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January 11, 2006

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

Dear Speaker Harris:

The capital budget bill delivered today contains my proposal for the 2007 fiscal year.

Overall, the capital budget totals \$1.7 billion of which \$1.1 billion will be supported by federal funds. Of this, \$873 million in federal transportation funds are proposed for road, highway, ferry, and airport projects throughout Alaska. Another \$95 million is proposed for a variety of University of Alaska projects, including \$57 million to complete the Integrated Science Facility in Anchorage. A major source of the funding for the University's projects is proceeds from refinancing bonds issued by the Northern Tobacco Securitization Corporation.

Developing Alaska's natural resources continues to be my administration's major priority. This includes getting Alaska's transportation infrastructure ready for gas pipeline construction, doing further geologic work, and providing access to resources around the state through the "Roads to Resources" program.

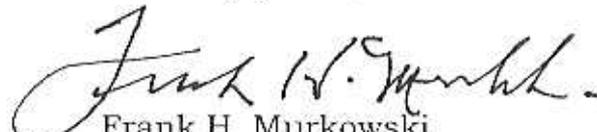
The Fiscal Year 2007 capital budget also includes \$132 million in state funds for a major transportation initiative, which includes Juneau Access funding of \$45 million and \$50 million to extend the Alaska Railroad from Delta to the Canadian border.

In other legislation I will be proposing that \$86 million of the current year's surplus also be used for transportation projects that meet local community transportation priorities, as well as \$43 million to meet deferred maintenance needs of state facilities and programs.

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I look forward to working closely with this Legislature to jointly craft a capital budget that provides Alaska residents essential state services and creates good jobs for hard working Alaskans.

Sincerely yours,



Frank H. Murkowski  
Governor

Enclosure