

STATE CAPITOL
P.O. Box 110001
Juneau, AK 99811-0001
907-465-3500
fax: 907-465-3532



550 West Seventh Avenue, Suite 1700
Anchorage, AK 99501
907-269-7450
fax 907-269-7461
www.Gov.Alaska.Gov
Governor@Alaska.Gov

Governor Bill Walker

STATE OF ALASKA

June 29, 2015

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

Dear President Meyer:

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

CCS HB 2001

“An Act making appropriations for the operating and loan program expenses of state government and for certain programs; making appropriations for the operating expenses of the state's integrated comprehensive mental health program; capitalizing funds and repealing appropriations; 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 39, SSSLA 2015
[Effective Date: See Chapter]

As passed by the Legislature, CCS HB 2001 contains appropriations for fiscal years 2015 and 2016, totaling approximately \$3.2 billion, including \$3 billion in unrestricted general funds. The bill includes authorization for appropriations under Article IX, Section 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund. This is the second operating budget passed this year. The first operating budget, (CCS HB 72(brf sup maj fld H)), contained appropriations for fiscal years 2015 and 2016, but lacked the revenues to fund the appropriations throughout the year. As a result, although I signed the first operating budget (Ch. 23, SLA 15), it was with line item vetoes.

The bill restores appropriations reduced through line item veto in Ch. 23, SLA 2015, authorizes additional appropriations, contains an Executive Branch-wide unallocated reduction of \$29.8 million, and includes an authorization for appropriations from the budget reserve fund in an amount necessary to balance revenue and general fund appropriations (Article IX, Section 17, Constitution

of the State of Alaska). In addition, this budget includes an appropriation for salary increases for covered and non-covered employees for the fiscal year beginning July 1, 2015, and ending June 30, 2016. I am committed to a responsible budget in these challenging fiscal times, yet also firm that we must preserve services to maintain our economy and begin developing a more stable revenue structure. Through line item veto, I have made changes in CCS HB 2001 as outlined below:

Section 8(b), page 64, lines 9 - 14, proposes that if the balance of the oil and gas tax credit fund (AS 43.55.028) is insufficient to purchase transferable tax credit certificates issued under AS 43.55.023 and production tax credit certificates issued under AS 43.55.025 that are presented for purchase, the amount by which the tax credit certificates presented for purchase exceeds the balance of the fund, estimated to be \$700 million, is appropriated from the general fund to the oil and gas tax credit fund (AS 43.55.028). I have reduced this appropriation to \$500 million, as it is apparent that the current oil and gas production tax credit system is unsustainable. I support necessary incentives to encourage oil and gas development, but in this challenging fiscal year, we will continue to fund credits, but at a slower pace until a more sustainable credit system is developed or our financial situation improves. Compared to fiscal year 2015, this tax credit funding delay of \$200 million is in line with the reductions to other state budget components. The capital budget is \$476 million less than in fiscal year 2015, and agency operating budgets were reduced by \$412 million.

I look forward to continuing to work with the Legislature to creatively address our financial situation and continue to provide for economic growth and development in the state.

Sincerely,



Bill Walker
Governor

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Governor Bill Walker
STATE OF ALASKA

June 29, 2015

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

Dear Speaker Chenault:

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Bill Walker
Governor