

**HOUSE AND SENATE
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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

Thirtieth Alaska State Legislature

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Facing Our Challenges, Working the Problem—Together

President Pete Kelly, Speaker Bryce Edgmon, Lieutenant Governor Byron Mallott, members of the 30th Alaska State Legislature, members of the Cabinet and my fellow Alaskans. Thank you for this opportunity to address you this evening.

I'd like to introduce First Lady Donna Walker, who has been by my side for every adventure of the last 40 years. I'd also like to introduce our daughter, Lindsay Hobson. It's also my honor to introduce Lt. Governor Mallott's first lady, Toni Mallott.

As I stand before you to deliver my third State of the State address, I extend a special welcome to the 15 new legislators. Thank you for stepping up to serve during a challenging but exciting time in our state's history. I look forward to working with all of you - new and returning legislators - to help write the next chapter for Alaska.

I thank my cabinet for your leadership and creativity. Governing requires a team effort, and I am grateful to have a dedicated and multi-talented team.

I thank our hardworking state employees. Much of what you do is invisible, but indispensable to the quality of life many of us take for granted. As the state workforce has shrunk, you are doing more with less. Yet, state employees donated more than \$350,000 to nonprofits last year through the SHARE campaign. I am proud of your generosity and your service.

Finally, I extend my heartfelt gratitude to all who reached out to me following my cancer diagnosis. In October, during the Alaska Federation of Natives convention, I received a phone call from my urologist informing me that I had prostate cancer. Following my surgery, I feel incredibly blessed to be a cancer survivor. Donna and I have been deeply moved by well wishes and prayers from across the state. I am fortunate that the cancer was diagnosed early through routine screening. I encourage all Alaskans: Please, get recommended screenings.

Turning now to the state of our great state: Tonight, I will discuss our fiscal deficit, highlight some accomplishments and challenges, introduce a new initiative and share my vision to move Alaska forward.

"Gravest Fiscal Crisis in State History"

State revenues are down more than 80 percent from four years ago. During that period, we've cut the budget 44 percent. But we still face a \$3 billion fiscal gap.

There is some good news. Last year at this time, oil was \$26 a barrel. Today, it is double that. New oil discoveries have the potential to stem the downturn in production. Last year, I told you about our work helping ConocoPhillips with some federal permitting challenges. I received a call last week from the President of ConocoPhillips Alaska. I was elated to hear of a new find in the National Petroleum Reserve-Alaska (NPR) with the potential to increase oil production by up to 100,000 barrels a day.

Currently, oil production is about 500,000 barrels per day. Oil prices hover around \$50 per barrel. It would take a price of over \$100 a barrel for a long period of time to solve our fiscal problem. Or it would require tripling the flow of oil in the pipeline. Neither is expected anytime soon.

Some say we have been here before. They say we should just wait it out. This philosophy is founded on hopes and dreams; not facts and reality. This philosophy has cost us nearly \$13 billion from our limited savings over the past 4 years.

These are dollars we will never see again. These are dollars that won't generate investment earnings – earnings that amount to hundreds of millions of dollars each year.

We have nearly emptied our Statutory Budget Reserve account. Next year's budget will virtually drain the Constitutional Budget Reserve.

Here is the hard truth. Denial doesn't make the problem go away. Hope doesn't pay the bills. We need to pass a plan to stabilize our fiscal future. And we need it now.

Take it from the Legislature's own financial expert, David Teal. Last summer he said, "Alaska is in the midst of the gravest fiscal crisis in state history." Mr. Teal is correct.

Alaskans made clear that before accepting new revenues, major budget cuts need to be made. My message to Alaskans is this: We heard you and we have acted.

Lowest Budget in 15 Years

During my tenure, we have cut more than \$1.7 billion in unrestricted general fund spending. We have reduced the capital budget by 80 percent. We are shrinking the footprint of government through shared administrative services, improved technology, and efficiencies.

We have reduced executive branch travel by 41 percent in the past two years. We have given up lease space. Our court system statewide now shuts down on Fridays at noon.

The Department of Health and Social Services has been cut more than 13 percent. One result is that more than 2,000 Alaskan families will no longer get help to heat their homes. Crime rates are too high, and the number of state troopers has decreased.

By the end of this year we will have closed seven trooper posts, six public health centers, three maintenance stations, one correctional facility, two youth detention facilities, multiple jobs centers and a fire training facility.

We are selling search-and-rescue aircraft and ferries. We are assessing whether it makes sense to sell other state assets. We are making sure any project pencils out before we sink money into it. We have canceled projects that are too costly to build and too costly to maintain. We are strictly adhering to formula funding for education and tax credits.

By this time next year we will have reduced the state workforce by 3,000 state employees since I took office. That brings the workforce down to what it was 15 years ago.

We are asking more of state employees. We have negotiated zero cost-of-living adjustments in labor agreements. State employees are taking unpaid furlough days and contributing more for health insurance. In short, we have made great strides to make government more efficient and accountable.

I am proposing legislation to freeze the salaries of some state employees while we address our fiscal challenges. Better days will come, but until then, we must make difficult adjustments. While it obviously will not close the fiscal gap, I believe in leading by example. I have reduced my own salary by one-third.

The budget is now below \$4.5 billion—the level that some of Alaska's most ardent budget hawks have identified as a sustainable spending target. The last

time our state had a budget of \$4.5 billion was 2007. Adjusted for inflation and population, the fiscal year 2018 budget is the lowest since 2002.

Some use per-person state spending as a litmus test of reasonableness. That can be very misleading when applied to Alaska. We are the largest state in the nation. Our population is among the smallest, and it is the most dispersed. That combination creates high costs of providing government services.

Moreover, our state provides partial or full funding for many services, such as education and public safety, which local governments fully fund in many other states.

Sometimes we forget the expanse and magnitude of the Last Frontier. While Minnesota boasts 10,000 lakes, Alaska has 3 million. Alaska has 242 state-owned airports. Oregon has the next largest—with 40 state-owned airports. California's governor recently announced a \$1.6 billion budget deficit. That equates to a deficit of about \$40 per resident. Alaska has a \$3 billion anticipated deficit and a population of 730,000. That equates to about a \$4,000 per-person deficit.

Economy at Risk

We have a significant problem.

In a recent town hall meeting in Wasilla, residents voiced grave concern over crime. Many wanted an increased trooper presence. The head of the Alaska State Troopers, Colonel Jim Cockrell, did a good job explaining the impacts of ongoing budget cuts. We can't keep cutting the budget and expect to improve the situation. Alaskans demand—and deserve—better.

It's not just public services that suffer. Our economy is at risk.

Janet Weiss, President of BP Alaska, recently told the Resource Development Council: "Not solving the state's fiscal imbalance increases uncertainty and exacerbates the problem. It is time to move beyond entrenched positions and work the problem."

It is time to work the problem. It is time to balance the books in a responsible and lasting way. It is time to increase revenue.

We have the ability. We have industries that can support modest tax increases.

We are the lowest-taxed people in the nation. We have Outside workers paying taxes to other states on their Alaska earnings.

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We have a permanent fund that earns enough to help pay for a portion of state services and pay dividends in perpetuity – if we structure it wisely.

As we come closer to draining our readily available savings, our economy becomes increasingly uncertain. Uncertainty is the greatest threat to economic opportunity.

Last year, I introduced nine measures that together would have closed the fiscal gap in a sustainable way. Not one of those proposals passed. Not a single one. Only the Permanent Fund Protection Act made it out of one chamber. I thank the Senate for having the courage to approve the bill.

This year I am again proposing the Permanent Fund Protection Act in the form it passed the Senate last year. I am reintroducing an increase to the motor fuels tax which has not been raised significantly since President John F. Kennedy was in office.

I am no fan of taxes. But I am a fan of a stable fiscal foundation for Alaska. In 2004 Governor Jay Hammond expressed great remorse that Alaska's income tax was repealed. He believed that, had the income tax stayed in place, Alaska would not have to contend with a fiscal gap. Governor Hammond also said that in the event of a fiscal gap, permanent fund dividends should be used to support public services.

In this vein, I maintain my support for a modest income tax and other revenue bills I introduced last year. If all of these measures passed, with Alaskans receiving a PFD each year, we would still be the lowest taxed individuals in the nation.

Before reintroducing those bills, I plan to work with you in this body to chart a path forward.

If you don't support the plan I have proposed, then put another plan on the table. If you believe we need to cut more, identify your cuts and put them on the table. If you think the solution is a different kind of tax than I have proposed, put your tax proposal on the table.

Whatever your plan may be, put it out there, and let's get to work to find a solution. But if your plan does not close the fiscal gap, be sure to also identify the amount from our dwindling savings it will take each year to cover the gap under your plan.

As a carpenter, I never framed half a house, shingled half a roof or poured half a foundation. If you have a plan, bring Alaskans a *complete* plan.

Emergency Action

Last June, I faced an unprecedented decision as Governor. Had the Senate version of the Permanent Fund legislation passed the House, the dividend would have been reduced to the historical average of approximately \$1,000.

I made one of the hardest decisions of my life when I reduced the dividend payout without legislative action. The balance of the dividend payout was left in the reserve account to earn income for future payments.

I know the significant impact that decision had on Alaskans across the state. If I did not feel it was absolutely necessary, believe me, I would not have done it.

For historical perspective: in 2012 when oil, our primary revenue source, was \$112 per barrel, we each received an \$878 dividend. In 2013, when oil was \$107 per barrel, we received a \$900 dividend. Last year, when oil averaged \$43 per barrel, Alaskans received a \$1,022 dividend.

After making that tough decision, I was approached by a gentleman who had worked in Governor Bill Egan's administration. He thanked me for making this unpopular, but necessary, decision.

He said Governor Egan had also made a hard, and very unpopular, decision. When fish runs were crashing, Governor Egan drastically reduced fishing openers in order to rebuild the fisheries. The fishermen and the canneries suffered in the short run and heavy opposition mounted. But eventually, the salmon runs began to turn around.

In 2015, the catch was 260 million—a tenfold increase from Governor Egan's day. A pivotal reason for this is Governor Egan demonstrated leadership. Rather than doing what was politically popular, he did the right thing for the salmon and the state.

No one could have foreseen that oil would drop below \$30 per barrel and that Alaska would be hit with the fiscal crisis we are in. When you are in a crisis, you use whatever options you have available to avert a disaster.

I cannot solve Alaska's fiscal problem with my veto pen. It will take legislation to solve the problem. Only you have the power to pass legislation. You possess the power and the opportunity to solve our fiscal challenge.

As I said last year, we were warned of this day. In 1976, Governor Jay Hammond cautioned if we did not change our ways, Alaska would arrive at this day of reckoning.

He said, "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."

We must work together to advance a responsible plan to close the fiscal gap *this* year.

Economic Opportunities

While the fiscal gap dominated much of our time and energy over the past year, together we made progress in many areas, and are working to overcome other challenges.

Despite the cloud of uncertainty, we have seen some positive economic developments in the past year. And my administration continues to support and pursue economic diversification.

Tourism is thriving, with more than 2 million visitors to the state last year. The tourism industry is working to create a Tourism Improvement District to provide marketing funds with less state support. I applaud their leadership and initiative.

Our **fisheries** continue to provide a livelihood for thousands of Alaskans. Last summer, I helped celebrate the harvest of the 2 billionth salmon in the 133-year history of the Bristol Bay fishery. The fish was symbolic of the abundance and quality that is the basis of Alaska's subsistence, recreational and commercial renewable resource economies. It was also delicious.

In February I established a **mariculture** task force to develop a shellfish and seaweed industry that is environmentally sound and respectful of traditional uses.

A healthy **construction** industry is critical to Alaska's economy. This coming season, we will see over a half-billion dollars' worth in construction projects already awarded. Another nearly half-billion dollars' worth in construction projects will likely be bid this year. While we have reduced state funding of construction projects, we are working hard to maximize federal dollars for bid-ready projects. This investment will employ hundreds of Alaskans in the construction industry.

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Our Alaska Native Claims Settlement Act Corporations are another important economic engine. ANCSA corporations provide hundreds of millions of dollars in profits and shareholder dividends to Alaska. These corporations have world-wide operations. Stabilizing our fiscal house will help bring more of their investments home to Alaska.

Agriculture has strong potential to help diversify our economy and increase food security for Alaskans. Alaska has 43 farmers markets around the state, a three-fold increase from 2004. If every Alaskan spent just \$5 a week on Alaska-grown products, that would translate into \$188 million circulating through the Alaska economy annually.

Mining continues to be an important employer in Alaska. This past year, we celebrated the 20th anniversary of Fort Knox mine, which employs 650 Alaskans. This is a great example of local job creation through responsible resource development.

Our **timber** industry has been in decline, mostly due to restrictive federal policy. We recently negotiated an agreement that will allow the state to manage federal timber sales under state authorities. This agreement will also offer the full allowable timber harvest in the Southeast State Forest. And it will enable and support land exchanges that will diversify ownership of our forests.

In the **oil** patch, this year we celebrate the 40th anniversary of the trans-Alaska Pipeline System amidst reasons for optimism. We saw a welcome increase in oil production last year and have a plan to support increased throughput. Last year, led by ExxonMobil, oil began to flow from Point Thomson. The most recent North Slope oil and gas lease sale, the biggest in a decade, demonstrated just how much resource potential there is in Alaska. The Department of Natural Resources continues to support Armstrong and Hilcorp as they work to bring their respective new developments on line. In 2016, my Administration took a new step by nominating both the Chukchi and Beaufort Seas for leasing. We did this to protect the State's long-term interest in that region.

We have new opportunities with a new administration in Washington, D.C., to secure access to the coastal region of the Arctic National Wildlife Refuge (ANWR), also called the 1002 region. This region represents just 8 percent of the refuge, and is adjacent to the new infrastructure at Point Thomson. We have a three-quarters empty oil pipeline sitting within 50 miles of an estimated 10-billion-barrel oil reserve. If the outgoing administration could see fit to allow offshore drilling, surely the incoming administration will see

the wisdom of allowing onshore drilling in this area. We have already reached out to the incoming President on this issue. Following consultation with those who live in the region, I will advocate tirelessly to bring this opportunity to reality.

I was troubled to learn that Wyoming, about the size of the North Slope, has drilled 16,000 exploration wells, and we have only drilled about 500 on the North Slope since the 1960s. Why are we not doing better? Well, our drilling and permit window is determined in part by the weather, due to the necessity of building temporary ice roads. Wyoming has traditional year-round roads. Why can't we, as the owner of the resource, build gravel roads as toll roads (similar to what the state did for the Red Dog mine in the 1980s) and drill year-round? My administration is exploring this opportunity.

On the **gasline**: with the support of our industry partners, Alaska is now in the lead on advancing the Alaska Liquefied Natural Gas (AKLNG) project. We are actively working to bring market participants into the project as partners. We're requesting no new appropriations for AKLNG in the proposed budget.

It is not today's gas prices that will bring the market into this project but projected prices in 2023 to 2025. This is the market window for AKLNG. Some may remember that the price of oil was less than \$5 per barrel when the decision was made to build the trans-Alaska pipeline system.

Bloomberg reported that global consumption of liquefied natural gas (LNG) is expected to rise dramatically. Projects have been shelved due to current low LNG prices, which could trigger a supply shortage. According to Bloomberg, this could drive up LNG prices "massively" around 2025.

Alaska simply cannot afford to miss this window of opportunity. To be ready in 2023 to 2025, we must stay on course. We have no other project that will revitalize our economy the way the gasline will.

I want to assure Alaskans that the LNG project will be financed by long-term purchase commitments from LNG buyers, not from the Permanent Fund. It will not be pursued at all costs. It will only be pursued if it has long-term customers.

Achievements and Opportunities

In addition to economic development, in 2016 we made progress in other areas.

A new agreement allows Alaskans to have more say in the permitting of Canadian projects that impact Alaska waters. I thank the **Transboundary Working Group** and Lt. Governor Mallott for their work on this critical effort. And I thank the British Columbia government for recognizing their responsibility to clean up the old Tulsequah Chief Mine. Water does not recognize political borders. I am committed to protecting our waters and the rich resources they support.

Last year, we saw several victories for our **state sovereignty**. The Supreme Court ruled in our favor in the case of *Sturgeon v. Frost*. I thank John Sturgeon for asserting his rights—and the state's rights—all the way to the highest court in the nation. The state also had a significant win in the *Mosquito Fork* case. The federal government ultimately disclaimed its interest and gave the waterway to the state. In addition, the court held that the federal government owed Alaska more than a half-million dollars in attorneys' fees for bringing frivolous claims.

Last week we filed suit challenging the National Park Service's regulations that attempt to prohibit certain hunting methods on national wildlife refuges and preserves.

Last summer, I visited King Cove. I heard many stories of distress and endangerment due to lack of year-round access to emergency services. An 11 mile, one lane, gravel road could connect King Cove to an all-weather airport in Cold Bay. That 11-mile road would mean the difference between life and death.

I applaud our Congressional delegation for introducing legislation that will finally allow us to build this short, but lifesaving road. I offer my full support. All Alaskans deserve access to **health care**. Medicaid expansion has made that possible for more than 27,000 Alaskans. Many have told me how their lives were improved—or saved—because of Medicaid expansion. Let me share just one story:

Last fall during the AFN convention, Byron and I went out to dinner with Toni and Donna at Vallata in Fairbanks. They had a piano player, who motioned to me to come over. He said he would like to play a song for me, and asked if I had any special music requests. I couldn't think of any song in

particular at the moment, but I did ask why he wanted to sing for me. He said that my decision to expand Medicaid saved his life. His doctors had timed his life-saving surgery to the exact hour in which Medicaid expansion would take effect. Many of us have heard stories like that.

Encounters like this are a reminder that behind each number is a person whose struggles have been lessened or whose life has been spared. Medicaid expansion has also brought more than \$316 million in new federal dollars to the state, and has enabled us to reduce state spending by more than \$15 million.

At the same time, we need to rein in the costs of Medicaid. Thank you for passing the Medicaid reform bill last year. It is designed to reduce costs while ensuring vulnerable Alaskans receive the care they need. We must also address the broader challenge of escalating health costs. There are no easy solutions, but we are aggressively looking into all available options.

Turning to **education**, Alaska has long ranked in the bottom tier of the nation in student education achievement and graduation rates. We must do a better job of preparing our youth for the challenges of the future. To meet this challenge, we need to rethink our entire system of public education. Alaskans must be at the heart of this effort.

We have already begun. Through an active public outreach process, the State Board of Education has identified five priorities for Alaska's public education system: improving student learning; ensuring excellent educators; modernizing the system; inspiring tribal and community ownership; and promoting safety and well-being. After an extensive public process, the State Board of Education will provide final recommendations to my office in December. Our work with the Legislature on reform efforts will then begin in earnest.

Over the past year, we have continued to prioritize relationships between the state and **tribes**. Alaska's Native peoples and our 229 federally recognized tribes represent 10,000 years of history and tradition in Alaska. Tribes are natural allies in strengthening the fabric of our communities.

With your help, we passed a bill addressing the Indian Child Welfare Act which increases the chances that Alaska Native children will remain in their communities. We have strengthened partnerships with tribal health organizations to provide more services while saving state dollars.

We are partnering with tribes to improve criminal justice. Last week, Attorney General Jahna Lindemuth signed an agreement with the Anvik Village Tribe that provides certain low-level offenders the option to be referred to the village tribal court.

This past year, we convened the Governor's Tribal Advisory Council to advise my administration and find more opportunities for collaboration. We continue to work to honor the rights of Alaska's first peoples.

Here is one example: For more than 50 years, the village of Gulkana has been seeking to regain ownership of their ancestral land and burial sites through a 12-acre state land transfer. In June, I visited Gulkana and walked the grave sites with traditional chief Fred Ewan. Mr. Ewan turned 100 on August 13th, and my goal is to complete the land transfer before his next birthday.

This year saw several noteworthy **military** accomplishments. I cheered your passage of the Alaska Military Code of Justice. Restoring trust, transparency and discipline within the National Guard has been a major priority of my administration. This bipartisan legislation is an important piece of that effort.

In addition to our financial crisis, we must commit ourselves to resolving some of Alaska's other urgent issues.

Tackling Challenges

An extreme challenge we face is Alaska's **opioid epidemic**. I thank now-retired Sen. Johnny Ellis for his leadership on the naloxone bill to make available a drug that reverses the effects of heroin overdose. It is saving lives. But it is not enough.

The unfolding tragedy of Alaska's heroin epidemic is ruining the lives of too many Alaskans. It's breaking families apart, and it's driving up crime. Tonight I offer 5 steps to reduce the toll of this epidemic:

- First, limit the amount of opioids a doctor can prescribe, with some exceptions.
- Second, strengthen the Prescription Drug Monitoring Program to prevent patients from pill shopping and identify providers who are overprescribing opioids.
- Third, give regulatory authority to classify illicit opioids as controlled substances as they emerge.
- Fourth, restrict the transport of illegal opioids and heroin into our rural communities with improved screening and enforcement measures.

- Fifth, require licensed health care providers to complete opioid addiction education as part of their continuing education requirements.

This proposal is based on the good work of the Alaska Opioid Task Force. I will work to refine this plan with lawmakers, the medical community and the public. Together, we must put an end to the needless suffering and loss wrought by heroin and opioids. It cannot wait.

I am likewise committed to reducing **violence in our communities** and in our homes. Half of Alaska's women experience sexual violence, intimate partner violence, or both in their lifetimes. While the rate is down from 59 percent in 2010, it is still deplorable.

Many individuals and groups are working on prevention. Last May we held a statewide domestic violence and sexual assault trauma-informed training. I want to recognize Sergeant Mike Henry, an Alaskan who was named a "Top 40 under 40" by the International Association of Chiefs of Police for his work countering domestic violence through education.

While prevention is our priority, improving response to sex crimes is critical. My office launched a sexual assault kit initiative in 2015. We uncovered thousands of rape kits that had not been processed. In 2016, we secured federal funding to help aggressively process this evidence. Justice delayed is justice denied. Victims deserve justice.

Alaskans have known for some time that our landscape is changing at an accelerating pace. Alaska is the only arctic state in the nation – and we are ground zero for climate impacts. We must maintain the integrity of our lands, air and water for future generations. My administration is developing a framework to engage Alaskans in this effort to protect our way of life. We will seek out local and traditional knowledge. We will seek out industry input. We will seek to involve every sector to help us meet this challenge. It is one of the greatest challenges of our era. We look forward to working with you to create a legacy of timely response.

Driving in Reverse

Last year, I shared with you a story about my family. This year, I want to share a different story. To set it up, I have to talk a bit about growing up in Valdez. You did not get out of town unless you made the basketball team. In Valdez in the 1960s, there was no radio, there was no TV, there was no bowling alley. You've got basketball. That's all.

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When I was a senior in high school, we won our regional tournament, which meant we got to travel to Unalakleet for the championship. We went to the school board and said, "We need some money to go to Unalakleet." They said, "We don't have any money. Try the city council." So we went to the city council. They said the same thing and they added, "You should have thought of that before you won the regional tournament." We went out and raised money to go to Unalakleet. We lost the tournament, but the point is, that's how important basketball was to us.

We graduated from high school, off we went to college. I came back after first semester – and there's no one smarter than a college student with one semester of college under their belt.

So I was back in Valdez for Christmas break. There was a regional tournament in Delta Junction. I said to my friend Marty Rutherford, who was the former cheerleading captain, let's go to that tournament.

Delta is 256 miles north of Valdez. It was about 40-below in Delta. So we had to figure out how to get a car. In those days in Valdez, there weren't two-car families. You were lucky if you were a one-car family. So getting a car was a little challenging. I asked my folks if I could borrow their car and they said, "No, that won't be happening."

Marty asked her dad and he said, "No, but I'll drive you up there."

I said, "Oh no, I'm not going to have your dad drive us to Delta."

We finally found a friend whose folks would let him use the family station wagon. His name was Willy Schmidt. So we all drove to Delta—Willy, Marty and myself—in this early vintage station wagon. Up toward Glennallen, it got a little bit colder, and things started not working so well. We seemed to be losing parts of the transmission along the way.

But we made it to Delta and we got to the game. It was like old times, a lot of our friends were there. After the game, we got out and started the car. And we had only had one gear left. It was reverse.

We backed over to where we were staying at a friend's house, and Marty said, "I'll call my dad and he'll come get us."

I said, "No, Marty. Oh no. I don't want to listen to 'I told you so' for 256 miles. Here's the plan: we're going to go to Valdez tomorrow, and we're going to drive."

So at first light the next morning, it was 45-below, and we backed out of Delta and headed down the Richardson Highway. You could stick your head out the window for about ten minutes, backing up. So we took turns, sticking out our heads in the cold, driving in reverse. I thought, I think we're going to do this. I've always liked a challenge.

We made it about halfway to Paxson and all of a sudden, we lost that all-important last gear – reverse. Now what were we going to do? We had never hitchhiked before. It was the middle of the day and we figured the next car that came by would stop. So along came a car and it just went right past us. So we decided that, surely, someone would stop for a girl. So Marty got out. Next car came by, and went right past us. So Willy and I got out. We eventually got a ride to Paxson. Marty's dad, John Kelsey, came to get us and, to his credit, never once said I told you so. We had a good time, we survived, and I'd like to say we learned a lesson.

So here we are in 2017. And we are collectively heading into hazardous territory in a substandard vehicle. We are draining our budget reserves at a rate of \$8.2 million per day. That equates to \$350,000 every hour of every day—with no clear plan to replenish the money.

It occurs to me that there are some lessons from my ill-fated drive to Delta. Lessons not only for my own life, but for Alaska:

- First, pay attention to those with wisdom and experience. They just might have something to teach us.
- Second, don't expect one person to stand out in the cold to work the problem. Solving problems takes a team.
- Third, the time to make a new plan is *before* you lose your last gear—or your last dollar. Don't ignore the warning signs.
- Finally, face your challenges head-on. You can't go backwards and expect to get where you want to go.

Last year's failure to act on a fiscal plan means we have only one year left of savings, outside the permanent fund earnings reserve. We are losing options as surely as Willy's old station wagon was losing gears. Last year I said it is only a crisis if we don't act. We didn't. Now we have a crisis on our hands.

It is critical that we embrace compromise and demonstrate true leadership as we work together to pass a comprehensive solution this year. Governor Wally Hickel said, "Where people see action, they see hope." Let us *act* to move Alaska forward to better days.

And, yes, there are many reasons for hope. A new legislature means a new opportunity - new ideas and new dialogue. We have the tools to solve our challenge. We have the wealth. We have the capacity. We just need the will. Now is not the time to see who will blink first. Now is the time to open our eyes wide to the kind of future Alaskans want and deserve.

Vision for Alaska

Let me share with you my vision for Alaska's future:

I envision an Alaska with the lowest rates of domestic violence and sexual assault and the highest rates of high school graduation and employment;

An Alaska where our youth have hope for their future and turn to training and education—not drugs, alcohol or suicide;

An Alaska where the work force is made up of 100-percent Alaskans; where the shift workers commute from Minto, not Mississippi;

An Alaska with thousands of new value-added jobs—let's start exporting finished products rather than raw materials;

I envision an Alaska boasting the lowest cost of energy, not the highest;

An Alaska where the cost of health care is not out of reach for small businesses and individuals;

An Alaska where we set the standard for environmental stewardship and responsible resource development;

An Alaska where local governments have the authority and resources to meet their communities' needs;

An Alaska where education funding is not a cliff hanger each year—and teachers don't get pink slips every spring.

A vision of a strong economy, vibrant communities, healthy families and a healthy environment is worth fighting for. It is worth sacrificing for. It is our sacred obligation to future generations.

Face the Threat, Work the Problem—Together

I have talked a lot tonight about our challenges. The challenges are many, but the rewards are even greater. I am grateful every day for the opportunity and privilege to lead this great state.

Byron Mallott and I are honored to be the first Alaska-born team of governor and lieutenant governor. We both were born into the Territory of Alaska and participated in every chapter of Alaska's history since pre-statehood. It gives us a unique perspective. Between us, we have personally known every governor since statehood—and some territorial governors. We know how Alaskans always pulled together to overcome yesteryear's challenges.

We know where we have been and we know the stark realities of where we are today. But we also know the course to a bright and robust tomorrow requires moving beyond entrenched positions and working the problem. But we also know the course to a bright and robust tomorrow requires moving beyond entrenched positions. It requires working the problem.

Last year, I talked about a photograph called "Pulling Together" that I received as a gift from the Lieutenant Governor. It depicts a group of Alaskans standing by a rope in a muddy stream in Metlakatla, ready to pool their strength to uproot a giant stump. The stump itself is out of view. It's the people that make the photo so powerful.

Over the past year, I have been heartened by the many Alaskans who have asked, "Where is my place on the rope?" Many of you in this room have been pulling on that rope. Those of you who are new to this body, thank you for stepping forward to grab hold of the rope. We are so much stronger when we pool our might for the good of our state.

Tonight I encourage all of you, and all Alaskans, to help pull Alaska forward. In closing, I want to express my appreciation to the uniformed women and men who serve Alaskans at all levels of government. When you see fire or hear gunshots, you run toward the threat. Your courage inspires me to continue facing Alaska's challenges head-on. It is our duty. It is what we were elected to do.

I think especially of Fairbanks Police Sergeant Allen Brandt, a devoted husband, father and man of God, who was killed in the line of duty last year. I think of my hospital visit a few months ago with Anchorage Police Department Officer Arn Salao, whose bold, selfless actions ended a serial killer's reign of terror.

These extraordinary profiles in courage are reminders to me that as elected officials, our job in the face of Alaska's crisis is not to play it safe. We must find the courage and the grit to run towards the threat and face it head on. Together, we can move Alaska forward. Together we can bring Alaska to a place of stability and prosperity. Together, we can work the problem.

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Thank you for your service to this extraordinary state we are privileged to call home. May we be part of what God is blessing as we work the problem and pursue the opportunities this session. May God bless you, and may God bless Alaska.

Please report corrections to the Chief Clerk's office.