

**SENATE AND HOUSE
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Thursday

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**State of the State and
State of the Budget Address**

by

The Honorable Bill Walker

Governor

State of Alaska

Before a Joint Session

of the

Second Session

of the

Twenty-Ninth Alaska State Legislature

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January 21, 2016

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Bold Steps, New Beginnings:
Pulling Together for Alaska

State of the State
Governor Bill Walker
January 21, 2016

President Meyer, Speaker Chenault, Lieutenant Governor Mallott, members of the Legislature, members of the Cabinet and fellow Alaskans. Good evening and thank you for this opportunity to address the second session of the 29th Legislature and the people of Alaska.

First, let me introduce my first lady of 38 years, Donna Walker, and our daughter Lindsay Hobson. I also want to introduce Lt. Governor Mallott's first lady of 43 years, Toni Mallott.

It has been one year since I stood before this body and gave my first State of the State speech. Much has happened since then and tonight I will recap the past 12 months and then address not just this coming year but also the future of Alaska.

Many have asked me how my first year as governor has gone. Out of the mouths of small children we get the unedited truth. First Lady Donna Walker enjoys visiting Alaska's classrooms to read to and talk with the children. Recently a dad told Donna that after her visit to his daughter's classroom, the 6-year-old could not stop talking about the governor's wife. In fact, he overheard her while she played a game with her younger sister when she announced, "Now if you win, you get to be the governor's wife!" "What happens if I lose?" came the response. Big sister replied, "Well, if you lose, I guess you'll just have to be the governor."

Some people have offered me their condolences on being governor during this challenging time. The truth is, I am proud to be the governor of this great state. It's a tremendous honor, and a tremendous

SENATE AND HOUSE JOINT JOURNAL SUPPLEMENT

No. 10

January 21, 2016

responsibility, to lead at this particular moment in our history. I know what we can do for our children and grandchildren if we make smart decisions now.

We will not be able to accomplish what we need to do without working together. Several months ago, the lieutenant governor brought me a gift. It was a picture taken in the village of Metlakatla in the early 1900s. In the picture, there are folks in rain gear standing in a streambed with a rope.

Back then, when Metlakatla residents needed to remove tree stumps, the entire community gathered with a single rope, and pulled. The picture is titled “Pulling Together.” Lt. Governor Mallott wrote at the bottom of the picture, “Governor, pulling together—it is what we do.” He’s right. We have been pulling together. And I know we can get through anything if we all pull together as Alaskans.

I have an extraordinary team of Alaskans pulling together in my Cabinet. Each commissioner was selected based on talent, expertise and proven leadership. I also chose them based on their willingness to make bold decisions during this time of transition.

I also thank every state employee. In lean budget times, there is always a lot of discussion about reductions in the number of state employees. There have been significant reductions since I took office. This does not diminish, but rather increases, my appreciation for the hard work each of you is doing, often with less manpower and fewer resources.

I am also grateful to all Alaskans who wear a uniform—whether it is a municipal, state or federal uniform. Thank you for protecting our cities, our state and our nation.

Finally, members of the Legislature, I thank each of you for your dedication to the people of Alaska. Thank you for engaging with me, at times in vigorous debate, about the best course for our state. When we work together, with open minds and open doors, I know we can solve the challenges we face.

Year In Review

Alaska Safe Children's Act

I stood before this body last year and said if you pass the Alaska Safe Children's Act, sometimes referred to as Erin's Law and Bree's Law, I would sign it. You did just that with near unanimous support in a special session. Together, we took steps to protect our most vulnerable.

We recently created a special unit in Bethel focused specifically on investigating violent crimes. In the past year, thousands of Alaskans have joined a nation-wide movement to speak up to stop domestic violence and sexual assault. Even one voice can make a big difference.

I pledge to honor those courageous voices. I will do everything in my power to prevent violence, support victims and bring perpetrators to justice.

Suicide

Suicide tears out the heart of too many families and communities. Lieutenant Governor Mallott and Commissioner Val Davidson started a Cabinet-level team to better coordinate state efforts in suicide prevention. I also applaud efforts of the statewide Suicide Prevention Council, led by Bill Martin.

You don't have to be a cabinet or council member, however, to make a difference. Each of us can help someone who's in crisis. It can be as simple as sharing a phone number. The number for a statewide suicide hotline is on my website.

Medicaid Reform & Expansion

Through Medicaid expansion, we were able to provide federally funded health care to thousands of Alaskans. In the first four months, nearly 8,000 Alaskans gained access to health care coverage. That also brought in \$22 million in new federal revenue to Alaska. That means savings to the state general fund and a healthier Alaska. We are committed to improving the state's Medicaid program through ongoing reform.

SENATE AND HOUSE JOINT JOURNAL SUPPLEMENT

No. 10

January 21, 2016

We are also turning our focus to the rising cost of health care, which affects nearly all Alaskans and the state treasury. You will hear more about our efforts on that front in the coming months.

Indian Child Welfare Act

When I took office, a Supreme Court decision shed light on weaknesses in our adoption process under the Indian Child Welfare Act.

We improved the adoption process to make it easier for Alaska Native children to stay with relatives or tribal members, thanks to collaborative input from the Alaska Federation of Natives and tribal leadership. By embracing the spirit and values of the Indian Child Welfare Act, we are working together to keep more Alaska Native children in their home communities.

Voting Rights

My administration also inherited a contentious voting rights case. Thanks to the hard work of Lieutenant Governor Mallott working together with all parties, that case was settled and we increased access to the polls for Alaskans with limited English proficiency. We also now have a language assistance coordinator to ensure all Alaskans can exercise the right to vote.

In addition, we are modernizing our voter registration system. As of November 24, Alaskans can register to vote online. Nearly 1,000 Alaskans have already done so.

Transboundary Waters

My administration has taken steps to address concerns about the potential for Canadian mines to pollute Alaska's downstream waters.

British Columbia Premier Christy Clark and I agreed to establish a bilateral working group focused on protecting trans-boundary rivers. Lieutenant Governor Mallott will continue working with Alaska tribes and stakeholders, as well as leaders in British Columbia, to ensure that activities in Canada do not harm Alaska waters.

Public Trust: Alaska National Guard

The Alaska National Guard issues demanded immediate, probative, corrective action when I took office. I'm grateful to Adjutant General Laurie Hummel for her leadership in ushering in the cultural changes needed at the Guard. Many steps have been taken to restore public trust by investigating, making public and addressing systemic problems in the Guard.

While there are many tools we need to get us through this period of transformation, there is no tool more important than public trust. Government can't buy or rent public trust. It must be earned. That begins with listening to the public, then acting based on what we heard.

A year ago, I asked Attorney General Craig Richards to retain an investigator to look into all of the allegations of misconduct from within the Guard. He selected retired Superior Court Judge Patricia Collins. Her report was made public, and prompted ongoing investigations.

I am now hearing from the rank and file that the improvements under the new leadership are vast and appreciated. There's a distance to go but the wheels of change are moving in the right direction.

General Hummel and her team have also begun an initiative to re-establish a stronger Alaska State Defense Force presence in rural communities. The goal is to get more rural Alaskans engaged in the National Guard and military.

Public Trust: Department of Corrections

Addressing the high frequency of inmate deaths in Alaska's correctional system was among the challenges I faced when I first took office. This was and is a major concern, as it should be to all Alaskans. We had to take a closer look, so I ordered an administrative review of the department. The results of that review, including much of the video footage, have been made public.

SENATE AND HOUSE JOINT JOURNAL SUPPLEMENT

No. 10

January 21, 2016

Despite some of the disturbing aspects of that report, there are some positives. We recognized we had a problem, and took an honest look at it. We have made changes in the department to focus efforts on system-wide cultural change. Other states, some of our federal partners, and many Alaskans who contacted us during the review want to help us effect change. And many of you in the Legislature have been raising concerns about our corrections system and want it fixed as much as I do. Let's continue to work together on long overdue reform.

Let me be clear. We have many wonderful employees at the Department of Corrections who want to help improve the system. They care about each other and fellow Alaskans.

We are looking into bringing back what used to be called Prison Industries. More than 4,700 Alaskans are incarcerated. I am a firm believer that the best cure for many social ills is a job. We are exploring opportunities to better prepare prisoners for re-entry into society.

During this legislative session, you have before you a criminal justice reform initiative that is the result of collaboration between all three branches of government - legislative, executive and judicial. It proposes practical reforms to reduce crime and recidivism rates, relieve overcrowding and improve conditions in our prisons. These reforms could save Alaska up to \$500 million over the next decade. The Pew Foundation has committed resources and expertise to help.

Senator John Coghill will carry the recommendations in Senate Bill 91 and my administration will offer our full support. This initiative is another great example of what we can accomplish when we work together.

To continue building and maintaining public trust in state government, the Department of Law is establishing a public integrity unit. This unit will investigate officer-involved shootings, deaths in state custody, and allegations of government corruption.

Oil and Gas

I'd like to highlight some of our efforts on resource development.

We met numerous times with North Slope producers, independent producers, and companies doing work in Cook Inlet. As it became clear the existing generous oil tax credit programs could not be sustained in our current budget environment, we continued to meet with independent companies. They showed their willingness to explore other options that may be acceptable to their companies and within the financial reach of Alaska.

Early in the year we received a request from ConocoPhillips for assistance with federal permitting of its Greater Mooses Tooth 1 project. We were happy to help. It kicked off the first of many face-to-face meetings I had with the Secretary of the Interior on this project. We all celebrated the announcement that the project received not only the required federal permits, but internal corporate approval to move forward.

We are pleased with the progress being made by ExxonMobil at Point Thomson and look forward to that project going into production sometime in the next several months.

Let's turn now to the AKLNG project. Alaska finally has a seat at the decision-making table. I thank each of you here tonight for your help in making that opportunity possible with your strong support of the TransCanada buyout.

We now have commitments from all three major companies on the North Slope to make sure gas is available for an Alaska gasline, whether or not they remain in the project. This is a significant step forward.

The reception we received in Japan in September from the Asian marketplace following my presentation at the LNG Producer-Consumer Conference was extremely encouraging. Alaska first forged a relationship with the Asian market nearly 50 years ago. The very first shipments of LNG into Japan came from Nikiski in October of 1969. That is the longest-honored contract in the history of LNG. The

SENATE AND HOUSE JOINT JOURNAL SUPPLEMENT

No. 10

January 21, 2016

market has not forgotten that and stands ready to work with Alaska to ensure the pipeline is built and the LNG project at Nikiski is successful.

Our goal is to have to you this session the commercial contracts necessary to advance this project. The fiscal certainty our partners need before they make their final investment decision will require Alaskans to vote on a constitutional amendment. We believe it is necessary for legislators and the public to see the terms of those concessions well before being asked to vote on them.

New Sustainable Alaska Plan

On the challenges and opportunities ahead, Senator Click Bishop said it best. When a reporter asked him to list the three top issues this session, Senator Bishop responded, “They are, and in this order: the budget, the budget, and the budget.”

As I have said frequently over this past year, Alaska does not have a wealth problem, but we do have a cash flow problem.

When I filed to run for governor, oil was over \$100 per barrel. When I stood before you at this time last year, the price of oil had dropped 51 percent in 83 days. It was dipping to below \$50 per barrel. Today, it’s \$26 per barrel. Some experts predict there will be no rebound for many years.

That means we cannot continue with business as usual. That means we will have to change our course.

Family Talk

Alaskans are no strangers to adversity and we have weathered major storms together. One that I remember most vividly occurred on a Friday 52 years ago. Most of those gathered here have heard my family’s earthquake story. What I want to reflect on tonight is not the disaster itself, but my family’s response to the new reality that followed.

In 1964, my family's construction business was doing reasonably well. We were building several houses a year. Then the earthquake and tsunami struck, killing more than 130 people. More than 30 were personal friends and neighbors who were on the dock in Valdez that afternoon.

The earthquake destroyed whatever financial stability my family had managed to build. All of the material we had purchased for two construction projects was on the dock that day, all uninsured. The tsunami had swallowed it all.

Post-quake, we worked on a few repair projects around Valdez. Then there was no more work. We couldn't build houses in a town that had to be moved, and the new town of Valdez was not developed yet. We went from making a decent living to barely scraping by. It all changed in five-and-a-half minutes.

I remember well my father calling the six of us to the dining room table for a family talk. I was 12. Dad said, "Well, the federal agencies all say we should file for bankruptcy." I asked, "What does that mean?" He explained, "We will be able to keep our vehicle and tools, but we won't have to pay for everything we lost on the dock in the quake."

I knew we owed the First Bank of Valdez money. My best friend's dad owned the bank so I asked, "If we don't pay Tom Gilson's dad, what does he do?"

Bankruptcy was designed precisely for our situation, but our family chose not to go that route. Instead, we set about getting every job possible to replace our lost income in order to pay our debts.

My brother, sisters and I did what we could to pitch in. I started a dog-sitting business for tourists while they went by boat to see Columbia Glacier. My brother Bob got a job in the crab-processing plant. We pooled our earnings. On Fridays, we all piled into the car to pick up my older sister from her babysitting job. Friday was her pay day. We drove straight to Gilson Mercantile to buy groceries with her babysitting wages. It was that dire.

SENATE AND HOUSE JOINT JOURNAL SUPPLEMENT

No. 10

January 21, 2016

My family also became the school janitors. Every day after school, my buddies would take off to go shoot hoops or hunt ptarmigan. I went to the janitorial closet, picked up the brooms and the mops and spent the next four hours cleaning the junior high and high school with my brother and sisters. Our dad cleaned the grade school. We were fortunate to have the work. We struggled, though, right up until construction of the Trans-Alaska Oil Pipeline system.

But we survived our financial crisis by cutting our expenses and developing new sources of income. We survived through hard work, and by pulling together as a family.

The Problem

Today, Alaska has been struck by an earthquake of a different kind. Oil prices are plummeting and oil production is declining. That means the revenue that has funded up to 90 percent of our state since the mid-1970s is rapidly declining. The money we have relied on to pave our streets, educate our children and build our hospitals has also rapidly declined.

For the past three years, our growing deficits have been covered from our savings. If we continue down that path, those savings will be depleted in less than four years.

My fellow Alaskans, it's time for a family talk. We didn't get here overnight, and it isn't as though we weren't warned of this day. In 1976, Governor Jay Hammond told the Anchorage Chamber of Commerce:

“While the time to pay the piper may well be some 20 or 30 years away, if we continue to build a government funded primarily from one resource alone, what a terrible legacy we would leave our children.”

Alaska did not heed Governor Hammond's sage advice, and that day is now upon us. Given my 30 years in Valdez, I tend to use boat analogies. There's been a hole in our fiscal boat for a long time.

Oil throughput in TAPS began to decline in 1988. Starting in fiscal year 2013, we developed a budget hole. But rather than fix the hole, we've been pumping the boat to stay afloat. As the hole grows, we've been throwing more pumps at it, drawing down our savings to pump out a larger and larger deficit.

In 2014, it was a \$1.6 billion deficit. It's now a \$3.5 billion deficit. That means we are drawing down from our savings at a rate of \$400,000 every hour. During the time we are gathered here tonight we will have drawn down another \$400,000.

Throwing more pumps in to keep our fiscal boat afloat is just not the answer. It is time to put the boat up on the grid and fix the hole. We have three tools with which to fix the hole. We can reduce spending, use permanent fund earnings and find additional sources of revenue. Most Alaskans who have taken a thorough look at the problem have concluded we will need to use all three.

After months of roundtable consultation with Alaskans from all corners of the state, we introduced the New Sustainable Alaska Plan.

The Path Forward: Spending Cuts

The first part of the plan calls for spending cuts. We've already begun.

Working with the legislature, we cut close to \$1 billion from state general fund spending this fiscal year: \$385 million from the operating budget and \$493 million from the capital budget. As of October, the state has 587 fewer permanent employees than the year before. If we include the University of Alaska, the Alaska Railroad and temporary employees, that number more than doubles—to about 1,400 fewer state employees. If my budget is approved, we will have the lowest number of state employees since 2007.

We are working hard to manage these reductions with the least impact possible to public services. Early in my administration, I placed restrictions on hiring and travel and formalized them about a month ago. Four departments are using mandatory or voluntary furloughs. All departments have reduced and continue to reduce staffing levels.

SENATE AND HOUSE JOINT JOURNAL SUPPLEMENT

No. 10

January 21, 2016

We have combined divisions. For example, within the Department of Commerce, Community and Economic Development, the Division of Community and Regional Affairs is in the process of streamlining its 10 divisions down to four.

We are implementing a shared services concept the State of Ohio used to reduce the number of employees who do similar tasks for different departments. We have consolidated leased space. Private, local and federal partners are helping to provide some services the state can no longer afford.

These are just a few of the cost-saving measures we are pursuing. But the reality is if we laid off every state employee, it still would not make much of a dent in the deficit. Cuts alone cannot solve our budget challenge, and time is of the essence.

The Path Forward: Alaska Permanent Fund Protection Act

That's why I introduced the Alaska Permanent Fund Protection Act. If we don't make significant changes in how we fund government, we will drain the constitutional budget reserve within two years and the permanent fund earnings reserve in another two years. The permanent fund dividend will go to zero dollars in just four years.

The Permanent Fund Protection Act makes the permanent fund stronger by directing additional revenues to it. It puts government on an allowance; and it makes the permanent fund permanent.

Under my plan, half of the state's share of our natural resource royalties will go toward dividends. The first year, dividend checks will be funded at a flat thousand dollars for each qualified resident. Since the program began, the average dividend check has been about \$1,150.

Going forward, dividends would be tied to resource royalties. There will be **no cap** on the dividend. I repeat: there will be **no cap** on the dividend. When new oil flows through TAPS, oil prices rise, or the gasline project is built, dividends will go up.

We must put government on an allowance—not one that rises and falls with the price of oil but one that is stable and sustainable. We must get off the boom-and-bust budgeting rollercoaster we’ve been riding for far too long. It is time we focus on the next 50 years and not just on the next budget cycle or the next election cycle.

I look forward to working with all of you this year to pass the Permanent Fund Protection Act. If we do not take this critical step this year, our ability to close our budget gap becomes much more challenging.

The Permanent Fund Protection Act and spending cuts get us most of the way to a balanced budget but we need that third tool. We must generate new revenue.

If we adopt the entire plan, Alaska will still be the only state to pay a dividend check every year to residents.

We will have the nation’s second lowest individual tax rate. We will have money to provide essential services as well as invest in major projects such as the gasline. And we will have set the state on a sustainable course for our children and grandchildren.

The Path Forward: New Revenue

The last part of my plan closes the fiscal gap by generating revenue through modest tax increases. I am proposing multiple measures to ensure that no segment of Alaska is overly burdened.

Here are the key proposals:

I’m proposing a modest income tax linked to the federal income tax. It amounts to **less than 1 percent** of the gross income for the average Alaskan.

We selected an income tax over a sales tax for a couple of reasons. We wanted out-of-state workers who commute back and forth to Alaska to contribute to the solution. We also were sensitive to local governments that already have a sales tax. We didn’t want to stack a state sales tax on top of a local sales tax.

SENATE AND HOUSE JOINT JOURNAL SUPPLEMENT

No. 10

January 21, 2016

State income taxes are deductible from your federal taxes. And an income tax is less costly and burdensome to collect than a sales tax.

We are also proposing an increase to the alcohol and tobacco tax. I think of these as user fees. Alaskans are free to make their own choices, but there are significant public health and safety costs related to alcohol and tobacco use. These hit our general fund hard, and these taxes help offset those costs.

Alaska currently has the lowest motor fuel tax in the nation. Even after the proposed increase, we will still be well below the national average tax rate.

The fisheries, mining license and cruise ship head tax measures ensure that all sectors of our economy contribute to the solution. The fisheries bill proposes an increase of 1 percent to various fisheries levies.

The mining license tax proposes an increase of 2 percent. The first \$100,000 of a company's income is exempt from the increase.

The cruise ship head tax legislation eliminates an existing port fees credit deduction.

After careful study and consultation with the industry, my team recommended we make reasonable changes to our oil and gas tax credits and tighten some of the provisions that were enacted in very different fiscal times.

My bill will reduce state spending by about \$400 million. The bill also provides a limited waiver of confidentiality so Alaskans know where our money is going.

Is It Fair?

None of the pieces of the plan are politically popular. I realize that. What my team and I strived to do was ensure the process was inclusive and that the final package was fair. At the end of every discussion, we asked ourselves, 'Is this fair?' That has been, and continues to be, our internal test of the plan.

I have said many times this plan is written in pencil, not pen. There will be much discussion, debate and criticism over the next few months. I welcome that debate. The only unacceptable option is to do nothing. Delay is the enemy. It is an option Alaska cannot afford.

I want to re-emphasize that if we implement the New Sustainable Alaska Plan in its entirety, we will still be the only state that pays an annual dividend to every qualifying resident. Alaska will have the second lowest individual tax burden in the nation. We will still be able to grow our savings.

We will be able to provide essential state services like education, transportation, and public safety. And we will have the financial means to invest in the economic growth of our state.

Earlier this month, the national bond rating agency Standard & Poor's downgraded Alaska's bond rating. In its January 5 summary document, which every Alaskan should read (you can find it on my website), Standard & Poor's wrote:

"The negative outlook reflects the large structural budget deficit in Alaska's unrestricted general fund. Currently, the state is able to finance its operating deficits by withdrawing funds from its budgetary reserves. But the magnitude of the fiscal deficits makes the arrangement unsustainable and, unless corrected, inconsistent with the current rating. Therefore, we will likely again lower the state's rating—possibly by more than one notch—if state lawmakers do not enact measures to begin correcting the state's fiscal imbalance during its 2016 legislative session."

The message is clear. Standard & Poor's concluded:

"If lawmakers succeed in putting the state on what we view as a glide path to a sustainable fiscal structure, with its strong reserve balances still intact, we could revise the outlook to stable."

As governor, I am flexible on the details of a fiscal plan, as long as the outcome meets basic tests of fairness and sustainability. I am not flexible, however, on our need to get there this year. It's time to fix the hole in our boat.

Opportunities

With all this talk about the budget, I don't want us to lose sight of what really matters. **Alaska is much more than a balance sheet.** It's critical, however, that we balance the budget in order to reach our dreams and goals.

I want us to move past the current fiscal uncertainty so we can maximize our collective potential. We have tremendous opportunities. While we cannot guarantee prosperity to every individual Alaskan, every Alaskan should have the **opportunity** to prosper. I'll highlight just a few of the opportunities our state has:

Tourism is one of our greatest areas for potential growth. In the past four years, winter visitation has grown by 8 percent and the number of summer travelers has increased by 12 percent. Annually, nearly 2 million tourists visit Alaska and collectively spend nearly \$2 billion.

The visitor industry improves the quality of life for Alaskans in many ways. Most importantly, it provides 46,000 jobs during the peak season. These jobs support the health of our local communities and helps develop Alaska's leaders and entrepreneurs.

Several of my commissioners worked in the Binkley family's Riverboat Discovery business in Fairbanks as teens and three of our children worked summers in tourism businesses to help with college expenses.

Alaska's tourism industry is potentially our largest renewable resource with untapped potential – particularly in adventure tourism, and opportunities to encourage travelers to spend time throughout Alaska to share our rich culture and heritage.

Alaska has more mineral deposits than any other state. If Alaska were a country, we would be the 8th most mineral-rich nation in the world. We need to be sure we are advancing the necessary infrastructure for additional **mines** to be responsibly developed. I recently had the

opportunity to tour the Fort Knox mine. That mine is chock-full of Alaskan workers, and it provides substantial revenues to the Fairbanks North Star Borough.

Last year I mentioned the incredible carrots grown here in Alaska. As a result, I took a little friendly jabbing from some of you. But over this past year I have met with the president of Fred Meyer and spoken with the president of Albertson's/Safeway. I asked them to buy Alaska produce instead of hauling produce from Outside. I also asked them to consider exporting Alaska produce to their stores in the Lower 48. I look forward to continuing that discussion as part of a long-term vision with the state's **agriculture** board.

One of the driving justifications for statehood was to have more control of our **fish**. Our constitution specifically mandates sustained yield of that resource. Thanks to conservative, science-based management, we have the best managed fisheries in the world. We must also work to ensure that the world understands the difference between our wild and sustainably managed fish and the rest.

The bounty of Alaska's waters creates thousands of jobs and improves our quality of life every year through commercial, subsistence, personal use and sport fisheries. We acknowledge and are committed to working with all user groups of this valuable resource.

New shipping routes along Alaska's **arctic** coast can create opportunities for the state that can be likened to the impacts of opening the Panama Canal. We will need new and expanded ports, roads and rail extension to meet this opportunity.

We have traditionally been an energy state. As we diversify our economy, we have an opportunity to be a leader in **renewable energy**, emerging energy technologies and **energy efficiency**. With our abundant wind, geothermal, tidal and yes, even solar resources, we are uniquely suited to test, develop and deploy these technologies. On a practical level, reducing diesel use in our remote communities lowers costs for families, government and local businesses; and increases energy security.

SENATE AND HOUSE JOINT JOURNAL SUPPLEMENT

No. 10

January 21, 2016

Communities like Kodiak are showing what can be done, as 99.7 percent of the city's electricity now comes from renewables.

Alaska should have the lowest cost of energy in the nation instead of the highest. The **gasline** will help with that and would create numerous value-added industry opportunities in Alaska. For example, last year I mentioned we should be making **cement** north of Fairbanks. **Limestone** is now being processed there but in order to make cement, it will take lower energy costs. We have all the limestone we need and the rail infrastructure is already in place. All we need is cheap energy.

Education

Even in these challenging times, Alaska's students are a source of optimism and confidence. Their enthusiasm for tomorrow is not diminished by today's oil prices. State education leaders are developing a sustainable plan for Alaska's public education system based on input from Alaskans statewide.

Their strategic plan to ensure quality instruction and improved academic achievement for all Alaska students is comprised of three priorities: empower local control of education; modernize the state's educational system; and ensure high-quality educators for Alaska's children.

My administration remains committed to maintaining and continuously improving a comprehensive, quality public education system regardless of our economic challenges.

To our teachers, I thank each of you for doing what may be the most important job in this state. You equip our students with necessary academic skills. You also carry the responsibility to help our students shape productive lives for themselves and to exemplify the best values of our society.

We are fortunate to have a world-class university system. Last spring during my tour of Prudhoe Bay, I met many petroleum engineers working for BP and other companies who were graduates of the excellent program at the University of Alaska. We continue to work on ways to better incorporate the skills found in our university system into our administration and Alaska's workforce.

During this period of uncertainty and change, we need to use our university as our brain bank. Programs like the Cold Climate Housing Research Center in Fairbanks, the Institute of Social and Economic Research and the Alaska Native Science and Engineering Program are helping ensure *Alaskans* provide the brainpower and innovation for the future.

Conclusion: Pulling Together

Often, the most difficult step of a journey is the first step. It will take bold steps but Alaska's future hangs in the balance. We need bold steps for new beginnings. Alaskans can't afford to wait.

Some of you in this legislature have already proposed bold steps. You have offered new solutions to our fiscal challenge. Your willingness to propose ideas gives me hope that together we can make this happen.

One of the great privileges of this job is the opportunity to experience the extraordinary caring and courage of everyday Alaskans. Several months ago, I received an email from a Homer resident who explained that he is blind. He wrote:

"Where there is no vision, the people perish. When I lost my sight in 2008 I did not lose my vision."

He offered encouragement and said, "Together, we the people can create solutions." I was inspired by his words, and have taken them to heart.

In October, when Republican Wisconsin Representative Paul Ryan was sworn in as Speaker of the U. S House of Representatives, he quoted a Democratic President. Speaker Ryan said:

"And standing here, I cannot help but think of something Harry Truman once said. The day after Franklin Roosevelt died and Truman became president, he told a group of reporters: 'If you ever pray, pray for me now. When they told me yesterday what had happened, I felt like the moon, the stars, and all the planets had fallen on me.'"

SENATE AND HOUSE JOINT JOURNAL SUPPLEMENT

No. 10

January 21, 2016

Speaker Ryan went on to say:

“We all should feel that way. A lot is on our shoulders. So if you ever pray, pray for each other— Republicans for Democrats, Democrats for Republicans. And I don’t mean pray for a conversion. Pray for a deeper understanding, because—when you’re up here, you see it so clearly—wherever you come from, whatever you believe, we are all in the same boat.”

And tonight, I ask the same of each member of the Alaska Legislature—because we, too, are all in the same boat. Tonight is not about doom and gloom. Tonight is about the incredible future that is in store for Alaska if we have the guts to take hold of the wheel with two strong hands—the hand of the administration and the hand of the legislature—and navigate through rough seas with some serious but necessary course corrections.

As we were putting the finishing touches on the New Sustainable Alaska Plan we rolled out last month, many advised me not to recommend changes to the permanent fund dividend and certainly not to propose any taxes. They warned that should I take such bold steps to fix our fiscal challenge, those actions would hasten the end of my political life.

To those who question my political wisdom, I admit I may not be politically savvy. But I am a loyal son of this great land and as your governor, I will always put Alaska’s interests above my own. Here’s the deal: I did not run for governor to keep the job; I ran for governor to do the job.

Now is the time to put aside politics as usual. Now is the time for bold steps and new beginnings. The state of our state is strongest when we **pull together**. This is the Alaska that I love. This is the Alaska I have always known.

So come on, Alaska, let’s grab onto that rope and pull together for a sustainable and prosperous future. Thank you and may God bless Alaska.

Please report corrections to the Senate Secretary's office.