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July 19, 2004

The Honorable Gene Therriault
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801

Dear President Therriault:

On this date I signed with line item vetoes the following bill passed by the second 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:

Free Conference CS FOR Senate Bill 283(Corrected)

"An Act making, amending, and repealing appropriations, including capital appropriations, supplemental appropriations, reappropriations, and appropriations to capitalize funds; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

Chapter No. 159, SLA 2004

The Fiscal Year 2005 capital budget continues to invest limited state dollars in basic infrastructure. Of note is that of the capital budget's overall \$1.56 billion in appropriations, \$1.45 billion will come from federal funds and only \$117.3 million is from state funds. Federal support ranges from \$232.8 million for airport improvements; \$411.2 million for surface transportation projects; \$61 million for village safe water projects; \$20.9 million for Pacific coastal salmon recovery efforts; to \$5.5 million for a voter registration and election management system.

In terms of state dollars, only \$8.8 million in general funds are tapped. This was possible because of the Alaska Student Loan Corporation's ability to provide revenue bond proceeds to fund capital improvements. This will save

approximately \$250 million in general funds over three fiscal years and have no impact on the corporation's ability to meet the needs of student loan borrowers.

Based on my review of FCC SSB 283 (Corrected), I have vetoed two sections for the reasons described below:

Section 47(c) - Alaska Travel Industry Association - \$700,000

In Fiscal Year 2004, ATIA was unable to meet the statutory match requirement for marketing funds. This section converted the unmatched balance to a grant, thereby circumventing the intention of state law. For this reason, I have vetoed the appropriation.

Section 59 - University of Alaska - \$250,000

This reduction reflects the University's estimate of how much it will save in travel costs. Additional savings by other departments are reflected in reductions in the Fiscal Year 2005 operating budget (CCS HB 375).

In spite of increased investment in priority programs, approved spending from all appropriation measures is basically flat when compared to Fiscal Year 2004. With the customary addition of a \$12.5 million placeholder for supplemental spending next session, overall spending after vetoes for Fiscal Year 2005 is \$13.5 million higher. When compared to Fiscal Year 2003, spending has been reduced by \$163 million. The projected Constitutional Budget Reserve draw, based on the Department of Revenue's spring revenue forecast of \$28.30 per barrel, is \$360.6 million.

The current high oil prices have given Alaska's finances a slight reprieve. For some, it may also have served as political permission to avoid making politically challenging decisions to bring stability and certainty to state finances and public services. This administration's plan is for the state to live within its means and develop its resource wealth. This includes managing not only our natural resources but also our financial resources wisely.

We need to protect the value of our Permanent Fund for future generations of Alaskans. And we need to decide, together as Alaskans, on the wisest use of the income from the growing fund. I have advocated putting

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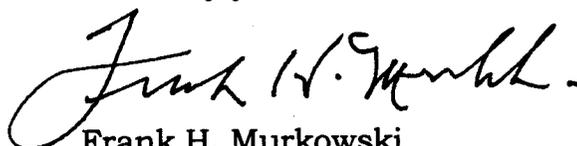
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dividends first because our economy and individual Alaskans depend on them. After dividends are paid, I believe we should make sure we have enough money for education and that we provide some assistance to help keep the lights on and reduce the property tax burden in communities around the state.

I will continue to work with the Legislature and all Alaskans on these financial issues. But we should not let debate over how to manage our bank account take our eye off our job. Job one is to develop our resource wealth to provide hope and opportunity for all Alaskans. Developing our resources is the best way to fund the basic priorities of government—education, public safety, transportation, and public health—and to grow our Permanent Fund.

To these ends, I look forward to working with the Legislature and Alaskans on these critical issues. Alaskans deserve leaders who will take responsibility today for Alaska's tomorrow.

Sincerely yours,

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

Frank H. Murkowski
Governor

Enclosure