

FY 2015 Budget Addresses Biggest Operating Cost Driver



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The FY 2015 Governor's budget addresses the single largest cost driver in the state's operating budget and the biggest threat to the state's credit rating -- the escalating annual payments associated with the state's \$11.9 billion unfunded public employee pension liability. The budget proposes a \$3.0 billion deposit to the retirement trust funds from the Constitutional Budget Reserve and fixed lower annual payments thereafter. This meets the Governor's goals of addressing the unfunded liability by:

Managing ongoing operating budget costs by:

- Reducing annual payments to \$500 million annually. Without the transfer to the retirement trust fund annual payments would rise to over \$1.0 billion annually.
- Reducing the total projected cost to pay off the liability.

Tackling a problem of this generation rather than leaving it for Alaska's children and grandchildren to deal with.

Improving the health of the retirement systems.

Meeting the state's obligations.

- Capping the state assistance payments at \$500 million annually reduces the annual payments through FY2030 by an average of \$374-\$424 million per fiscal year, depending on which payment stream it is compared to.
- In nominal dollars, we save between \$266-\$706 million annually between FY2016 and FY2029, depending on which payment method it is compared to. This occurs despite the proposal extending the length of time that the state assistance payment impacts the state's budget by three to six fiscal years.
- Using the proposed allocation of \$1.12 billion to TRS and \$1.88 to PERS returns the two systems to the 2003 funding levels: PERS from 63% to 73% ; TRS from 53% to 63%.

**Comparison of Annual State Assistance Payments FY2014-FY2036
With Annual Difference in Payment calculated**

Fiscal Year End	Level Percent of Pay (used through FY2014)			Level Dollar (ARMB FY2015 proposed)		
	Level % pay	\$3.0B Transfer	Level %Pay vs \$3.0B Infusion	Level Dollar	\$3.0B Transfer	Level Dollar vs \$3.0B Transfer
2014	\$629,320	\$629,320	\$0	\$629,320	\$629,320	\$0
2015	\$703,194	\$3,000,000	\$2,296,806	\$975,580	\$3,000,000	\$2,024,420
2016	\$766,241	\$500,000	(\$266,241)	\$1,049,115	\$500,000	(\$549,115)
2017	\$780,615	\$500,000	(\$280,615)	\$1,046,964	\$500,000	(\$546,964)
2018	\$794,697	\$500,000	(\$294,697)	\$1,015,637	\$500,000	(\$515,637)
2019	\$829,190	\$500,000	(\$329,190)	\$1,006,479	\$500,000	(\$506,479)
2020	\$849,657	\$500,000	(\$349,657)	\$971,694	\$500,000	(\$471,694)
2021	\$880,827	\$500,000	(\$380,827)	\$949,848	\$500,000	(\$449,848)
2022	\$914,794	\$500,000	(\$414,794)	\$927,730	\$500,000	(\$427,730)
2023	\$950,745	\$500,000	(\$450,745)	\$906,860	\$500,000	(\$406,860)
2024	\$989,394	\$500,000	(\$489,394)	\$886,083	\$500,000	(\$386,083)
2025	\$1,029,844	\$500,000	(\$529,844)	\$864,934	\$500,000	(\$364,934)
2026	\$1,072,402	\$500,000	(\$572,402)	\$844,674	\$500,000	(\$344,674)
2027	\$1,115,476	\$500,000	(\$615,476)	\$822,218	\$500,000	(\$322,218)
2028	\$1,160,564	\$500,000	(\$660,564)	\$798,764	\$500,000	(\$298,764)
2029	\$1,206,107	\$500,000	(\$706,107)	\$774,210	\$500,000	(\$274,210)
2030	\$511,035	\$500,000	(\$11,035)	\$251,268	\$500,000	\$248,732
2031	\$402,767	\$500,000	\$97,233	\$0	\$500,000	\$500,000
2032	\$273,514	\$500,000	\$226,486	\$0	\$500,000	\$500,000
2033	\$6,732	\$500,000	\$493,268	\$0	\$500,000	\$500,000
2034	\$0	\$500,000	\$500,000	\$0	\$500,000	\$500,000
2035	\$0	\$500,000	\$500,000	\$0	\$500,000	\$500,000
2036	\$0	\$131,000	\$131,000	\$0	\$131,000	\$131,000
2037	\$0	\$0	\$0	\$0	\$0	\$0
Totals	\$15,867,115	\$13,760,320	(\$2,106,795)	\$14,721,378	\$13,760,320	(\$961,058)



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.

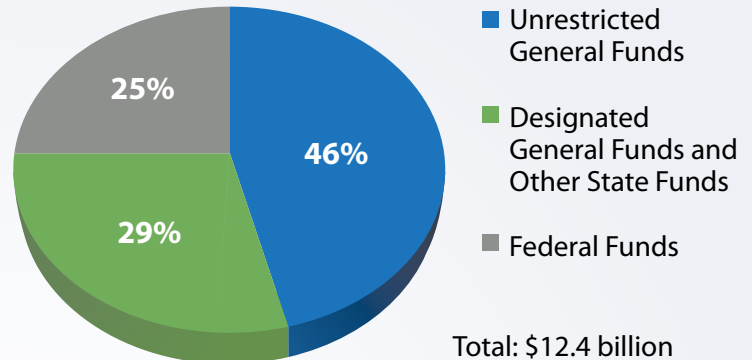
- K-12 Education \$1.26 billion
- **Alaska Performance Scholarships** \$11 million
- Alaska Digital Teaching Initiative \$5 million
- Early Learning \$13.8 million
- Nutritional Alaska Foods for Schools \$3 million
- School Construction \$31.5 million
- University Engineering Buildings \$20 million
-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