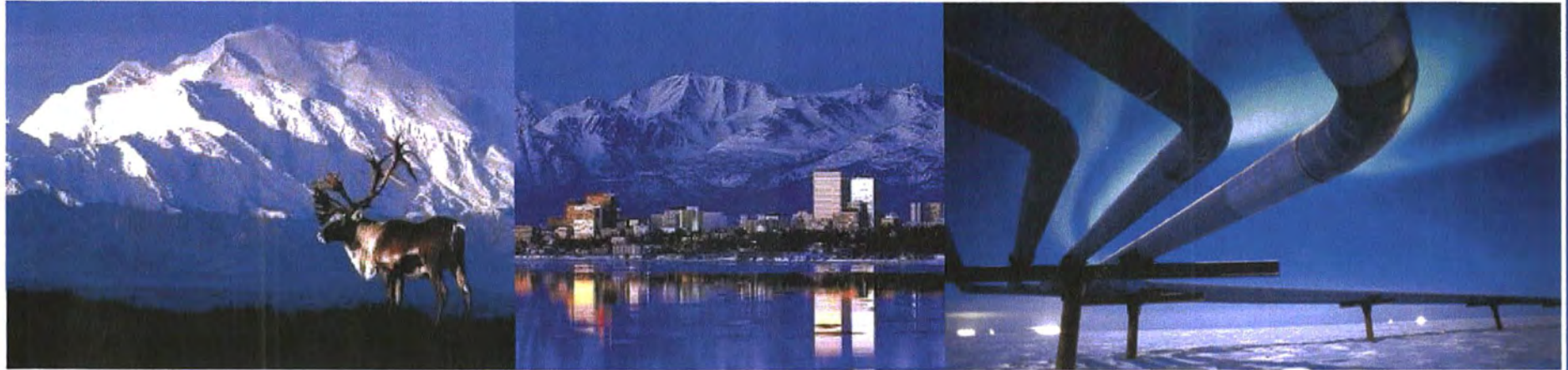


**04/25/15
PRESENTATION
ALASKA'S
FISCAL
CRISIS BY
DEPARTMENT
OF REVENUE**

<TARGET><BILL></BILL><SUBJECT>04-25-15 PRESENTATION
ALASKAS FISCAL CRISIS BY DEPARTMENT OF
REVENUE</SUBJECT><COMM>SFIN29</COMM></TARGET>

DEPARTMENT OF REVENUE - FISCAL REPORT



Jerry D. Burnett

Deputy Commissioner,
Department of Revenue

**Presentation to the
Senate Finance Committee**

April 25, 2015
Juneau, Alaska



DEPARTMENT OF REVENUE FISCAL SUMMARY

- Spring 2015 Revenue Forecast
- Reserve Outlook
- Cash Flow & Burn Rate
- Division of Finance - Management of Cash
- Reserves as of March 31, 2015
- Other Fund Balances

SPRING 2015 REVENUE FORECAST FY15-FY24

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| ANS WC Oil Price (\$/bbl) | 67.49 | 66.03 | 86.66 | 89.06 | 97.51 | 109.54 | 112.61 | 114.92 | 119.61 | 124.34 |
| Total ANS Production (State + Federal) (THSbbls/day) | 508.0 | 519.5 | 535.5 | 506.6 | 469.9 | 440.1 | 406.6 | 374.1 | 348.8 | 320.3 |
| Deductible Lease Expenditures (\$ millions) | 6,538 | 6,788 | 6,847 | 6,471 | 6,009 | 5,543 | 5,438 | 5,104 | 4,801 | 4,492 |
| General Fund Unrestricted Revenues (\$millions)* | 2,240 | 2,198 | 3,175 | 3,241 | 3,788 | 4,535 | 4,435 | 4,261 | 4,266 | 4,218 |
| General Fund Expenditure from OMB (\$ millions)* | 6,172 | 5,554 | 5,341 | 5,063 | 5,050 | 5,135 | 5,213 | 5,304 | 5,397 | 5,490 |
| Budget Surplus/Deficit (\$ millions)* | -3,932 | -3,355 | -2,166 | -1,823 | -1,261 | -600 | -778 | -1,043 | -1,131 | -1,272 |

Source: Department of Revenue – Revenue Sources Book Spring 2015

* Expenditure and surplus / deficit information are based on one scenario using an internal fiscal model. FY 2015 surplus / deficit calculation includes \$23.5 million in carry-forward revenue (added to official revenue forecast number for FY 2015). Budget estimates subject to revision. This analysis does not represent a commitment by the Walker administration to propose spending or generate revenue at a particular level in FY2015, FY2016 or any future year.

RESERVE OUTLOOK – SPRING 2015 FORECAST

| | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| General Fund Revenues | \$ 5,390 | \$ 2,240 | \$ 2,198 | \$ 3,175 | \$ 3,241 | \$ 3,788 |
| General Fund Expenses | \$ 7,307 | \$ 6,172 | \$ 5,554 | \$ 5,341 | \$ 5,063 | \$ 5,050 |
| Projected Deficit | \$ (1,917) | \$ (3,932) | \$ (3,355) | \$ (2,167) | \$ (1,823) | \$ (1,261) |
| Oil and Gas Dispute Resolutions to CBRF | \$ 209 | \$ 38 | \$ 20 | \$ 20 | \$ 20 | \$ 20 |
| CBRF Earnings | \$ 1,006 | \$ 195 | \$ 83 | \$ 66 | \$ 46 | \$ 23 |
| FY 2015 Transfer from CBRF to PERS/TRS | \$ - | \$ (3,000) | \$ - | \$ - | \$ - | \$ - |
| CBRF Total (Main Account + Subaccount) | \$ 12,780 | \$ 8,875 | \$ 5,622 | \$ 3,542 | \$ 1,785 | \$ 567 |
| Statutory Budget Reserve Ending Balance | \$ 2,794 | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOTAL RESERVES | \$ 15,574 | \$ 8,875 | \$ 5,622 | \$ 3,542 | \$ 1,785 | \$ 567 |

| | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|--|-----------------|-----------------|-------------------|-------------------|-------------------|-------------------|
| General Fund Revenues | \$ 4,535 | \$ 4,435 | \$ 4,261 | \$ 4,266 | \$ 4,218 | \$ 4,055 |
| General Fund Expenses | \$ 5,135 | \$ 5,213 | \$ 5,304 | \$ 5,397 | \$ 5,490 | \$ 5,573 |
| Projected Deficit | \$ (600) | \$ (778) | \$ (1,043) | \$ (1,132) | \$ (1,272) | \$ (1,519) |
| Oil and Gas Dispute Resolutions to CBRF* | \$ 20 | \$ 5 | \$ - | \$ - | \$ - | \$ - |
| CBRF Earnings | \$ 6 | \$ (0) | \$ - | \$ - | \$ - | \$ - |
| FY 2015 Transfer from CBRF to PERS/TRS | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| CBRF Total (Main Account + Subaccount) | \$ - | \$ (777) | \$ (1,820) | \$ (2,952) | \$ (4,224) | \$ (5,742) |
| Statutory Budget Reserve Ending Balance | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOTAL RESERVES | \$ - | \$ (777) | \$ (1,820) | \$ (2,952) | \$ (4,224) | \$ (5,742) |

Source: Department of Revenue – Revenue Sources Book Spring 2015

* CBRF Oil & Gas Dispute Resolutions to CBRF are projected at \$20 million per year, model above shows \$0 for illustration purposes, but still anticipated to receive these dispute resolutions after FY 2020, and throughout the forecast period

SPRING 2015 REVENUE FORECAST DISCUSSION

- If only the CBRF is tapped each Fiscal Year to Balance the State's Budget, current anticipated run-out date occurs in June of FY 2020
- CBRF Subaccount transfer into the Main account incorporated into Spring projections
- SBRF is anticipated to be fully expended during FY 2015
- After SBRF is fully expended, approximately \$1.2 billion is needed to balance anticipated General Fund spending for FY 2015

CBRF STATISTICS AS OF MARCH 31, 2015

MAIN (\$Millions)

| | |
|--|------------------------|
| Net Asset Value | |
| ST Fixed Income Pool | 4,759.7 |
| IT Fixed Income Pool | 3,343.8 |
| Broad Fixed Income Pool | 2,022.9 |
| Income Receivable / (Payable) | 0.9 |
| Remaining Distribution from Sub | 7.1 |
| Total Asset Value | <u><u>10,134.4</u></u> |
| | |
| Total Investment Income / (Loss) through 3/31 | 43.4 |
| | |
| Spring 2015 Forecast Projection for all FY15 | 77.0 |

SUB (\$Millions)

| | |
|---|--------------|
| Net Asset Value | |
| Assets have been transitioned to the Main Account as of 3/31/2015 | |
| | |
| Total Investment Income / (Loss) through 3/31 | 179.3 |
| | |
| Spring 2015 Forecast Projection for FY15 | 118.0 |

APFC FUND FINANCIAL HISTORY & PROJECTIONS AS OF FEBRUARY 28, 2015

Projected FY-End Assigned Balances



ALASKA PERMANENT FUND FUND FINANCIAL HISTORY & PROJECTIONS as of February 28, 2015

Projections extend ten years, and are based on best available information (\$ in millions)

| Nonspendable Fund Balance - Principal | | | | | | | | | Assigned Fund Balance | | | | | | | | | | TOTAL FUND | | | | | |
|---------------------------------------|---------------------------|---------------------------------|---|--------------------|------------------------------|------------------------|----------------|------------------------------|---------------------------------|-------------------------------------|---------------------------------------|--|----------------------------------|-------------------------|------------------------|-------------------------------|---------------------|-------------------------|------------|----------------|--|--|--|--|
| FY | FY-Begin Contrib. Balance | Appro- ⁽¹⁾ priations | Dedicated ⁽²⁾ State Revenues | Inflation Proofing | FY-End Balance Contributions | Unrealized Gain (Loss) | | FY-End Non-spendable Balance | Acct. Net Income ⁽³⁾ | Statutory Net Income ⁽²⁾ | Distributions of Statutory Net Income | | | FY-End Balance Realized | Unrealized Gain (Loss) | | Net Assigned Change | FY-End Assigned Balance | FY | FY-End Balance | | | | |
| | | | | | | Net Change | FY-End Balance | | | | Dividends | Inf-Proofing / Other ⁽¹⁾⁽³⁾ | Gen. Fund / Other ⁽⁴⁾ | | Net Change | FY-End Balance ⁽⁵⁾ | | | | | | | | |
| 77-05 | 0 | 7,039 | 8,559 | 9,049 | 24,647 | 3,874 | 3,874 | 28,521 | 30,576 | 26,500 | 13,648 | 12,790 | 309 | 1,440 | 0 | 0 | 581 | 1,440 | 77-05 | 29,961 | | | | |
| 06 | 24,647 | 0 | 601 | 856 | 26,104 | 347 | 4,221 | 30,325 | 3,072 | 2,689 | 689 | 856 | 37 | 2,585 | 0 | 0 | 1,145 | 2,585 | 06 | 32,910 | | | | |
| 07 | 26,104 | 0 | 532 | 860 | 27,496 | 1,977 | 6,198 | 33,694 | 5,448 | 3,429 | 1,022 | 860 | 42 | 4,132 | 0 | 0 | (1,505) | 4,132 | 07 | 37,826 | | | | |
| 08 | 27,496 | 0 | 844 | 808 | 29,148 | (3,886) | 2,064 | 31,213 | (1,372) | 2,938 | 1,293 | 808 | 33 | 4,969 | 352 | 352 | 1,189 | 5,321 | 08 | 36,534 | | | | |
| 09 | 29,148 | 0 | 651 | 1,144 | 30,944 | (3,513) | (1,449) | 29,495 | (5,394) | (2,509) ⁽⁶⁾ | 875 | 1,144 | 0 ⁽⁴⁾ | 441 | (373) | (21) | (4,901) | 420 | 09 | 29,916 | | | | |
| 10 | 30,944 | 0 | 679 | 0 ⁽¹⁾ | 31,624 | 1,869 | 421 | 32,045 | 3,517 | 1,590 ⁽⁶⁾ | 858 | 0 ⁽¹⁾ | 0 ⁽⁴⁾ | 1,194 | 37 | 16 | 790 | 1,210 | 10 | 33,255 | | | | |
| 11 | 31,624 | 0 | 887 | 533 | 33,044 | 4,367 | 4,788 | 37,832 | 6,812 | 2,143 ⁽⁶⁾ | 801 | 533 | 13 ⁽⁴⁾ | 2,016 | 276 | 292 | 1,098 | 2,308 | 11 | 40,140 | | | | |
| 12 | 33,044 | 0 | 915 | 1,073 | 35,033 | (1,568) | 3,220 | 38,253 | (100) | 1,568 | 605 | 1,073 | 17 | 1,905 | (117) | 175 | (227) | 2,081 | 12 | 40,333 | | | | |
| 13 | 35,033 ⁽⁶⁾ | 0 | 840 | 743 | 36,615 | 964 | 4,184 | 40,800 | 4,314 ⁽⁶⁾ | 2,928 | 604 | 743 | 30 | 3,487 | 392 | 567 | 1,973 | 4,054 | 13 | 44,853 | | | | |
| 14 | 36,615 | 0 | 779 | 546 | 37,941 | 2,878 | 7,062 | 45,002 | 6,848 | 3,531 | 1,235 | 546 | 32 | 5,237 | 408 | 975 | 2,158 | 6,211 | 14 | 51,214 | | | | |
| 10% 15 | 37,941 | 0 | 456 | 622 | 39,018 | (2,264) | 4,797 | 43,816 | (664) | 1,912 | 1,269 | 622 | 17 | 5,258 | (328) | 646 | (307) | 5,904 | 15 | 49,720 | | | | |
| 25% 15 | 37,941 | 0 | 456 | 622 | 39,018 | (1,126) | 5,936 | 44,954 | 1,008 | 2,244 | 1,303 | 622 | 20 | 5,555 | (130) | 845 | 189 | 6,401 | 15 | 51,355 | | | | |
| Mid 15 | 37,941 | 0 | 456 | 622 | 39,018 | 284 | 7,346 | 46,364 | 3,045 | 2,606 | 1,341 | 622 | 23 | 5,880 | 132 | 1,107 | 775 | 6,987 | 15 | 53,351 | | | | |
| 25% 15 | 37,941 | 0 | 456 | 622 | 39,018 | 1,449 | 8,511 | 47,529 | 4,877 | 3,014 | 1,384 | 622 | 26 | 6,245 | 387 | 1,362 | 1,396 | 7,607 | 15 | 55,136 | | | | |
| 10% 15 | 37,941 | 0 | 456 | 622 | 39,018 | 2,550 | 9,612 | 48,630 | 6,775 | 3,519 | 1,437 | 622 | 30 | 6,697 | 675 | 1,650 | 2,135 | 8,347 | 15 | 56,977 | | | | |
| 16 | 39,018 | 0 | 468 | 888 | 40,375 | 340 | 7,687 | 48,062 | 3,174 | 2,717 | 1,402 | 888 | 23 | 6,306 | 94 | 1,201 | 520 | 7,507 | 16 | 55,568 | | | | |
| 17 | 40,375 | 0 | 639 | 923 | 41,937 | 369 | 8,056 | 49,992 | 3,312 | 2,837 | 1,535 | 923 | 23 | 6,685 | 84 | 1,284 | 462 | 7,969 | 17 | 57,961 | | | | |
| 18 | 41,937 | 0 | 607 | 957 | 43,501 | 371 | 8,427 | 51,928 | 3,455 | 2,960 | 1,538 | 957 | 23 | 7,150 | 101 | 1,385 | 566 | 8,535 | 18 | 60,463 | | | | |
| 19 | 43,501 | 0 | 607 | 992 | 45,101 | 365 | 8,792 | 53,893 | 3,605 | 3,090 | 1,492 | 992 | 23 | 7,755 | 127 | 1,512 | 732 | 9,267 | 19 | 63,160 | | | | |
| 20 | 45,101 | 0 | 644 | 1,029 | 46,774 | 379 | 9,171 | 55,945 | 3,768 | 3,231 | 1,558 | 1,029 | 23 | 8,399 | 135 | 1,647 | 779 | 10,046 | 20 | 65,991 | | | | |
| 21 | 46,774 | 0 | 604 | 1,066 | 48,444 | 391 | 9,562 | 58,006 | 3,937 | 3,377 | 1,627 | 1,066 | 23 | 9,084 | 146 | 1,793 | 831 | 10,877 | 21 | 68,883 | | | | |
| 22 | 48,444 | 0 | 558 | 1,103 | 50,104 | 402 | 9,965 | 60,068 | 4,109 | 3,527 | 1,699 | 1,103 | 23 | 9,809 | 158 | 1,951 | 883 | 11,760 | 22 | 71,828 | | | | |
| 23 | 50,104 | 0 | 539 | 1,139 | 51,782 | 415 | 10,380 | 62,162 | 4,286 | 3,679 | 1,775 | 1,139 | 23 | 10,574 | 169 | 2,120 | 934 | 12,693 | 23 | 74,855 | | | | |
| 24 | 51,782 | 0 | 519 | 1,177 | 53,478 | 428 | 10,808 | 64,285 | 4,467 | 3,836 | 1,853 | 1,177 | 23 | 11,380 | 180 | 2,300 | 987 | 13,680 | 24 | 77,966 | | | | |
| 25 | 53,478 | 0 | 468 | 1,214 | 55,160 | 440 | 11,248 | 66,407 | 4,653 | 3,997 | 1,934 | 1,214 | 23 | 12,229 | 194 | 2,494 | 1,042 | 14,723 | 25 | 81,130 | | | | |
| Cumulative Totals | | | | | | | | | 41,811 | 36,857 | 17,764 | 11,111 | 249 | 1,519 | 8,511 | | | | | | | | | |
| Proj. for 2015-2025 | | | | | | | | | | | | | | | | | | | | | | | | |

- FY-End Assigned Balances show a projection for fiscal year end, actual Assigned Balance as of February 28, 2015 was \$6.4 billion, consisting of \$5.1 billion in realized earnings, and \$1.3 billion in unrealized appreciation on invested assets.
- The Permanent Fund main balance as of February 28, 2015 includes approximately \$1.2 billion committed to FY dividends and \$621 million inflation proofing

GeFONSI Market Value
\$5.07B at 3/31/2015

| Fiscal Year | Market Value | Return |
|--------------------|---------------------|---------------|
| 2014 | 5,505,603,690 | 0.57% |
| 2013 | 11,988,133,076 | 0.31% |
| 2012 | 12,039,480,276 | 4.82% |
| 2011 | 9,061,621,609 | 0.92% |
| 2010 | 7,789,040,740 | 2.84% |
| 2009 | 6,917,946,845 | 2.92% |
| 2008 | 7,779,665,949 | 5.60% |
| 2007 | 4,610,940,165 | 5.85% |
| 2006 | 2,865,785,021 | 4.24% |
| 2005 | 1,697,437,060 | 3.38% |

OTHER FUND BALANCES AS OF MARCH 31, 2015

- Alaska Higher Education Investment Fund
 - \$459.9 million, total investment income \$14.7 million
- Public School Trust Fund (P&I Account)
 - \$601.2 million, total investment income \$19.2 million
- Power Cost Equalization
 - \$980.1 million, total investment income \$33.5 million

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For additional
information on Treasury
funds, please visit:

treasury.dor.alaska.gov

FITCH RATES ALASKA'S \$258MM BONDS AND BANS; AFFIRMS OUTSTANDING GOS AT 'AAA'

Fitch Ratings-New York-27 February 2015: Fitch Ratings has assigned the following ratings to obligations of the state of Alaska:

- \$94.91 million general obligation (GO) refunding bonds, series 2015 B rated 'AAA';
- \$162.7 million GO bond anticipation notes (BANs), series 2015A (non-callable) rated 'F1+'.

The BANs are expected to sell via competitive bid on March 10, 2015. The bonds are expected to sell via negotiation on or about March 25, 2015.

In addition, Fitch has affirmed the following ratings:

- approximately \$803.8 million of outstanding GO bonds at 'AAA';
- approximately \$260.5 million of outstanding appropriation bonds and COPs including the Matanuska-Susitna Borough, Alaska Goose Creek Correctional Center Project lease revenue bonds, series 2008, and the Anchorage, Alaska correctional facilities lease revenue refunding bonds series 2005 at 'AA+'.

The Rating Outlook is Stable.

SECURITY

The bonds and BANs are general obligations of the state of Alaska to which the full faith, credit, and resources of the state are pledged.

KEY RATING DRIVERS

VERY LARGE RESERVES: Alaska has set aside very large reserves for unrestricted general fund (UGF) operating needs, principally in the Constitutional Budget Reserve Fund (CBR) and Statutory Budget Reserve Fund (SBR), two of the state's most accessible reserves. The realized earnings reserve of the Alaska Permanent Fund also maintains a substantial, accessible balance that is available to fund operating expenses. The state's reserves provide multiple-times coverage of its debt obligations.

VOLATILITY IN OIL REVENUE: The sharp falloff in crude oil prices, beginning in late 2014, lowered the state's expected UGF revenues, exacerbating an already expected revenue shortfall in fiscal 2015. The state plans to apply funds previously deposited to the SBR and CBR to close the identified gap.

CONSERVATIVE FINANCIAL PLANNING: Conservative financial planning is an essential factor given the state's dependency on energy-related revenues and volatility of energy prices and production. Fitch expects Alaska to manage its reserve funds prudently and promptly adjust its expenditures as needed, consistent with the state's historical practice.

ECONOMY AND FINANCES DEPENDENT ON NATURAL RESOURCES: While both natural resources and the federal government have provided sources of employment and income to Alaska's small population, the volatility inherent in the natural resource industry is the state's area of vulnerability. Petroleum-related revenue accounted for approximately 88% of unrestricted general fund revenue in fiscal 2014.

MANAGEABLE LIABILITY POSITION: Alaska's debt burden is moderate. The state has prudently used available cash to fund its capital needs and cash-defeased outstanding obligations when cost-effective. To bolster the funding of its major statewide pension systems, the state will deposit \$3 billion from its CBR in fiscal 2015 to improve the funded ratios. In addition, about half of the state's other post-employment benefit (OPEB) obligations are pre-funded.

SHORT-TERM OBLIGATION: The 'F1+' rating on the notes reflects the security provided by the already voter-authorized issuance of up to \$453.5 million of long-term bonds for state transportation capital projects.

RATING SENSITIVITIES

The rating on the GO bonds would be pressured by a prolonged downturn in the natural resources industry, either price or production based, resulting in a sustained reduction in natural resources revenue that is not addressed by state actions to adjust its budget.

The rating on the BANs is sensitive to shifts in the state's GO bond rating to which it is linked.

CREDIT PROFILE

Alaska's 'AAA' GO rating reflects the state's maintenance of very substantial reserve balances and conservative financial management practices to offset significant revenue volatility linked to oil production from the North Slope and global petroleum price trends. For many years, the state has witnessed a gradual decline in production at its oil fields; however, tax revenues to the state have largely continued to increase as a factor of increased prices for Alaska North Slope (ANS) crude oil. The state prudently dedicated a substantial share of its oil tax revenue to reserves and has continued to employ long-range forecasting of its revenue, expenses, and natural resources industry. While the Fall 2014 revenue forecast projects modest increases in production in fiscal years 2016 and 2017, the state continues to forecast production declines over the long term.

As part of the state's long-range planning, reserve balances grew exponentially over the past several fiscal years. The sharp drop in crude oil prices in late 2014 increased an earlier anticipated revenue shortfall in fiscal 2015 to \$3.5 billion (58% of unrestricted general fund expenditures) that Fitch expects to be covered by a draw from the state's vast financial reserves. An additional reserve draw of \$3.35 billion is projected by the state based on the governor's proposed budget in fiscal 2016. Despite the planned applications, Fitch believes the state is committed to keeping reserve levels high.

Debt practices are conservative, with limited issuance and average amortization. Employment remains generally stable. Although the state has potential exposure to federal employment, its revenue system limits its budget exposure.

RESOURCE-DEPENDENT REVENUE SYSTEM

Alaska's economic and financial performance is tied closely to its natural resource base, typically deriving between 80% and 90% of its UGF revenues from petroleum-related activity. For fiscal 2014, petroleum-related revenue accounted for 88% of UGF revenue. Fluctuating global energy prices have led to sharp surges and drops in the state's unrestricted general fund revenues in related fiscal years, with strong revenue growth through fiscal 2012, together with sizable investment earnings, increasing balances in the state's various reserve funds. The CBR and SBR together grew from \$8.1 billion in fiscal 2009 to \$17.6 billion in fiscal 2014, despite application of monies from the SBR in fiscal years 2013 and 2014. The SBR needs only a simple legislative majority to access when the state's budget is in a deficit; a 3/4 majority vote of the legislature is required to access the CBR unless the current year's proposed budget is less than the prior year's budget, in which case the simple majority rule applies as well.

Use of the SBR in fiscal 2013 was triggered by lower oil prices and decreased production beyond the state's expectations. Despite the net appropriation of \$527 million from the SBR to the UGF for operations, the SBR's balance was able to grow that year to \$4.8 billion due to solid growth in investment earnings on the fund. For fiscal 2014, the state expected to apply almost \$668 million from the SBR to UGF expenditures of \$7.1 billion as a result of an expected drop off in oil production, from 0.538 bbl/day to 0.527 bbl/day. Oil price was forecast at \$109.61/bbl that year. Due to a decline in price to \$107.57/bbl, only modestly offset by a slight uptick in production beyond original forecast, the state increased its application of the SBR to \$1.9 billion that year to balance operations.

As of June 30, 2014, the combined balance of the SBR and CBR was \$17.6 billion, although the balance had not yet been reduced by the \$1.9 billion appropriation; that true-up occurred during fiscal 2015. Also in fiscal 2014, the state approved the application of \$3 billion of the CBR, to occur in fiscal 2015, to bolster the net position of the state's two largest pension systems, general public employees (PERS) and teachers (TRS), as well as lower the annual required contributions to the pension systems. The reduction in future annually required payments provides out-year financial flexibility to the state, in Fitch's opinion; an important consideration as oil production declines and use of these reserves are continued to be forecast.

Effective Jan. 1, 2014, the state's enacted revision of its oil tax policy, the More Alaska Production Act (MAPA), took effect. According to the state, MAPA seeks to spur production by removing the progressive surcharge tied to the value of oil, lower effective tax rates for new oil developments, and provide greater incentives for capital investments. MAPA now taxes oil production on the North Slope of Alaska at 35% of the net value of that production (rather than under the prior taxing system where tax rates increased with additional production), with a credit for each barrel of oil produced and a special reduction in taxes for new oil developments. The state forecasts an increase in capital investments over the next several years under this reform; however, the incentives for increased development are expected to result in some decreases in near-term revenue to the state. In Fitch's opinion, a positive factor of the tax change is the increase in the base tax rate from 25% to 35%, which is beneficial in a low price environment so long as production remains unchanged.

The enacted fiscal 2015 UGF budget incorporated a forecast of oil prices decreasing to \$105.06/bbl, with a slight decline in oil production assumed. Fiscal 2015 unrestricted general fund revenues were forecast at \$4.5 billion, a 15.3% decline from estimated revenues in fiscal 2014, incorporating the reduced expectation for production tax revenue, decreased revenue related to various tax changes, and the close-out of outstanding capital credits issued under the prior oil production tax system. The enacted \$5.9 billion in UGF appropriations (later revised to \$6.1 billion) was a substantial decline from the prior year. The enacted budget included a \$1.4 billion transfer from the SBR to fund expenditures to offset the lower revenue forecast.

The steep drop in crude oil prices in late 2014 led to the state substantially revising its revenue expectations for the current fiscal year as the average oil price was revised to \$76.31/bbl, increasing the anticipated revenue shortfall in fiscal 2015 to \$3.5 billion. Currently, the state anticipates depleting the SBR, with a total draw of \$3.1 billion, combined with an approximate \$412 million draw on the CBR, to close the expected budget gap. Combined with withdrawals for the deposits to the pension systems, the CBR is expected to total approximately \$9.5 billion at fiscal year-end.

The state's revised revenue forecast also lowered its price expectation for fiscal 2016 from \$107.69 to \$66/bbl while estimating higher production from forecast investments on the North Slope and the Cook Inlet. These revisions lowered its revenue forecast for that year by a net \$2.5 billion. The governor's budget for fiscal 2016 proposes UGF expenditures of \$5.55 billion, a large reduction of 9.1% from the adjusted fiscal 2015 budget, resulting in an operating deficit of \$3.35 billion. Again, the state has proposed the application of monies from the CBR to close the operating gap. Through the life of the forecast period, to 2023, the state's price expectations have been reduced, which if proven correct, will result in financial reserves being depleted faster than the state's earlier expectations, in

Fitch's opinion, despite Fitch's expectation that the state will take balancing actions over the period to limit reserve draws and maintain financial flexibility. The legislature is currently considering the governor's proposal.

VERY LARGE RESERVE FUNDS

As noted above, the state has prudently set aside much of its past revenue windfalls in the CBR and SBR. Deposits of surplus funds, dedicated petroleum dispute settlement funds, and significant investment earnings, brought the CBR's balance to over \$12 billion and the SBR's balance to \$4 billion as of June 30, 2014. In addition, over \$1 billion has been set aside for pre-funding school formula payments a year in advance. Additional, accessible balances available to the state include the realized earnings on the corpus of the Alaska Permanent Fund, measuring about \$5.9 billion (as of Dec. 31, 2014). These reserves may be accessed by the state by a majority vote of the legislature, with access to the CBR restricted to a three-fourths majority vote of the legislature should the general fund not be in a deficit situation; a simple majority is required in a deficit situation. The pre-funded balance for education, equal to about one year of education expense, does not require a vote of the legislature for its use.

The state has robust multi-year forecasting practices and has long expected that ongoing declines in production would result in a gradual decline in oil tax revenue in forecast years. In turn, the state prudently set aside much of its past revenue windfalls. The state had intended to apply these funds to ease potential expenditure reductions until MAPA incentivized new production. However, the ability to tap these funds for operating expenditures was premised on sustained higher oil prices, and the current low crude oil price is expected to disrupt those articulated plans, in Fitch's opinion. At the end of fiscal 2016, the state currently expects the balance in the CBR to total \$6.3 billion and the realized earnings reserve is expected to total \$7.2 billion, which Fitch estimates will provide a still very strong 12.5x coverage of currently outstanding GO bond principal.

Fitch expects the state to prudently manage draws from its various reserves as warranted, in addition to realigning its discretionary expenditures to achieve budgetary balance. Access to the Permanent Fund corpus itself would require an amendment to the state's constitution, a path the state has never pursued even during past multi-year periods of low petroleum prices. The Permanent Fund, which receives an annual allocation of state-derived oil royalties, rents, and bonuses, has increased from \$29.9 billion in fiscal 2009 to the current \$46.5 billion, incorporating sizable investment earnings on the fund's corpus.

MANAGEABLE LIABILITY POSITION

The state is an infrequent debt issuer, meeting most capital needs from current revenues. The debt burden as of June 30, 2014 is manageable, with \$1.1 billion in net tax-supported debt measuring 2.9% of personal income after excluding guaranteed debt of the Housing Finance Corporation, which has never required state support, and reimbursable school debt. Fitch notes that the majority of state debt is repaid from petroleum-related revenue, so the debt-to-income ratio is not as meaningful for Alaska as for other states.

Under the new GASB 67 standard for pension systems, PERS reported a 62.4% ratio of pension assets to liabilities in fiscal 2014 with a net pension liability of \$4.7 billion; TRS reported a ratio of 55.7% and a net pension liability of \$3 billion. Using Fitch's more conservative 7% assumption, these ratios decline to 56.2% and 50.2%, respectively. While not directly comparable, the actuarially determined funded ratio as of June 30, 2013 for PERS was 60.8% and for TRS was 51.9%.

The state has undertaken multiple pension reforms in recent years, including switching to defined contribution plans for new employees beginning July 1, 2006, and legislation enacted in 2007 obligating the state to assume local governments' contributions over a fixed percentage of payroll. The application of \$3 billion of CBR funds to the unfunded liabilities of these systems is expected by the state to improve the systems' funded ratios to a projected actuarially determined 71.8% for PERS

and 77% for TRS as of June 30, 2015. Healthcare trusts were established for both PERS and TRS and as of June 30, 2014, were funded at 46% and 36.1%, respectively.

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Additional information is available at 'www.fitchratings.com'.

In addition to the sources of information identified in the Tax-Supported Rating Criteria, this action was additionally informed by information from IHS Global Insight.

Applicable Criteria and Related Research:

--'Tax-Supported Rating Criteria', dated Aug. 14, 2012;
--'U.S. State Government Tax-Supported Rating Criteria', dated Aug. 14, 2012.

Applicable Criteria and Related Research:

Tax-Supported Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686015
U.S. State Government Tax-Supported Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686033

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ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

POLICIES AND PROCEDURES APPLICABLE
TO THE TREASURY DIVISION,
DEPARTMENT OF REVENUE,
STATE OF ALASKA
.....

APPENDIX DA

Cash Deficiency Contingency Plan

MEMORANDUM OF UNDERSTANDING
between the
DEPARTMENT OF ADMINISTRATION,
the
DEPARTMENT OF REVENUE,
the
OFFICE OF MANAGEMENT AND BUDGET,
and the
ATTORNEY GENERAL

WHEREAS the Department of Administration, the Department of Revenue, the Office of Management and Budget, and the Attorney General agree that the State needs a Cash Deficiency Operating Plan and agree that:

1. the State of Alaska's Cash Deficiency Operating Plan is the plan dated July 2014;
2. each party will assist the others in providing information necessary to carry out the plan;
3. the Department of Administration, the Department of Revenue, the Office of Management and Budget, and the Alaska Attorney General endorse the plan and agree to operate by the plan.

This agreement takes effect July 1, 2014.



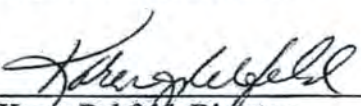
Curtis Thayer, Commissioner
Department of Administration

6/11/14
Date



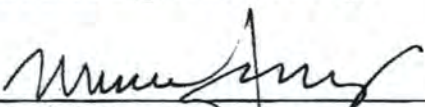
Angela Rodell, Commissioner
Department of Revenue

6/10/2014
Date



Karen Rehfeld, Director
Office of Management and Budget

6/10/2014
Date



Michael C. Geraghty, Attorney General
Department of Law

6.24.14
Date

STATE OF ALASKA
CASH DEFICIENCY OPERATING PLAN
April 2014

Executive Summary¹

The State recognizes that cash deficiencies occur and a plan is necessary to ensure State government continues to operate in these situations. Cash in the State's General Fund is essential to ongoing day-to-day operations. Without cash in the fund, the State cannot pay its bills and the daily operations of the State come to a halt. The State's daily cash need can be as much as \$200 million in a single day. For purposes of this operating plan, a cash deficiency situation exists any time the General Fund cash balance is projected to, or actually does, drop below \$400 million and is expected to stay below \$400 million for five days. Past experience demonstrates that cash deficiencies occur, and therefore funding for cash flow purposes is necessary, even in years with a balanced budget.

For 13 of the past 21 years, the General Fund has needed to fund from the Constitutional Budget Reserve Fund (CBRF) or the Statutory Budget Reserve Fund (SBRF) to meet its daily obligations for disbursements. Even in years of balanced budgets, the difference between receipts flowing in and disbursements flowing out of the State causes periodic cash deficiencies and annual budget gaps. The General Fund's cash requirements routinely exceed its balance at points during the fiscal year. The reasons for this include a mismatch in timing between revenues received and funds disbursed, fluctuating oil prices, falling oil production, and an increase in designated subfunds within the General Fund. The State has developed methods of identifying potential deficiencies and drawing upon financial reserves to compensate for them. The State created this plan to document the methods used when cash deficiencies first began to occur between FY92 and FY94. The agencies involved decided to revise the plan in FY00, and again in FY04, FY07, FY11 and FY14 to recognize that the State's fiscal situation and methods of identifying potential deficiencies have evolved over time, and to accommodate changes in administration.

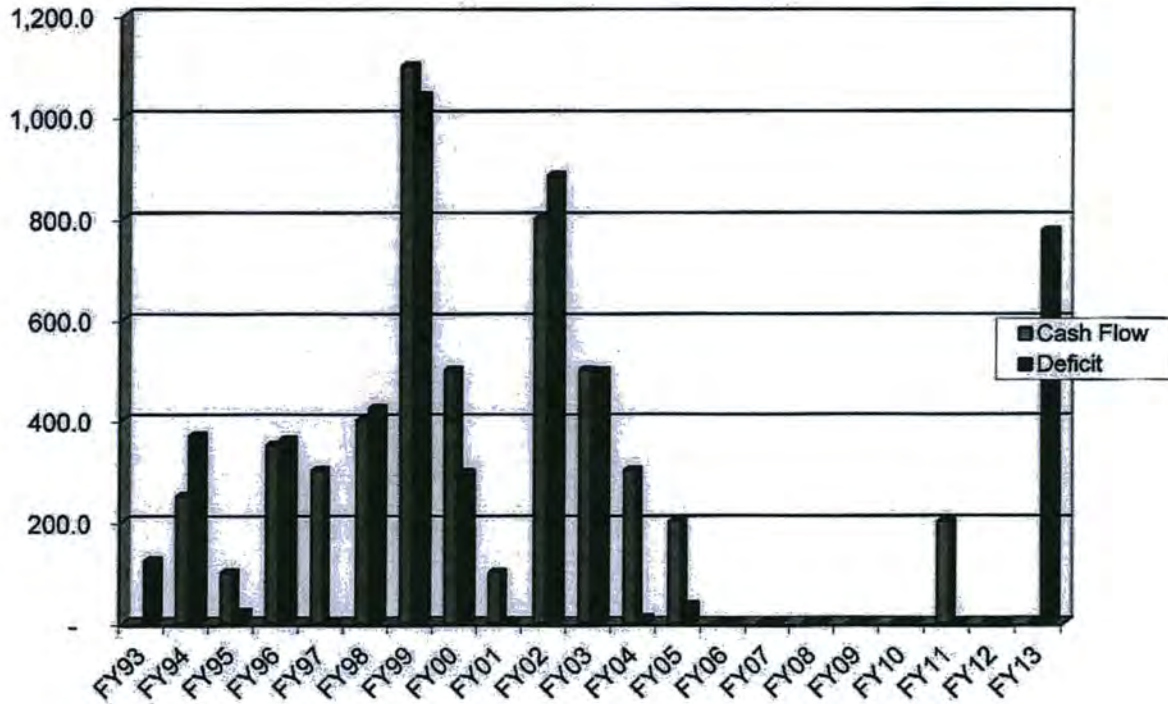
The Departments of Law, Revenue, Administration, and the Office of Management and Budget have jointly developed and updated this Cash Deficiency Operating Plan to accomplish this goal. This plan outlines how the State identifies when a cash deficiency is likely to occur and the steps taken to resolve that deficiency. Treasury makes projections of cash flow patterns for each fiscal year that will identify potential deficiencies. Steps to resolve deficiencies are detailed in a hierarchical list, including accessing funds from legislatively authorized sources, such as the CBRF and SBRF, subfunds of the General Fund, and other temporary funding sources. The plan also sets out a procedure for seeking legislative relief if all borrowing sources are exhausted, and discusses the differences between funding for cash flow and funding for budgetary needs.

¹ A Glossary of Terms is available at the end of this document.

Background and History

Before oil began flowing through the Trans-Alaska Pipeline in the late 1970's, approximately 30% of the State's receipts came from oil revenues. When North Slope oil production began, sizeable sums of cash began flowing into the State Treasury. A steadily growing State operating budget, annual capital budgets, and the State's Permanent Fund were funded by this increase in oil revenues. The State dependency on oil revenues increased to over 85%. In the late 90's to early turn of the century, North Slope oil production dropped more than 40% and record low oil prices occurred requiring cash flow and deficit funding to occur. In FY06 through FY12, oil prices moved to record highs, and the General Fund experienced budget surpluses. Despite these surpluses, however, cash flow borrowing was still necessary to meet spending needs in FY11 (see graph for Cash Flow Borrowing and Deficit Borrowing).

**General Fund Cash Flow and Deficit Transfers
From the CBRF and SBRF
(in millions)**



One of the main factors causing cash deficiencies every year, even when the budget for that year is balanced, is that the inflow of unrestricted receipts does not mirror the outflow of cash disbursements. While receipts tend to flow in at a generally consistent rate throughout the year, with peak periods at the end of each month, quarter, and fiscal year, disbursements are cyclical with high and low periods throughout the year. The first quarter disbursements and appropriated

fund transfers of each fiscal year are generally much higher than receipts for the same period, often creating cash deficiency situations before the end of the first quarter. Redirection of revenues from the General Fund to other funds has occurred gradually since the 1990s. Prior to 1990, most unrestricted revenues flowed directly into the General Fund where they were available to pay for the day-to-day costs of operating State government. Over time, the legislature has established many subfunds of the General Fund, listed in Appendix B, which are designated for specific purposes (though most are still subject to annual appropriation). In 1990, the legislature appropriated the entire General Fund balance available for appropriation at the end of FY91 to a statutory budget reserve fund (SBRF). That same year, a popular vote amended the Alaska Constitution to establish a separate CBRF for the deposit of oil tax settlements. These actions diverted cash, historically destined for the General Fund.

The Legislature had historically addressed both the cash deficiencies and the budget shortfalls by including in the language section of the appropriation act(s) authority for the executive branch to either borrow cash from the CBRF or take cash from the SBRF.. This appropriation language is necessary to avoid some of the extreme consequences of implementing procedures 5, 6, 7, or 8 listed in Appendix A.

It is important to understand that the amount required each year to balance the budget will be different than the amount required to maintain an adequate cash balance in the General Fund. Funding for cash flow is necessary each time the General Fund balance falls below \$400 million to ensure that the State has adequate working capital. And funding for budgetary purposes is the amount of borrowing necessary to balance annual differences between revenues and expenditures, on an accrual basis. Cash deficiency can occur anytime throughout the year, however, the amount of a budgetary shortfall is not known until after the end of the fiscal year.

Legislative Benchmarks

In FY99 the legislature set a cap on the total funds that could be borrowed from the CBRF for either cash deficiencies or budget shortfalls. The legislature subsequently increased the cap for FY99, and placed an additional cap on FY00. Up until FY04, appropriations were made from the CBRF without a cap.

In FY04 the legislature appropriated from the CBRF under Article IX, section 17(b). This section says:

If the amount available for appropriation for a fiscal year is less than the amount appropriated for the previous fiscal year, an appropriation may be made from the budget reserve fund. However, the amount appropriated from the fund under this subsection may not exceed the amount necessary, when added to other funds available for appropriation, to provide for total appropriations equal to the amount of appropriations made in the previous calendar year for the previous fiscal year.

This section limits the amount that can be drawn to balance the budget to the excess of the amount appropriated for the previous year (excluding supplementals) over the amount available to appropriate in the current year. The conundrum to this calculation was that, because of

fluctuations in earnings and oil prices, the amount available to appropriate in the current year cannot be known until the year is over. This means that borrowing must occur in advance of knowing the limit and ratification by the legislature is the only remedy available if the total amount drawn to balance the budget exceeds the limit at the end of the year. The amount available for appropriation is calculated by the Office of Management and Budget and the Department of Revenue, and the amount drawn to balance the budget is determined by the Department of Administration.

New appropriation language in FY04 appropriated General Fund interest to the CBRF in order to compensate for any lost earnings of the CBRF due to borrowing necessary for cash flow purposes only. This requires determining the difference between the amounts borrowed and repaid for the current year, and calculating the interest related to this amount for transfer from the General Fund to the CBRF. Department of Revenue makes this calculation and Department of Administration transfers the interest from the General Fund to the funds borrowed against.

The proceeds of the general obligation bond sale were also considered when reviewing other possible funding sources for borrowing in FY04. Advice on interfund borrowing from the Alaska Attorney General in the form of an opinion dated June 26, 2003 specifies that any amounts borrowed from the general obligation bond construction funds, plus interest, must be repaid by the end of the fiscal year. Signatories to this memorandum agree that repayment by the end of the fiscal year extends to any interfund borrowing that is not appropriated. For that reason, borrowing general obligation bond proceeds was considered to be a less viable option than borrowing from the CBRF above the section 17(b) appropriation limit.

Additionally, in FY04, General Fund subfund borrowing was a very limited option since the funds, once swept to the CBRF, were not immediately reappropriated to the subfunds by the legislature.

In FY06 the legislature, for the first time in many years, did not include any authority to borrow for balancing the budget. Only the language requiring interest on cash flow borrowing was included. Fortunately FY06 through FY10 were balanced budget years, so the State did not have to resort to one of the following four options outlined in this document:

In FY09 the state had accumulated surplus funds and made payments to the CBRF and SBRF. In FY10 the state repaid in full the CBRF in the amount of \$401,617,000, Chapter 13, SLA 2010, and continued to make payments to the SBRF for FY11-13.

Change in Administration

In November 2010, Governor Parnell was elected, and over time the parties that executed this agreement changed. Also legislative authority and economic conditions change every year. For this reason, it was determined that an updated agreement should be signed with the change in administration.

In FY14, there was again a change in some of the parties that executed the updated agreement in 2011, so an updated document was created which also include other minor changes, including an

increase of the minimum required balance of the General Fund from \$200 million to \$400 million.

Plan Overview and Initiation Criteria

In order to continue operating on a daily basis, the State must be able to reliably predict when a cash flow deficiency will occur and must have a planned response to manage the deficiency. This plan includes both the procedures used to project future cash balances and a response plan for resolving cash flow deficiencies.

The Cash Deficiency Operating Plan begins with a series of daily operations in both the Departments of Revenue and Administration. Depending on daily conditions, the plan evolves into a series of strategic steps designed to ensure the availability of adequate cash balances to meet day-to-day expenses. Conditions at the time will trigger the course of action to meet the identified cash problem.

Both the Departments of Revenue and Administration have improved their procedures for monitoring daily General Fund cash balances and developed reliable cash flow projections. Using an internally developed model, the Department of Revenue produces revised cash balance projections monthly, and compares them to actual balances on a daily basis. The model can be used to quickly develop new cash projections if major changes occur in any of the key components of the projection model including oil prices and production receipts.

Execution of the plan is dependent on the availability of a broad range of information relating directly to the flow of cash in and out of the State's General Fund. Critical elements include:

- oil prices – current and projected
- production levels – current and projected
- oil receipts – taxes and royalties
- other receipts
- historical spending patterns
- projected cash balances
- legislative limits on borrowing from CBRF and other funds

Several procedures make up this plan, some of which are executed on a regular basis while others may, or may not, ever be executed. Appendix A provides a list of each of these procedures and the action that triggers their execution.

**APPENDIX A
CASH DEFICIENCY
PROCEDURES**

PROCEDURE 1: Develop monthly cash projections

PROCEDURE 2: Monitor daily General Fund cash balances

PROCEDURE 3: Determine specific course of action to address deficiency

PROCEDURE 4: Execute appropriated transfers from the SBRF, CBRF or other funds to the General Fund

PROCEDURE 5: Execute other transfers from within the General Fund group (subfunds) to the General Fund

PROCEDURE 6: Seek legislative action

PROCEDURE 7: Execute procedure to borrow from the CBRF in excess of appropriated borrowing

PROCEDURE 8: Prioritize disbursements and restrict expenditures of the State because borrowing is unavailable

PROCEDURE 9: Reevaluate Cash Deficiency Operating Plan when cash needs for the next two years exceed the CBRF balances

PROCEDURE 10: Execute repayment of borrowed cash

CASH DEFICIENCY PROCEDURES DETAIL

PROCEDURE 1: Develop monthly cash projections

The Department of Revenue executes the cash projection model, which calculates revised General Fund cash projections for the next 12 months based on the current set of variables. The Department of Revenue reviews the new projections and predicts if and when the cash balance will drop below the \$400 million threshold level for cash deficiencies. The updated projections are posted to the Internet.

PROCEDURE 2: Monitor daily General Fund cash balances

Both the Departments of Revenue and Administration retrieve daily cash balances from AKSAS to evaluate for adequate available cash. Cash Management posts daily balances to projection model and posts to the Internet.

PROCEDURE 3: Determine specific course of action to address deficiency

If the General Fund cash balance is projected to be less than \$400 million, and revenues are not projected to bring the balance above this mark within five business days, or disbursements are anticipated to deplete the cash balance, a cash deficiency situation has been identified. At this point, a decision will be made by the Cash Manager and the Accounting Services Supervisor will execute an appropriate funding procedure. Treasury will update the cash flow projection model to reflect that action.

PROCEDURE 4: Execute appropriated transfers from the CBRF, SBRF or other funds to the General Fund

The Cash Manager and Accounting Service Supervisor will determine a funding amount necessary to avoid a deficiency. They will review appropriated transfers that have been made to date from authorized sources and identify amounts that may still be transferred. They will also work with the Portfolio section of Treasury Division to determine the best day to perform a cash transfer to minimize investment losses. Department of Administration will perform the transfers.

PROCEDURE 5: Execute other transfers from within the General Fund group (subfunds) to the General Fund

If this procedure will be implemented, Department of Administration will analyze the balances in all subfunds of the General Fund as identified in Appendix B and determine possible sources for transfer. This list will be reviewed and approved by the Director of Finance and the Director of OMB. Department of Administration will perform the necessary transfers.

PROCEDURE 6: Seek legislative action

If a cash deficiency is projected and the State has already executed all appropriated and internal borrowing procedures, it will be necessary to seek legislative relief to correct the cash deficiency problem. All signatories of the plan will present current cash position, forecasted cash position, cash deficiency plan, and recommendation for proceeding to the Governor for approval. The Governor may act on the recommendation of all signatories of the plan by submitting a proposal for correcting the problem to the legislature and request action in either the current legislative session, the upcoming session or in special session.

PROCEDURE 7: Execute procedure to authorize temporary interfund borrowing from the SBRF or CBRF

After exhausting all appropriated and internal sources of cash available for borrowing, the State may need to borrow additional funds from the CBRF or SBRF. Such borrowing can only occur if the signatories of the plan certify that anticipated receipts are sufficient to pay the debt, with interest, before the end of the current fiscal year. If anticipated receipts are certified sufficient, the borrowing may occur. If the Commissioners of Revenue and Administration, the Attorney General, and the Director of the Office of Management and Budget have certified that there will be sufficient money in the General Fund to repay the amount borrowed, including interest, by the end of the fiscal year, Department of Administration will execute the interfund borrowing as directed.

PROCEDURE 8: Prioritize disbursements and restrict expenditures of the State because borrowing is unavailable

When all sources of appropriated and temporary borrowing are exhausted, the signatories of this plan need to prioritize disbursements and restrict expenditures of the State subject to available cash by prioritizing payments to vendors, grantees, municipalities, and employees. The Director of Finance will lead this effort, but all plan signatories will evaluate disbursement activity and identify expenditures to restrict until cash sufficiency is restored. The Director of Finance is responsible for working with affected agencies and ensuring the accounting system has controls in place to implement the prioritization plan.

PROCEDURE 9: Reevaluate Cash Deficiency Operating Plan when cash flow needs for the next two years exceed the CBRF and SBRF balances

The signatories to this agreement will consider additional steps when the SBRF and CBRF balances fall below estimated borrowing and cash flow needs for two fiscal years. At that time, the Office of Management and Budget will coordinate a meeting of the plan signatories to reevaluate the Cash Deficiency Operating Plan. The plan signatories will make recommendations to the Governor to address this cash flow problem.

PROCEDURE 10: Execute early repayment of CBRF appropriations

Under art IX, sec 17(d) of the Alaska Constitution if an appropriation is made from the CBRF, until the amount appropriated is repaid, amounts available for appropriation that remain in the general fund at the end of each fiscal year shall be transferred from the general fund to the

CBRF. So, rather than waiting until the end of each succeeding fiscal year following an appropriation from the CBRF to commence repayment, if the General Fund cash balance is more than \$800 million and the Cash Manager and Accounting Services Supervisor both project it to remain greater than \$800 million for more than a 30 day period, then repayment of the amount appropriated from the CBRF may be executed. The Accounting Services Supervisor will work with Cash Management and the Portfolio section of Treasury Division to determine the best day to perform a cash transfer to minimize investment losses. They will also notify the Director of the Office of Management and Budget of amount and when transfer will occur.

Additionally, if, at the end of the fiscal year, the General Fund cash balance is projected to exceed \$400 million, the amount to be repaid to the CBRF will be the amount of General Fund cash in excess of \$400 million that does not reduce General Fund cash below \$400 million on the preceding day.

**APPENDIX B
GENERAL FUND SUBFUND BORROWING**

| <u>Fund</u> | <u>Authority</u> | <u>AKSAS</u> |
|---|----------------------------------|--------------|
| *Abandoned Motor Vehicle Fund | AS 28.11.110 | 11211 |
| Adak Airport Operations | PL 101-510 | 11181 |
| *Alaska Capital Income | AS 37.05.565(a) | 11185 |
| Alaska Children's Trust | AS 37.14.200 | 34050 |
| *Alaska Debt Retirement | AS 37.15.011 | 11138 |
| Alaska Gasline Inducement Act Reimbursement Fund | AS 43.90.400 | 11188 |
| *Alaska Historical Commission Receipts Account | AS 41.35.380 | 11111 |
| *Alaska Marine Highway System | AS 19.65.060 | 12149 |
| *Alaska Marine Highway System Vessel Replacement | AS 37.05.550 | 11137 |
| *Alaska Senior Care | AS 47.450.360 | 11182 |
| Alaska Surplus Property | AS 37.05.500(a)(2), AS 44.68.130 | 11112 |
| *Alaska Technical and Vocational Education Program Account | AS 23.15.830 | 11166 |
| Alaska Transportation Infrastructure Bank | US Title 23 | 21653 |
| Alaska Veteran's Memorial Endowment | AS 37.14.700(a) | 36010 |
| *Alcohol and Other Drug Abuse Treatment and Prevention Fund | AS 43.60.050 | 11178 |
| Anatomical Gift Awareness | AS 13.50.160(a) | 11183 |
| Art in Public Places | AS 44.27.060 | 11124 |
| Assistive Technology Loan Guarantee | AS 23.15.125 | 11154 |
| *Building Safety Account | AS 44.31.025 | 11177 |
| *Civil Legal Services Fund | AS 37.05.590 | 12154 |
| *Commercial Passenger Vessel Environmental Compliance | AS 46.03.482 | 11174 |
| Commercial Vessel Passenger Tax Account | AS 43.52.230(a) | 11203 |
| Community Revenue Sharing Fund | AS 29.60.850 | 11200 |
| *Crime Victims Compensation Fund | AS 18.67.162 | 11207 |
| Disaster Relief | AS 26.23.300 | 12120 |
| Donated Commodity Fees | USC 7 CFR, PART 250 | 11120 |
| *Educational Facilities Maintenance and Construction | AS 37.05.560 | 11142 |
| Election Fund | Federal HR 3295 | 11179 |
| *Employment Assistance and Training Program | AS 23.15.625 | 11134 |
| Exxon Valdez Oil Spill Unincorp Rural Community Grant | AS 44.33.115 | 11161 |
| FHWA - Airspace Leases | USSTURAA 1987, Section 156 | 11126 |
| FICA Administration | AS 39.30.050 | 11110 |
| Fisheries Disasters Fund | P.L. 108-7 Section 2 | 11180 |
| Fuel Emergency | AS 26.23.400 | 11125 |
| Fund for the Improvement of School Performance | AS 14.03.125 | 11145 |
| *Large Passenger Gambling Tax Fund | AS 43.35.210-220 | 11206 |
| Major Maintenance Grant | AS 14.11.007 | 11144 |
| Memorial Education Revolving Loan | AS 14.43.255 | 21611 |
| *Mental Health Trust Income Account | AS 34.14.011 | 34042 |
| *Municipal Capital Project Matching Grant | AS 37.06.010 | 11146 |
| NTSC Bonds Funding | | 11176 |
| Oil and Gas Tax Credit Fund | AS 43.55.028 | 11189 |
| *Oil and Hazardous Substance Release Prevention | AS 46.08.010(a) | 11122 |
| *Oil and Hazardous Substance Release Prevention Mitigation | AS 46.08.020(b) | 11139 |
| Oil and Hazardous Substance Release Response | AS 46.08.010(a) | 11129 |
| *Oil and Hazardous Substance Release Response Mitigation | AS 46.08.025(b) | 11153 |
| *Originator Surety Fund | AS 06.60.500 | 11202 |
| Permanent Fund Dividend | AS 43.23.045 | 33020 |
| Public Education | AS 14.17.300 | 11184 |
| *Railbelt Energy | AS 37.05.520 | 11123 |

| | | |
|--|---------------------------------|-------|
| Randolph-Sheppard Small Business | AS 23.15.130, 20 USC 107-107(f) | 11118 |
| Real Estate Surety | AS 08.88.450 | 11121 |
| Regional Cruise Ship Impact Fund | AS 43.52.230(c) | 11209 |
| School Construction Grant | AS 14.11.005 | 11143 |
| School Trust Land Sales | Attorney General Opinion | 11162 |
| State Insurance Catastrophe Reserve Account | AS 37.05.289 | 11133 |
| *State Land Disposal Income | AS 38.04.022 | 11164 |
| *State Land Reforestation | AS 41.17.300 | 12130 |
| *Statutory Budget Reserve | AS 37.05.540 | 11115 |
| TAPS Rebate | Federal Public Law 101-380 | 11163 |
| *Tobacco Use Education and Cessation Account | AS 37.05.580 | 11175 |
| Training and Building | AS 23.20.130(d) | 12121 |
| *Trauma Care Fund | AS 18.08.085 | 11208 |
| *Unincorporated Community Capital Project Matching Grant | AS 37.06.020 | 11147 |
| *Vocational Rehabilitation Small Business Enterprise | AS 23.15.130 | 11116 |
| *Worker's Compensation Benefits Guaranty | AS 23.30.082 | 11186 |
| *Workers' Safety and Compensation Administration Account | AS 23.05.067 | 11173 |

* Asubfund which has been identified as General Fund available for appropriation and will be the first subfunds from which borrowing would occur. Within this category, the amount available to borrow will be determined based on several factors, including fund sufficiency balance, existing appropriations, federal statutes, other restrictions that may have been placed on the funds, and anticipated expenditure and revenue flows. All other funds would be considered the second priority to draw from and would fall under the same evaluation described above.

GLOSSARY OF TERMS

| | |
|---------------------------------|--|
| AKSAS | Alaska Statewide Accounting System |
| AS | Alaska Statute |
| Cash Deficiency | The General Fund sufficiency balance has dropped below \$400 million |
| Disbursements | A decrease in the State's current financial resources due to warrant or nonwarrant disbursal |
| Expenditures | Disbursements reported on a modified accrual basis |
| Fund | A fiscal and accounting entity with a self-balancing set of accounts used to manage the income and outflow of the State's financial resources |
| Fund Sufficiency Balance | A measure of a fund's ability to pay for disbursements, calculated as cash held by the fund less any warrants outstanding |
| General Fund | The State's primary operating fund that is used to account for all of the State's financial resources except for those accounted for in a special purpose fund |
| Receipts | An increase in the State's current financial resources due to receipt of cash |
| Revenues | Receipts reported on a modified accrual basis |
| USC | United States Code |
| USSTURAA | United States Surface Transportation and Uniform Relocation Assistance Act |
| Warrants Outstanding | Warrants that have been issued, but not yet presented to the State for purchase |