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June 28, 2005

The Honorable John Harris
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Harris:

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

HCS 2d CSSB 46(FIN)am H(brf sup maj pfl H)

"An Act making and amending 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. 3, FSSLA 2005

Alaska's future awaits great opportunities. The challenge of leadership is to make decisions today that will realize those opportunities tomorrow. The capital budget is the state's investment tool by which it can ensure Alaskans have the quality of life they treasure and our children have good paying, challenging careers at home.

Overall the Fiscal Year 2006 capital budget totals nearly \$1.7 billion, which is \$264 million less than the prior fiscal year primarily due to a decrease in Federal funding. Of note, however, is the increased level of state general funds in the capital budget. The use of state funds is important because Alaska can fund *state* priorities instead of having the Federal government set our priorities because of heavy reliance on Federal dollars for capital improvements.

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This year's level of state investment is something Alaska has not been able to afford for many years. It has enabled the state to meet many of its basic responsibilities—from catching up on the care of our schools, to needed transportation improvements, to getting Alaska's infrastructure ready for the state's economic future, especially the gasline.

The capital budget also includes \$32 million for our Roads to Resources program. Alaska's wealth is in its natural resources but there are challenges in gaining access in order to develop. This initiative will advance oil and gas development on the North Slope and the Alaska Peninsula as well as advance mining opportunities across the state. For example, only yesterday a major new entrant to Alaska's oil and gas industry told me of the importance of the proposed Bullen Point Road to oil and gas development on the North Slope.

I am most proud of the commitment made this session to meet the maintenance needs of schools throughout Alaska. Since creation of the Department of Education and Early Development's Major Maintenance priority list in 1994, this is the first time that the entire backlog of projects has been addressed. The capital budget appropriates \$74 million in Fiscal Years 2006 and 2007 for school maintenance. In other legislation, the school debt reimbursement program was continued so that larger school districts would be able to address maintenance and school construction needs. In combination, more than \$286 million will be invested to ensure Alaska's schools are safer and growing communities have the classrooms they need.

This capital project funding is in addition to the increased commitment to K-12 education funding in the operating budget. Fiscal Year 2006 funding will increase \$70 million, bringing the increase in education funding to 23% during the first three years of this Administration. Moreover, the Legislature advance funded K-12 by tapping \$400 million of the windfall the state received in Fiscal Year 2005.

In anticipation of gasline development we must get the state's infrastructure ready so it can transport the construction materials needed to build the gasline. The capital budget includes several projects that will get a start on these roads and bridges.

But it is not just transportation of construction materials for which we must prepare; it's also the movement of people. While Alaska's population has seen stable growth in recent years, we still have congested roadways in our major population centers, such as Anchorage, Kenai, and the Matanuska-Susitna Borough. The capital budget includes \$94 million to improve movement of local traffic so Alaskans will have more time with their families and spend less time waiting at crowded intersections. These improvements also will allow commerce to

move more efficiently, thereby helping businesses transact more quickly with their customers.

For the first time in a number of years, the Legislature appropriated “discretionary” funds to local governments and non-profit organizations for a wide variety of purposes. I have vetoed several of these for reasons that follow:

Reason for veto: Inadequate documentation submitted to confirm that expenditure of funds would result in a public purpose or that the project would be completed:

Council of Athabaskan Tribal Governments – Solar Electrical System for Yukon Flats Health Center - \$70,000 (amount funded is one-fifth project’s cost)

Anchorage – Chester Creek Sports Complex Skate Park - \$100,000 (\$2 million requested)

Anchorage – Bancroft Subdivision Sound Barrier Fence - \$40,000 (design money only; no indication how construction will be financed)

Port Lions – Solid Waste Disposal Site Upgrade - \$5,000 (community requested \$350,000)

Lake and Peninsula Borough – Kokhank/Purchase Fire Truck - \$5,000 (community requested \$150,000)

Old Harbor – Boat Harbor Expansion - \$10,000 (community requested \$4.3 million)

Iliamna – Barge Ramp Facilities and Docks - \$10,000 (community requested \$1.5 million)

- Pedro Bay Landfill Road Completion - \$10,000 (community requested \$150,000)
- Igiugig Seaplane Base Development - \$10,000 (community requested \$75,000 to design; no indication how construction would be financed)
- Anchorage – Mountain Park/Robin Hill LRSA, Engineering and Construction for Drainage and Surface Improvements - \$150,000 (back-up documentation indicates for engineering work only)

Reason for veto: Utility related costs should be paid by ratepayers.

- Homer Electric Association – Right of Way Clearing - \$250,000
- Matanuska-Susitna Borough – Talkeetna Water and Sewer Plan - \$40,000

Reason for veto: Membership organization/not a state responsibility:

- Fairbanks Motorcycle Racing Lions Club – Safety Fencing and Enclosure Construction - \$20,000
- Northwest Archers Association – Kincaid Park Archery Range Equipment - \$10,000

I have also vetoed Section 19(a) – Re-appropriation of Federal Unrestricted Receipts Balances to the Alaska Debt Retirement Fund – indeterminate amount. There are several appropriations of federal unrestricted receipts that are not fully expended or encumbered. This veto will prevent the unintended consequence of re-appropriating those balances to the debt retirement fund.

There are, however, a number of other grants on which conditions will be placed before they are disbursed. As appropriate, these conditions will include a requirement that communities resolve outstanding financial liabilities to the state or Federal government; have Workers' Compensation insurance in place; and assumption of responsibility for the operations and maintenance of improvements as required under the statute that governs grants to municipalities (AS 37.05.315(c)).

Grants that are approved but will be conditioned upon resolution of financial liabilities include:

- Hydaburg – School Van - \$30,000
- Marshall – Community Center Renovation - \$40,000
- Akhiok – Bulk Fuel Purchase (re-appropriation)
- Saint George – Harbor Planning/Engineering - \$150,000
- Tununak – Community Facilities and Equipment (re-appropriation)
- Alakanuk – City Facilities Repair, Maintenance - \$25,000
- Emmonak – Heavy Equipment, Purchase, Repair - \$250,000

Grants that are approved but conditioned on Workers' Compensation insurance being in place include:

- Angoon – Fire Truck - \$30,000
- Angoon - Snow Removal Equipment - \$50,000
- Angoon – Community Hall Renovation - \$100,000
- Angoon – Search and Rescue Vessel Purchase - \$57,000

Grants that are approved but conditions will be negotiated regarding local government assumption of ownership and/or maintenance and operations pursuant to AS 37.05.315(c) (Grants to Municipalities) include:

- Wasilla – Wasilla to Big Lake Trail - \$2 million
- Anchorage – Glenn Highway Hightower Lighting/Veteran's Parkway Interchange to South Birchwood Loop Road - \$2.7 million
- Anchorage – Veteran's Memorial Highway – Eagle River High School Traffic Control Turn Lanes - \$650,000
- Anchorage – Yosemite Drive Road and Drainage Improvements at

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Eagle Rim - \$500,000

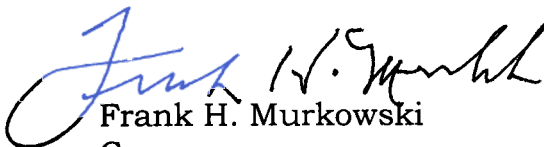
- Anchorage – Muldoon Road Lighting Project - \$100,000
- Anchorage – Muldoon, Tudor Road Sound Barrier Fence - \$600,000
- Anchorage – Strawberry Road/Jewel Lake Road Intersection Improvements - \$1.3 million
- Anchorage – Raspberry Road Extension – Minnesota to Rovenna – \$1.3 million
- Anchorage – 88th Avenue Upgrade - \$250,000
- Anchorage – Abbott Road Guard Rail Construction - \$75,000
- Matanuska-Susitna Borough – Chip Seal Test Project on Crystal Lake Road in Willow - \$85,000
- Soldotna – Kobuk/Sterling Highway Lights - \$200,000
- Kodiak – Otmeloi Way Rehabilitation - \$3.3 million
- Bethel – Emergency Dock Repairs - \$771,189
- Kenai – North Spur Highway Extension - \$5 million

Several grants to local governments are for operating costs. While I have approved the funding this time, it will be important that the communities find other funding going forward in order to meet these local priorities on a longer-term basis.

I have also asked the Department of Commerce, Community and Economic Development to work with the U.S. Department of Energy to determine the feasibility of the work associated with a mini-nuclear-power plant funded in a \$500,000 grant to the City of Galena.

I am also concerned that a number of grants partially fund projects. High oil prices and the subsequent windfall provided an opportunity this session for a state grant, but that does not mean there will be similar funding in the future. As a result, it is important for these communities and organizations to develop a solid finance plan for each project that does not solely rely on legislative discretionary funding in the future.

Sincerely yours,



Frank H. Murkowski
Governor

Enclosure