



Focusing on Alaska's Future



GOVERNOR PARNELL'S FY 2015 BUDGET PROPOSAL

"This budget focuses on constitutional priorities and significantly reduces State spending. Our fiscal plan positions Alaska for economic growth long into the future."

- Governor Sean Parnell

Four Guiding Principles

1. Live within our means
2. Focus on constitutional priorities
3. Fix what we have
4. Finish what we've started

Education

Alaska's K-12 public education system prepares students for success in college or job-training programs.

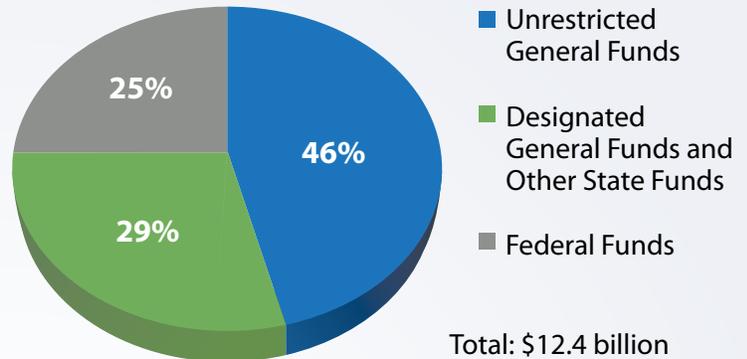
- K-12 Education \$1.26 billion
- **Alaska Performance Scholarships** \$11 million
- Alaska Digital Teaching Initiative \$5 million
- Early Learning \$13.8 million
- Nutritional Alaska Foods for Schools \$3 million
- School Construction \$31.5 million
- University Engineering Buildings \$20 million
- Statewide Library, Archives, and Museums \$15 million

Resources and Energy

Alaska's resources provide Alaskans with opportunity.

- **Roads to Resources** \$19.5 million
- Geologic Materials Center \$2.1 million
- Chinook Salmon Research \$10 million
- Strategic Minerals \$375,000
- Permitting \$3.9 million
- Susitna-Watana Hydro Project \$10 million
- Weatherization/Home Energy \$46.5 million
- Renewable Energy \$20 million
- Fairbanks Air Quality \$2 million

Alaska's Budget by Fund Source



Public Safety

The budget prioritizes safe homes and strong families.

- **Choose Respect Initiative** \$12.4 million
- 15 New Village Public Safety Officers and 1 Alaska State Trooper \$3.4 million
- Emergency Services - Blood Bank of Alaska \$7 million
- Positive Train Control \$15 million

Transportation / Infrastructure

Alaska's economy depends on access and infrastructure to support development.

- Statewide Highway and Aviation \$1.14 billion
- Alaska Marine Highway \$190 million
- Municipal Water and Sewer Projects \$14.6 million
- Village Safe Water \$51.5 million
- Deferred Maintenance \$100 million
- State Funds to Leverage Federal and Local \$104 million

Military Support

We honor Alaska's military community.

- Interior Alaska Veterans Cemetery \$100,000
- Homeland Security \$14.1 million
- Alaska Military Youth Academy \$10.5 million
- Veterans Services and Outreach \$1.8 million
- Armory Facilities \$4 million



FOR IMMEDIATE RELEASE

No. 13-196

**Governor Parnell Unveils FY 2015 Budget
*Pays Down Debt, Focuses on Alaska's Future***

December 12, 2013, Anchorage, Alaska – Governor Sean Parnell today unveiled his FY 2015 budget, proposing \$1.3 billion less in general fund spending than the current year and 150 fewer positions. Even at this reduced level, the governor's budget represents his continued commitment to Alaska's constitutional priorities, including resource development, public safety, education, transportation and infrastructure.

Specifically, Governor Parnell's budget totals \$5.6 billion in state general funds and \$12.4 billion when the Permanent Fund, federal and other funds are included. The governor's FY 2015 budget proposes 18.4 percent less in general fund spending than the current year.

"Our budget proposal does something the federal government seems incapable of: It significantly reduces spending and addresses the biggest cost driver - our state's unfunded pension liability payments," Governor Parnell said. "My administration is focused on living within our means, meeting our constitutional priorities, fixing what we have, and finishing what we've started. I will continue to work with legislators to hit a lower fiscal target."

The Department of Revenue's fall revenue forecast, released last week, showed a substantial decrease in revenue due to lower oil prices, declining production, and the closing out of capital credit tax liabilities from the previous oil tax system. In fact, at current oil prices, Alaska's revenue stream is about the same under the More Alaska Production Act, and the new tax system better protects Alaskans at even lower oil prices.

Governor Parnell announced a plan to address Alaska's single largest cost driver: unfunded pension liabilities. The governor's budget proposal includes a recommendation to transfer \$3 billion from a budget savings account into the state's retirement trust funds. The effect is to pay down debt, resulting in lower fixed annual payments for the state.

"We need to tackle this problem now instead of pushing it off to our children and grandchildren," said Governor Parnell.

Draft budget bills and more detailed information on the budget are available on the Office of Management & Budget website at omb.alaska.gov.

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State of Alaska
Fiscal 2015 Governor Fiscal Summary
(dollars shown in millions)

	FY2014 Authorized					FY2015 Governor					UGF Change	UGF % Change	Total % Change
	Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Funds	Total Funds	Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Funds	Total Funds			
1 REVENUE	4,964.9	970.5	564.8	2,970.4	9,470.6	4,532.0	868.4	600.6	3,109.4	9,110.5			
2 Total Unrestricted General Fund Revenues (A)(\$105.68, \$105.06)	4,930.0				4,930.0	4,532.0				4,532.0			
3 Carryforward (B)	34.9		3.5	1.7	40.0					0.0			
4 Restricted Revenue (C)		970.5	561.3	2,968.8	4,500.6		868.4	600.6	3,109.4	4,578.5			
5 APPROPRIATIONS													
6 Total Operating	5,930.4	743.4	528.0	2,042.2	9,243.9	5,140.8	758.1	3,555.8	2,017.5	11,472.3	(789.6)	-13.3%	24.1%
7 Agency Operations	4,386.2	721.4	466.5	2,001.4	7,575.4	4,368.9	737.3	498.4	1,989.8	7,594.4	(17.2)	-0.4%	0.3%
8 Agency Operations (Non-formula)	2,110.4	646.9	462.8	913.2	4,133.3	2,073.3	651.8	495.1	901.4	4,121.6	(37.0)	-1.8%	-0.3%
9 Legislature and Courts Operations	186.6	0.6	0.7	1.7	189.6	191.3	0.6	0.5	1.4	193.8	4.7	2.5%	2.2%
10 Total K-12 Foundation and Pupil Transportation (D)	1,216.2	10.5		20.8	1,247.5	1,225.6	10.0		20.8	1,256.4	9.4	0.8%	0.7%
11 Agency Operations (Formula)	873.0	63.4	2.8	1,063.9	2,003.0	878.7	74.9	2.8	1,066.2	2,022.6	5.7	0.7%	1.0%
12 Revised Programs Legislatively Approved			0.2	1.9	2.1					0.0			
13 Duplicated Authorizations Non-additive (E)			734.7		734.7			725.4		725.4			
14 Statewide Operations	1,544.2	22.0	61.6	40.8	1,668.5	771.9	20.8	3,057.4	27.7	3,877.8	(772.4)	-50.0%	132.4%
15 Debt Service (F) (less duplicated funds \$38.5, \$10.8)	207.4	20.8	54.5	17.5	300.1	231.6	19.3	50.3	5.2	306.5	24.3	11.7%	2.1%
16 Fund Capitalizations (G) (less duplicated funds \$3.5, \$3.3)	6.0	1.2	7.1	23.3	37.5	5.0	1.5	7.1	22.5	36.1			
17 Direct Appropriations to Retirement	633.8				633.8	5.2		3,000.0		3,005.2	(628.5)	-99.2%	374.2%
18 Revenue Sharing	60.0				60.0	60.0				60.0			
19 Oil and Gas Tax Credits	600.0				600.0	450.0				450.0			
20 Judgments, Claims and Settlements - Moore Settlement	17.1				17.1					0.0			
21 Supplementals Placeholder	20.0				20.0	20.0				20.0			
22 Duplicated Authorizations Non-additive (E)			42.0		42.0			14.1		14.1			
23 Total Capital	1,276.2	212.8	34.8	928.3	2,452.0	429.6	106.0	41.9	1,091.8	1,669.4	(846.6)	-66.3%	-31.9%
24 Project Appropriations	769.2	212.8	34.8	928.1	1,944.8	426.3	106.0	41.9	1,091.8	1,666.1			
25 Revised Programs Legislatively Approved				0.2	0.2					0.0			
26 AGIA Reimbursement Fund	25.0				25.0					0.0			
27 Sustainable Energy Transmission & Supply Development Fund	125.0				125.0					0.0			
28 In-State Gas Pipeline Fund (H)	355.0				355.0	3.3				3.3			
29 Other Fund Capitalizations (G)	2.0				2.0					0.0			
30 Duplicated Authorizations Non-additive (E)			58.3		58.3			42.2		42.2			
31 Pre-Transfer Authorization	7,206.6	956.1	562.8	2,970.4	11,695.9	5,570.4	864.1	3,597.7	3,109.4	13,141.6	(1,636.2)	-22.7%	12.4%
32 Fund Transfers	(292.1)	14.4	1.9	0.0	(275.7)	70.4	4.3	(2,997.1)	0.0	(2,922.4)			
33 Designated Reserves/Loan Funds													
34 Public Education Fund - Budget Year Draw (D)	(1,191.4)				(1,191.4)	(1,200.6)				(1,200.6)			
35 Public Education Fund - Future Year Funding (D)	1,192.7				1,192.7	1,202.6				1,202.6			
36 Power Project Fund	10.0				10.0					0.0			
37 Undesignated Reserves													
38 AHFC Subsidiary [H]	(374.1)				(374.1)					0.0			
39 Other Transfers													
40 REAA/Small Municipal School District Fund (I)	36.2				36.2	40.0				40.0			
41 Renewable Energy Grant Fund (J)	25.0				25.0	20.0				20.0			
42 Constitutional Budget Reserve Fund (K)								(3,000.0)		(3,000.0)			
43 Other Transfers (L)	9.5	14.4	1.9		25.9	8.5	4.3	2.9		15.7			
44 Total Authorization to Spend	6,914.4	970.5	564.8	2,970.4	11,420.2	5,640.8	868.4	600.6	3,109.4	10,219.2	(1,273.6)	-18.4%	-10.5%
45 Post-Transfer Balance to/(from) SBR	(1,949.5)					(1,108.8)							
46 Permanent Fund Appropriations	0.0	2,024.0	0.0	0.0	2,024.0	0.0	2,147.0	0.0	0.0	2,147.0			
47 PF Dividends / PFD Division Operations (M)		1,070.0			1,070.0		1,150.0			1,150.0			
48 PF Inflation Proofing		934.0			934.0		975.0			975.0			
49 AK Capital Income Fund (Am Hess) (N)		20.0			20.0		22.0			22.0			
50 Total Authorization to Spend with Permanent Fund	6,914.4	2,994.5	564.8	2,970.4	13,444.2	5,640.8	3,015.4	600.6	3,109.4	12,366.2	(1,273.6)	-18.4%	-8.0%
51 Fiscal Year Summary (Includes Permanent Fund)	6,914.4	2,994.5	564.8	2,970.4	13,444.2	5,640.8	3,015.4	600.6	3,109.4	12,366.2	(1,273.6)	-18.4%	-8.0%
52 Agency Operations	4,386.2	721.4	466.5	2,001.4	7,575.4	4,368.9	737.3	498.4	1,989.8	7,594.4	(17.2)	-0.4%	0.3%
53 Statewide Totals	1,544.2	22.0	61.6	40.8	1,668.5	771.9	20.8	3,057.4	27.7	3,877.8	(772.4)	-50.0%	132.4%
54 Total Operating	5,930.4	743.4	528.0	2,042.2	9,243.9	5,140.8	758.1	3,555.8	2,017.5	11,472.3	(789.6)	-13.3%	24.1%
55 Capital	1,276.2	212.8	34.8	928.3	2,452.0	429.6	106.0	41.9	1,091.8	1,669.4	(846.6)	-66.3%	-31.9%
56 Total Authorization Pre-Transfers	7,206.6	956.1	562.8	2,970.4	11,695.9	5,570.4	864.1	3,597.7	3,109.4	13,141.6			
57 Fund Transfers	(292.1)	14.4	1.9	0.0	(275.7)	70.4	4.3	(2,997.1)	0.0	(2,922.4)			
58 Total Authorization to Spend	6,914.4	970.5	564.8	2,970.4	11,420.2	5,640.8	868.4	600.6	3,109.4	10,219.2	(1,273.6)	-18.4%	-10.5%
59 Permanent Fund Appropriations	0.0	2,024.0	0.0	0.0	2,024.0	0.0	2,147.0	0.0	0.0	2,147.0			

Notes

A Total Unrestricted General Fund Revenue: Line 2 is based on information from the Department of Revenue Fall 2013 Revenue Forecast.

Unrestricted General Fund Revenue	FY2014	FY2015
Oil Price (ANS West Coast Spot per barrel)	\$105.68	\$105.06
Average ANS oil production (ths barrels/day)	508.2	498.4
Unrestricted General Fund Revenue	\$4,930.0	\$4,532.0

Corporate Dividends	FY2014	FY2015
Alaska Industrial Development and Export Authority (AIDEA)	\$20.7	\$10.7
Alaska Housing Finance Corporation for Projects	\$0.0	\$0.0
Total as Unrestricted General Funds	\$20.7	\$10.7
Total AHFC Dividend for Capital Projects and Debt Service	\$10.6	\$7.5

B Carryforward: Includes fund sources for reappropriations and other appropriations (typically roll-forwards of prior year multi-year appropriations) that do not require additional FY2014 or FY2015 revenue.

C Restricted Revenue: Other revenue not included as Unrestricted General Fund Revenues in the Revenue Sources Book, such as Federal Receipts and University Receipts.

D Public Education Fund: Legislation in 2005 established the Public Education Fund (PEF). One of the effects of this legislation was to remove expenditures for K-12 Public Education from Agency Operations (Formula) on line 11. The FY2014 and FY2015 proposed total K-12 Foundation Program and Pupil Transportation expenditures are shown on line 10. Line 10 also includes funding outside the formula for school energy costs that do not come out of the PEF. The table below shows the amount of K-12 Foundation Formula and Pupil Transportation being expensed from the Public Education Fund, since expenditures from the fund do not require appropriation.

Public Education Fund Expenditures	FY2014	FY2015	FY2016
K-12 Foundation Formula	\$1,115,748.0	\$1,123,874.9	\$1,123,874.9
Pupil Transportation	\$75,466.0	\$76,773.9	\$78,693.2
Public Education Fund Total	1,191,214.0	1,200,648.8	1,202,568.1
UGF funding outside of the Formula	25,000.0	25,000.0	
Line 10 Total	1,216,214.0	1,225,648.8	1,202,568.1

E Duplicated Authorizations: These appropriations are in the budget twice, such as when funds flow in and out of a holding account or one agency pays another for services provided. The most significant examples of these type of expenditures include operating payments from Interagency Receipts and Capital Improvement Project Receipts.

F Debt Service: The Debt Service line includes actual payment of debt obligations, primarily General Obligation Bonds, State debt reimbursement programs such as School Debt reimbursement, Certificates of Participation (lease-financing), and International Airports Revenue Bonds.

G Fund Capitalizations: Line 16 consists of the Alaska Children's Trust Grant Account, the Disaster Relief Fund, the Crime Victim Compensation Fund, the Trauma Care Fund, the Alaska Clean Water Fund, the Alaska Drinking Water Fund, the Muni Bond Bank Reserve Fund, and the Fish and Game Revenue Bond Redemption Fund. Line 29 consists of the Emerging Technology Fund.

H AHFC Subsidiary Account Fund Transfers: In the FY2014 column, \$355.0 million in AHCC Receipts capitalize the In-state Pipeline Fund on line 28 and \$19.1 million is for a capital project for the Alaska Railroad Corporation for Positive Train Control on line 24.

I REAA/Small Municipal School District Fund: The REAA/Small Municipal School District Fund is capitalized with \$35.8 million Unrestricted General Funds plus interest estimated to be .4 in FY2014, and \$39.9 million Unrestricted General Funds in FY2015, per AS 14.11.025. \$71.2 million in FY2014, and \$31.5 million in FY2015, in grants are appropriated from the REAA/Small Municipal School District Fund on line 24 in the Designated General Funds column.

J Renewable Energy Grant Fund: The Renewable Energy Grant Fund is capitalized with \$25.0 million Unrestricted General Funds in FY2014, and \$20.0 million Unrestricted General Funds in FY2015. \$25.0 million in FY2014, and \$20.0 million in FY2015, in grants are appropriated from the Renewable Energy Grant Fund on line 24 in the Designated General Funds column.

K Constitutional Budget Reserve Fund: Line 42 transfers \$3.0 billion from the Constitutional Budget Reserve to the retirement trust funds. This transfer will require a ¾ vote of both bodies of the Legislature (Article IX, sec 17(c), AK Constitution). For further details, please see <http://gov.alaska.gov/parnell/press-room/full-press-release.html?pr=6683>.

L Other Transfers: Includes capitalization of various State funds, such as the Fish and Game Fund, Oil and Hazardous Substance Release Prevention and Response Accounts, and others.

M PF Dividends / PFD Division Operations: Line 47 includes both the amounts for Permanent Fund Dividend (PFD) checks and other State operating costs of the PFD.

Permanent Fund Dividend Fund Other Expenditures	FY2014	FY2015
Department of Revenue, Division of Permanent Fund Dividend operations	\$8.3	\$8.2
Department of Health and Social Services, Public Assistance PFD Hold Harmless	\$17.5	\$17.7
Total	\$25.8	\$26.0

included in Line 8
included in Line 11

The financial information for the Permanent Fund section (lines 46-50) is from the Alaska Permanent Fund Corporation Fund Financial History & Projections as of October 31, 2013. These financial statements are available on the Alaska Permanent Fund website: www.APFC.org.

N Alaska Capital Income Fund: The Alaska Capital Income Fund is authorized by AS 37.05.565. The fund consists of income earned on money awarded as a result of the State vs. Amerada Hess royalty case, estimated to be \$13-26 million per year, plus other appropriations.

UGF/DGF/Other/Fed Summary by Department (1088)

UGF/DGF/Other/Fed Summary by Department

Scenario: FY2015 Governor (11059)

Department	UGF	DGF	Other	Federal	Total	PFT	PPT	NP Positions	Total
Department of Administration	86,923.1	25,446.5	227,727.2	3,799.1	343,895.9	1,052	15	55	1,122
Department of Commerce, Community, and Economic Development	39,857.3	98,443.0	46,931.4	22,114.2	207,345.9	564	1	9	574
Department of Corrections	295,816.1	15,120.5	14,725.5	5,433.8	331,095.9	1,857	0	0	1,857
Department of Education and Early Development	1,287,068.2	28,331.8	26,887.6	233,890.6	1,576,178.2	332	14	17	363
Department of Environmental Conservation	23,498.7	27,213.7	12,612.7	25,262.4	88,587.5	561	0	4	565
Department of Fish and Game	80,387.8	8,817.3	63,153.0	63,713.1	216,071.2	930	699	54	1,683
Office of the Governor	32,020.3	0.0	529.2	199.4	32,748.9	147	0	20	167
Department of Health and Social Services	1,256,144.9	72,589.5	90,324.3	1,250,483.9	2,669,542.6	3,489	60	101	3,650
Department of Labor and Workforce Development	34,404.4	33,669.8	21,769.1	95,237.6	185,080.9	809	77	14	900
Department of Law	60,432.3	2,727.9	29,293.9	1,004.3	93,458.4	569	3	0	572
Department of Military and Veterans Affairs	25,022.4	28.4	12,106.2	23,386.2	60,543.2	333	2	1	336
Department of Natural Resources	78,414.2	26,218.5	41,820.0	21,819.1	168,271.8	751	240	112	1,103
Department of Public Safety	172,328.8	6,552.2	16,274.5	10,784.3	205,939.8	885	18	21	924
Department of Revenue	32,265.0	9,740.3	252,141.3	77,584.4	371,731.0	880	33	18	931
Department of Transportation/Public Facilities	281,536.4	68,096.7	278,441.0	2,845.6	630,919.7	3,180	395	226	3,801
University of Alaska	361,545.2	313,675.1	86,717.8	150,852.7	912,790.8	4,727	222	0	4,949
Alaska Court System	112,530.8	518.0	1,967.0	1,425.6	116,441.4	767	50	21	838
Legislature	78,721.8	71.4	403.0	0.0	79,196.2	254	285	0	539
Branch-wide Unallocated Appropriations	30,000.0	0.0	0.0	0.0	30,000.0	0	0	0	0
Debt Service	231,621.4	19,300.0	61,127.6	5,248.3	317,297.3	0	0	0	0
Direct Appropriations to Retirement Accounts	5,241.6	0.0	3,000,000.0	0.0	3,005,241.6	0	0	0	0
Fund Capitalization	518,300.0	1,536.7	10,353.2	22,462.7	552,652.6	0	0	0	0
Special Appropriations	20,000.0	0.0	0.0	0.0	20,000.0	0	0	0	0
Fund Transfers	70,404.1	2,151,288.0	-2,997,079.9	0.0	-775,387.8	0	0	0	0
Total:	5,214,484.8	2,909,385.3	1,298,225.6	2,017,547.3	11,439,643.0	22,087	2,114	673	24,874

Department UGF/DGF/Other/Fed Summary - Capital Budget (1174)

Scenario: FY2015 Governor (3257)

Department	Unrestricted Gen (UGF)	Designated Gen (DGF)	Other Funds	Federal Funds	Total Funds
Department of Administration	8,450,000	1,250,000	3,000,000	0	12,700,000
Department of Commerce, Community, and Economic Development	53,125,000	42,000,000	0	11,420,000	106,545,000
Department of Corrections	5,000,000	0	0	0	5,000,000
Department of Education and Early Development	21,700,000	31,516,900	0	0	53,216,900
Department of Environmental Conservation	23,508,203	0	3,589,500	42,250,000	69,347,703
Department of Fish and Game	14,900,000	0	200,000	5,600,000	20,700,000
Department of Health and Social Services	8,962,900	0	550,000	113,746	9,626,646
Department of Labor and Workforce Development	9,170,000	0	0	0	9,170,000
Department of Military and Veterans Affairs	5,737,500	0	0	24,765,600	30,503,100
Department of Natural Resources	15,855,000	1,150,000	2,900,000	7,750,000	27,655,000
Department of Public Safety	4,850,000	0	1,000,000	1,200,000	7,050,000
Department of Revenue	76,831,634	130,000	850,000	12,358,466	90,170,100
Department of Transportation/Public Facilities	123,800,000	0	71,994,459	986,381,980	1,182,176,439
University of Alaska	47,500,000	30,000,000	0	0	77,500,000
Alaska Court System	6,900,000	0	0	0	6,900,000
Totals:	426,290,237	106,046,900	84,083,959	1,091,839,792	1,708,260,888