

**SENATE AND HOUSE
JOINT JOURNAL SUPPLEMENT**

January 27, 2020

Monday

No. 12

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State of the State

by

The Honorable Michael J. Dunleavy

Governor

State of Alaska

Before a Joint Session

of the

Second Session of the

Thirty-First Alaska State Legislature

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January 27, 2020

Juneau, Alaska

The following was submitted for publication:

Thank you for your gracious welcome. I'm here tonight to talk about my vision for our great state and to share with Alaskans the progress we've made together over the past year.

The agenda I'll lay out tonight is not just the governor's agenda – it's an Alaskan agenda; one that will affect our entire state, potentially for generations to come.

What you'll hear tonight in this talk and see throughout this year in action, is what I promised when seeking this office: A consistent focus on outcomes that Alaskans deserve; the individual being put first and foremost instead of the bureaucracy; and an efficient use of the available resources to underwrite government.

Tonight, you'll hear about initiatives important to all of us, such as:

- Putting Alaska's lands in Alaskans' hands;
- Preparing kids to succeed;
- Innovative new approaches to revenue, and;
- Addressing our fiscal future.

First thing's first, I'd like to introduce my wife of 32 years and the mother of my three wonderful daughters, the love of my life, and Alaska's First Lady, Rose Dunleavy. Rose, would you please stand.

Rose, words aren't enough to tell you how much it means to me to have you by my side.

I'd also like to ask my cabinet to please stand.

Thank you all for your service to our great state.

Last summer, we suffered through one of the worst fire seasons in the state's history and we're all thankful for the brave firefighters who traveled from across Alaska and the nation to protect life and property. Together, they fought 742 fires that burned a combined 2.6 million acres of land – all without a single loss of life.

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Just like last year's earthquake, Alaskans look out for each other. Throughout the summer I heard inspiring stories of Alaskans coming to each other's aid.

Our elite firefighting crews often spent weeks living and sleeping out on the fire line, working 16-hour days with only 48 hours between assignments.

One of these world-class teams is the Gannett Glacier Fire Crew. Under the leadership of Bryan Quimby, this 20-member team battled the Swan Lake Fire, the McKinley Fire, as well as fires near Anchorage, Talkeetna, and many other Alaskan communities.

Bryan represents thousands of men and women who put themselves in harm's way to protect us all. I am honored to have Bryan with us tonight. Bryan, would you please stand and be recognized on behalf of all the incredible fire crews who worked in Alaska last year.

As we begin 2020, I'm proud to report that the state of our state is strong. We saw record-setting economic indicators in 2019 as billions of dollars in private investment poured into our great state.

Together, we made Alaska a much safer place, and ensured that Alaska's resources and economic potential remain the envy of our nation and the entire world.

As we begin our 61st year of statehood, let's take stock of last year's successes.

First, we addressed the crime wave that held our communities hostage by enacting comprehensive criminal justice reform. As I promised, we repealed and replaced SB 91, removing violent criminals and sexual predators from the streets. The days of catch-and-release are over, and the criminals know it.

We added dozens of new troopers to our ranks. With record numbers of new applicants, we hired more Troopers this year than any time in the past decade.

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We eliminated dangerous policies in Alaska’s prisons, increased funding for new prosecutors and public defenders, and are addressing a decades-old backlog of untested sexual assault kits.

Second, we worked together to grow Alaska’s economy, and the longest recession in Alaska’s history is now over. There is no denying that our economy is growing once again.

We now have the lowest unemployment rate in the state’s history, Alaska’s wages are at a 10-year high, and we’ve added nearly 2,000 jobs this past year. Our state’s GDP has grown every quarter since I took office, and in the third quarter of 2019, it grew by 2.4%, making Alaska one of the fastest-growing state economies in the nation.

This past year, our administration has made significant progress in bringing new private investment to our state. We’re meeting with investors nationally and abroad to highlight Alaska’s unparalleled potential.

We also made significant strides in highlighting and developing our vast natural resources. The Alaska we know today was built upon 40 years of oil. Lots of oil.

And yes, the oil industry is undergoing a renaissance. We saw an incredible \$5.5 billion dollars in private investment on the North Slope last year, that will result in a potential 200-300 thousand new barrels of oil in the next several years. This is great news for Alaska and Alaska’s future.

While I believe oil will continue to play a key role in our future, we must look beyond this industry to diversify our economy and grow our great state.

Alaska is a state with immense resources and economic opportunity. As miners and oil developers like to say, “Alaska has great rocks”. In other words, our geology is some of the best in the world. From gold and silver to strategic minerals, Alaska is truly blessed.

Currently, 97% of the world’s rare-earths and strategic element production comes from China. This is a serious problem for our country, and Alaska is the answer to this dilemma.

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But minerals are just one segment of our resource portfolio. We also manage the largest wild fisheries in the nation, totaling 61% of all fish landed in the U.S., with Alaska possessing five of the top ten commercial fishing ports in the country.

Here in Southeast Alaska, we are surrounded by the largest National forest in North America. In fact, one-seventh of our entire nation's timber is located in Alaska.

Working together with stakeholders, my administration is advancing a proposal to finally allow our timber industry to compete globally. With the Trump administration's help, the devastating Clinton-era roadless rule may soon be history, and the Tongass restored to a managed multi-use forest as it was always intended.

While some may not support every resource development project, we should at least be able to agree that resource development forms the basis of our economy, and as such, we are compelled to develop those resources to the maximum benefit of all Alaskans.

We must come together to develop these resources and create new wealth for Alaska. As such, we should take every opportunity to create jobs, wealth, and revenue to the extent possible, while protecting our environment, which we do better than any other place on earth.

I want to be very clear - outsiders love to present a false choice between resource development and the environment. From their perspective, it's a win-lose, but from our perspective it should be a win-win.

People with little understanding of Alaska, or with a political agenda, often located in major cities thousands of miles away, are trying harder than ever to impose their will on our state. Keep in mind, once again, Alaska's very existence was predicated upon developing its resources.

We must reject those who wish to shut down Alaska and put our state's future in jeopardy. We know Alaskans develop our resources better than any place on earth. We can all agree, no one cares more about protecting Alaska than Alaskans. I repeat, no one cares more about Alaska than Alaskans.

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Our quest to develop our resources responsibly has gotten a boost from the White House. Over this last year, it has become clear that President Trump has done more for Alaska than any other president in recent history.

From resource development projects, to fulfilling our full land entitlement promised to us under the Alaska Statehood Act, our positive relationship with the Trump administration is moving Alaska forward.

But our relationship with the federal government hasn't always been this positive. Over the decades, it's been a constant battle for Alaska to be able to develop its resources and access its lands and rivers, without interference from federal officials.

With that said, I'd like to take a moment to recognize a truly great Alaskan who stood up against some of these same federal agencies.

Like every year, for the past forty years, John Sturgeon packed his gear and headed to his moose camp, but this time, during one fateful hunting trip nearly 13 years ago, John was denied access to his favorite river by overzealous federal officials.

Most of us would have probably just found another place to hunt. But not John. He knew this was wrong.

Instead, he decided to fight. He spent 13 years and a ton of money fighting the federal government, not just for himself, but for all of us. He traveled all the way to Washington, D.C. to plead his case before the U.S. Supreme Court; not once, but twice!

And not only did he win TWICE, his two decisions were unanimous. The only time in this country's history that anyone has won both cases unanimously.

Let's give a big 'thank you' to an Alaskan hero, John Sturgeon, and the incredible fight he won on behalf of all Alaskans. We owe John a tremendous debt. John, would you please stand. Thank you.

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Moving now to the one constitutional obligation we all share, the crafting of our budget.

As you know, last year's budget contained significant reductions in an attempt to align spending with revenues. This came as a response to the plummeting price of oil, which lost one-third of its value within two months of my election, resulting in a nearly \$2 billion-dollar loss of potential state revenue.

My original plan was to introduce a multi-year step down approach to close the budget gap, but our options shrank as revenue evaporated, and the budget deficit grew to \$1.6 billion dollars.

Everyone here was elected to act. And together, we took a solid first step by reducing the budget.

Understandably, this produced a vigorous and ongoing discussion of what Alaska should look like going forward. What services and programs do Alaskans value? How do we pay for these services and programs? These same questions must be answered again this year.

Last year's budget was a shock to many Alaskans. But it did demonstrate we can't continue to spend what we don't have. Alaskans learned how unsustainable spending levels had become. We recognize this – all of us in this room – together, we supported significant reductions.

The budget was not crafted with the intent to hurt Alaskans. But pulling back the reins on spending certainly caused many Alaskans discomfort – I recognize that.

I didn't run for governor to hurt the state that I love, and the people I care about. No governor wishes to do that. But with that said, we still have a significant fiscal issue that needs to be addressed for the long term.

We all recognize that we have a fiscal imbalance – we all recognize we're running out of time. We need to address these items this year to help ensure a sustainable fiscal plan going forward.

That's why this year I introduced a flat budget. Last year's budget focused solely on reductions. It took all the oxygen out of the room, so to speak.

Crucial components of a long-term, sustainable solution, while introduced, were not addressed and left on the table. These solutions need to be taken up this year.

This initial budget, absent the large reductions introduced last year, should allow us the ability to focus on a sustainable long-term plan. This must include controlling our spending and deciding the future of the permanent fund and the PFD.

We must also include the people in these decisions. We must give the people an opportunity to weigh in on items that impact their lives directly.

They must be allowed to vote on constitutional amendments, including a spending cap, any proposed PFD changes, and new broad-based taxes. Because just as I said last year, if we are to gain the people's trust, we must trust the people. It's the people who placed us here. It's the people we serve – we work for them.

And it's the people that we must bring into this grand discussion of Alaska's future. To ignore them, we do so at our own peril, for they have the power of the ballot box.

Letting the people vote on these issues is the only way a fiscal plan will stand the test of time. Alaskans, each and every one of them, deserve no less.

While we contemplate the role of the Alaska people in solving our fiscal issues, any and all ideas should be explored. To that end, I'll soon be introducing legislation to create a statewide lottery. Forty-five states have lotteries in place, and it's past time for Alaskans and visitors to have the option to individually contribute to fixing Alaska's fiscal issue.

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As to spending, Alaskans agree that state government doesn't always spend taxpayer dollars wisely. They are right. That's why I've directed the Department of Administration to identify waste, fraud, and abuse, as well as identify ways to modernize how government does business.

We'll also be proposing legislation creating an Alaska Inspector General who will promote accountability, integrity, and efficiency in government by investigating careless and fraudulent spending.

In addition, I've introduced legislation that reduces barriers to entry for over 100 licensed professions, eliminating red tape and making it easier for professionals to move to Alaska and begin working immediately.

I now want to take a moment to talk about Alaska hire. For years, we relied upon a law that many felt was ineffective and potentially unconstitutional.

In order to remedy that situation, I'm proposing an incentive for contractors that do business with the state to hire as many Alaskans as possible. While the old law was a threat to comply, this new approach is an incentive to hire.

I'll also be asking the Alaska Workforce Investment Board to identify additional ways to address Alaska hire. It's my goal to create an Alaska hire policy that is second to none.

As we recognized last year, the most important task a government has is protecting its citizens.

My administration will continue to bolster Alaska's public safety. To that end, we'll be addressing the issue of sex trafficking.

Sex trafficking, too often hiding in the shadows and out of the light of day, impacts too many of Alaska's most vulnerable. Therefore, tonight I'm announcing a new initiative to combat this horrible practice.

Our current law does not adequately address the serious nature of these offenses nor provide sufficient protections for victims. In the past, this terrible activity may have been passed off as a victimless crime, but as we know, that was never the case, nor should it be.

It's past time that Alaska's laws adequately address the devastation caused by this horrible crime. The individuals engaged in this awful practice will face stiffer penalties, including longer stays in prison.

To anyone engaged in this activity, I say to you: you'll face swift justice and longer prison sentences for taking advantage of Alaskans. We're not going to tolerate this anymore – we'll no longer stand aside and look the other way. It's a crime and will be treated as such.

This is a comprehensive approach that will add teeth to current law and will no longer allow those on the periphery of this insidious practice to go unpunished.

Finally, recidivism must be addressed. Over the last year, we've begun to revamp and strengthen our reentry programs for those soon to be released from prison.

It's a fact that over 95% of offenders may one day be our neighbors again. We must work together to reduce and prevent future crime. For those offenders who truly want a second chance, it's imperative upon us to provide it. I look forward to hearing your ideas that will balance the needs of inmates reentering society and the safety of Alaskans.

Our compassion must also extend to our homeless population.

This is a challenge, not just for our cities, but for our state as a whole. Too many Alaskans often suffering from addiction and mental health issues find themselves on the streets.

While it may be a surprise to some, in last year's budget, I included over \$43 million in funding for various programs to address homelessness. Going forward, we must assure these resources are achieving the outcomes we expect.

We're all made in the image of God. These people are often our friends and neighbors, and as fellow Alaskans, deserve to be treated with dignity, respect, and offered effective help.

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Earlier, I also spoke about the benefits of developing Alaska's resources. One resource Alaska has in abundance is its land. Unfortunately, only 1% of that land is held privately by individuals. No other state has less land in private hands than Alaska.

Over the years, the government has held tightly on to this land with the mistaken belief that only government should possess the land and not individuals.

The ability to own land is a core American value – something that has been denied Alaskans for too long. In fact, this practice in Alaska of not distributing its land overturns over 200 years of a core American belief and right to private ownership. In many respects, it was easier to own a piece of land when we were a federal territory than it is today.

We are going to look at totally revamping how Alaskans get a piece of the Last Frontier. We are going to put in place a number of initiatives that will enable Alaskans to own a piece of the Last Frontier; easier and cheaper than ever before.

Moving as much public land into private hands as possible will be a gamechanger for this state.

From home sites, to recreation sites, to agricultural lands, we will identify more productive lands for sale, and remove burdensome regulations to the use of that land, and to the ability for the owner to resell that land as well.

I've made it clear to my administration, to find ways to say "yes!", instead of excuses to say "no".

Continuing in this vein, we'll also soon be forwarding legislation that allows individuals the choice of exchanging their PFD for a land certificate to leverage the purchase of land. For the Alaskans that choose to do this, these certificates will be issued at twice the value of the historic statutory calculation of the PFD.

This can be a win-win for both the individual Alaskan and the state treasury. By the individual voluntarily choosing a land certificate instead of a PFD check, the treasury gets the benefit of that money, and the individual gets the benefit of a land certificate twice the value of the PFD to purchase State land of their choice.

Together, with these new initiatives, we will put Alaska's land into Alaskans' hands.

The reason I ran for office was to address long-standing issues facing Alaskans. One of those issues is the cost of energy for individual Alaskans.

While Alaska is awash in energy, we've never truly been able to harness it on a scale that will lower costs for individual Alaskans. Most Alaskan communities are still dependent upon expensive diesel and natural gas for their electrical generation. If we are to keep Alaskans here, and compete for business with other states, we must have inexpensive energy for our future economy.

Inexpensive energy, especially electricity, will be the basis that drives the future economy. If Alaska does it right, we have an opportunity to lead this nation in cheap energy.

In 2010, a law was passed by the legislature, mandating Alaska produce 50% of its electricity from renewable sources by the year 2025. We are running out of time.

Whether it's tidal, hydro, solar, biomass, wind, or geothermal, we have more potential to deploy renewable energy than anywhere else on the planet, and we have an obligation to make every possible effort to reach this 50% goal by 2025.

The good news is, we have some communities that are already there. The city of Kodiak is there. They operate on nearly 100% renewable energy year-round, through hydro and wind. This is proof that renewables can work.

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It's not just good for the environment, it's good for Alaskans – it's really the smart thing to do. Therefore, I've instructed my departments and agencies to identify and evaluate options and a path forward to deliver affordable energy to Alaskans based upon renewable resources.

As we conclude tonight, I want to talk about our greatest resource: our children.

Every decision we make this year should be made with our children and grandchildren in mind. And as a state, we have a moral imperative to provide the best education we possibly can for every Alaskan child.

As an educator, as a student, I've experienced firsthand what a great education can do to transform one's life. I have seen how quality programs deliver the outcomes all stakeholders have come to expect.

There is no doubt that we have many great-performing schools in our state, but we must also recognize that too many of our schools, and too many of our students are not performing at the level we expect.

The cornerstone of a great educational program starts with a great teacher. Alaska for too long has suffered from high teacher turnover rates and an inability to attract and retain quality teachers in some of the most remote parts of our state.

Therefore, I've instructed the Commissioner of Education to assemble a working group made up of teachers, administrators, and others to review the root causes of our retention and recruitment issues, including reviewing working conditions and benefits in order to attract and retain great teachers. The Commissioner, with the help of this working group will develop a plan that addresses this issue.

Until we solve this revolving door, especially in our most remote locations, and difficult-to-fill positions, we cannot hope to deliver the outcomes parents, children, and all Alaskans expect. Solving this issue will be a focus of my administration this year.

While we work on our teacher retention issues, we must also focus on ensuring our students can read by Grade 3.

So, last week, alongside many of you, I introduced the Alaska Reads Act: a bi-partisan approach to reading that reallocates resources with a focus on evidence-based solutions, including statewide teacher training, department-employed reading specialists, and the implementation of early literacy interventions.

We must identify students who are struggling and get them the help they need. The Alaska Reads Act will provide all school districts with the opportunity to refocus their efforts to prioritize reading and ensure all students are reading by 3rd Grade.

The Alaska Reads Act will also direct critical resources to the lowest-performing schools, helping them achieve the performance expected of all of our schools.

Sitting in the audience today is a young man by the name of Levi Shivers. He's an example of what we all hope to achieve for Alaska's children.

Despite growing up in a difficult situation, being raised by a single mom, and living in a household just above the public assistance threshold, Levi is excelling, because Levi had the benefit of caring teachers that instilled a love for education and provided him with the necessary skills in reading, writing, and mathematics. I've asked Levi to be here today to represent all of Alaska's children who through our actions can achieve great outcomes and set themselves on a course for future success.

What we do here today, and this year should create the environment for all of our kids to succeed.

Levi, could you stand for a moment? Thank you, Levi.

I'd also like to acknowledge two inspiring educators who contributed to the Alaska Reads Act.

Judy Norton-Eledge, a long-time educator in Alaska, is well known throughout the state for her ability to get children to read at grade level, even under the most difficult circumstances, and to teach other professionals how to do the same.

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I'm honored to have Judy as our state's new literacy council coordinator and as a leading advocate for literacy. Judy, thank you for everything you do. Would you please stand.

Many of you also know Posie Boggs for her decades of tireless advocacy for Alaska's students. She is a recognized expert in helping Alaska's educators identify and address dyslexia, along with other reading difficulties, and is the founder of the Alaska Reading Coalition.

Thank you Posie for being here with us today, and for fighting so hard for all of Alaska's children.

Posie, will you please stand?

I want to thank Posie, Judy, and all of those in this room for their contributions to the Alaska Reads Act, and for investing so much of your lives into improving educational outcomes for our children.

The issues I've laid out this evening, if acted upon, will move Alaska forward. By solving these issues, we create opportunities for tomorrow. We can achieve so much by working together that the state of our State will be even stronger in the years to come.

Let it be said, that this was the year that we all – 62 of us – put partisanship aside for the greater good. This is what Alaskans expect, and let us all commit to this endeavor.

Fixing our schools is a monumental task. Balancing our budget will require hard choices and shared sacrifice. But we are a state like no other – we are Alaska.

When we're faced with monumental challenges, be it fires, earthquakes, or floods, we figure out a way to work together. We are Alaskans for a reason. We are unlike any other people on earth.

Those of us here today in this room have heeded the call to service, and the people of Alaska chose us – everyone in this room – to be the leaders that Alaska needs today.

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By working together, we can create an Alaska where domestic violence, sexual assault, and sex trafficking is relegated to the history books.

Where our children are accomplished readers and successful in school.

Where Alaskans can decide the future of their PFD.

Where our state can be a leader in renewables, and ensure its citizens have the lowest-cost energy in the country.

Where individual Alaskans can own their piece of the Last Frontier.

Where Alaska provides rare-earth minerals for the world's future economy.

Where we stand up a timber industry once again in the largest forest in North America and provide family wage jobs for thousands.

Where our location on the globe is positioned well to trade with our neighbors and defend our great nation.

Where 'North to the Future' is not just a motto, it's who we are, and how we live.

Where we are proud to be Alaskans, a people and state like no other.

This is Alaska. We are Alaska. We are the envy of the world for our beauty, natural resources, and strategic location.

We are America and so much more.

We are given this one moment in time to do what's best for Alaska. Let's take advantage of it.

God bless you and God bless the great State of Alaska.

Please report corrections to the Senate Secretary's office.