

JOINT SENATE & HOUSE
JOURNAL SUPPLEMENT

February 16, 1977

No. 3

SPEECH BY SENATOR TED STEVENS
BEFORE THE ALASKA STATE LEGISLATURE

Juneau, Alaska
February 16, 1977

President Rader, Speaker Malone, fellow Legislators,
fellow Alaskans:

On the occasion of my ninth address before the Alaska State Legislature as your U. S. Senator, I would like to thank you again for the opportunity to speak to you today. Direct communication between members of the Legislature and Alaska's Congressional Delegation is of the utmost importance. These annual speeches are one of the best ways to continue the dialogue between the Legislature and myself.

As you know, there have been many changes in Washington since I spoke to you last. The Senate has just completed a process of reorganization designed to streamline the overburdened system of committees and eliminate many of the time conflicts which plague us all as legislators, no matter which body we serve in.

The committee reorganization and confirmation of Cabinet-level and other officials has occupied most of the Senate's time since the beginning of the new session. We did, of course, pass emergency legislation to deal with the short-term problem of the natural gas shortage in the Lower 48. With the bulk of the work in these areas completed, Congress can begin to tackle the many problems which will be before it this session. With this in mind, I shall try to give you a brief description of what Congress is doing and what it plans to do regarding issues which are of major concern to the State of Alaska.

I am mindful that many of the items of Congressional business which I will discuss are also on the agenda for the Alaska State Legislature. Consequently, the need for dialogue between the Legislature and the Congressional Delegation continually increases. Hopefully, our session today and other communications between us will allow us to work together to solve Alaska's problems and plan for Alaska's future in the best way possible.

As always, the Federal budget is an item of great concern and importance to all of us. The budget submitted by President Ford in January provides for Federal outlays of \$440 billion in Fiscal '78, a 7% increase over the current year. This represents a slowdown in the rate of growth of the Federal budget which has averaged 10% per year for the past 3 decades.

The largest share of the budget--38%--is earmarked for direct benefit payments to individuals; 26% is for national defense; 16% for grants to States and localities; and 13% for other Federal operations.

Over the last 30 years, combined Federal, State, and local government has grown from 18% of the gross national product (GNP) to 30% of the GNP. The budget proposed by President Ford leaves some responsibility in the Federal area for reducing this percentage.

As President Carter will be submitting his amendments to the budget this month, we are unable to predict at this time actual receipts, outlays, and the projected deficit for the coming year. Each of you should have a copy of the Budget In Brief to provide greater details on proposed spending levels.

Last year was the first full year of operation of the budget process whereby Congress, independent of the Executive Branch, set its own spending and deficit targets. It is accomplished with the passage of two concurrent resolutions--one in the spring and the second in the fall, just prior to the passage of Appropriations bills, all of which must be enacted prior to October 1st of each year.

The budget process seems to have worked fairly well last year. Now, however, there is talk of passing a third concurrent resolution on the budget to increase the outlays and the Federal deficit for Fiscal '77. Personally, I feel that this must be closely scrutinized so that Congress will continue to do its job of reducing Federal spending.

Granted, there are problems--unemployment levels remain unacceptably high and our friends in the Lower 48 have experienced a crisis of real winter which has had devastating effects on some communities.

Also, I'm sure the new President will want to put his imprint on Federal programs. President Carter accurately reads the American public's desire for less governmental power. He has illustrated this through his plan to reduce Federal agencies from 1900 to 200. This is a goal we are eager to work with him on so long as the reduction will save the taxpayers money.

A number of important Alaskan issues will be before Congress this session. In many ways, the decisions to be made concerning Alaska in this Congress will greatly affect Alaska's future for years to come. Of particular importance will be the decision determining which route will be used for the construction of a pipeline to transport natural gas from Prudhoe Bay to the Lower 48 States.

As you know, the Administrative Law Judge for the Federal Power Commission recently announced a decision favoring the Arctic gas route. I was bitterly disappointed by Judge Litt's decision, and I think he ignored or dismissed many important concerns which favor the all-Alaskan route proposed by El Paso.

While disappointing, this decision must be viewed in its proper perspective. It is only preliminary, and can be overturned by the FPC, the President, or the Congress under the procedure established by the Alaska Natural Gas Transportation Act. Because there are a number of individual decisions which must be made prior to a final route being chosen, I am still hopeful that the all-Alaska line can prevail. However, this will take hard work and support from all of us. The State must take an even more active role in Washington in our efforts to secure approval of the all-Alaska line.

In a related area, as you know I have long urged that the State's royalty gas from Prudhoe Bay be committed in a manner that would protect our rights to control this gas. Congressman Young deserves great credit for his amendments to the Alaska Natural Gas Transportation Act, which give Alaska's gas special protections.

The sale of the gas provides additional help in the gas pipeline approval process and the assistance Southern and Tenneco can give has already been demonstrated in Washington. Both companies have intervened before the FPC and have initiated contracts with other members of the House and Senate. Additionally, the sale represents the first concrete commitment of gas to either project and, therefore, affects the economics of the proposals. These contracts are a vital aid to our attempts to secure a decision in favor of the all-Alaska route. I hope you will approve those contracts. To reject them now would be a serious and possibly fatal blow to our efforts to convince people in Washington to support an all-Alaska line.

Another issue of great importance to Alaska is the pending Congressional decision on d-2 lands. The statutory 1978 deadline is rapidly approaching, and it looks as if action in this area will begin in earnest this session. All of us are concerned that a rational decision be made which will allow for protection of our scenic and recreational values and still allow for proper and necessary development of natural resources which will be needed in the future by Alaska and the Nation.

In my discussions of the d-2 lands question, I have been emphasizing the need for a decision which will provide maximum flexibility to all parties concerned. Congress needs to make a decision in those areas where there is true pressure, but it need not decide the final disposition of all areas for all time.

Those of us who remember the fight for statehood can recall our concerns that Congress not foreclose the State of Alaska from exercising options in the form of State selections farther down the road when we would have a better idea of what types of land our State needed. The same analysis applies here. My position continues to be that we must work for a Congressional decision on the d-2 issue which will leave to future generations the right to make the decisions regarding the use of Alaska's lands and resources--the generation which needs those resources should make the decisions regarding the denial of access to them.

The opening of the trans-Alaska oil pipeline is scheduled for summer of '77. But prior to the first flow of Alaskan oil, two major decisions will be concluded. The first involves the price at which Alaskan oil will be sold. As you know, this is of great interest to all Alaskans because of the one-eighth royalty interest which will provide the State significant revenues. Under legislation passed by Congress, the President must make a finding by April 15 regarding the price of Alaskan oil, a finding which Congress may exercise its right to disapprove.

I have advocated complete exclusion of North Slope crude from current pricing structures. This would maximize price for Alaskan oil and therefore maximize the royalty which the State would receive. Alaska should not pay the penalty of a lower price of oil because of political expediency.

The main thing we must try to do is to insulate our royalty share from the transportation costs. If we can establish a market for Alaskan oil at Valdez or clearly establish a value in a similar fashion, then Alaska's return would not depend on where the oil goes. There is no reason why Alaskans should lose money because the Lower 48 can't figure out what to do with our oil. It would be an accounting nightmare and bad for the State. I urge you to study this and see if Alaska can clearly set a price for our oil regardless of where it goes.

This pricing decision ties into the other unresolved area concerning North Slope crude, the decision concerning the distribution of the oil. We must all understand that under the current system what Alaska gets for its oil depends on where the oil goes.

The wellhead value that our royalty is based on will be the price for equivalent oil at whatever refinery it is sold to, less transportation costs. Therefore, the higher the transportation costs, the less Alaskans get. If 300,000 barrels a day is surplus and has to be sent in tankers through the Panama Canal, it could cost our State \$37,500 a day. The proposal most beneficial to Alaska for transporting the oil is the SOHIO project, which would provide for a sale of the oil at the Long Beach refinery followed by transportation of the oil by pipeline to Midland, Texas. There has been some opposition to this plan in California, but I am hopeful that this problem can be resolved to allow the implementation of the SOHIO project.

The fisheries industry in Alaska remains a major industry in the State and my efforts to insure the steady development of Alaska's fisheries continue. The implementation of the 200-mile limit law has been progressing steadily. All nations fishing in the North Pacific except Japan and Canada have signed Governing International Fisheries Agreements with the United States.

On March 1, the 200-mile limit will become effective, and I expect the Coast Guard to diligently enforce extended fisheries jurisdiction for coastal species of fish, continental shelf fisheries resources, and salmon throughout the full range of their migration period. For the first time, the United States will be

in a position to protect its fisheries all along its coasts, and this will have a particular effect in Alaska with our immense coastline and fisheries potential. Once the 200-mile limit becomes effective, the opportunities for increasing the Alaskan take of fisheries in the Bering Sea and the North Pacific will be tremendous.

In terms of direct assistance to the fishing industry, I am a cosponsor of a bill which would create a Fisheries Assistance Fund, composed of an annual amount equal to 100% of the import duties on fisheries products and all the fees, fines, and penalties paid in under the extended fisheries jurisdiction. Regional fisheries councils would be able to use these funds and award loans for research, development, and construction of fishing vessels or onshore facilities. In this way, the fishing industry can improve its methods and its overall take.

When I appeared before you last year, the timber industry was in the midst of a major problem concerning a court decision affecting established timber practices. In response to that problem, the National Forest Management Act was passed by Congress and signed into law in October. The final version of the act authorizes a great deal of discretion by the U. S. Forest Service in regard to promulgating future forest management regulations. Clearcutting, long accepted in Alaska as an appropriate method of timber harvesting, and bidding regulations are two examples of issues to be dealt with by the Forest Service regulatory process.

The National Forest Management Act allows the Forest Service to design regulations in response to the needs of individual areas. Alaskans must continue to carefully scrutinize these future regulations to insure that they are in the best interests of our State, balancing the need for economic development and protection of our natural resources.

Let me also discuss the effect of the reauthorization of the Airport Development Aid Program by Congress on the State. A number of important amendments were added to the legislation during final consideration last year. These included the guarantee of minimum funding for vital Alaskan airports with light traffic. Additionally, minimum funding is guaranteed for over 140 airports in Alaska which would otherwise not qualify for Federal aid. These and other amendments added to the ADAP reauthorization bill allow flexibility in the treatment of Alaskan airports, particularly those in the bush, which, as we all know, differ markedly from airports elsewhere in the United States.

At this point, I would like to depart from my normal practice of not specifically commenting on issues to be dealt with by the Legislature. The structure of the Permanent Fund, authorized in the November election, is an issue I have discussed with the Governor. Therefore, I believe it is appropriate to let you know my views on this issue also.

The Permanent Fund should be available as a source of seed money for worthwhile projects that can be developed into projects to be funded through other sources later. I personally do not view the Permanent Fund as a loan source of last resorts. Instead, the Permanent Fund should be used to provide funds to projects which might not initially qualify for other types of

funding. Obviously, it is important that revenue earmarked for the Permanent Fund be actively invested in and through Alaska financial institutions so that the initial benefits derived by these investments can be shared by all Alaskans.

My concern involves Federal reaction in this manner: If no money can be made available from the Permanent Fund for Alaskan projects unless all other lending institutions have denied applications for financial support, I interpret this to mean that the project must have been denied Federal funding which might have been available if the State's money was committed in the first instance, particularly if the State's participation is on an equity or convertible basis. I believe the State's investment from the Permanent Fund should be used as leverage to increase the availability of long-term, low-cost financing.

Finally, I would like to comment briefly on my new role in the Senate. I view the responsibility of the Assistant Minority Leader as an extra task which won't keep me from the job I have to do for you back in Washington. In fact, over the long run, I hope it will help. It will allow me to be in a position to help formulate legislative policy to the benefit of Alaska and work with other members of the Senate and House on matters of importance to our State. With some extra work on my part, I believe that the Whip position can be of great benefit to us all.

Some of the issues I have talked to you about today have been with us for a number of years. And it is the nature of such things that all problems cannot be solved in one legislative session. However, this year will see a number of major Congressional decisions which will greatly affect Alaska. I look forward to working with you on these matters and others to insure that they are dealt with in a manner which will provide a satisfactory solution for our constituents. I would be pleased to answer any questions you might have on these and other matters.

Thank you.

HOUSE JOURNAL

ALASKA STATE LEGISLATURE TENTH LEGISLATURE - FIRST SESSION

JUNEAU, ALASKA

Thursday

February 17, 1977

Thirty-ninth Day

Pursuant to adjournment, the House was called to order by Speaker Malone at 10:06 a.m.

Roll call showed all members present except Representatives Duncan, Osterback and Specking. Representatives Osterback and Specking had been previously excused from a call of the House today.

Mr. Miller moved and asked unanimous consent that Mr. Duncan be excused on official state business. There being no objection, it was so ordered.

Mr. Urion moved and asked unanimous consent that Mr. Chatterton be excused from a call of the House on February 18, 1977 and that Mr. Akers be excused from a call of the House on February 21, 1977. There being no objection, it was so ordered.

The prayer was offered by the Chaplain, Pastor John R. Tindell of the Northern Light United Church. Mr. Cotten moved and asked unanimous consent that the prayer be spread on the journal. There being no objection, the prayer appears as follows:

"When the complexities of life confound us,
grant us insight.

When the tasks and labors of life overwhelm us,
grant us calmness.

When the self-pitying instincts of life grip us,
grant us gratitude.

In the Name of Jesus we pray. Amen."

Mr. Miller moved and asked unanimous consent that the journal for the 38th day, House Supplement No. 18 and Senate - House Supplement No. 3 be approved as certified. There being no objection, it was so ordered.