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June 12, 2003

The Honorable Pete Kott  
Speaker of the House  
Alaska State Legislature  
716 W 4<sup>th</sup> Ave. #600  
Anchorage, AK 99501-2133

Dear Speaker Kott:

On this date I have signed with line item vetoes the following bill passed by the first session of the Twenty-third Alaska State Legislature and am transmitting the engrossed and enrolled copies to the Lieutenant Governor's Office for permanent filing:

CONFERENCE CS FOR SS FOR HOUSE BILL NO. 75

"An Act making capital appropriations for the operating and loan program expenses of state government, for certain programs, and to capitalize funds; and providing for an effective date."

Introduction of the administration's operating budget last March and the Legislature's subsequent deliberations marked a turning point in Alaska's fiscal history. The approved budgets and revenue-related legislation reflect our joint recognition that Alaska's finances must be immediately corrected. We also recognize that we must take these necessary steps now and not wait for a "politically convenient" time—because it will never arrive. This means we must cut spending now, use our reserves prudently now, and get more users to help pay for state services. We also recognize that we must take the steps necessary now to generate revenues from resource development in the near future.

To these ends, I challenged the Legislature to keep Fiscal Year 2004 spending below the current year's and set a goal of not using more than \$400 million of the state's reserve funds, or Constitutional Budget Reserve (CBR). As you know, the state has relied on the CBR since its creation in 1990 to prop up spending at a level which the state could not otherwise afford. Unfortunately,

if we were to continue the last administration's "business as usual" level of spending, the CBR would be depleted in early 2006 and we would need to cut the following year's spending by 40%, sending the state's economy in a downward spiral. To understand this and not take corrective steps would be irresponsible.

For this reason I proposed that we make spending decisions that will enable the CBR's remaining balance to last for five years. If we limit our annual draw to \$400 million, the reserve will be able to serve as "bridge financing" while new resource development causes new revenues to flow into the state's treasury.

While the Legislature did a good job in holding down spending, the Fiscal Year 2004 still would have required an estimated CBR draw of \$525 million. As discussed with the Legislature prior to adjournment, my commitment to limit the CBR draw was steadfast. As a result, vetoes are necessary to prudently use these reserves. Accordingly, I have vetoed \$138 million in general funds, of which \$112 million is from the operating budget. When compared to Fiscal Year 2003, overall spending has been reduced \$198 million, of which \$173 million is in the operating budget. It is important to note that even deeper reductions were made, but they were offset by increases in formula-driven programs, such as Medicaid. In addition, 209 positions have also been eliminated in executive agencies.

Accordingly, the CBR's overall balance will be reduced by \$380 million, taking it from its \$2.2 billion Fiscal Year 2003 ending balance to \$1.8 billion projected for Fiscal Year 2004.

Disciplined management, clear priority setting, and ensuring every dollar that is spent gets results is how the administration will work to minimize the impact of these reductions on the level of services delivered. While it will mean changes in how the state does business, be assured essential obligations of state government will be met. Winter maintenance will continue on state roads and highways and state parks will remain open.

Funding for K-12 education is held harmless from the budget reductions taken elsewhere in the operating budget. While we have been able to fully fund education this time around, it is the local school, with its teachers, school board members, superintendents, administrators, parents, and local communities, that carry the heavy responsibility of using these funds wisely to deliver the desired result of a better education for Alaska's children.

It's important that we not assume the answer to meeting the educational needs of Alaska's children is always more money. At the risk of stating the obvious, we must ensure the dollars currently being invested in education *result* in educated children. Currently there is great disparity in student performance from school to school and district to district. Some of our schools are only able to show less than 10 percent of their students proficient on a benchmark exam, while other schools are able to show more than 90 percent of their students proficient on the same exam. We must ensure resources get shifted away from administration over to the classroom and that our schools are working as smart as they can and using their financial resources in the best interest of our children.

We also are sensitive that some of our vetoes will greatly impact seniors that currently receive a Longevity Bonus check, as well as local governments that significantly rely on state revenue sharing to pay for local services and capital projects. To help seniors transition, we are proposing that \$10 million in one-time Federal funds be made available through the state's General Relief Assistance program. Income-eligible seniors would be able to receive a monthly payment of up to \$120. The payment also would be available to all eligible seniors, not just those that met the age cut-off for the Longevity Bonus program, for a temporary period until June 2004.

To assist local communities in transitioning from reliance on state revenue sharing, the administration also has proposed that \$15 million in these Federal funds be distributed to local communities, with a \$40,000 minimum payment to smaller communities. Veto of the funding for these long-standing programs was certainly a difficult decision, but the administration believes that local communities also must be more self-reliant and take responsibility for prioritizing what their governments do based on what they can afford.

The need to cautiously use our reserves made each of these, as well as the other vetoes necessary, some of which are discussed below:

Department of Administration

*Public Communications Services, Satellite Infrastructure*

*Total veto: \$200,000 General Funds*

*Reason: Reduced costs*

Level of projected current year costs is below amount approved and these savings are expected to continue in Fiscal Year 2004. This pays for satellite transponder services for public TV and radio and distance education. This reduction is not expected to result in any service level change.

Department of Community and Economic Development

*Trade and Development*

*Total veto: \$115,400 General Funds*

*Reason: Overlapping services*

Eliminates a grant to the World Trade Center (WTC) Alaska. While the WTC has coordinated its activities with the Division of Trade and Development, especially in seafood promotion, the division believes it will be able to expand its work in this area through Federal funding.

*Capital Project Matching Grant Program Fund capitalization*

*Total veto: \$15,000,000 General Funds*

*Reason: Return to core state responsibilities*

This appropriation provides funding that is distributed to local governments to meet priorities established at the local level (specific project appropriations are made in the capital budget). As the state tightens its belt, it is necessary to return to funding the state's traditional responsibilities. Until state recurring revenues are sufficient to pay for state responsibilities, local governments will need to find other funding to meet local priorities.

Department of Corrections

*Community Residential Centers*

*Total veto: \$400,000 General Funds*

*Reason: Management/other savings*

While this reduction will impact the department's flexibility in utilizing Community Residential Center (CRC) beds, careful and aggressive utilization management will enable the department to absorb this reduction with no appreciable affect on public safety. The department anticipates a reduction of one to two beds in each facility. If necessary, increased use of electronic monitoring will be used as an alternative.

Department of Education and Early Development

*Quality Schools*

*Total veto: \$146,200 General Funds*

*Reason: Other funds available*

The cost to administer charter school grants will be shifted to the federally funded program. There should be no change in the level of technical assistance or support currently provided to charter schools.

*Education Special Projects*

*Total veto: \$50,000 General Funds*

*Reason: Return to core state services*

Eliminates a contracted service that provides curriculum materials and instruction support for the Alaska Minerals and Energy Resources program. Schools and teachers utilizing this program will have to secure the materials through a private vendor.

*Administrative Services*

*Total veto: \$54,800 General Funds*

*Reason: Management/other savings*

With two major programs being transferred to other departments beginning in FY 2004, fewer administrative staff will be needed to support the remaining programs.

*Information Services*

*Total veto: \$121,100 General Funds*

*Reason: Management/other savings*

A lower level of computer/technology support to department staff may be realized. This includes database development and programming services, technical training, and individual user support.

*District Support Services*

*Total veto: \$70,000 General Funds*

*Reason: Management/other savings*

As a result of changing pupil transportation from a reimbursement program to a grant program beginning in FY 2004, less administrative support will be required. This reduction will have no impact on services to school districts.

Department of Fish and Game

*Commercial Fisheries*

*Total veto: \$500,000 General Funds*

*Reason: Other revenues available/management savings*

A \$235,000 in general fund savings is possible because Federal funds are available for Bering Sea and Aleutian Island crab fisheries research. A \$130,000 savings in the Arctic-Yukon-Kuskokwim fisheries management component for salmon stock assessment programs on the Yukon, Tanana, and Anvik Rivers is possible by also transferring the project's costs to federal research grants.

In Headquarters Fisheries Management, a \$115,000 savings results from elimination of funds that previously supported Division of Habitat staff work on the review and coordination of Title 16 and Forest Practices permits (responsibility since transferred to Department of Natural Resources). Another \$20,000 savings will be realized in the division's Statewide Fisheries Library, but library services will continue at the same level due to federal grant funding.

*Boards of Fisheries and Game*

*Total veto: \$150,000 General Funds*

*Reason: Management/other savings*

Division of Sport Fish funds will be used to support the Board of Fisheries. This is similar to how the Division of Wildlife Conservation currently provides funding to support the Board of Game.

*Commissioner's Office*

*Total veto: \$100,000 General Funds*

*Reason: Management/other savings*

The deputy commissioner position dealing with wildlife issues will be funded with revenue from the Division of Wildlife Conservation.

*Commercial Fisheries Entry Commission*

*Total veto: \$150,000 Receipt Supported Services*

*Reason: Management/other savings*

Savings will be realized by decreasing staff months in the commission's Research Section and Data Processing Section and by reducing contractual, equipment, and travel expenditures. These reductions will result in a delayed response or denial of requests and less timeliness in processing permit and vessel license renewals and adjudication of pending cases. License renewals will take 6 days instead of 4 or 5; up to 20% of public research requests will be denied; delays in major projects will be 3 to 6 months.

Office of the Governor

*All Allocations*

*Total veto: \$125,800 General Funds*

*Reason: Management/other savings*

The reduction reflects an intent to hold the line on increased costs of government and means the Governor's office will internally absorb the increased health insurance cost without additional funding. No change in the level of service is anticipated.

Department of Health and Social Services

*Longevity Bonus Grants/Longevity Bonus Grants*

*Total veto: \$44,800,000 General Funds*

*Reason: Higher priority state services*

This reduction eliminates the funding for this program.

*Alaska Longevity Programs/Alaska Longevity Programs Management*

*Total veto: \$83,400 General Funds*

*Reason: Management/Other Savings*

Elimination of the Longevity Bonus Grants program will enable savings for postage and the possible elimination of one position.

*Behavioral Health/Alcohol Safety Action Program (ASAP)*

*Total veto: \$355,000 General Funds*

*Reason: Management/other savings*

The ASAP program currently uses intermediaries (case managers) to make treatment or education arrangements for court-ordered clients. In smaller communities, it is possible for the treatment or education programs to work directly with the clients on meeting the court requirements, instead of working through an intermediary.

*Behavioral Health/Behavioral Health Medicaid Services*

*Total veto: \$3,029,900 General Fund Match*

*Reason: Other revenue available*

Savings are the result of the Federal government increasing its share of what it pays for the Medicaid program (to 61.34% from 58.39%). This is the result of the Federal Tax Relief Assistance program passed in May 2003 that temporarily increases the Federal Medicaid share, which allows the state to reduce its share without changing the level of services.

*Behavioral Health/Behavioral Health Grants*

*Total veto: \$541,600 General Funds*

*Reason: Management savings/program effectiveness*

Reduction includes the elimination of two residential alcohol and drug services. The first is to Safe Harbor in Kodiak, where Kodiak residents are not using the services. The second is to the North Slope Borough's program, which has experienced a sharp decline in admissions over the last few years.

*Behavioral Health/Behavioral Health Administration*

*Total veto: \$ 311,500 (\$12,700 General Funds; \$298,800 I/A Receipts)*

*Reason: Management/other savings*

Savings will be realized by eliminating functions for which funding is no longer available, realigning staff assignments, consolidating similar functions as part of the departmental reorganization, and reducing regional mental health grant administration. The division will close two offices, the SE Regional Office in Juneau and the Southcentral Regional Office in Wasilla.

*Children's Services/Children's Services Management*

*Total veto: \$185,900 (\$15,000 Federal; \$170,900 General Funds)*

*Reason: Management /other savings*

As a result of management structure changes, two management positions are being eliminated. The division is streamlining processes, and the reassignment of administrative duties allows the reduction. There will be no reduction to higher priority services such as front line workers.

*Children's Services/Front Line Social Workers*

*Total veto: \$29,800 General Funds*

*Reason: Higher priority services*

This reduction eliminates the program's share of the department's wellness program, which has been eliminated.

*Children's Services/Subsidized Adoption and Guardianship*

*Total veto: \$199,500 General Funds*

*Reason: Retain core services*

Eliminates funding for "Project Succeed" that goes to the Public Defender Agency and Office of Public Advocacy. The reduction reflects the Office of Children's Services' first priority of serving and protecting the state's most vulnerable

children, those who are at risk of abuse and neglect. Remaining resources and services will be focused on more urgent and higher priority client needs, preventative and support programs for children and families.

*Children's Services/Residential Child Care*

*Total veto: \$403,300 (\$290,800 General Fund Match; \$112,500 General Funds)*

*Reason: Other revenue available/Management/other savings*

A \$290,800 savings is possible due to the increased share the Federal government will be paying for Medicaid, as discussed earlier. The remaining savings will come from a reduction in the funding for residential child care "Held Beds," less administrative travel, and in the funds set aside to provide additional supervision of a child in a facility.

*Children's Services/Women, Infants, and Children*

*Total veto: \$114,400 (\$2,300 General Funds; \$112,100 General Funds Match)*

*Reason: Return to higher priority services*

To retain priority services of on-going nutrition and food to qualified clients of the WIC program, the reduction will result in fewer printed publications and curtailment of enhancements to the nutrition web site. In addition, "Sippy cups," provided to infants to promote dental health, will not be distributed.

*Children's Services/Child Protection Legal Services*

*Total veto: \$474,200 General Funds*

*Reason: Return to core services*

This eliminates funding for the Public Defender Agency and the Office of Public Advocacy. As a result of prioritizing services, the Office of Children's Services' will use remaining resources to meet its foremost commitment to serve and protect the state's most vulnerable children, those who are at risk of abuse and neglect.

*Health Care Services/Medicaid Services*

*Total Veto: \$3,129,100 General Fund Match*

*Reason: Other revenue available*

Savings are possible because the Federal government is increasing its share of what it pays for the Medicaid program, as discussed earlier.

*Health Care Services/Catastrophic and Chronic Illness Assistance*

*Total veto: \$529,000 General Funds*

*Reason: Cost containment*

Program changes will reduce the scope of the CAMA program to provide health care to very poor individuals who have no other coverage and have a chronic or terminal illness. In order to continue to serve this segment of the population, the program will be changed to achieve savings by excluding transportation costs, elimination of inpatient and nursing home care, and limiting pharmacy benefits to three approved prescriptions per month.

*Health Care Services/Medical Assistance Administration*

*Total veto: \$100,700 (\$95,400 GF Match; \$5,300 General Funds)*

*Reason: Management/other savings*

Eliminates the division's share of the cost in the department's wellness program and deletes one vacant research analyst position.

*Health Care Services/Health Purchasing Group*

*Total veto: \$277,400 General Fund Match*

*Reason: Management/other savings*

A full review of senior services programs' needs within the department's new organizational structure is underway. Savings are expected to result from the deletion of one vacant position, contractual and other costs.

*Health Care Services/Certification and Licensing*

*Total veto: \$10,400 General Fund Match*

*Reason: Management/other savings*

The savings are possible due to vacancies in staffing level, and a small reduction in service contracts. These changes will have minimal impact on service.

*Health Care Services/Hearings and Appeals*

*Total veto: \$8,500 General Funds Match*

*Reason: Salary savings*

Savings are possible due to the retirement of a long-time employee. No impact on services is expected.

*Health Care Services/Women's and Adolescents Services*

*Total veto: \$45,000 General Fund Match*

*Reason: Management/other savings*

The new Division of Health Care services will blend potentially duplicative positions. Pending a full analysis of which duties/responsibilities will be reallocated and/or combined, this savings in salary costs is anticipated.

*Juvenile Justice/Probation Services*

*Total veto: \$37,200 General Funds*

*Reason: Management/other savings*

This reduces the Juvenile Justice share in the cost of the department's wellness program.

*Public Assistance/Child Care Benefits*

*Total veto: \$2,145,700 (\$145,700 GF; \$2,000,000 I/A Receipts)*

*Reason: Management/other savings*

The Division of Public Assistance is undertaking a major reorganization in which childcare programs from the Department of Education and Early Development will be incorporated into the division's current service delivery. This will streamline management and eliminate task duplication, resulting in the elimination of two positions. The result will be increased accountability in program management, better staff performance, better service delivery, and a less hierarchical structure.

*Public Assistance/General Relief Assistance*

*Total veto: \$50,000 General Funds*

*Reason: Return to core department services*

This reduction eliminates a grant to Alaska Legal Services for legal assistance for individuals pursuing Supplemental Security Income disability benefits.

*Public Assistance/Public Assistance Administration*

*Total veto: \$50,000 (\$40,000 Federal Funds; \$10,000 General Fund Match)*

*Reason: Consolidation/management savings*

This reduction eliminates the Deputy Director position as a result of the Division of Public Assistance's reorganization. The goal is to eliminate a layer of mid-management to increase accountability in program management and have a less hierarchical structure.

*Public Assistance/Public Assistance Field Service*

*Total veto: \$175,200 (\$100,000 General Fund Match; \$75,200 General Funds)*

*Reason: Consolidation/management savings*

Savings will be achieved by intensive management of staff vacancies and internal transfers of staff to implement the envisioned reorganizational changes. Implementation of the realignment process itself will balance achieving the desired internal result with stable service delivery to our clients.

*Public Assistance/Public Assistance Data Processing*

*Total veto: \$88,000 (\$38,000 Federal; \$38,000 General Fund Match; \$12,000 General Funds)*

*Reason: Management/other savings*

Savings will be realized as a result of the division's reorganization. One vacant full-time and one part-time vacant position will be eliminated.

*Public Assistance/OAA-ALB Hold Harmless*

*Total veto: \$940,000 General Funds*

*Reason: Program elimination*

Due to elimination of the Longevity Bonus program, this program and its funding can be eliminated.

*Senior & Disabilities Services/Senior & Disabilities Medicaid Services*

*Total veto: \$5,550,200 General Fund Match*

*Reason: Other revenue available*

Savings are possible because of the Federal government's increase in its share of what it pays for the Medicaid program as previously discussed.

*Senior & Disabilities Services/Senior & Disabilities Services Administration*

*Total veto: \$180,200 (\$125,400 General Fund Match; \$54,800 General Funds)*

*Reason: Management/other savings*

Staffing will be consolidated or reduced in the DD Waiver and Waitlist, DD grant management, and accounting. Additional savings will be realized by ending the consumer satisfaction survey and partially replacing it with the mental health statistical indicator project and re-engineering staff quality assurance efforts. The southeast office will be consolidated with the central office in Juneau.

*Senior & Disabilities Services/Protection, Community Services & Administration*

*Total veto: \$1,208,500 (\$16,700 General Fund Match; \$1,191,800 General Funds)*

*Reason: Maintain higher priority client services/cost containment*

Due to the reorganization of senior and disability services, efficiencies are possible. The division will take reductions in administrative costs to protect funding for direct client services. There may be some impact on consultation and processing time. A savings of \$383,500 with no reduction in services in the Personal Care Attendant grant program will be possible due to new Personal Care Attendant regulations that will be finalized by December 31, 2003 (Medicaid funding will be available which reimburses at a higher rate). A reduction of \$500,000 in the General Relief Program is possible due to refinancing from Medicaid, which will also save general fund dollars.

*Senior & Disabilities Services/Home and Community Based Care*

*Total veto: \$333,900 General Funds*

*Reason: Other revenue available*

This reduces grants to Adult Day programs by \$141,300 and Care Coordination by \$192,600. Funds can be replaced for both grant programs by federal funds that are now available for innovative respite programs. These reductions will have no impact on clients.

*State Health Services/Nursing*

*Total veto: \$185,000 (\$110,700 General Funds; \$74,300 I/A Receipts)*

*Reason: Management/other savings*

This eliminates two vacant staff positions, which will have minimal impact on direct services. The division is currently reviewing management layers in the nursing program to streamline decisions and accountability.

*State Health Services/Public Health Administrative Services*

*Total veto: \$38,500 General Funds*

*Reason: Management/other savings*

This reduces the division's share in the cost of the department's wellness program.

*State Health Services/Community Health/Emergency Medical Services*

*Total veto: \$57,600 General Funds*

*Reason: Management/other savings*

This reduces administrative and technical support for the Section of Community Health and EMS programs. There will be no change in the level of direct services to the public since the position was vacant.

*State Health Services/Community Health Grants*

*Total veto: \$500,000 General Funds*

*Reason: Other revenue available*

This supplants \$500,000 in general funds for grants to Maniilaq and Norton Sound with Tobacco Education and Cessation funding. There will not be a programmatic impact on public health nursing or these grantees as a result of this fund source shift. This change will reduce Tobacco Prevention and Control program from \$4.3 million to \$3.8 million in FY04.

*Administrative Services*

The following administrative reductions were identified because they would impact core responsibilities the least. They were also taken where duplicate systems are available to provide similar services at less cost, or, in the case of the data warehouse programs, where they are not functioning as effectively as envisioned. Individual component reductions are identified below:

*Administrative Services /Office of Program Review*

*Total veto: \$108,800 (\$15,400 Federal; \$23,100 General Fund Match; \$70,300 General Funds)*

*Reason: Management/other savings*

The reduction results in the consolidation of administrative functions in the Juneau Commissioner's office and eliminates a coordinator position in Anchorage.

*Administrative Services/Rate Review*

*Total veto: \$54,000 (\$27,000 Federal, \$27,000 General Fund Match)*

*Reason: Management/other savings*

This reduction eliminates a vacant internal auditor position.

*Administrative Services/Administrative Support Services*

*Total veto: \$110,000 General Funds*

*Reason: Management/other savings*

This reduces information technology support for the data warehouse program and termination of the department's wellness contract.

*Administrative Services/Personnel and Payroll*

*Total veto: \$100,000 General Funds*

*Reason: Management/other savings*

This reduction eliminates the human resource training program.

*Administrative Services/Audit*

*Total veto: \$20,000 General Funds*

*Reason: Management/other savings*

This reduction eliminates a clerk position in the audit unit.

*Administrative Services/Health Planning & Facilities Management*

*Total veto: \$80,000 General Funds*

*Reason: Management/other savings*

This reduction eliminates research analysis of the data warehouse program.

*Boards and Commissions/Commission on Aging*

*Total veto: \$11,400 General Funds*

*Reason: Management/other savings*

Contractual services will be reduced.

Department of Labor and Workforce Development

*Occupational Safety and Health*

*Total veto: \$87,000 General Funds Program Receipts*

*Reason: Potential other funds available*

Reductions will be taken in the issuance of the certificates of fitness for asbestos abatement, hazardous painters, and explosive handlers. The department will attempt to replace these funds with additional Worker's Safety funds and/or federal Occupational Safety and Health funds.

*Various Department Programs*

*Total veto: \$113,000 General Funds, General Fund Match and General Fund/Program Receipts*

*Reason: Management/cost savings*

The contractual health insurance cost increases supported with general funds will be absorbed by the department. Absorbing this \$80,000, and an additional

\$33,000 for rent costs may result in decreased personnel, particularly in the Wage and Hour Administration. These reductions may increase response time for work permits from one to three days.

*Vocational Rehabilitation Client Services*

*Total veto: \$165,000 General Funds*

*Reason: Management/ Other savings*

The program will absorb the reduction through management efficiencies, which will include curtailment of travel to outlying areas and reduction in training.

Department of Law

*All Divisions*

*Total veto: \$262,400 General Funds*

*Reason: Management/other savings*

The department will manage absorption of the additional health insurance cost holding positions vacant for a longer period of time. A \$108,200 savings in the Civil Division will be achieved by replacing hardcopy law books with an electronic format.

Department of Military and Veterans Affairs

*Alaska National Guard, Army Guard Facilities Maintenance*

*Total veto: \$50,000 General Funds*

*Reason: Management/other savings*

Janitorial support services will be reduced for state armories. Facilities currently receiving five days of service will be reduced to three and facilities currently receiving three days of service will be reduced to two.

*Alaska National Guard, Air Guard Facilities Maintenance*

*Total veto: \$150,000 General Funds*

*Reason: Management/other savings*

Janitorial support services will be reduced for state armories. Facilities currently receiving five days of service will be reduced to three and facilities currently receiving three days of service will be reduced to two.

Department of Natural Resources

*Management and Administration, Information Resource Management*

*Total veto: \$65,000 General Funds*

*Reason: Management/other savings*

One Cartographer position in the Land Records Information Section (LRIS) will be eliminated. Although the loss of one cartographer means slower initial update times for graphic land record changes, LRIS will work with other divisions to better manage the workload and minimize the impacts of this reduction.

*Resource Development, Geological Development*

*Total veto: \$150,000 General Funds*

*Reason: Management/other savings*

The Division will keep the Division Director position vacant in FY04 while evaluating the future management structure of the division. Another \$15,000 in program receipts is eliminated because revenues from the sale of publications are down as customers are accessing publications digitally.

*Fire Suppression, Fire Suppression Preparedness*

*Total veto: \$300,000 General Funds*

*Reason: Cost savings*

There are contract cost savings for statewide aircraft availability for retardant air tankers and a utility fixed-wing aircraft that were not known when the budget was prepared.

*Fire Suppression, Fire Suppression Preparedness*

*Total veto: \$90,000 General Funds*

*Reason: Management/other savings*

Area Office Fire Warehouses in Glennallen, Delta, Kenai, and McGrath will become initial attack fire caches. The warehouse functions being provided at these locations will be consolidated to Palmer and Fairbanks. By stationing cache vans at strategic places, the department will attempt to minimize any impacts. Four seasonal employees who issue burning permits will be eliminated, as the newly implemented web-based burn permit system will accommodate this reduction in service to the public.

Department of Public Safety

*Village Public Safety Officer Contracts*

*Total veto: \$962,000 General Funds*

*Reason: Management/program effectiveness*

This veto reduces the VPSO Contracts to \$5,436,400. VPSO to be eliminated are with the following non-profit organizations: Chugachmiut (\$181,600),

Kodiak Area Native Association (\$332,800), and Central Council Tlingit Haida Indian Tribes of Alaska (\$447,600). This reduction will eliminate the grants that serve Kodiak Island, Southeast Alaska, and Southcentral Alaska areas. These areas report the lowest activity in offenses, searches and rescues, calls for service of all the non-profits and at least 3 of 15 positions are vacant on average at any one time. First response that previously was provided by a VPSO will now come from a trooper traveling from the hub communities, a Village Police Officer (VPO) that is funded by the community, or a locally funded police officer. Many rural communities are already without a VPSO and rely on VPOs, volunteers, or Troopers to respond. The department is also encouraging impacted communities to seek Federal or other funds to support a continued first responder effort.

Department of Revenue

*Revenue Operations, Treasury Management*

*Total veto: \$70,800 General Funds*

*Reason: Management/other savings*

Use of outside consultants for information technology problem solving and repair needs will be reduced. Other savings will come from holding vacant positions unfilled for longer periods of time.

*Revenue Operations, Tax Division*

*Total veto: \$60,000 General Funds*

*Reason: Management/other savings*

SB 168 authorizes the division to increase investigation effort dedicated to enforcement of the new Tobacco Stamp law. By using existing gaming and the new investigators for both gaming and tobacco stamp investigations, one of the new positions will be left unfilled. Minimal impact is anticipated in the level of gaming and tobacco stamp investigations.

*Administration and Support, Administrative Services*

*Total veto: \$25,000 General Funds*

*Reason: Management/other savings*

The division will eliminate a vacant position. Other staff will absorb duties.

Department of Transportation and Public Facilities

*Highways and Aviation, Traffic Signal Management*

*Total veto: \$342,000 General Funds*

*Reason: Reduce to amount necessary to provide core services*

These reductions in the operating budget affect one program in each of the three regions. 1) A reduction of \$167,000 for maintenance of state-owned traffic signals in Anchorage (a reduction to FY 02 levels). 2) A currently vacant management position, costing \$100,000, in the Southeast region maintenance and operations budget, could remain unfilled and have minimum impact on the traveling public. 3) A \$75,000 savings will result from allowing the Ruby-Poorman Road to thaw open in the spring, reducing grading of the road during the summer, and elimination of a piece of equipment and its corresponding fuel costs. The road will continue to be maintained although the surface will be rougher.

Legislature

*All Allocations*

*Total veto: \$900,000 General Fund*

*Reason: Management/other savings*

This reduction was agreed to by the Legislature that will realize internal savings. No significant change in the level of service is anticipated.

Alaska Housing Finance Corporation

*Debt Service*

*Total veto: \$3,000,000 AHFC Dividend*

*Reason: Management/other savings*

The actual cost of the debt service on bonds sold in FY 2003 was lower than projected due to the decline in interest rates.

Debt Service authorized by ch. 115, SLA 2002

*Debt Service*

*Total veto: \$2,298,922 General Funds*

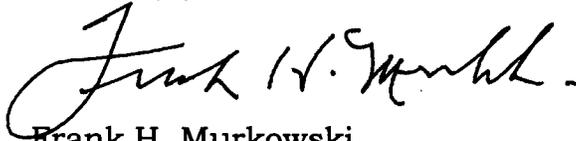
*Reason: Return to core state services*

The \$2.3 million in line item vetoes of projects authorized in ch. 115, SLA 2002 (HB 528) were based on an assessment of project priorities and an analysis of the relative ability of the entities to pay their own debt service or loan repayments. University projects (Anchorage Community and Technical College Center purchase and Juneau Readiness Center Combined Facility) were very high priorities and were funded. Three local harbor projects that had voter approval were also funded (Nome, Chignik and False Pass). Power projects for utilities with ratepayers and the ability to build debt payments into their rate structures were not funded. These are – Kodiak Electric Association, Nyman Combined Cycle

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Cogeneration Plant - \$532,114; Cordova Electric Cooperative, Power Creek Hydropower Station - \$959,376; Copper Valley Electric Association, cogeneration projects - \$304,307. Likewise the Port of Anchorage expansion project - \$503,125 - was not funded. Metlakatla Power and Light utility plant additions (\$696,764) was funded at the request of the congressional delegation as a special case to maintain the utility's eligibility to receive additional RUS loans.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Frank H. Murkowski". The signature is written in a cursive style with a large initial "F" and a long horizontal stroke at the end.

Frank H. Murkowski  
Governor