

**01/24/2014
BUDGET
OVERVIEW
FY 15:
OFFICE OF
MANAGEMENT
AND BUDGET**

<TARGET><BILL></BILL><SUBJECT>01-24-2014 BUDGET OVERVIEW
FY 15 OFFICE OF MANAGEMENT AND
BUDGET</SUBJECT><COMM>SFIN28</COMM></TARGET>

FY 2015 Budget Addresses Biggest Operating Cost Driver



ALASKA OFFICE OF MANAGEMENT AND BUDGET

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.

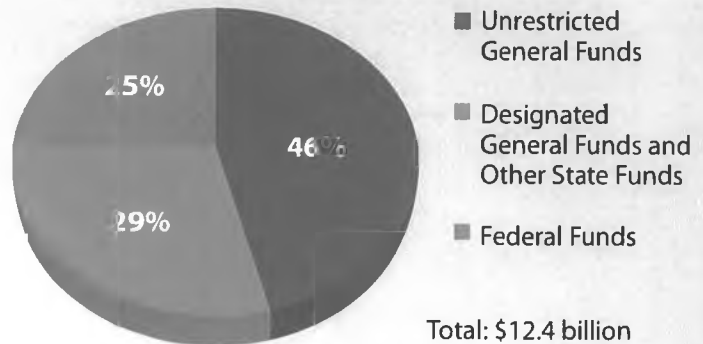
- K-12 Education \$1.26 billion
- **Alaska Performance Scholarships** \$11 million
- Alaska Digital Teaching Initiative \$5 million
- Early Learning \$13.8 million
- Nutritional Alaska Foods for Schools \$3 million
- School Construction \$31.5 million
- University Engineering Buildings \$20 million
-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

FY2015 Budget Overview



Senate Finance Committee

January 23, 2014

Office of Management and Budget

Budget Vision

Governor Parnell's vision

Focusing on Alaska's Future



Budget Principles

Four principles to guide FY2015 budget

- **Live within our means**
- **Focus on constitutional priorities**
- **Fix what we have**
- **Finish what we started**



FY2014/FY2015 Budgets: Big Picture

The changing revenue picture reshaped FY2014

FY 2014	5/21/2013	12/12/2013
Unrestricted GF Revenue ^{1/}	\$6,162.7	\$4,964.9
Spending	\$6,830.6	\$6,914.4
Projected amount to/from SBR	-\$667.9	-\$1,949.5

FY 2015

Unrestricted GF Revenue	\$5,991.0	\$4,532.0
Proposed Spending (Gov. Dec 12)	n/a	\$5,640.0
Projected amount to/from SBR	n/a	-\$1,108.0

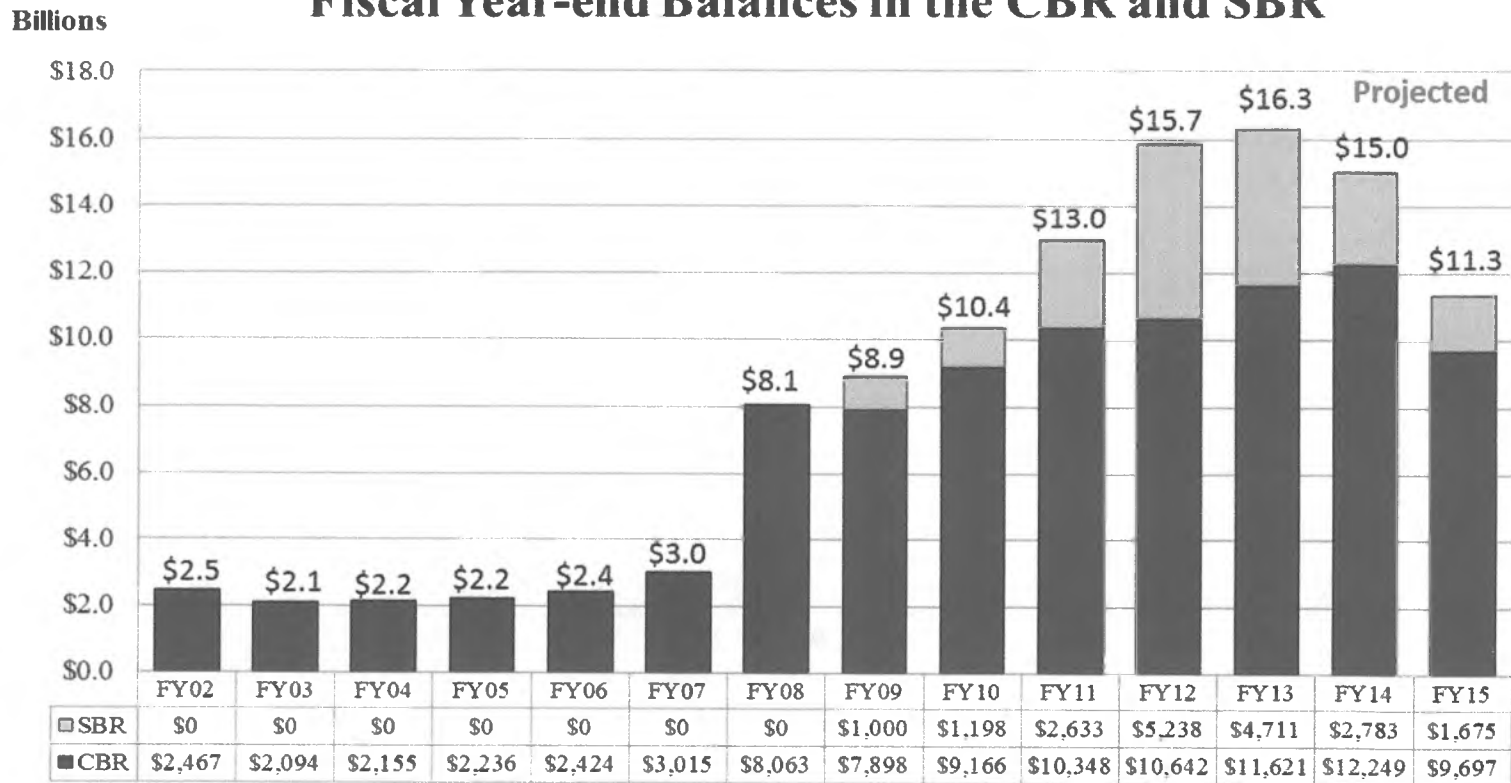
1. May 21, 2013 OMB fiscal summary accounted for -\$550 revenue adjustment due to MAPA. (SB 21 fiscal notes)
 December 12, 2013 revenue includes \$4,930.0 forecast revenue plus \$34.9 reappropriations and carry forward.



Alaska's Reserve Accounts

Constitutional and Statutory Budget Reserve Funds are strong

Fiscal Year-end Balances in the CBR and SBR

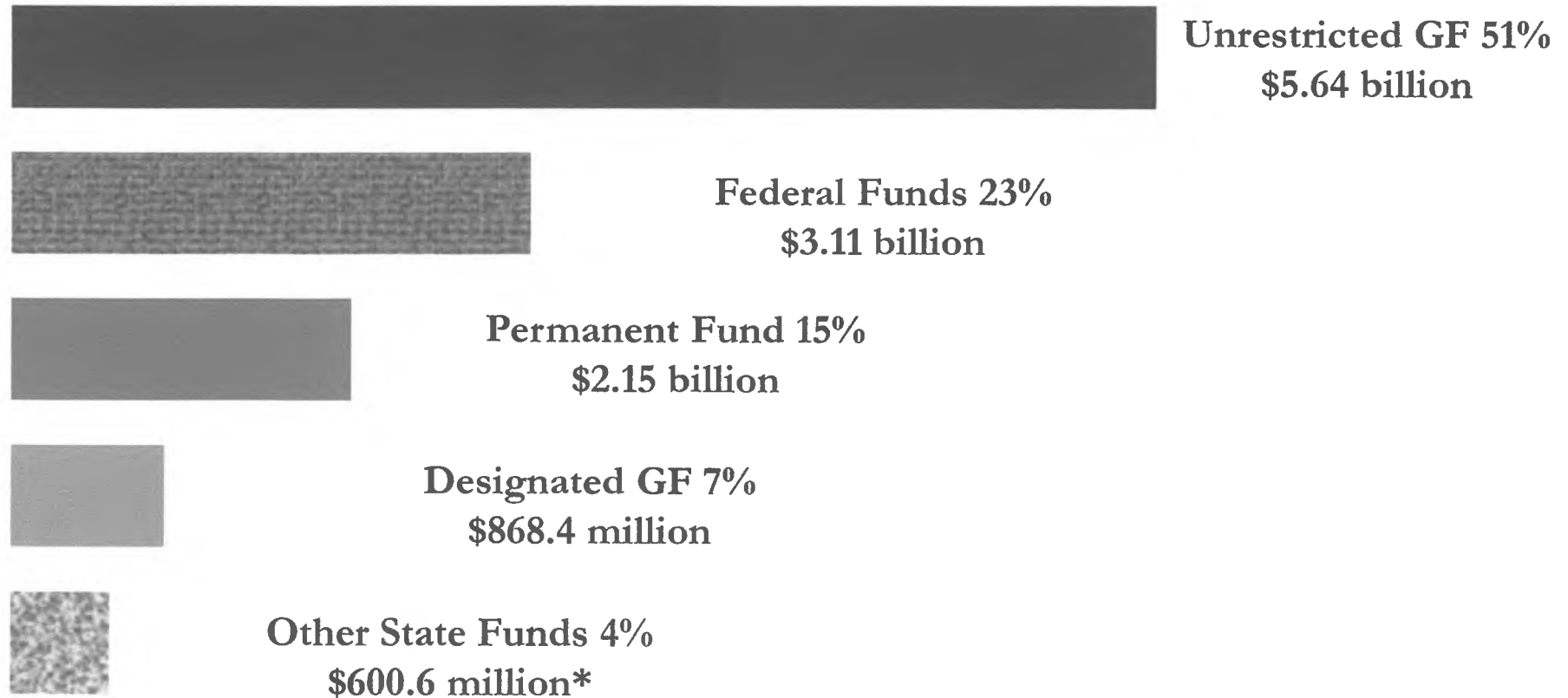


Sources: Alaska Department of Administration, Division of Finance. OMB/Department of Revenue (projections)



FY2015 Budget by Fund Source

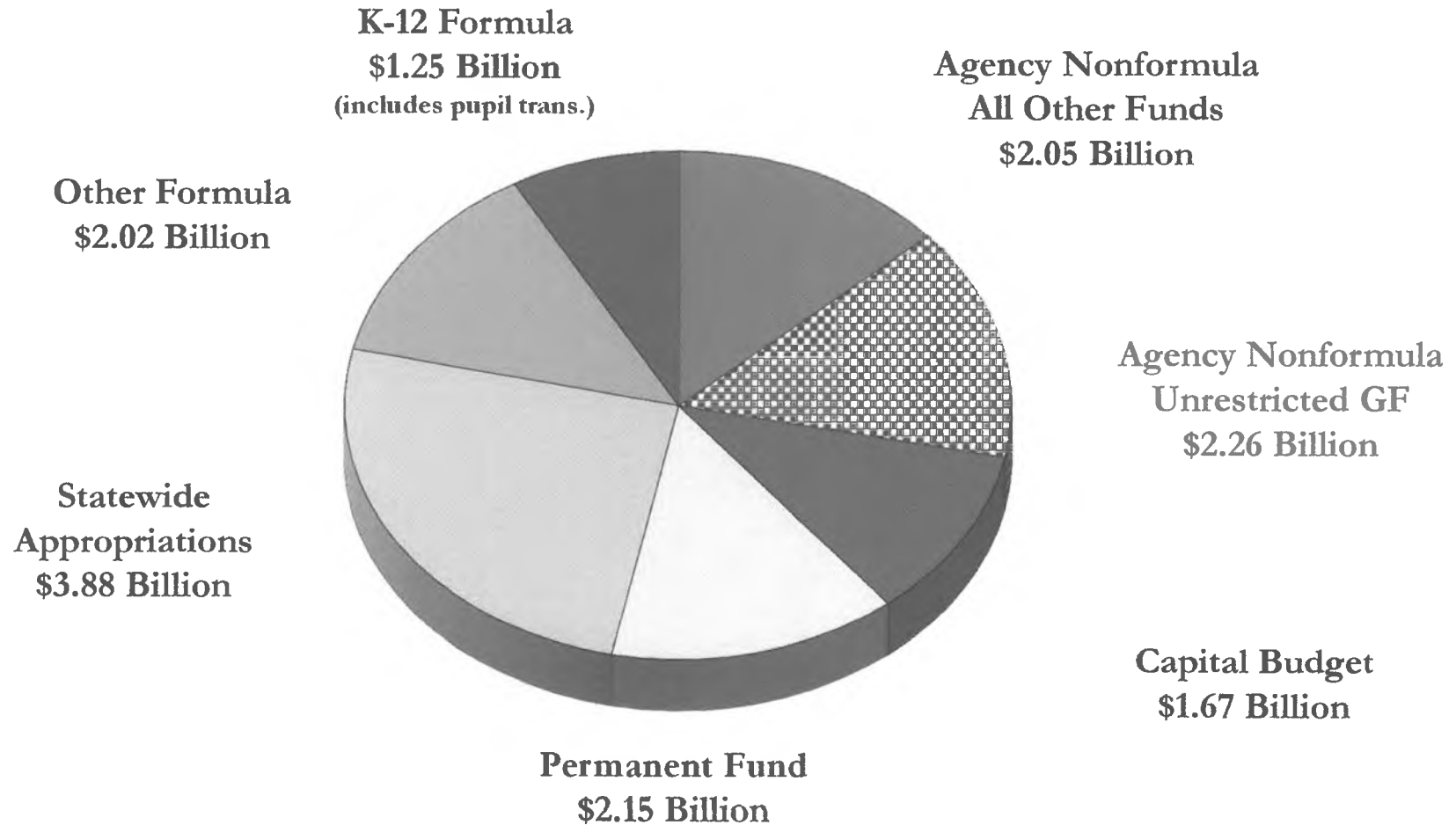
Total FY2015 Budget \$12.4 Billion



* Includes \$3.0 Billion CBR Transfer to Retirement Trust Funds



FY2015 Budget by Category

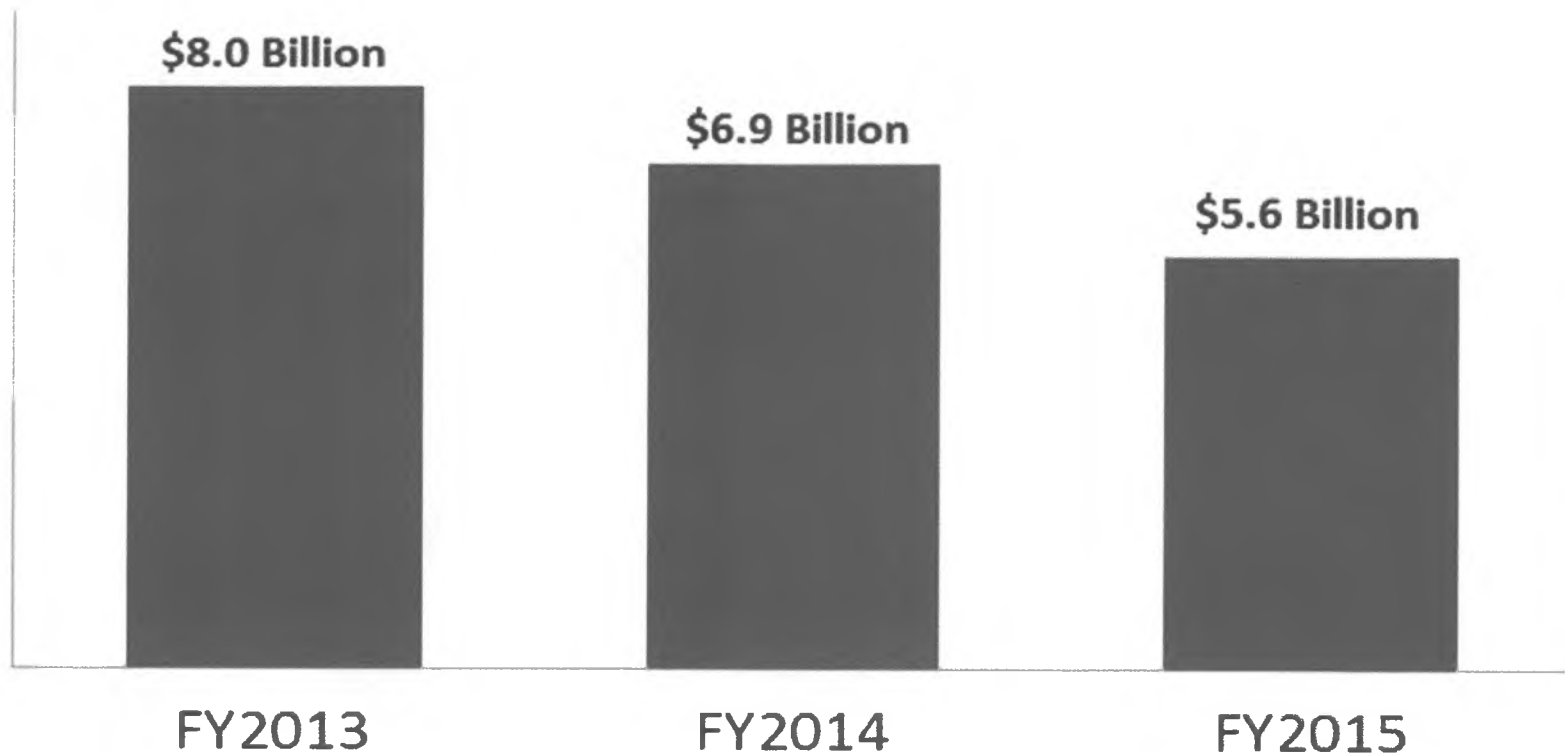


Total Funds = \$12.4 billion (includes -\$2.9 billion in Fund Transfers)



FY2015 UGF Spend: \$5.6 Billion

FY2015 Unrestricted General Fund spend is \$1.3 billion below FY14 spending level



Source: Office of Management and Budget



FY2015 General Fund Budget by Category

Formula Programs 37%
\$2,104.3 Million

Agency Personnel 26%
\$1,451.3 Million

Agency Other 14%
\$813.3 Million

**Statewide
Appropriations 13%**
\$755.2 Million

Fund Transfers/Supp. 2%
\$90.4 Million

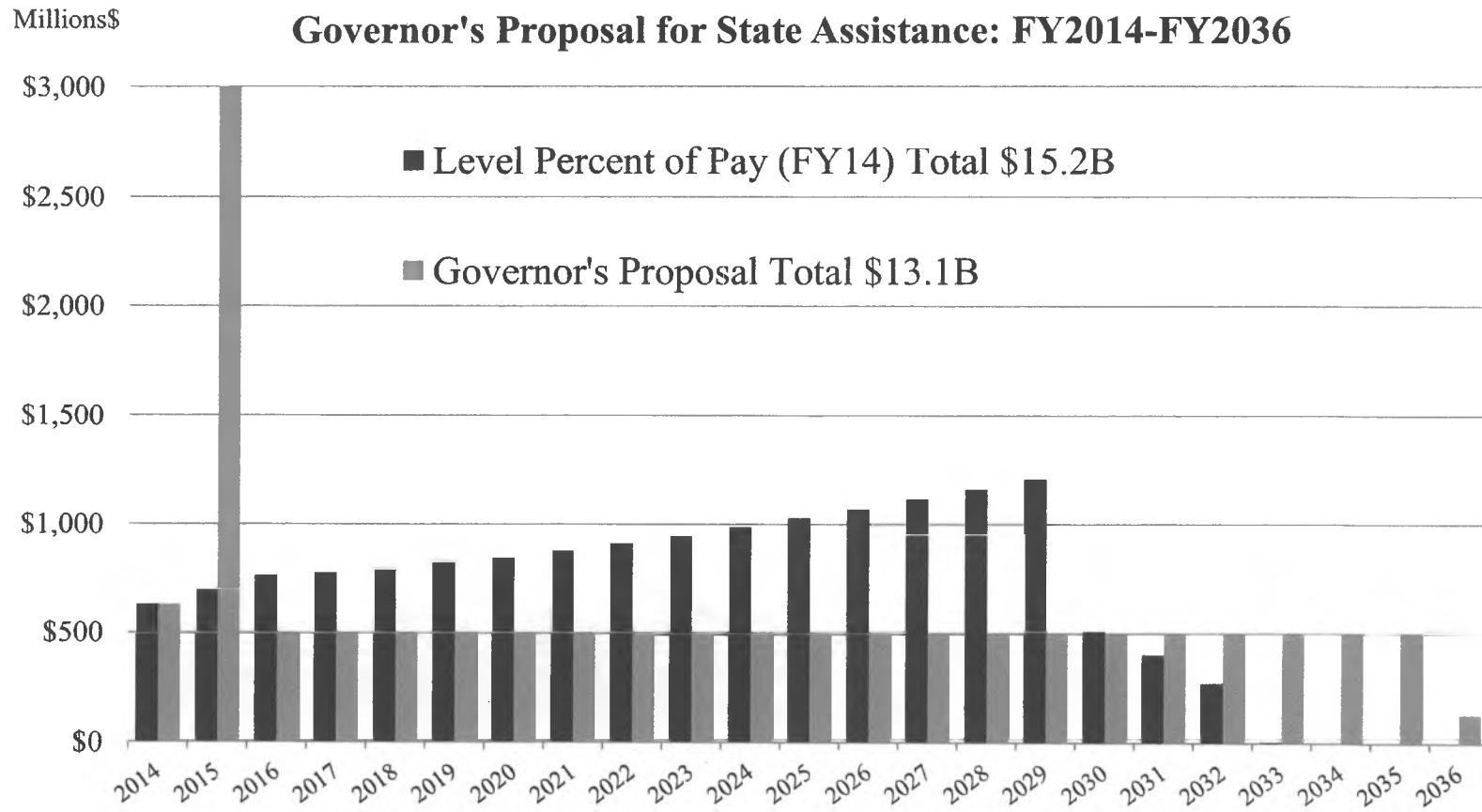
Capital Budget 8%
\$426.3 Million

Unrestricted General Funds = \$5,640.8 million



State Assistance payments

Make a large payment in FY2015 to lower future payment obligations



Source: Buck Consultants



Spending Controls

Maximize efficiency/Rein in operating spending

- **Improve/Streamline Business Processes**
- **Regulations Review- AO 266**
- **Enhance technology**
- **Lower cost of purchasing**
- **Reduce footprint/cost of office space**
- **Deleted 150 vacant positions**



Budget Priorities

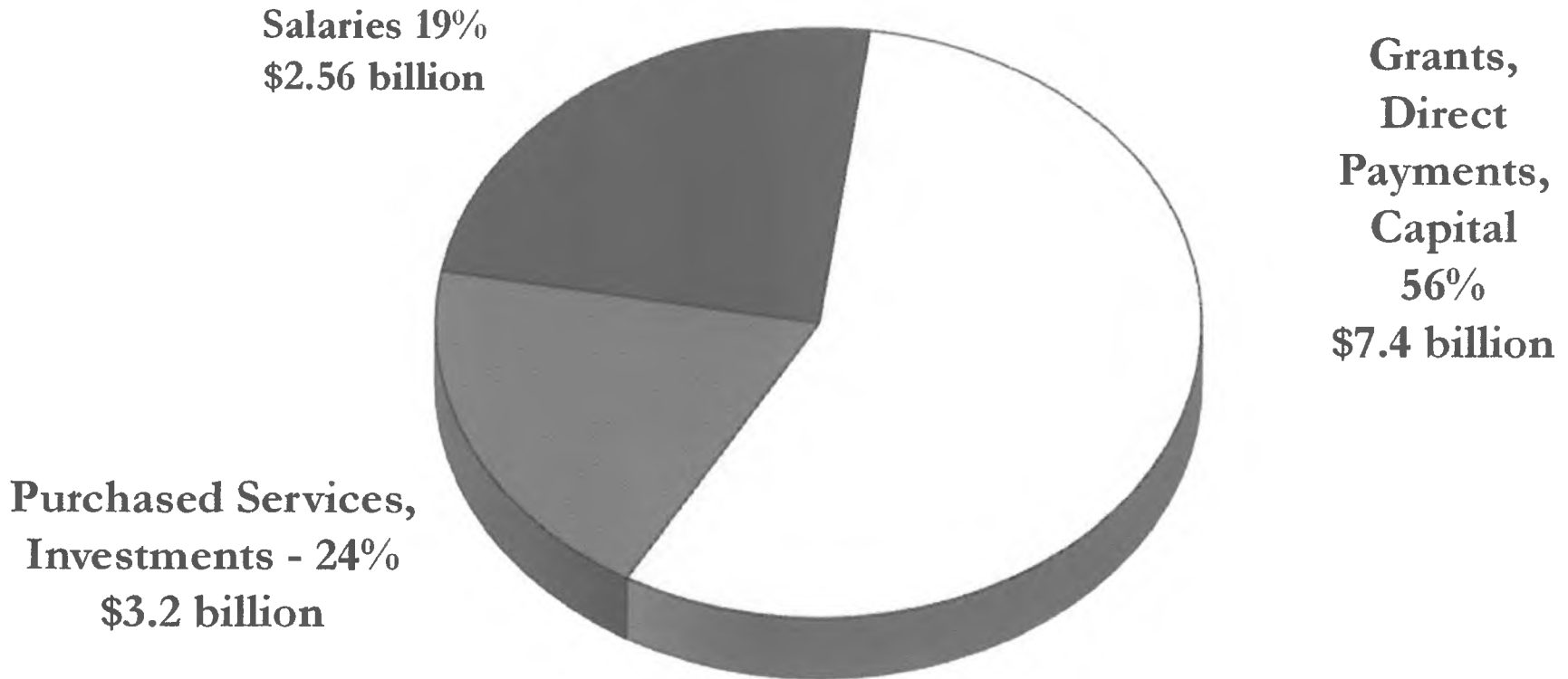
Focus on Administration's strategic investment priorities

- **Education**
- **Resources and Energy**
- **Public Safety**
- **Transportation/Infrastructure**
- **Military Support**



FY2015 Budget- Another Perspective

Nearly 60% of Alaska's budget benefits communities, organizations and individuals through grants, direct payments and capital project funding



Includes duplicate funds, savings, investments and the Permanent Fund



For More Information on the Budget



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