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June 29, 2007

The Honorable Lyda Green
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Green:

I have signed the following bill which was passed by the first session of the Twenty-Fifth Alaska State Legislature. I am transmitting the engrossed and enrolled documents to the Lieutenant Governor's Office for permanent filing:

HCS CSSB 53(FIN) AM H

"An Act making and amending appropriations, including capital appropriations, supplemental appropriations, and appropriations to capitalize funds; ratifying certain expenditures; and providing for an effective date."

Chapter No. 30, SLA 2007

The budget goals for this administration have been very clear: to slow the growth of government, live within our means, and save for the future. The operating and capital budgets presented for legislative consideration this past session were designed to meet these goals. I appreciate the careful consideration and support from the Legislature of these requests.

Senate Bill 53 as passed by the Legislature contained operating and capital appropriations for Fiscal Year 2007 and FY2008, totaling \$2.2 billion. The capital budget totals nearly \$1.8 billion, including \$534 million in general fund which is almost \$272 million higher than the governor's amended request. Through line-item vetoes, I have reduced the operating and capital appropriations in SB53 by \$230 million of which \$116.5 million is general fund. Making these reductions now means that this revenue will be available for vital services for Alaskans in the future.

Our priorities for funding include basic government services for life, health, public safety, transportation, infrastructure development, and education. We also looked carefully at projects with the ability to maximize and leverage federal and other funds. While this budget enables the state to meet many of its basic responsibilities, I recognize that there are many important projects that are not included.

The Legislature appropriated "discretionary" funds to local governments, state agencies and non-profit organizations for a wide variety of purposes. While I am certain that these funds would provide valuable support or services to specific constituencies, I am concerned that the process does not provide an adequate opportunity for the highest priorities of local communities and the state to receive funding.

I have consistently advocated that we save for the future so that as revenues from oil production decline, we will be able to provide for essential and basic needs of Alaskans. Therefore, I have vetoed the items on the enclosed spreadsheet. The spreadsheet lists the appropriation cite, fund source, and the reason I have vetoed the appropriation. The reasons for veto fall into several categories:

1. Not a state responsibility

There are many wonderful local organizations and programs that provide services to communities. The responsibility for these expenditures is primarily with the local community.

2. Fund at reduced level

There are many services where the state has some responsibility and has a proper role in providing some funding.

3. Lower priority category of funding

The state provides funding for many responsibilities. There is a greater responsibility for certain programs and services depending upon the need for services, constitutional mandates, and legal obligations. In some cases, lower priority expenditures were vetoed to achieve savings for future costs of higher priority responsibilities. In some cases, proposals may be considered in future budgets for funding.

4. Will consider in future budget

Some projects appear to have a lot of merit, but require some additional information or project definition. For example, there may be a required feasibility study or comprehensive plan before funding should be made available.

5. Other funding options available

There are numerous state programs and other sources of funding that make grants and other resources available. As one example, the state provides public education funding through the K-12 program for every school district.

6. Legal concerns

The Department of Law provides a review of all expenditures for compliance with state laws and regulations. Each appropriation must clearly be for services and programs that meet public funding requirements.

7. Duplicate funding

Funding for some projects and programs was provided through multiple appropriations and funding sources in different parts of the budget. Reductions were made to more appropriately reflect total funding needs.

8. Fund request was withdrawn

Recipients of funding or their legislative sponsors provided indication that they no longer were requesting approval.

9. Inadequate funding provided

Some projects and programs were provided insufficient amounts of money in order to provide meaningful achievement.

10. Creation of new facilities and programs

Given current funding shortfalls for existing programs and the ongoing need to address a backlog of deferred maintenance of public facilities, new facilities, or expanded programs were not funded.

Our process for evaluating these projects attempted to review each appropriation based on a policy applied consistently and even-handedly. No one region, community, or legislative district was singled out at any time.

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By reducing the level of spending now, funding will be set aside and available for the FY2009 budget. I will work with the Legislature and the public to implement a process that is accountable for the use of public dollars. For example, communities are in a better position to determine priorities at the local level. I will continue to advocate for funding community revenue sharing to enhance the economic development and vitality of communities across the state.

I have vetoed appropriations from the Railbelt Energy Fund. These five projects represent unique interests and needs for the individual utilities and do not address the comprehensive plan that was envisioned when this fund was established. In last year's capital budget, \$800,000 was appropriated to the Alaska Energy Authority to work with the railbelt utilities to prepare a unified plan to serve all the consumers in the region in a cost effective and efficient manner. It is premature to fund these distinct projects without the benefit of the unified plan. I understand the need to address aging infrastructure and generation capacity across the region and believe that we can, and must, do a better job of delivering these essential services. I hope this veto will encourage and accelerate the cooperation of all the railbelt utilities in development of the unified plan.

Education is a top priority for legislators and this administration. Alaska's public schools will receive nearly \$1 billion in FY2008. SB53 contains \$35 million in additional operating funds for schools in addition to an extra \$77.5 million in relief to school districts in HB95 for the cost of reducing the rates for the Teachers' Retirement System.

SB53 includes a number of legislative designated grants to schools and education organizations in support of operating programs, books and materials at local schools. These projects typically did not go through local school board or assembly budget processes and are not evenly applied to all districts. While I have let the majority of these appropriations stand in the FY2008 budget, I am not expecting these types of projects to be included in the FY2009 budget due to the significant commitment for education funding. I also intend to include funding for school construction and major maintenance projects that have gone through the Department of Education and Early Development's evaluation process for grants or reimbursement of voter approved debt for schools.

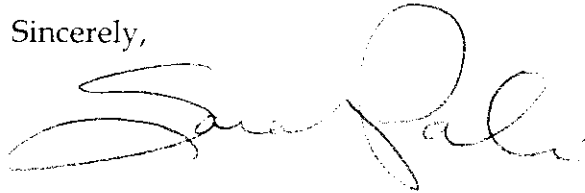
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The Legislature's Education Funding Task Force is in the process of developing recommendations to provide additional resources through the Public School Funding Formula so that funding is distributed equitably across the state. The important work of the task force and the set aside of \$1 billion in the Public Education Fund set the framework for meeting my goal to provide early funding for education. I will propose early funding for education in the FY2009 budget.

This budget focuses on the state's basic responsibilities, schools, public safety, and needed transportation improvements that are essential to getting Alaska's infrastructure ready for the state's economic future, especially the gas pipeline.

There is more work to be done. I am committed to working with the Legislature to move Alaska forward.

Sincerely,

A handwritten signature in cursive script, appearing to read "Sarah Palin". The signature is written in black ink and is positioned to the right of the word "Sincerely,".

Sarah Palin
Governor

Enclosure