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January 12, 2005

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

Dear Speaker Harris:

The operating budget bill delivered today contains my proposal for the 2006 fiscal year.

My budget proposals reflect our obligation to meet a state's traditional responsibilities to its citizens. It reflects our commitment to growing the state's economy through resource development, which provides Alaska families with opportunities for good jobs and careers. Jobs also provide an economic base for our communities so they too can meet their local responsibilities to citizens.

The challenges our administration faced in developing our spending proposals for this session were very different from those of the last two years. During our first two years, our administration faced up to the fiscal realities and we got control of state spending.

Even though record-breaking oil prices have changed today's budgeting pressures, it is just as important that we be prudent and disciplined in our spending decisions. The potential for a \$1 billion swing in current fiscal year revenues must serve as a reminder of the volatility of the underpinnings of our revenue system and the precariousness of the state's ability to afford consistent delivery of services to Alaskans.

This operating budget, as well as our other proposals, reflects our administration's priorities to: grow Alaska's economy and create jobs for Alaskans by responsibly developing our abundant natural resources, which also requires a quality education that prepares Alaskans to take these jobs; assure that Alaskans are safe in their communities; and assure that Alaska families are healthy with a good quality of life.

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The spending proposals, as well as our other actions taken and legislation that will be proposed, will make significant contributions to further advancing our success in meeting these priorities.

While our administration is focused on developing Alaska's economy, we are just as mindful of our responsibilities to protect those Alaskans that are most vulnerable. We are again proposing additional resources and staff to the Office of Children's Services so that we can continue our commitment to protect Alaska's most at-risk children.

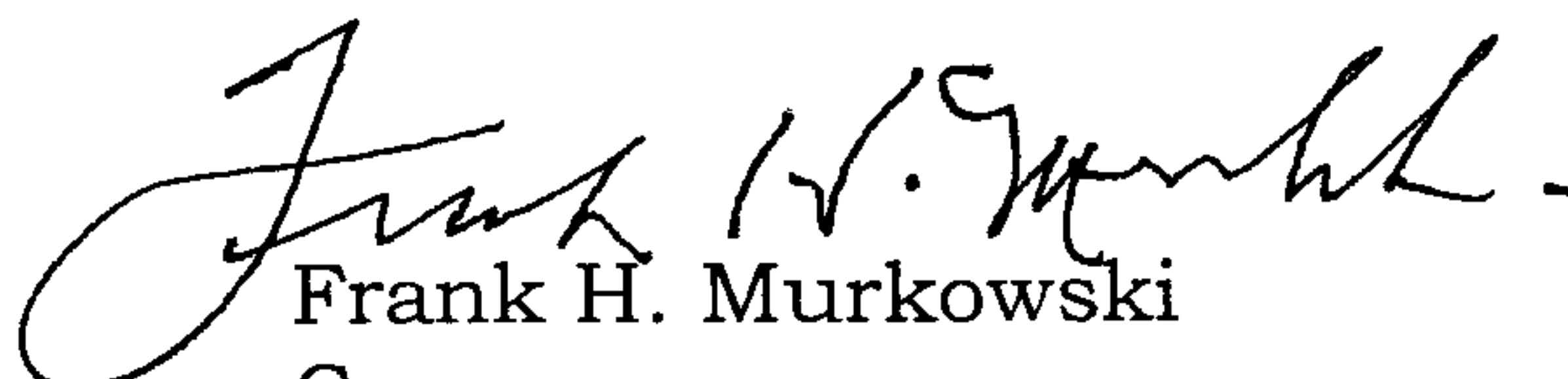
We are proposing to increase state financial support for our K-12 educational system. If approved by the Legislature, the per student amount will have increased 29 percent during this administration, which reflects our commitment to ensure that those in school today will be fully prepared to enter tomorrow's job market. We also will propose that we use some of the current year's windfall to help pay for this increase for the next two years.

As we look to the state's fiscal future, we are very mindful of our challenge to ensure that state government and the services it delivers to Alaskans is fiscally sound between now and when the gasline is in service in 2012. Natural resource development represents this administration's long-term fiscal solution. The fiscal challenge we face between now and then is real, and we cannot procrastinate our way to fiscal security. I urge the Legislature to either pass the fiscal plan I presented last year or come up with one of its own. The time to act is now while we enjoy good economic times.

Our administration's Fiscal Year 2006 operating budget and other proposals will help create the kind of Alaska in which Alaskans can fulfill their tremendous potential and achieve their dreams. By our working together on what I believe to be a shared vision for the future, it will mean every Alaskan can have hope for what the future will bring, instead of simply hoping for a future.

To these ends, I look forward to working with the Legislature.

Sincerely yours,


Frank H. Murkowski
Governor

Enclosure