



**Governor Michael J. Dunleavy**  
**STATE OF ALASKA**

June 28, 2019

The Honorable Bryce Edgmon  
Speaker of the House  
Alaska House of Representatives  
State Capitol, Room 208  
Juneau, AK 99801-1182

Dear Speaker Edgmon:

On this date, I have signed, with line-item vetoes, the following bill passed during the First Special Session of the Thirty-First Alaska State Legislature and am transmitting the engrossed and enrolled copies to the Lieutenant Governor's Office for permanent filing:

**Conference Committee Substitute for Sponsor Substitute for House Bill 39**

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; making supplemental appropriations and reappropriations; and providing for an effective date."

**Chapter No.1, FSSLA 2019**

For the past several years, the State of Alaska has attempted to operate business as usual under a radically changing revenue picture. Based on Alaska's fiscal reality, fundamental changes to our budgetary process have to be implemented in order to align state expenditures and state revenues. That is what this budget does.

With the state of Alaska now pointed in the right direction, this budget moves us halfway toward a balanced budget. With an overall reduction of \$678.8 million this year, next year we can close the state's remaining deficit of \$730 million. This two-year process will put Alaska in a position of balancing the budget without new taxes or a reduction of the traditional Permanent Fund Dividend.

The budget goals and priorities for my administration have been very clear from the beginning: maintain and protect our reserves, expenditures cannot exceed existing revenues, the budget is built on core functions, and no additional taxes on Alaskans. In short, the budget must be sustainable, predictable, and affordable. The operating budget I transmitted on February 13, 2019 for legislative consideration was designed to meet those goals. I appreciate the work and careful deliberation that went into the final passage of HB 39.

The Honorable Bryce Edgmon

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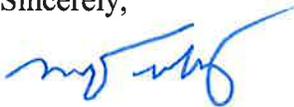
The attached reports summarize the line-item vetoes. In total, 182 items have been vetoed from the operating and mental health budgets totaling \$361.1 million in unrestricted general funds (UGF), \$17.7 million in designated general funds (DGF), \$12.4 million in other funds, and \$22.5 million in Federal funds. With these vetoes, the FY2020 operating budget, including mental health appropriations made in HB40, is \$4,045.2 UGF, \$855.2 DGF, \$700.4 other funds, and \$2,698.2 Federal funds. Included in the items vetoed in this bill are the appropriations for FY2021 K-12 Foundation and Pupil Transportation funding. Per guidance from the Attorney General appropriations of future general fund revenues are not valid. These items have been vetoed to prevent an unconstitutional dedication of funds.

Based on the five principles outlined at the time of my initial budget proposal, and a sincere effort to end the cycle of unsustainable deficit spending, my administration worked to make a number of difficult, but necessary decisions, including a veto of the unconstitutional dedication of funds for FY2021 education spending. This budget was thoroughly evaluated, and my policies were applied consistently across the board. No one region, community, or legislative district was singled out or held to any other threshold. It is critical that we get our fiscal house in order and provide a secure and stable future for Alaskans.

This budget focuses on the state's basic responsibilities while understanding our fiscal constraints. This is one step in the right direction – setting Alaska on the path to fiscal certainty while acknowledging additional actions, over multiple years, are needed. With this act, we have eliminated nearly 50 percent of the state's deficit; more work will be needed in the months ahead and during the next legislative session.

I am committed to working with the legislature to address our state's spending, to eliminate our deficit over time, and to move Alaska forward.

Sincerely,



Michael J. Dunleavy  
Governor

Enclosure

cc: The Honorable Cathy Giessel, Senate President, Alaska State Senate  
Ms. Donna Arduin, Director, Office of Management and Budget  
Ms. Suzanne Cunningham, Legislative Director, Office of the Governor  
Mr. David Teal, Director, Legislative Finance Division  
Ms. Liz Clark, Senate Secretary, Alaska State Senate  
Ms. Crystalline Jones, Chief Clerk, Alaska House of Representatives



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Alaska State Legislature  
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