, and we must respond prudently and very carefully. So I ask educators to pull together, be resourceful and efficient.

I hold our educators in the highest regard. I will do all that I can and work with teachers, principals and administrators to assist and provide for the needs of our schools statewide. Public education is a constitutionally mandated responsibility. I have not, and will not forget that. The days of exporting our resources with an imported workforce must come to an end.

Alaskans are some of the hardest working people in the world. Let's make sure our youth get the training and skills they need to fill the jobs of today and tomorrow. We do that by being creative, parents stepping up and teachers and administrators thinking outside the box. I began my education in a Quonset hut on Fort Greeley. While the school facilities were a bit rustic, the high quality of education I received inside those walls is what I remember most. I thank each and every teacher out there who has taken on the high calling of educating our children.

While we certainly have room for improvement in our schools, we should also celebrate our achievements. In Nevada last month at one of the toughest high school wrestling tournaments in the country, Kotzebue senior Josh Roetman, won his weight class and earned the tournament's "Outstanding Wrestler Award." He is the first All-American athlete from Kotzebue High School and has been accepted to the U.S. Naval Academy.

This past spring, Christine Frandsen of Lathrop High in Fairbanks captured a silver medal at the United States Decathlon Super Quiz—a competition that attracted teams from around the world.

These individual successes serve as a reminder that the next generation has the talent and drive to succeed. It's up to us to provide the opportunity for them to do so. We need to increase career and technical education opportunities. We can build upon the success of programs like the Fairbanks Pipeline Training Center. There are other examples in the Mat-Su, Kenai, Nome, Seward, Anchorage, Kotzebue and Barrow, to name a few.

For those who choose college, Alaska is fortunate to have great universities across our state. It is time for Alaska to develop a different relationship with our university. We too often reach out to Lower 48 consultants without first determining if the same or better analysis can be done here within our university system or in our private sector.

Arguably, the greatest knowledge of Arctic Policy studies can be found at the University of Alaska Fairbanks. The Ted Stevens Marine Research Institute here in Juneau serves as a leading authority on fisheries management. The Kodiak Seafood and Marine Science Center serves the State of Alaska through research, education and training activities. These are fundamental to marine science, the competitiveness of the Alaska seafood industry and in meeting important workforce needs.

Last week I held our first cabinet meeting. We have renamed the Governor's Conference Room the "Cabinet Room," and I plan to use it extensively and regularly with the cabinet. At my invitation, also attending last week's cabinet meeting were the University of Alaska

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President, Alaska Railroad CEO and the Alaska Permanent Fund CEO. This is a standing invitation for these state entities to be represented in cabinet meetings. The purpose is to ensure that we are fully harnessing our university, infrastructure and financial resources.

Arctic Policy

I also want to thank this Legislature for all you have done on the critical issue of Arctic Policy. For the next two years, our nation will chair the Arctic Council. Were it not for Alaska, the United States would not be an Arctic nation at all. For this reason, of the estimated 20 meetings the United States will host, most will be held in Alaska.

I have established a cabinet-level position to address Arctic issues. I have named Craig Fleener to this post. As you may know, Craig has previously served as a permanent member of the Arctic Council. Craig will be a vigorous advocate for Alaska's interests as the council addresses Arctic transportation and navigation, tribal issues, climate change, telecommunications and public/private partnerships for Arctic development.

The Future

Given current oil prices, there has been a lot of discussion about the fiscal challenges here in Alaska. While I don't dispute the numbers, I do dispute the gloom-and-doom predictions. To those who say Alaska's finest days are behind us, I say they are looking in the wrong direction. Governor Wally Hickel used to say, "Before we had money, we had guts." Alaska has trillions of dollars of value trapped under our ground and in our waters.

Since taking office on December 1st, I have twice been to Washington, D.C., for meetings at the highest level to discuss the infrastructure and regulatory advances we need to fully develop our resources. The potential of our oil fields and mining prospects are nearly limitless. But we can't keep having the same fights with national leaders and expect a different result.

The facts are on our side. We can and will use them. But we can also listen, address the agency concerns head-on and forge a path forward. And Alaska's resources aren't just under our feet—they are also under our boats. Fisheries remain the state's top employer and we will work with this crucial sector to strengthen sustainable fisheries.

In Alaska, every boat is a small family business. We will work together with the industry to keep boots on the deck and bolster demand across the globe for our high quality products. We thank all of these industries for the countless jobs they provide and for all of the solid investments they continue to make in Alaska's communities.

My goal is to continue to work with them to further develop these resources. We will do it on Alaska's timeframe and follow the constitutional mandate to develop them for the maximum use and benefit to Alaskans. To me, this means having Alaskans do the work. I have long been a fierce advocate for local hire. I want our North Slope workers to commute from Minto, not Mississippi and from Houston, Alaska, not Houston, Texas.

It will be a priority of this administration to "buy Alaskan" when possible. Whether it is professional services, food, equipment, or just about anything else, I urge all Alaskans to do the same. Unfortunately, one of the biggest commodities we export from Alaska is our money. Buying Alaskan is something we can all do in our businesses and personal lives.

When we make a purchase out of state rather than support local businesses, we end the local multiplier effect. This damages economic growth and sustainability. Think about which businesses will be making the Little League, the Little Dribblers and the youth hockey donations. Let's help those businesses here in Alaska, the ones in our hometowns that help us. That is part of what 'Alaska first' means.

When Alaska became a state, approximately 50 percent of the food we consumed was grown or raised here in Alaska. Today that percentage is under five. We can reverse that. Our administration will have a renewed commitment to manage our wildlife and fisheries populations for abundance in order to provide for the subsistence and economic needs of Alaskans.

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We should be marketing our incredible vegetables grown in the Matanuska Valley and elsewhere, like we have marketed the Copper River red salmon from Cordova. Did you know that our carrots are eight times sweeter than those grown in California? Spend two summers manning a booth at the Palmer State Fair and you learn this kind of stuff.

Working Together

Alaskans, yes, there are challenges ahead. But so many of our most significant accomplishments have come in the face of adversity and in times when we have worked together—with no agenda but to strengthen and prosper our state.

I remember so well Alaskans reaching out together to fight for statehood, and to help those of us in need after the 1964 Earthquake. I remember as a teenager, driving to Fairbanks from Valdez to help friends there following the 1967 flood. Whether it is a fuel shortage in Nome, forest fires on the peninsula and the Mat-Su, flooding on the Yukon, the threat of military base closures in the Interior, or the closure of the pulp mill in Ketchikan, we rise and survive as one when we support our fellow Alaskans.

When we build each other up and we work together, nothing can shake us. We persevere, we work hard, we dare to achieve. I urge all Alaskans to be cognizant of the fiscal situation facing us. And like my family following the earthquake, do not let yourself become overwhelmed by the enormity of the task at hand. Rather, let us understand the work that must be done, and look ahead toward rebuilding and creating a prosperous future.

To the members of this esteemed body, I say to you that, yes, the task ahead of us is great, but it will not consume us. Our foundation is one of ingenuity, camaraderie and hard work. It is time to put those principles into practice, make the tough decisions and tackle the work ahead of us. The public is looking to us to take action. We must deliver. And just like those generations before us who so bravely built this great state, we must not seek the best Republican answer or the best Democratic answer but the right answer for Alaska.

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We have a lot of work ahead of us. It will be tough, and we may not always agree, but I'm confident we will pull from the same end of the rope to achieve the best outcomes for Alaskans.

Let's focus not on party lines but on Alaska's bottom line. Let's honor the legacy of our past as we create opportunity for all who look north to the future. We are Alaskans and darn proud of it.

As the late Senator Ted Stevens was famous for saying, "The heck with politics, let's do what's best for Alaska!" And that, my fellow Alaskans, is exactly what we will do!

May God bless you, and may God bless Alaska.

Please report corrections to the Senate Secretary's office.