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June 30, 2006

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

Dear President Stevens:

On this date I signed with line item vetoes the following bill passed by the second 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 CSSB 231(FIN)am H(brf sup maj pfld H)

"An Act making 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. 82, SLA 2006

Alaska's future awaits great opportunities. The challenge of leadership is to make decisions today that will realize those opportunities tomorrow.

The capital budget I have signed into law today enables the state to meet many of its basic responsibilities—to our schools, to improving local transportation, to taking care of deferred maintenance at parks and state buildings that has been neglected for years, to getting Alaska's infrastructure ready for the state's economic future, especially the gas pipeline. This capital budget also provides funding that goes directly to communities to help meet their local priorities, as well as to non profit organizations around the state that work every day to make Alaska a better place to live.

One of the regrets regarding the capital budget is the Legislature's failure to meet the contingency that triggers two appropriations—a \$182.7 million for the Power Cost Equalization (PCE) program and \$73.1 million to construct three rural schools. The deposit in the PCE endowment would result in sufficient earnings to fully fund PCE each year, as was originally intended when the endowment was created. This would then provide stable funding on which rural Alaska communities could depend and on which economic activity and jobs can be built.

The \$73.1 million appropriation will fund the top three schools ranked on the list of the Department of Education and Early Development's School Construction Grants:

Southwest Region – New Stuyahok K-12 School
Replacement - \$27,231,626

Lower Kuskokwim – D.R. Kiunya Memorial K-12
Improvements - \$19,382,855

Northwest Arctic – Noatak K-12 School
Replacement - \$26,501,174.

The contingency on which funding for these projects rests is an increase in the state's petroleum production tax. While it has not yet been approved, it will continue to be considered by the Legislature during an upcoming special session. As a result, these appropriations can still be funded if the contingency is met by future legislative action.

There are several appropriations that while I did not veto them, I have concerns. These include:

- A \$50,000 grant to the Alaska Moose Federation for a moose safety and rebuilding task force. While I have let the appropriation stand, I want the organization to use these funds to conform with state requirements that govern management of orphan moose calves, including compliance with the Alaska Department of Fish and Game's policies. These funds shall be used to transport orphan moose calves to rural areas as quickly as possible once such transport is approved

by a veterinarian. The funds are not to be used for administrative purposes.

- Throughout the capital budget there are small grants to selected schools for supplies and library books, all of which I am sure each school will greatly appreciate. Unfortunately, the schools designated to receive these additional grants appear to be the result from the way in which the budget is divided among legislators through its so-called “discretionary” spending. This process results in some schools—often in neighborhoods and communities that are the least able to pay for these needs themselves—losing out, which is unfair to those schools’ children. I urge the Legislature to re-examine this process to correct for the “have” and “have-nots” that result from such a process.
- The Legislature included \$9 million for an Anchorage Regional Fire Training Facility. I understand the current facility needs to relocate due to a road construction project and related land exchange. The documentation submitted in support of the project indicates that the Municipality of Anchorage is looking to the state and federal governments to pay 100 percent of the project’s \$25.5 million cost. At the same time there is an excellent—but underused—fire training facility on the Kenai Peninsula. Before proceeding with this project, I ask that the Municipality of Anchorage work with the Alaska Department of Public Safety to examine how the Kenai facility can meet the fire training needs of Anchorage and other communities and that any new facility does not duplicate the training available at Kenai.
- Funds are included in the capital budget to begin construction of a new city dock in Gustavus. I continue to believe that the new dock should be built in Bartlett Cove where it will be much safer and in protected waters. Unfortunately the National Park Service has not yet agreed. I have directed the Alaska Department of Transportation and Public Facilities to continue to work with the Park Service to reach agreement on the dock’s location.

I have vetoed or reduced the following appropriations for the reasons explained:

Railbelt Energy Fund - \$73,500,000 Railbelt energy funds

I have vetoed the eight appropriations that the Legislature made from the Railbelt Energy Fund to utilities around the state. I let stand the \$800,000 to the Alaska Energy Authority.

Reason for veto: It is extremely important that Alaska's utilities work together to expand the state's generating capacity to meet the demands of the future. While I understand that each utility has an interest in meeting the needs of their ratepayers, it is now time that they assume a collective responsibility to address the state's future energy demands. The projects funded in this section of the capital budget did little to meet this need.

Some have suggested that relief from a shortage of natural gas likely will come from the potential closure of the Liquefied Natural Gas (LNG), urea and ammonia facilities on the Kenai Peninsula should the contract not be renewed, or if Agrium is unable to continue because of an inability to obtain a year-round gas supply. It is unacceptable for such alternatives to be viewed as "relief." It also is imperative that the utilities pursue every available avenue to keep these two facilities open because they are a vital component in justifying a lateral line from the proposed gas pipeline. Such a line would originate in Fairbanks and go Delta-Glennallen-Mat-Su Valley-Anchorage-Kenai, where it will meet up with these potential major users.

I have approved the \$800,000 included in this section that provides for a study on the creation of the Railbelt Electrical Grid Authority as an independent system operator to manage and dispatch electric power on the Railbelt grid. I believe this can be the mechanism by which the state and utilities work together to expand the generating capacity of Alaska's utilities—something that is vital to meeting the economic opportunities that the future holds.

City of Wasilla – Nanotechnology Development in the Matanuska-Susitna Borough - \$100,000 general funds

Reason for veto: This project was not identified as a priority of the City of Wasilla. While there may be potential for such an industry in Alaska, it will require the commitment and participation of the local community.

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City of Kake – Facelift for World’s Tallest Totem Pole - \$200,000 general funds

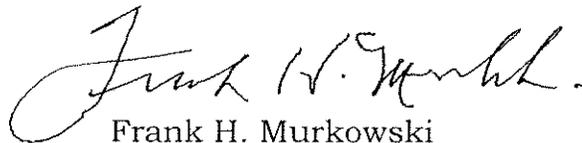
Reason for veto: This is an obligation of the local community.

Alaska Siberian Research Center – Alaska Siberia WWII Lend-Lease Memorial Park Construction and Statue Installation - \$50,000 general funds

Reason for veto: I have reduced this appropriation in half. The amount remaining is to support the memorial and I have removed the funds for the guidebook, which is outside the scope of the original project.

This capital budget reflects my administration's commitment to ensuring each Alaskan has the opportunity to fully participate in Alaska's bright future. I am pleased with the Legislature's support of the direction in which we are taking the state. Much has been accomplished—and we look forward to delivering even greater results for Alaskans.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Frank H. Murkowski". The signature is fluid and cursive, with a large initial "F" and a long, sweeping underline.

Frank H. Murkowski
Governor

Enclosure