

SB

138

<TARGET><BILL>SB 138</BILL><SUBJECT>SB
138</SUBJECT><COMM>SFIN29</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT First Committee of Referral

DATE: 1/19/16

FURTHER:

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 138

SB 138-BUDGET: CAPITAL

"An Act making appropriations, including capital appropriations, reappropriations, and other appropriations; making appropriations to capitalize funds; and providing for an effective date."

and recommends:

- be replaced with CS SB 138 (FIN) [] Same Title New Title
- [] adopt previous CS _____ (_____) [] Same Title [] New Title
- [] attached amendment(s)
- [] adopt _____ Letter of Intent
- [] further referral to _____ Committee

Dept Abbr.	
ADM	LWF
CED	LAW
COR	LEG
EED	MVA
DEC	DNR
DFG	DPS
GOV	REV
DHS	DOT
AJS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
<i>C. L. Bishop</i>	BISHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Byron J. ...</i>	DUNLEAVY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Thomas C. Olson</i>	OLSON	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<i>H. Micciche</i>	MICCICHE	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
CO-CHAIR:					
CO-CHAIR: <i>Anna MacKinnon</i>	MacKinnon	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2016 SENATE FINANCE COMMITTEE VOTE SHEET

FAILED

DATE: 5/12/16

Amendment: 1

MEMBER

Favor

Oppose

MEMBER	Favor	Oppose
SEN. OLSON	1	
SEN. BISHOP		1
SEN. DUNLEAVY		1
SEN. HOFFMAN		
SEN. MICCICHE		1
SEN. KELLY		
SEN. MACKINNON		1

YEA

1

NAY

4

Failed
5/12/16

29-GS2741\P.1
Martin
5/11/16

AMENDMENT #1

BY: SEN OLSON

OFFERED IN THE SENATE

TO: CSSB 138(FIN), Draft Version "P"

- 1 Page 3, line 22:
- 2 Delete "17,997,268" in both places.
- 3 Insert "25,235,690" in both places.
- 4
- 5 Page 3, following line 25:
- 6 Insert new material to read:
- 7 "ALLOCATIONS
- 8 Kivalina K-12 7,238,422
- 9 Replacement School -
- 10 Kasayulie (HD 40)"
- 11
- 12 Adjust fund sources and totals accordingly.

2016 SENATE FINANCE COMMITTEE VOTE SHEET

PASSED

DATE: 5/12/16

Amendment: 2

MEMBER

Favor

Oppose

MEMBER	Favor	Oppose
SEN. BISHOP	1	
SEN. DUNLEAVY	1	
SEN. HOFFMAN		
SEN. MICCICHE	1	
SEN. OLSON		1
SEN. KELLY		
SEN. MACKINNON	1	

YEA 4 NAY 1

ad of ted
5/12/10

29-GS2741P.2
Martin
5/11/16

AMENDMENT #2

OFFERED IN THE SENATE

BY SENATOR MACKINNON

TO: CSSB 138(FIN), Draft Version "P"

- 1 Page 33, before line 1:
2 Insert a new bill section to read:
3 ** **Sec. 10.** LEGISLATIVE INTENT RELATING TO FUNDING FOR KIVALINA
4 SCHOOL. The legislature intends that the amount appropriated by sec. 1, ch. 38, SLA 2015,
5 page 3, lines 23 - 26, for construction of a Kivalina K-12 replacement school satisfies the
6 state's obligation under the consent decree entered into in *Kasayulie v. State*, 3AN-97-3782
7 CIV (Sept. 1, 1999). No funding for the construction or renovation of a Kivalina K-12 school
8 is appropriated in this Act. It is the intent of the legislature that the Northwest Arctic Borough
9 School District expedite the completion of a plan to replace the existing Kivalina K-12 school
10 to allow for the construction of adequate school facilities for the students of Kivalina."
11
12 Renumber the following bill sections accordingly.
13
14 Page 49, lines 17 - 18:
15 Delete "secs. 13(2), 14, 16(b), 17, 19, 21, 23, 24, 25(d), 25(e), and 28"
16 Insert "secs. 14(2), 15, 17(b), 18, 20, 22, 24, 25, 26(d), 26(e), and 29"
17
18 Page 49, line 19:
19 Delete "secs. 13(1), 25(a) - (c), 29, and 30"
20 Insert "secs. 14(1), 26(a) - (c), 30, and 31"
21
22 Page 49, line 23:
23 Delete "Section 11"

1 Insert "Section 12"

2

3 Page 49, lines 24 - 25:

4 Delete "secs. 15, 16(b), 17(a), 19, 20, 22, 23, 24(a), 24(b), 24(c), 25(a), 25(d), 25(e),
5 and 26 - 29"

6 Insert "secs. 16, 17(b), 18(a), 20, 21, 23, 24, 25(a), 25(b), 25(c), 26(a), 26(d), 26(e),
7 and 27 - 30"

8

9 Page 49, lines 25 - 26:

10 Delete "secs. 15, 16(b), 17(a), 19, 20, 22, 23, 24(a), 24(b), 24(c), 25(a), 25(d), 25(e),
11 and 26 - 29"

12 Insert "secs. 16, 17(b), 18(a), 20, 21, 23, 24, 25(a), 25(b), 25(c), 26(a), 26(d), 26(e),
13 and 27 - 30"

14

15 Page 49, line 27:

16 Delete "sec. 17(b)"

17 Insert "sec. 18(b)"

18

19 Page 49, line 31:

20 Delete "sec. 21"

21 Insert "sec. 22"

22

23 Page 50, line 3:

24 Delete "sec. 24(d)"

25 Insert "sec. 25(d)"

26

27 Page 50, line 6:

28 Delete "10, 11, and 32"

29 Insert "11, 12, and 33"

30

31 Page 50, lines 8 - 9:

1 Delete "Sections 15, 16(b), 17(a), 19, 20, 22, 23, 24(a), 24(b), 24(c), 25(a), 25(d),
2 25(e), and 26 - 29"

3 Insert "Sections 16, 17(b), 18(a), 20, 21, 23, 24, 25(a), 25(b), 25(c), 26(a), 26(d),
4 26(e), and 27 - 30"

5

6 Page 50, line 10:

7 Delete "secs. 34 and 35"

8 Insert "secs. 35 and 36"

adopted 5/11/16

29-GS2741\P
Martin
5/10/16

CS FOR SENATE BILL NO. 138(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act making and amending appropriations, including capital appropriations,
2 supplemental appropriations, reappropriations, and other appropriations; making
3 appropriations to capitalize funds; and providing for an effective date."

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 (SECTION 1 OF THIS ACT BEGINS ON PAGE 2)

1 * **Section 1.** The following appropriation items are for capital projects and grants from the
 2 general fund or other funds as set out in section 2 of this Act by funding source to the
 3 agencies named for the purposes expressed and lapse under AS 37.25.020, unless otherwise
 4 noted.

	Appropriation	General	Other
	Allocations	Items	Funds
	*****	*****	*****
***** Department of Administration *****			
	*****	*****	*****
10	General Services Public Building Fund	4,000,000	4,000,000
11	Buildings Deferred Maintenance (HD 1-		
12	40)		
13	State Capitol Third Floor Improvements	475,000	475,000
14	(HD 33-34)		
15	*****	*****	*****
***** Department of Commerce, Community and Economic Development *****			
	*****	*****	*****
18	Alaska Energy Authority - Bulk Fuel	1,300,000	1,300,000
19	Upgrades (HD 1-40)		
20	Alaska Energy Authority - Rural Power	1,446,142	1,446,142
21	Systems Upgrades (HD 1-40)		
22	Community Block Grants (HD 1-40)	6,060,000	60,000
23	Grants to Named Recipients (AS		6,000,000
24	37.05.316)		
25	Hope Community Resources, Inc. -	115,000	115,000
26	Upgrades to Housing to Meet State		
27	Licensing Requirements (HD 12-28)		
28	Inter-Island Ferry Authority (HD 33-	250,000	250,000
29	36)		
30	Marine Exchange of Alaska - Alaska	400,000	400,000
31	Vessel Tracking System Upgrades and		

	Appropriation	General	Other
	Allocations	Items	Funds
1			
2			
3	Expansion (HD 1-40)		
4	Grants to Municipalities (AS		
5	37.05.315)		
6	Seward - Flood Protection Scoping and	300,000	300,000
7	Feasibility Study (HD 29-31)		
8	*****	*****	
9	***** Department of Corrections *****		
10	*****	*****	
11	Annual Safety and Security Maintenance	1,000,000	1,000,000
12	and Repair (HD 1-40)		
13	*****	*****	
14	***** Department of Education and Early Development *****		
15	*****	*****	
16	It is the intent of the legislature that the Department of Education and Early Development add		
17	to their criteria when reviewing project applications for school major maintenance grants (AS		
18	14.11.007) that all eligible energy efficiency improvements be excluded from the grant		
19	process and the grantee be redirected to work with the Alaska Housing Finance Corporation		
20	on receiving a loan through the Alaska Energy Efficiency Revolving Loan Fund (AS		
21	18.56.855).		
22	School Construction Grant Fund (AS	17,997,268	17,997,268
23	14.11.005)		
24	Kachemak Selo New K-12	10,867,503	
25	School Construction (HD 30)		
26	Lower Kuskokwim School	7,129,765	
27	District - Bethel Regional		
28	High School Central Kitchen		
29	and Multipurpose Addition		
30	(HD 38)		
31	Mt. Edgecumbe High School Deferred	350,000	350,000
32	Maintenance (HD 35)		
33	*****	*****	

		Appropriation	General	Other
		Allocations	Items	Funds
			Funds	Funds
3	***** Department of Environmental Conservation *****			
4		*****	*****	
5	Drinking Water Capitalization Grant -		2,526,300	2,526,300
6	Subsidy Funding (HD 1-40)			
7	Statewide Contaminated Sites Cleanup		500,000	500,000
8	(HD 1-40)			
9	Village Safe Water and Wastewater		64,830,000	12,080,000
10	Infrastructure Projects			52,750,000
11	First Time Service Projects	38,898,000		
12	(HD 1-40)			
13	Expansion, Upgrade, and	25,932,000		
14	Replacement of Existing			
15	Service (HD 1-40)			
16		*****	*****	
17	***** Department of Fish and Game *****			
18		*****	*****	
19	Fairbanks Regional Office Electrical,		350,000	350,000
20	Telephone System, and Repairs (HD 1-5)			
21	Sport Fish Recreational Boating and		3,000,000	3,000,000
22	Angler Access (HD 1-40)			
23		*****	*****	
24	***** Department of Health and Social Services *****			
25		*****	*****	
26	Emergency Medical Services Match for		500,000	500,000
27	Code Blue Project (HD 1-40)			
28	Health Information Exchange Providers		4,080,000	480,000
29	Incentive Program (HD 1-40)			3,600,000
30	Non-Pioneer Home Deferred Maintenance,		1,416,845	1,416,845
31	Renovation, Repair and Equipment (HD			
32	1-40)			
33	Office of Civil Rights Remediation		2,773,980	2,219,184
				554,796

	Appropriation	General	Other
	Allocations	Funds	Funds
	Items		
1			
2			
3	Completion (HD 1-40)		
4	Pioneer Homes Deferred Maintenance,	1,417,500	1,417,500
5	Renovation, Repair and Equipment (HD		
6	1-40)		
7	* * * * *	* * * * *	
8	* * * * * Department of Military and Veterans Affairs * * * * *		
9	* * * * *	* * * * *	
10	National Guard Counterdrug Support (HD	100,000	100,000
11	1-40)		
12	State Homeland Security Grant Programs	4,500,000	4,500,000
13	(HD 1-40)		
14	* * * * *	* * * * *	
15	* * * * * Department of Natural Resources * * * * *		
16	* * * * *	* * * * *	
17	Abandoned Mine Lands Reclamation	3,200,000	3,200,000
18	Federal Program (HD 1-40)		
19	Airborne Geophysical Data Collection	500,000	500,000
20	(HD 1-40)		
21	Federal and Local Government Funded	1,800,000	1,800,000
22	Forest Resource and Fire Program		
23	Receipts (HD 1-40)		
24	Geologic Mapping for Mineral Potential	200,000	200,000
25	(HD 1-40)		
26	National Historic Preservation Fund	800,000	150,000
27	(HD 1-40)		650,000
28	National Recreational Trails Federal	1,700,000	200,000
29	Grant Program (HD 1-40)		1,500,000
30	Snowmobile Trail Development Program	250,000	250,000
31	and Grants (HD 1-40)		
32	USGS Statemap Grant to Spur Mineral	600,000	300,000
33	Investment and Exploration (HD 1-40)		300,000

	Appropriation	General	Other
	Allocations	Funds	Funds

	***** Department of Public Safety *****		

6	Marine Fisheries Patrol Improvements	1,200,000	1,200,000
7	(HD 1-40)		
8	*****		
9	***** Department of Revenue *****		
10	*****		
11	NSTAR Re-platforming Project (HD 1-40)	4,225,829	925,829
12	Alaska Housing Finance Corporation		
13	AHFC Cold Climate Housing Research	500,000	500,000
14	Center (CCHRC) (HD 1-40)		
15	AHFC Competitive Grants for Public	1,100,000	350,000
16	Housing (HD 1-40)		750,000
17	AHFC Facility Maintenance Program (HD	5,000,000	5,000,000
18	1-40)		
19	AHFC Federal and Other Competitive	4,500,000	1,500,000
20	Grants (HD 1-40)		3,000,000
21	AHFC Housing and Urban Development	2,500,000	2,500,000
22	Capital Fund Program (HD 1-40)		
23	AHFC Housing and Urban Development	4,500,000	750,000
24	Federal HOME Grant (HD 1-40)		3,750,000
25	AHFC Rental Assistance for Victims -	1,500,000	1,500,000
26	Empowering Choice Housing Program		
27	(ECHP) (HD 1-40)		
28	AHFC Senior Citizens Housing	1,750,000	1,750,000
29	Development Program (HD 1-40)		
30	AHFC Supplemental Housing Development	3,000,000	3,000,000
31	Program (HD 1-40)		
32	AHFC Teacher, Health and Public Safety	2,300,000	1,000,000
33	Professionals Housing (HD 1-40)		1,300,000

1	Appropriation	General	Other
2	Allocations	Items	Funds
3	Funds	Funds	Funds
3	AHFC Weatherization Program (HD 1-40)	1,500,000	1,500,000
4	*****	*****	
5	***** Department of Transportation and Public Facilities *****		
6	*****	*****	
7	It is the intent of the legislature that the Department of Transportation and Public Facilities		
8	provide to the Senate and House Finance Committee Co-Chair's offices by August 12, 2016		
9	(one month prior to the federal deadline for repurposing requests of September 12, 2016) a list		
10	of federal earmark capital projects expected to be requested for "repurposing" from the		
11	Federal Highway Administration (FHWA), and a list of projects identified for the repurposed		
12	funding. While it is understood some earmarks will have little option for project replacement		
13	given the FHWA repurposing parameters, where there are multiple options for project		
14	replacement, please identify those options and explain why the projects were selected by the		
15	agency.		
16	Alaska Marine Highway System Vessel	12,000,000	12,000,000
17	Overhaul, Annual Certification and		
18	Shoreside Facilities Rehabilitation		
19	(HD 1-40)		
20	Capital Improvement Program Equipment	5,000,000	5,000,000
21	Replacement (HD 1-40)		
22	State Equipment Fleet Replacement (HD	20,000,000	20,000,000
23	1-40)		
24	Federal Program Match	48,100,000	48,100,000
25	Federal-Aid Aviation State	10,800,000	
26	Match (HD 1-40)		
27	Federal-Aid Highway State	36,000,000	
28	Match (HD 1-40)		
29	Other Federal Program Match	1,300,000	
30	(HD 1-40)		
31	Airport Improvement Program	258,386,250	258,386,250
32	It is the intent of the legislature that the Department of Transportation and Public Facilities		
33	submit a quarterly report of Federal Aviation Administration grant awards that were accepted		

	Appropriation	General	Other
	Allocations	Items	Funds
1			
2			
3	by the Department during FY2017 to the House and Senate Finance Committees no later than		
4	30 days after the end of each quarter. The legislature will consider the value and effectiveness		
5	of the reporting in regard to the potential of a single appropriation without allocations for		
6	future Airport Improvement Programs.		
7	Alaska International	12,550,000	
8	Airport System -		
9	Contingency Funds (HD 1-40)		
10	Aniak - Airport Relocation	53,500,000	
11	(HD 38)		
12	Barrow Airport - Combined	13,000,000	
13	Maintenance and Operations		
14	Facility (HD 40)		
15	Bethel Airport - North	5,000,000	
16	Apron and Access Road		
17	Reconstruction (HD 38)		
18	Buckland Airport Snow	650,000	
19	Removal Equipment Building		
20	(HD 40)		
21	Cordova - Airport Apron,	10,100,000	
22	Taxiway, and General		
23	Aviation Improvements (HD		
24	32)		
25	Deering Airport Snow Fence	550,000	
26	(HD 40)		
27	Dillingham - Runway	13,250,000	
28	Pavement Rehabilitation (HD		
29	37)		
30	Fairbanks International	27,500	
31	Airport - Advanced Project		
32	Design and Planning (HD 1-		
33	5)		

		Appropriation	General	Other
		Allocations	Funds	Funds
		Items		
1				
2				
3	Fairbanks International	300,500		
4	Airport - Annual			
5	Improvements (HD 1-5)			
6	Fairbanks International	137,000		
7	Airport - Environmental			
8	Assessment and Cleanup (HD			
9	1-5)			
10	Fairbanks International	1,375,500		
11	Airport - Equipment (HD 1-			
12	5)			
13	Fairbanks International	109,500		
14	Airport - Facility			
15	Improvements, Renovations			
16	and Upgrades (HD 1-5)			
17	Fairbanks International	33,000		
18	Airport - Information			
19	Technology Improvements (HD			
20	1-5)			
21	Fairbanks International	7,500,000		
22	Airport - Taxiway B			
23	Reconstruction and Safety			
24	Enhancements (HD 1-5)			
25	Galena - Airport	500,000		
26	Improvements (HD 39)			
27	Golovin - Runway and Apron	21,500,000		
28	Improvements (HD 39)			
29	Homer - Beluga Lake Float	2,500,000		
30	Plane Base Improvements (HD			
31	31)			
32	Hughes - Airport	2,000,000		
33	Improvements (HD 40)			

	Appropriation	General	Other
	Allocations	Funds	Funds
	Items		
1			
2			
3	Ketchikan Airport - Airport	1,500,000	
4	Rescue and Fire Fighting		
5	(ARFF) Building Remodel (HD		
6	36)		
7	Kivalina - Airport Erosion	7,000,000	
8	Control (HD 40)		
9	Point Hope - Airport	10,500,000	
10	Rehabilitation (HD 40)		
11	Saint Michael - Airport	2,000,000	
12	Improvements (HD 39)		
13	Saint Michael - Snow	100,000	
14	Removal Equipment Building		
15	Upgrade (HD 39)		
16	Statewide - Aviation	18,000,000	
17	Preconstruction (HD 1-40)		
18	Statewide - Aviation	1,500,000	
19	Systems Plan Update (HD 1-		
20	40)		
21	Statewide - Various	6,000,000	
22	Airports Minor Surface		
23	Improvements (HD 1-40)		
24	Statewide - Various	12,000,000	
25	Airports Snow Removal, ADA		
26	and Safety Equipment (HD 1-		
27	40)		
28	Statewide - Various	8,000,000	
29	Certificated Airports Gate		
30	and Fencing Security		
31	Improvements (HD 1-40)		
32	Talkeetna - Airport	2,750,000	
33	Improvements (HD 7-12)		

		Appropriation	General	Other
		Allocations	Funds	Funds
		Items		
1				
2				
3	Ted Stevens Anchorage	625,000		
4	International Airport -			
5	Advanced Project Design and			
6	Planning (HD 12-28)			
7	Ted Stevens Anchorage	27,916,250		
8	International Airport -			
9	Airfield Pavement			
10	Reconstruction and			
11	Maintenance (HD 12-28)			
12	Ted Stevens Anchorage	800,000		
13	International Airport -			
14	Annual Improvements (HD 12-			
15	28)			
16	Ted Stevens Anchorage	110,000		
17	International Airport -			
18	Environmental Projects (HD			
19	12-28)			
20	Ted Stevens Anchorage	5,100,000		
21	International Airport -			
22	Equipment (HD 12-28)			
23	Ted Stevens Anchorage	1,202,000		
24	International Airport -			
25	Facility Improvements,			
26	Renovations and Upgrades			
27	(HD 12-28)			
28	Ted Stevens Anchorage	1,050,000		
29	International Airport -			
30	Information Technology			
31	Improvements (HD 12-28)			
32	Togiak - Snow Removal	900,000		
33	Equipment Building (HD 37)			

	Appropriation	General	Other
	Allocations	Funds	Funds
	Items		
1			
2			
3	Toksook Bay - Airport and	6,750,000	
4	Access Road Rehabilitation		
5	(HD 38)		
6	Surface Transportation Program	888,200,000	888,200,000
7	It is the intent of the legislature that the Department of Transportation and Public Facilities		
8	submit a quarterly report of Federal Highway Administration funding obligations that occur		
9	during FY2017 to the House and Senate Finance Committees no later than 30 days after the		
10	end of each quarter. The legislature will consider the value and effectiveness of the reporting		
11	in regard to the potential of a single appropriation without allocations for future Surface		
12	Transportation Programs.		
13	Alaska Marine Highway	4,000,000	
14	System - Construct / Lease		
15	/ Purchase Ferryboats and		
16	Terminals (HD 1-40)		
17	Alaska Marine Highway	150,000	
18	System - Fleet Condition		
19	Survey Update (HD 1-40)		
20	Alaska Marine Highway	300,000	
21	System - Shoreside		
22	Facilities Condition Survey		
23	(HD 1-40)		
24	Alaska Marine Highway	5,000,000	
25	System - Tenakee Ferry		
26	Terminal Improvements (HD		
27	35)		
28	Alaska Peninsula Highway -	7,000,000	
29	Bridge Rehabilitation and		
30	Replacement (HD 37)		
31	American Association of	200,000	
32	State Highway and		
33	Transportation Officials		

		Appropriation	General	Other
		Allocations	Funds	Funds
		Items		
1				
2				
3	Technical Programs Support			
4	(HD 1-40)			
5	Anchorage Metropolitan Area	25,000,000		
6	Transportation Solutions			
7	(AMATS) Projects, Flexible			
8	(HD 12-28)			
9	Bethel - Ridgecrest Drive	2,600,000		
10	Rehabilitation (HD 38)			
11	Central Region Parks	60,000,000		
12	Highway - Rehabilitation			
13	and Reconstruction (HD 7-			
14	31)			
15	Chena Hot Springs Road -	5,000,000		
16	Milepost 20 Jenny M Creek			
17	Bridge Replacement (HD 6)			
18	Dalton Highway -	75,000,000		
19	Rehabilitation and			
20	Reconstruction (HD 1-40)			
21	Dillingham - Downtown	5,000,000		
22	Streets Reconstruction and			
23	Rehabilitation (HD 37)			
24	Elliott Highway -	25,000,000		
25	Rehabilitation and			
26	Reconstruction (HD 6)			
27	Fairbanks Metropolitan Area	10,000,000		
28	Transportation System			
29	(FMATS) Projects, Flexible			
30	(HD 1-5)			
31	Geographic Information	1,500,000		
32	System (GIS) Development			
33	(IWAYS) (HD 1-40)			

	Appropriation	General	Other
	Allocations	Funds	Funds
	Items		
1			
2			
3	Glenn Highway -	55,000,000	
4	Rehabilitation and		
5	Reconstruction (HD 1-40)		
6	Haines Highway -	30,000,000	
7	Rehabilitation and		
8	Reconstruction (HD 33)		
9	Homer - Pioneer Avenue	4,000,000	
10	Rehabilitation (HD 31)		
11	Juneau - Egan Drive and	1,000,000	
12	Riverside Drive		
13	Intersection Improvements		
14	(HD 34)		
15	Juneau - Egan Drive	1,000,000	
16	Improvements - Main Street		
17	to 10th Street (HD 33)		
18	Juneau - Glacier Highway	5,500,000	
19	Improvements: Glacier		
20	Highway Access Road to Twin		
21	Lakes (HD 33)		
22	Kodiak - Chiniak Highway	7,000,000	
23	Erosion Response (HD 32)		
24	Kodiak - Otmeloi Way	4,000,000	
25	Reconstruction (HD 32)		
26	National Highway System and	130,000,000	
27	Non-National Highway System		
28	Pavement and Bridge		
29	Reconstruction and		
30	Refurbishment (HD 1-40)		
31	National Highway System	20,000,000	
32	Modernization (HD 1-40)		
33	Nenana - Little Goldstream	2,800,000	

		Appropriation	General	Other
		Allocations	Funds	Funds
1				
2				
3	Creek Bridge Replacement			
4	(HD 6)			
5	Nome - Seppala Drive	3,000,000		
6	Rehabilitation (HD 39)			
7	Northern Region Parks	20,000,000		
8	Highway - Rehabilitation			
9	and Reconstruction (HD 1-			
10	40)			
11	Richardson Highway -	15,000,000		
12	Rehabilitation and			
13	Reconstruction (HD 1-40)			
14	Sand Point - City Dock	9,000,000		
15	Replacement (HD 37)			
16	Selawik - Barge Landing	4,800,000		
17	Access Road and Boardwalk			
18	Improvements (HD 40)			
19	Seward Highway -	120,000,000		
20	Rehabilitation and			
21	Reconstruction (HD 1-40)			
22	Soldotna - Funny River Road	2,000,000		
23	Improvements (HD 30)			
24	Southeast Areawide -	2,000,000		
25	Americans with Disabilities			
26	Act (ADA) Improvements (HD			
27	33-36)			
28	Statewide - Bridge	1,000,000		
29	Management System (HD 1-40)			
30	Statewide - Civil Rights	400,000		
31	Program (HD 1-40)			
32	Statewide - Congestion	10,000,000		
33	Mitigation and Air Quality			

		Appropriation	General	Other
		Allocations	Funds	Funds
		Items		
1				
2				
3	(CMAQ) Projects (HD 1-40)			
4	Statewide - Federal Lands	5,000,000		
5	Access Projects (HD 1-40)			
6	Statewide - Highway Data	3,500,000		
7	Equipment Acquisition and			
8	Installation (HD 1-40)			
9	Statewide - Highway Fuel	100,000		
10	Tax Enforcement (HD 1-40)			
11	Statewide - Highway Safety	65,000,000		
12	Improvement Program (HSIP)			
13	(HD 1-40)			
14	Statewide - Intelligent	6,500,000		
15	Transportation Systems			
16	Implementation Plan (IWAYS)			
17	(HD 1-40)			
18	Statewide - National	350,000		
19	Highway Institute and			
20	Transit Institute Training			
21	(HD 1-40)			
22	Statewide - Planning Work	8,000,000		
23	Program (HD 1-40)			
24	Statewide - Research	2,000,000		
25	Program (HD 1-40)			
26	Statewide - Road Weather	3,000,000		
27	Information System (RWIS)			
28	(HD 1-40)			
29	Statewide - Roadway Data	1,000,000		
30	Collection (HD 1-40)			
31	Statewide - Seismic	2,000,000		
32	Retrofit - Bridges (HD 1-			
33	40)			

		Appropriation	General	Other
		Allocations	Funds	Funds
		Items		
1				
2				
3	Statewide - Urban Planning	2,000,000		
4	Program (HD 1-40)			
5	Statewide - Winter Trail	500,000		
6	Markings (HD 1-40)			
7	Steese Highway -	4,000,000		
8	Rehabilitation and			
9	Reconstruction (HD 6)			
10	Sterling Highway -	25,000,000		
11	Rehabilitation and			
12	Reconstruction (HD 1-40)			
13	Surface Transportation	65,000,000		
14	Preconstruction (HD 1-40)			
15	Tok Cutoff Highway -	12,000,000		
16	Rehabilitation and			
17	Reconstruction (HD 6)			
18	Wasilla - Knik Goose Bay	6,000,000		
19	Road Widening: Centaur			
20	Avenue to Vine Road (HD 7)			
21	Whittier Tunnel -	4,000,000		
22	Maintenance and Operations			
23	(HD 7-12)			
24	Statewide Federal Programs	129,500,000		129,500,000
25	Cooperative Reimbursable	55,000,000		
26	Projects (HD 1-40)			
27	Federal Contingency	25,000,000		
28	Projects (HD 1-40)			
29	Federal Emergency Projects	10,000,000		
30	(HD 1-40)			
31	Federal Transit	10,000,000		
32	Administration Grants (HD			
33	1-40)			

	Appropriation	General	Other
	Allocations	Funds	Funds
	Items		
1			
2			
3	Highway Safety Grants	8,000,000	
4	Program (HD 1-40)		
5	Statewide Safety Program	21,500,000	
6	(HD 1-40)		
7	* * * * *		
8	* * * * * Judiciary * * * * *		
9	* * * * *		
10	Court Security Projects (HD 1-40)	1,351,200	1,351,200
11	Deferred Maintenance, Renewal, Repair	1,694,000	1,694,000
12	and Equipment (HD 1-40)		
13	(SECTION 2 OF THIS ACT BEGINS ON THE NEXT PAGE)		

1 * **Sec. 2.** The following sets out the funding by agency for the appropriations made in sec. 1 of
2 this Act.

3	Funding Source	Amount
4	Department of Administration	
5	1108 Statutory Designated Program Receipts	475,000
6	1147 Public Building Fund	4,000,000
7	*** Total Agency Funding ***	4,475,000
8	Department of Commerce, Community and Economic Development	
9	1002 Federal Receipts	6,000,000
10	1003 General Fund Match	60,000
11	1004 Unrestricted General Fund Receipts	665,000
12	1169 Power Cost Equalization Endowment Fund Earnings	2,746,142
13	1206 Commercial Vessel Passenger Excise Tax	400,000
14	*** Total Agency Funding ***	9,871,142
15	Department of Corrections	
16	1004 Unrestricted General Fund Receipts	1,000,000
17	*** Total Agency Funding ***	1,000,000
18	Department of Education and Early Development	
19	1004 Unrestricted General Fund Receipts	11,217,503
20	1222 REAA and Small Municipal School District School Fund	7,129,765
21	*** Total Agency Funding ***	18,347,268
22	Department of Environmental Conservation	
23	1002 Federal Receipts	52,250,000
24	1003 General Fund Match	12,080,000
25	1004 Unrestricted General Fund Receipts	500,000
26	1100 Alaska Drinking Water Fund	2,526,300
27	1108 Statutory Designated Program Receipts	500,000
28	*** Total Agency Funding ***	67,856,300
29	Department of Fish and Game	
30	1002 Federal Receipts	2,250,000
31	1004 Unrestricted General Fund Receipts	350,000

1	1024	Fish and Game Fund	750,000
2	***	Total Agency Funding ***	3,350,000
3	Department of Health and Social Services		
4	1002	Federal Receipts	4,154,796
5	1003	General Fund Match	2,699,184
6	1004	Unrestricted General Fund Receipts	2,834,345
7	1180	Alcohol and Other Drug Abuse Treatment & Prevention Fund	500,000
8	***	Total Agency Funding ***	10,188,325
9	Department of Military and Veterans Affairs		
10	1002	Federal Receipts	4,600,000
11	***	Total Agency Funding ***	4,600,000
12	Department of Natural Resources		
13	1002	Federal Receipts	7,750,000
14	1003	General Fund Match	650,000
15	1108	Statutory Designated Program Receipts	400,000
16	1195	Special Vehicle Registration Receipts	250,000
17	***	Total Agency Funding ***	9,050,000
18	Department of Public Safety		
19	1002	Federal Receipts	1,200,000
20	***	Total Agency Funding ***	1,200,000
21	Department of Revenue		
22	1002	Federal Receipts	19,800,000
23	1003	General Fund Match	925,829
24	1108	Statutory Designated Program Receipts	3,050,000
25	1139	Alaska Housing Finance Corporation Dividend	7,100,000
26	1180	Alcohol and Other Drug Abuse Treatment & Prevention Fund	1,500,000
27	***	Total Agency Funding ***	32,375,829
28	Department of Transportation and Public Facilities		
29	1002	Federal Receipts	1,214,586,250
30	1003	General Fund Match	10,400,000
31	1004	Unrestricted General Fund Receipts	9,000,000

1	1026	Highways Equipment Working Capital Fund	20,000,000
2	1027	International Airports Revenue Fund	11,500,000
3	1061	Capital Improvement Project Receipts	5,000,000
4	1076	Alaska Marine Highway System Fund	3,000,000
5	1108	Statutory Designated Program Receipts	50,000,000
6	1140	Alaska Industrial Development and Export Authority Dividend	4,700,000
7	1197	Alaska Capital Income Fund	33,000,000
8		*** Total Agency Funding ***	1,361,186,250
9		Judiciary	
10	1004	Unrestricted General Fund Receipts	3,045,200
11		*** Total Agency Funding ***	3,045,200
12		* * * * * Total Budget * * * * *	1,526,545,314
13		(SECTION 3 OF THIS ACT BEGINS ON THE NEXT PAGE)	

1 * **Sec. 3.** The following sets out the statewide funding for the appropriations made in sec. 1 of
2 this Act.

3	Funding Source	Amount
4	Unrestricted General	
5	1003 General Fund Match	26,815,013
6	1004 Unrestricted General Fund Receipts	28,612,048
7	1139 Alaska Housing Finance Corporation Dividend	7,100,000
8	1140 Alaska Industrial Development and Export Authority Dividend	4,700,000
9	*** Total Unrestricted General ***	67,227,061
10	Designated General	
11	1076 Alaska Marine Highway System Fund	3,000,000
12	1169 Power Cost Equalization Endowment Fund Earnings	2,746,142
13	1180 Alcohol and Other Drug Abuse Treatment & Prevention Fund	2,000,000
14	1195 Special Vehicle Registration Receipts	250,000
15	1197 Alaska Capital Income Fund	33,000,000
16	1222 REAA and Small Municipal School District School Fund	7,129,765
17	*** Total Designated General ***	48,125,907
18	Other Non-Duplicated	
19	1024 Fish and Game Fund	750,000
20	1027 International Airports Revenue Fund	11,500,000
21	1108 Statutory Designated Program Receipts	54,425,000
22	1206 Commercial Vessel Passenger Excise Tax	400,000
23	*** Total Other Non-Duplicated ***	67,075,000
24	Federal Receipts	
25	1002 Federal Receipts	1,312,591,046
26	*** Total Federal Receipts ***	1,312,591,046
27	Other Duplicated	
28	1026 Highways Equipment Working Capital Fund	20,000,000
29	1061 Capital Improvement Project Receipts	5,000,000
30	1100 Alaska Drinking Water Fund	2,526,300
31	1147 Public Building Fund	4,000,000

1 * **Sec. 4.** The following appropriation items are for supplemental capital projects and grants
 2 from the general fund or other funds as set out in section 5 of this Act by funding source to
 3 the agencies named for the purposes expressed and lapse under AS 37.25.020, unless
 4 otherwise noted.

	Appropriation	General	Other
	Allocations	Items	Funds
	Funds	Funds	Funds

7 * * * * *

8 * * * * * **Department of Commerce, Community and Economic Development** * * * * *

9 * * * * *

10 **Grants to Municipalities (AS**
 11 **37.05.315)**

12 Nome - Arctic Deep Draft Port Design	1,600,000	1,600,000
13 (HD 39)		

14 * * * * *

15 * * * * * **Department of Corrections** * * * * *

16	* * * * *	* * * * *
17 Nome - Anvil Mountain Correctional	1,084,000	1,084,000
18 Center Emergency Water Line Repairs		
19 (HD 39)		

20 * * * * *

21 * * * * * **Legislature** * * * * *

22 * * * * *

23 1500 W Benson Boulevard Office	12,500,000	12,500,000
24 Building and Land Purchase (HD 12-28)		

25 (SECTION 5 OF THIS ACT BEGINS ON THE NEXT PAGE)

1 * **Sec. 5.** The following sets out the funding by agency for the appropriations made in sec. 4 of
2 this Act.

3	Funding Source	Amount
4	Department of Commerce, Community and Economic Development	
5	1140 Alaska Industrial Development and Export Authority Dividend	1,600,000
6	*** Total Agency Funding ***	1,600,000
7	Department of Corrections	
8	1004 Unrestricted General Fund Receipts	1,084,000
9	*** Total Agency Funding ***	1,084,000
10	Legislature	
11	1197 Alaska Capital Income Fund	12,500,000
12	*** Total Agency Funding ***	12,500,000
13	* * * * * Total Budget * * * * *	15,184,000

14 (SECTION 6 OF THIS ACT BEGINS ON THE NEXT PAGE)

1 * **Sec. 6.** The following sets out the statewide funding for the appropriations made in sec. 4 of
2 this Act.

3	Funding Source	Amount
4	Unrestricted General	
5	1004 Unrestricted General Fund Receipts	1,084,000
6	1140 Alaska Industrial Development and Export Authority Dividend	1,600,000
7	*** Total Unrestricted General ***	2,684,000
8	Designated General	
9	1197 Alaska Capital Income Fund	12,500,000
10	*** Total Designated General ***	12,500,000

11 (SECTION 7 OF THIS ACT BEGINS ON THE NEXT PAGE)

1 * **Sec. 7.** The following appropriation items are for operating expenditures from the general
 2 fund or other funds as set out in section 8 of this Act to the agencies named for the purposes
 3 expressed for the fiscal year beginning July 1, 2015 and ending June 30, 2016, unless
 4 otherwise indicated. A department-wide, agency-wide, or branch-wide unallocated reduction
 5 set out in this section may be allocated among the appropriations made in this section to that
 6 department, agency, or branch.

	Allocations	Appropriation Items	General Funds	Other Funds
	*****	*****		
	***** Department of Administration *****			
	*****	*****		
12	Legal and Advocacy Services	777,800	777,800	
13	Office of Public Advocacy	277,800		
14	Public Defender Agency	500,000		
15	*****	*****		
16	***** Department of Corrections *****			
17	*****	*****		
18	Population Management	0	-1,000,000	1,000,000
19	Anchorage Correctional	0		
20	Complex			
21	*****	*****		
22	***** Department of Education and Early Development *****			
23	*****	*****		
24	Education Support Services	10,000	10,000	
25	Executive Administration	10,000		
26	*****	*****		
27	***** Department of Environmental Conservation *****			
28	*****	*****		
29	Air Quality	250,000		250,000
30	Air Quality	250,000		
31	*****	*****		

		Appropriation	General	Other
		Allocations	Items	Funds
			Funds	Funds
3	***** Department of Health and Social Services *****			
4		*****	*****	
5	Children's Services		9,460,000	5,958,700
6	Foster Care Special Need	2,810,000		3,501,300
7	Subsidized Adoptions &	6,650,000		
8	Guardianship			
9	Juvenile Justice		1,000,000	1,000,000
10	McLaughlin Youth Center	520,000		
11	Kenai Peninsula Youth	75,000		
12	Facility			
13	Nome Youth Facility	105,000		
14	Juvenile Justice Health	300,000		
15	Care			
16	Medicaid Services		1,700,000	1,700,000
17	Health Care Medicaid	1,700,000		
18	Services			
19		*****	*****	
20	***** Department of Law *****			
21		*****	*****	
22	Civil Division		275,000	275,000
23	Commercial and Fair	50,000		
24	Business			
25	Oil, Gas and Mining	225,000		
26		*****	*****	
27	***** Department of Natural Resources *****			
28		*****	*****	
29	Administration & Support Services		0	8,986,700
30	North Slope Gas	0		-8,986,700
31	Commercialization			
32	Fire Suppression, Land & Water		47,500,000	47,500,000
33	Resources			

	Appropriation	General	Other
	Allocations	Items	Funds
1			
2			
3	Fire Suppression Activity	47,500,000	
4	*****	*****	
5	***** Department of Revenue *****		
6	*****	*****	
7	Taxation and Treasury	186,700	135,700
8	Treasury Division	186,700	
9	*****	*****	
10	***** Department of Transportation and Public Facilities *****		
11	*****	*****	
12	Administration and Support	110,000	110,000
13	Measurement Standards &	110,000	
14	Commercial Vehicle		
15	Enforcement		
16	Highways, Aviation and Facilities	700,000	700,000
17	Central Region Highways and	207,900	
18	Aviation		
19	Northern Region Highways	364,000	
20	and Aviation		
21	Southcoast Region Highways	128,100	
22	and Aviation		
23	(SECTION 8 OF THIS ACT BEGINS ON THE NEXT PAGE)		

1 * **Sec. 8.** The following sets out the funding by agency for the appropriations made in sec. 7 of
 2 this Act.

3 Funding Source	Amount
4 Department of Administration	
5 1004 Unrestricted General Fund Receipts	111,800
6 1005 General Fund/Program Receipts	666,000
7 *** Total Agency Funding ***	777,800
8 Department of Corrections	
9 1002 Federal Receipts	1,000,000
10 1004 Unrestricted General Fund Receipts	-1,000,000
11 Department of Education and Early Development	
12 1004 Unrestricted General Fund Receipts	10,000
13 *** Total Agency Funding ***	10,000
14 Department of Environmental Conservation	
15 1002 Federal Receipts	250,000
16 *** Total Agency Funding ***	250,000
17 Department of Health and Social Services	
18 1002 Federal Receipts	3,501,300
19 1003 General Fund Match	3,298,700
20 1004 Unrestricted General Fund Receipts	3,660,000
21 1108 Statutory Designated Program Receipts	1,700,000
22 *** Total Agency Funding ***	12,160,000
23 Department of Law	
24 1162 Alaska Oil & Gas Conservation Commission Receipts	225,000
25 1168 Tobacco Use Education and Cessation Fund	50,000
26 *** Total Agency Funding ***	275,000
27 Department of Natural Resources	
28 1004 Unrestricted General Fund Receipts	47,500,000
29 1229 In-State Natural Gas Pipeline Fund	-8,986,700
30 1241 General Fund / LNG	8,986,700
31 *** Total Agency Funding ***	47,500,000

1	Department of Revenue	
2	1017 Group Health and Life Benefits Fund	51,000
3	1066 Public School Trust Fund	58,000
4	1169 Power Cost Equalization Endowment Fund Earnings	77,700
5	*** Total Agency Funding ***	186,700
6	Department of Transportation and Public Facilities	
7	1005 General Fund/Program Receipts	700,000
8	1215 Unified Carrier Registration Receipts	110,000
9	*** Total Agency Funding ***	810,000
10	***** Total Budget *****	61,969,500

11 (SECTION 9 OF THIS ACT BEGINS ON THE NEXT PAGE)

1 * **Sec. 9.** The following sets out the statewide funding for the appropriations made in sec. 7 of
2 this Act.

3	Funding Source	Amount
4	Unrestricted General	
5	1003 General Fund Match	3,298,700
6	1004 Unrestricted General Fund Receipts	50,281,800
7	1241 General Fund / LNG	8,986,700
8	*** Total Unrestricted General ***	62,567,200
9	Designated General	
10	1005 General Fund/Program Receipts	1,366,000
11	1066 Public School Trust Fund	58,000
12	1162 Alaska Oil & Gas Conservation Commission Receipts	225,000
13	1168 Tobacco Use Education and Cessation Fund	50,000
14	1169 Power Cost Equalization Endowment Fund Earnings	77,700
15	*** Total Designated General ***	1,776,700
16	Other Non-Duplicated	
17	1017 Group Health and Life Benefits Fund	51,000
18	1108 Statutory Designated Program Receipts	1,700,000
19	1215 Unified Carrier Registration Receipts	110,000
20	*** Total Other Non-Duplicated ***	1,861,000
21	Federal Receipts	
22	1002 Federal Receipts	4,751,300
23	*** Total Federal Receipts ***	4,751,300
24	Other Duplicated	
25	1229 In-State Natural Gas Pipeline Fund	-8,986,700
26	*** Total Other Duplicated ***	-8,986,700

27 (SECTION 10 OF THIS ACT BEGINS ON THE NEXT PAGE)

1 * **Sec. 10.** DEPARTMENT OF LAW. (a) The sum of \$2,388,534 is appropriated from the
2 general fund to the Department of Law, civil division, deputy attorney general's office, for the
3 purpose of paying judgments and settlements against the state for the fiscal year ending
4 June 30, 2016.

5 (b) The amount necessary, after application of the amount appropriated in (a) of this
6 section, to pay judgments awarded against the state on or before June 30, 2016, is
7 appropriated from the general fund to the Department of Law, civil division, deputy attorney
8 general's office, for the purpose of paying judgments against the state for the fiscal year
9 ending June 30, 2016.

10 * **Sec. 11.** RATIFICATIONS OF CERTAIN EXPENDITURES. The expenditures by the
11 Department of Natural Resources for fire suppression for the fiscal year ending June 30, 2015
12 (AR 37313-15 Fire General Fund), are ratified in the amount of \$48,849,516.86.

13 * **Sec. 12.** FEDERAL AND OTHER PROGRAM RECEIPTS. (a) Federal receipts,
14 designated program receipts under AS 37.05.146(b)(3), information services fund program
15 receipts under AS 44.21.045(b), Exxon Valdez oil spill trust receipts under
16 AS 37.05.146(b)(4), receipts of the Alaska Housing Finance Corporation, receipts of the
17 Alaska marine highway system fund under AS 19.65.060(a), receipts of the University of
18 Alaska under AS 37.05.146(b)(2), and receipts of commercial fisheries test fishing operations
19 under AS 37.05.146(c)(21) that are received during the fiscal year ending June 30, 2017, and
20 that exceed the amounts appropriated by this Act are appropriated conditioned on compliance
21 with the program review provisions of AS 37.07.080(h).

22 (b) If federal or other program receipts under AS 37.05.146 and AS 44.21.045(b) that
23 are received during the fiscal year ending June 30, 2017, exceed the amounts appropriated by
24 this Act, the appropriations from state funds for the affected program shall be reduced by the
25 excess if the reductions are consistent with applicable federal statutes.

26 (c) If federal or other program receipts under AS 37.05.146 and AS 44.21.045(b) that
27 are received during the fiscal year ending June 30, 2017, fall short of the amounts
28 appropriated by this Act, the affected appropriation is reduced by the amount of the shortfall
29 in receipts.

30 * **Sec. 13.** INSURANCE CLAIMS. The amounts to be received in settlement of insurance
31 claims for losses and the amounts to be received as recovery for losses are appropriated from

1 the general fund to the

2 (1) state insurance catastrophe reserve account (AS 37.05.289(a)); or

3 (2) appropriate state agency to mitigate the loss.

4 * **Sec. 14.** NATIONAL PETROLEUM RESERVE - ALASKA IMPACT GRANT
5 PROGRAM. The amount received by the National Petroleum Reserve - Alaska special
6 revenue fund (AS 37.05.530(a)) under 42 U.S.C. 6506a(l) or former 42 U.S.C. 6508 by
7 August 31, 2016, estimated to be \$3,240,310, is appropriated from that fund to the
8 Department of Commerce, Community, and Economic Development for capital project grants
9 under the National Petroleum Reserve - Alaska impact grant program to the following
10 municipalities in the amounts stated:

MUNICIPALITY	PROJECT	ALLOCATION
(1) City of Barrow	Local government operations	\$975,000
(2) North Slope Borough	Lesser Snow Goose Black Brant monitoring	168,103
(3) North Slope Borough	Upgrades to volunteer search and rescue equipment	170,331
(4) City of Wainwright	Wainwright youth program	226,437
(5) City of Wainwright	Local government operations	311,726
(6) City of Nuiqsut	Youth center operations and maintenance	178,792
(7) City of Atqasuk	Local government operations and youth program	229,151
(8) City of Nuiqsut	Local government operations and maintenance	502,508
(9) City of Anaktuvuk Pass	Local operations	266,176
(10) City of Anaktuvuk Pass	Community hall and city office weatherization	126,286
(11) City of Nuiqsut	Kisik Community Center HVAC renovation	85,800

30 * **Sec. 15.** DEPARTMENT OF ADMINISTRATION. Section 10(c), ch. 38, SLA 2015, is
31 amended to read:

1 (c) The sum of \$792,000 is appropriated from the general fund to the
2 Department of Administration, labor relations, for costs related to labor contract
3 negotiations and arbitration support for the fiscal years ending June 30, 2015, [AND]
4 June 30, 2016, and June 30, 2017.

5 * **Sec. 16.** DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC
6 DEVELOPMENT. (a) The sum of \$80,000 is appropriated from the anatomical gift
7 awareness fund (AS 13.50.160) to the Department of Commerce, Community, and Economic
8 Development for payment as a grant under AS 37.05.316 to Life Alaska Donor Services for
9 promoting the donation program described in AS 13.50.150 for the fiscal year ending June 30,
10 2017.

11 (b) The unexpended and unobligated balances, estimated to be a total of \$1,053,858,
12 of the appropriations made in sec. 4(c), ch. 82, SLA 2006, page 117, lines 21 - 22, as amended
13 by secs. 23(c) and (d), ch. 11, SLA 2008 (Alaska Energy Authority, Alaska, British Columbia
14 intertie), and sec. 1, ch. 18, SLA 2014, page 3, lines 8 - 9 (Department of Commerce,
15 Community, and Economic Development, Alaska Energy Authority, energy plan
16 implementation - \$500,000) are reappropriated to the Department of Commerce, Community,
17 and Economic Development, Alaska Energy Authority, for rural power systems upgrades.

18 * **Sec. 17.** DEPARTMENT OF CORRECTIONS. (a) The unexpended and unobligated
19 balance, not to exceed \$1,800,000, of the appropriation made in sec. 1, ch. 17, SLA 2012,
20 page 109, lines 13 - 15 (Department of Corrections, Goose Creek Correctional Center start-up
21 furniture and equipment - \$5,000,000) is reappropriated to the Department of Corrections for
22 electrical arc flash assessment and remediation required by the Occupational Safety and
23 Health Administration.

24 (b) The sum of \$1,500,000 is appropriated from the alcohol and other drug abuse
25 treatment and prevention fund (AS 43.60.050) to the Department of Corrections for changes
26 to the time accounting module of the Alaska Corrections Offender Management System and
27 Victim Information Notification System to accommodate new probation and parole
28 incentives.

29 * **Sec. 18.** DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT. The sum
30 of \$500,000 is appropriated from the general fund to the Department of Education and Early
31 Development, education support services, executive administration, for multi-year funding

1 dedicated to a temporary position or contract personnel and other expenses relating to P.L.
2 114-95 (Every Student Succeeds Act) for the fiscal years ending June 30, 2017, and June 30,
3 2018.

4 * **Sec. 19.** DEPARTMENT OF ENVIRONMENTAL CONSERVATION. (a) The
5 unexpended and unobligated balances, not to exceed \$1,040,000 of the total estimated balance
6 of \$4,187,600, of the following appropriations are reappropriated to the Department of
7 Environmental Conservation for the Haines sewer treatment plant health and safety upgrades:

8 (1) sec. 1, ch. 82, SLA 2006, page 66, lines 14 - 15, and allocated on page 68,
9 lines 5 - 7 (Department of Environmental Conservation, water and wastewater infrastructure
10 projects, Ketchikan Tongass Avenue water and sewer phase 3 matching grant - \$1,884,179);

11 (2) sec. 4, ch. 30, SLA 2007, page 90, lines 8 - 9, and allocated on page 90,
12 lines 17 - 19 (Department of Environmental Conservation, water and wastewater
13 infrastructure projects, Anchorage, South Fork Chester Creek channel restoration -
14 \$1,030,000);

15 (3) sec. 4, ch. 30, SLA 2007, page 90, lines 8 - 9, and allocated on page 90,
16 line 21 (Department of Environmental Conservation, water and wastewater infrastructure
17 projects, Bethel - \$7,595,224);

18 (4) sec. 4, ch. 30, SLA 2007, page 90, lines 8 - 9, and allocated on page 91,
19 line 32, through page 92, line 3, as amended by sec. 24(c), ch. 15, SLA 2009 (Department of
20 Environmental Conservation, water and wastewater infrastructure projects, North Pole, water
21 and sewer phase I - \$2,067,210);

22 (5) sec. 13, ch. 29, SLA 2008, page 139, lines 7 - 9, and allocated on page
23 139, lines 10 - 13 (Department of Environmental Conservation, municipal water, sewage, and
24 solid waste facilities grants, Anchorage: Asplund wastewater treatment facility disinfection
25 upgrade - \$2,060,000);

26 (6) sec. 62, ch. 29, SLA 2008, and allocated on page 221, lines 26 - 27
27 (Department of Environmental Conservation, municipal water, sewage, and solid waste
28 facilities grants, Anchorage: Asplund wastewater treatment facility disinfection upgrade -
29 \$206,000);

30 (7) sec. 1, ch. 15, SLA 2009, page 6, lines 25 - 27, and allocated on page 7,

1 lines 3 - 6 (Department of Environmental Conservation, municipal water, sewage, and solid
2 waste facilities grants, Fairbanks North Star Borough: Pioneer Park water and sewer
3 improvements - \$100,395);

4 (8) sec. 1, ch. 15, SLA 2009, page 6, lines 25 - 27, and allocated on page 7,
5 lines 20 - 22 (Department of Environmental Conservation, municipal water, sewage, and solid
6 waste facilities grants, Juneau: West Mendenhall Valley sewer expansion, phase III -
7 \$1,608,860);

8 (9) sec. 1, ch. 15, SLA 2009, page 6, lines 25 - 27, and allocated on page 8,
9 lines 9 - 12 (Department of Environmental Conservation, municipal water, sewage, and solid
10 waste facilities grants, Nome: Moonlight Springs transmission line upgrade/replacement,
11 phase II - \$3,090,000);

12 (10) sec. 1, ch. 15, SLA 2009, page 6, lines 25 - 27, and allocated on page 8,
13 lines 16 - 18 (Department of Environmental Conservation, municipal water, sewage, and solid
14 waste facilities grants, Palmer: steel water main replacement, phase VII - \$2,033,220);

15 (11) sec. 7, ch. 43, SLA 2010, page 24, lines 4 - 6, and allocated on page 24,
16 lines 13 - 17 (Department of Environmental Conservation, municipal water, sewage, and solid
17 waste facilities grants, Fairbanks North Star Borough, solid waste landfill leachate
18 recirculation project - \$900,450);

19 (12) sec. 7, ch. 43, SLA 2010, page 24, lines 4 - 6, and allocated on page 25,
20 lines 8 - 10 (Department of Environmental Conservation, municipal water, sewage, and solid
21 waste facilities grants, Matanuska Susitna Borough, central landfill cell 2 closure - \$546,480);

22 (13) sec. 7, ch. 43, SLA 2010, page 24, lines 4 - 6, and allocated on page 25,
23 lines 11 - 13 (Department of Environmental Conservation, municipal water, sewage, and solid
24 waste facilities grants, North Pole, water and sewer improvements - \$2,731,869);

25 (14) sec. 7, ch. 43, SLA 2010, page 24, lines 4 - 6, and allocated on page 25,
26 lines 21 - 23 (Department of Environmental Conservation, municipal water, sewage, and solid
27 waste facilities grants, Palmer, continued southwest utility extension phase 2 - \$1,802,500);

28 (15) sec. 7, ch. 43, SLA 2010, page 24, lines 4 - 6, and allocated on page 25,
29 lines 24 - 26 (Department of Environmental Conservation, municipal water, sewage, and solid
30 waste facilities grants, Palmer, continued steel water main replacement phase 7 - \$2,523,500);

31 (16) sec. 1, ch. 5, FSSLA 2011, page 81, lines 27 - 29, and allocated on page

1 81, lines 30 - 31 (Department of Environmental Conservation, municipal water, sewage, and
2 solid waste facilities grants, Haines, asbestos cement pipe replacement - \$535,224);

3 (17) sec. 1, ch. 5, FSSLA 2011, page 81, lines 27 - 29, and allocated on page
4 81, lines 32 - 33 (Department of Environmental Conservation, municipal water, sewage, and
5 solid waste facilities grants, Kenai, water transmission mains phase 3 - \$1,603,710);

6 (18) sec. 1, ch. 5, FSSLA 2011, page 81, lines 27 - 29, and allocated on page
7 82, lines 3 - 4 (Department of Environmental Conservation, municipal water, sewage, and
8 solid waste facilities grants, Ketchikan, water and sewer improvements - \$3,476,250);

9 (19) sec. 1, ch. 5, FSSLA 2011, page 81, lines 27 - 29, and allocated on page
10 82, lines 10 - 12 (Department of Environmental Conservation, municipal water, sewage, and
11 solid waste facilities grants, Palmer, southwest water utility extension, phase 2B increase -
12 \$2,575,000);

13 (20) sec. 1, ch. 5, FSSLA 2011, page 81, lines 27 - 29, and allocated on page
14 82, lines 13 - 15 (Department of Environmental Conservation, municipal water, sewage, and
15 solid waste facilities grants, Sitka, ultraviolet water disinfection facility - \$3,587,500);

16 (21) sec. 1, ch. 5, FSSLA 2011, page 81, lines 27 - 29, and allocated on page
17 82, lines 18 - 19 (Department of Environmental Conservation, municipal water, sewage, and
18 solid waste facilities grants, Unalaska, water treatment plant - \$3,090,000);

19 (22) sec. 1, ch. 17, SLA 2012, page 113, lines 30 - 32, and allocated on page
20 114, lines 12 - 14 (Department of Environmental Conservation, municipal water, sewage, and
21 solid waste facilities grants, Ketchikan, Jackson/Monroe Streets and 4th/7th Avenues water
22 and sewer - \$767,860);

23 (23) sec. 1, ch. 17, SLA 2012, page 113, lines 30 - 32, and allocated on page
24 114, line 22 - 24 (Department of Environmental Conservation, municipal water, sewage, and
25 solid waste facilities grants, Nome, East Sclaircore replacement/expansion phase 2 -
26 \$3,090,000);

27 (24) sec. 1, ch. 17, SLA 2012, page 113, lines 30 - 32, and allocated on page
28 114, line 31, through page 115, line 3 (Department of Environmental Conservation, municipal
29 water, sewage, and solid waste facilities grants, Seward, North Seward water storage tank and
30 pumping facility - \$2,583,240);

31 (25) sec. 1, ch. 17, SLA 2012, page 113, lines 30 - 32, and allocated on page

1 115, lines 13 - 15 (Department of Environmental Conservation, municipal water, sewage, and
2 solid waste facilities grants, Unalaska, wastewater treatment plant upgrade - \$4,090,000);

3 (26) sec. 1, ch. 16, SLA 2013, page 63, lines 24 - 26, and allocated on page
4 63, lines 31 - 32 (Department of Environmental Conservation, municipal water, sewage, and
5 solid waste facilities grants, Haines, asbestos cement pipe replacement - \$570,544);

6 (27) sec. 1, ch. 16, SLA 2013, page 63, lines 24 - 26, and allocated on page
7 64, lines 5 - 7 (Department of Environmental Conservation, municipal water, sewage, and
8 solid waste facilities grants, Ketchikan, Jackson/Monroe Streets and 4th/7th Avenues water
9 and sewer - \$2,319,090);

10 (28) sec. 1, ch. 16, SLA 2013, page 63, lines 24 - 26, and allocated on page
11 64, lines 13 - 15 (Department of Environmental Conservation, municipal water, sewage, and
12 solid waste facilities grants, Unalaska, wastewater treatment plant upgrade - \$3,090,000);

13 (29) sec. 1, ch. 16, SLA 2013, page 63, lines 24 - 26, and allocated on page
14 64, lines 18 - 20 (Department of Environmental Conservation, municipal water, sewage, and
15 solid waste facilities grants, Valdez, wastewater treatment plant outfall line - \$1,894,170);

16 (30) sec. 28(b), ch. 16, SLA 2013 (Department of Environmental
17 Conservation, Kodiak ultraviolet secondary water treatment facility and Monashka Bay pump
18 house replacement and upgrade);

19 (31) sec. 1, ch. 18, SLA 2014, page 51, lines 21 - 22, and allocated on page
20 51, lines 28 - 30 (Department of Environmental Conservation, municipal water, sewage, and
21 solid waste facilities grants, Kodiak Aleutian Homes water and sewer replacement -
22 \$3,044,465);

23 (32) sec. 1, ch. 18, SLA 2014, page 51, lines 21 - 22, and allocated on page
24 51, lines 31 - 32 (Department of Environmental Conservation, municipal water, sewage, and
25 solid waste facilities grants, Kodiak pump house replacement - \$2,570,315).

26 (b) The unexpended and unobligated balances, not to exceed \$1,040,000, remaining
27 after the appropriation made in (a) of this section of the appropriations listed in (a)(1) - (32) of
28 this section are reappropriated to the Department of Environmental Conservation for the Sitka
29 South Lake and West DeGroff water and sewer replacement.

30 (c) The unexpended and unobligated balances, not to exceed \$1,019,287, remaining
31 after the appropriations made in (a) and (b) of this section of the appropriations listed in (a)(1)

1 - (32) of this section are reappropriated to the Department of Environmental Conservation for
2 phase II of the Kenai wastewater treatment plant upgrades.

3 (d) The unexpended and unobligated balances, not to exceed \$1,040,000, remaining
4 after the appropriations made in (a) - (c) of this section of the appropriations listed in (a)(1) -
5 (32) of this section are reappropriated to the Department of Environmental Conservation for
6 the Ketchikan Gateway Borough South Tongass Shoup to Forest Park water and sewer
7 project.

8 (e) The unexpended and unobligated balances, not to exceed \$731,236, remaining
9 after the appropriations made in (a) - (d) of this section of the appropriations listed in (a)(1) -
10 (32) of this section are reappropriated to the Department of Environmental Conservation for
11 the Wrangell water main replacement.

12 * **Sec. 20.** DEPARTMENT OF FISH AND GAME. Section 1, ch. 17, SLA 2012, page 116,
13 lines 25 - 26, is amended to read:

	APPROPRIATION	GENERAL
	ITEMS	FUND
[REPLACEMENT OF] R/V	3,700,000	3,700,000

14
15
16
17 Resolution **Refurbishment and**
18 **Repair** (HD 36)

19 * **Sec. 21.** DEPARTMENT OF HEALTH AND SOCIAL SERVICES. The sum of
20 \$10,448,000 is appropriated to the Department of Health and Social Services for capital costs
21 related to the implementation of Medicaid reform, including modifications to the Medicaid
22 Management Information System, grants to connect providers to the health information
23 exchange, and the development of a health information infrastructure plan, from the following
24 sources in the following amounts

- 25 (1) \$9,403,200 from federal receipts;
- 26 (2) \$910,000 from the general fund; and
- 27 (3) \$134,800 from Mental Health Trust Authority authorized receipts.

28 * **Sec. 22.** DEPARTMENT OF LAW. Section 2, ch. 1, TSSLA 2015, is amended to read:

29 Sec. 2. DEPARTMENT OF LAW. The sum of **\$6,000,000** [\$10,100,000] is
30 appropriated from the general fund to the Department of Law, civil division, oil, gas,
31 and mining, for contractual services with law firms to assist the Department of Natural

1 Resources in drafting and reviewing contracts related to the Alaska liquefied natural
2 gas project and to provide legal and regulatory support for state participation in the
3 Alaska liquefied natural gas project for the fiscal year ending June 30, 2016. Money
4 may be expended from the appropriation made in this section only for work completed
5 during the fiscal year ending June 30, 2016.

6 * **Sec. 23.** DEPARTMENT OF PUBLIC SAFETY. (a) The unexpended and unobligated
7 balances, not to exceed \$2,269,500 of the total estimated balance of \$3,619,500, of the
8 appropriations made in sec. 1, ch. 17, SLA 2012, page 128, lines 19 - 21 (Department of
9 Public Safety, P/V Woldstad, engine repower and other dry dock maintenance - \$2,400,000)
10 and sec. 1, ch. 18, SLA 2014, page 60, lines 25 - 26 (Department of Public Safety, P/V
11 Woldstad, engine repower and other dry dock maintenance - \$1,300,000) are reappropriated
12 to the Department of Public Safety for aircraft and vessel repair and maintenance.

13 (b) The unexpended and unobligated balances remaining after the appropriation made
14 in (a) of this section of the appropriations made in sec. 1, ch. 17, SLA 2012, page 128, lines
15 19 - 21 (Department of Public Safety, P/V Woldstad, engine repower and other dry dock
16 maintenance - \$2,400,000) and sec. 1, ch. 18, SLA 2014, page 60, lines 25 - 26 (Department
17 of Public Safety, P/V Woldstad - engine repower and other dry dock maintenance -
18 \$1,300,000) are reappropriated to the Department of Public Safety for deferred maintenance,
19 renewal, repair, and equipment.

20 * **Sec. 24.** DEPARTMENT OF REVENUE. (a) The unexpended and unobligated balances,
21 not to exceed \$1,750,000 of the total estimated balance of \$20,000,000, of the following
22 appropriations are reappropriated to the Alaska Housing Finance Corporation for senior
23 citizen housing:

24 (1) sec. 4, ch. 5, FSSLA 2011, page 138, lines 5 - 7, and allocated on page
25 138, lines 10 - 11 (Department of Revenue, AHFC weatherization and home energy rebate
26 programs, AHFC home energy rebate program - \$37,500,000);

27 (2) sec. 1, ch. 17, SLA 2012, page 131, lines 25 - 27, and allocated on page
28 131, lines 28 - 29 (Department of Revenue, AHFC weatherization and home energy rebate
29 programs, AHFC home energy rebate program - \$20,000,000);

30 (3) sec. 1, ch. 16, SLA 2013, page 77, line 32, through page 78, line 1, and
31 allocated on page 78, lines 4 - 5 (Department of Revenue, AHFC weatherization and home

1 energy rebate programs, AHFC home energy rebate program - \$20,000,000);

2 (4) sec. 1, ch. 18, SLA 2014, page 62, line 14, and allocated on page 62, lines
3 15 - 16 (Department of Revenue, AHFC energy programs, AHFC home energy rebate
4 program - \$15,000,000).

5 (b) The unexpended and unobligated balances, not to exceed \$6,600,000, remaining
6 after the appropriation made in (a) of this section of the appropriations listed in (a)(1) - (4) of
7 this section are reappropriated to the Alaska Housing Finance Corporation for the
8 weatherization program.

9 (c) The unexpended and unobligated balance, estimated to be \$774,171, of the
10 appropriation made in sec. 14(b), ch. 16, SLA 2013 (Department of Revenue, oil and gas
11 fiscal systems analysis and work related to the commercialization of oil and gas resources) is
12 reappropriated to the Department of Revenue for the NSTAR re-platforming project.

13 (d) The sum of \$1,200,000 is appropriated from the general fund to the Department of
14 Revenue, taxation and treasury, tax division, for the reprogramming of the tax revenue
15 management system and revenue online tax portal.

16 * **Sec. 25. DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES.** (a) The
17 unexpended and unobligated balance of the appropriation made in sec. 1, ch. 17, SLA 2012,
18 page 135, lines 20 - 21, and allocated on page 135, lines 22 - 23 (Department of
19 Transportation and Public Facilities, municipal harbor facility grant fund, Hoonah, Hoonah
20 harbor - \$207,500) is reappropriated to the municipal harbor facility grant fund
21 (AS 29.60.800).

22 (b) The sum of \$4,400,000 is appropriated from investment earnings on the bond
23 proceeds of the Northern Tobacco Securitization Corporation to the municipal harbor facility
24 grant fund (AS 29.60.800).

25 (c) The sum of \$42,000 is appropriated from the receipts collected during the fiscal
26 year ending June 30, 2017, under AS 05.25.096 for boat registration fees to the municipal
27 harbor facility grant fund (AS 29.60.800).

28 (d) The unexpended and unobligated general fund balances, estimated to be a total of
29 \$13,507,546, of the following appropriations are reappropriated to the Department of
30 Transportation and Public Facilities for federal-aid highway match:

31 (1) sec. 1, ch. 3, FSSLA 2005, page 56, lines 26 - 28, as amended by secs.

1 34(a) - (e), ch. 18, SLA 2014, as amended by secs. 12(b) and 30(a) - (c), ch. 38, SLA 2015
2 (Department of Health and Social Services, Fairbanks virology laboratory replacement),
3 estimated balance \$875,266;

4 (2) sec. 4, ch. 3, FSSLA 2005, page 97, lines 20 - 21, and allocated on page
5 98, lines 6 - 7 (Department of Transportation and Public Facilities, congestion, mitigation, and
6 safety initiative, Fairbanks, Wickersham Street upgrade - \$3,500,000), estimated balance
7 \$59,806;

8 (3) sec. 1, ch. 82, SLA 2006, page 107, line 12, and allocated on page 107,
9 lines 27 - 29 (Department of Transportation and Public Facilities, transportation initiative,
10 Kenai, Kalifornsky Beach Road rehabilitation - \$4,000,000), estimated balance \$140,526;

11 (4) sec. 10, ch. 29, SLA 2008, page 32, lines 9 - 11 (Department of
12 Administration, AOGCC reservoir depletion studies prior to major gas sales - \$1,500,000),
13 estimated balance \$1,274,571;

14 (5) sec. 13, ch. 29, SLA 2008, page 155, lines 26 - 28 (Department of
15 Revenue, oil and gas production tax system replacement - \$2,620,800), estimated balance
16 \$32,329;

17 (6) sec. 66(c), ch. 29, SLA 2008 (Department of Transportation and Public
18 Facilities, construction of the Farmers Loop to Chena Hot Springs Road trail connection),
19 estimated balance \$139,929;

20 (7) sec. 1, ch. 15, SLA 2009, page 15, lines 24 - 26 (Department of Health and
21 Social Services, HIPAA updated electronic transaction standards - \$4,500,000), estimated
22 balance \$19,927;

23 (8) sec. 10, ch. 15, SLA 2009, page 59, lines 11 - 13 (Department of
24 Transportation and Public Facilities, Mission Road (Kodiak Island), upgrade and repair -
25 \$207,600), estimated balance \$68,731;

26 (9) sec. 7, ch. 43, SLA 2010, page 20, lines 5 - 6, and allocated on page 20,
27 lines 11 - 12 (Department of Commerce, Community, and Economic Development, Alaska
28 climate change impact mitigation program, hazard impact assessment mini-grant, Elim -
29 \$50,000), estimated balance \$8,485;

30 (10) sec. 7, ch. 43, SLA 2010, page 20, lines 5 - 6, and allocated on page 20,
31 lines 16 - 18 (Department of Commerce, Community, and Economic Development, Alaska

1 climate change impact mitigation program, hazard impact assessment mini-grant, Nightmute -
2 \$50,000), estimated balance \$48,523;

3 (11) sec. 7, ch. 43, SLA 2010, page 21, lines 11 - 12, and allocated on page
4 21, lines 18 - 20 (Department of Commerce, Community, and Economic Development,
5 community development and assistance, coastal zone management program grant
6 administration - \$1,120,00), estimated balance \$17,539;

7 (12) sec. 7, ch. 43, SLA 2010, page 21, lines 11 - 12, and allocated on page
8 21, lines 21 - 22 (Department of Commerce, Community, and Economic Development,
9 community development and assistance, community mapping program - \$438,000), estimated
10 balance \$88,000;

11 (13) sec. 7, ch. 43, SLA 2010, page 21, lines 11 - 12, and allocated on page
12 21, lines 26 - 28 (Department of Commerce, Community, and Economic Development,
13 community development and assistance, floodplain and erosion management program -
14 \$400,000), estimated balance \$100,000;

15 (14) sec. 7, ch. 43, SLA 2010, page 35, lines 25 - 26 (Department of
16 Transportation and Public Facilities, Alaska aviation safety program - \$1,750,000), estimated
17 balance \$31,834;

18 (15) sec. 7, ch. 43, SLA 2010, page 38, line 11, and allocated on page 38, lines
19 18 - 20 (Department of Transportation and Public Facilities, roads to resources, roads to
20 resources western access project phase 1 - \$1,000,000), estimated balance \$32,152;

21 (16) sec. 10, ch. 43, SLA 2010, page 78, lines 4 - 8 (Anchorage, Northern
22 Lights Boulevard bike pathway rehabilitation, Lake Otis Parkway to Seward Highway -
23 \$150,000), estimated balance \$56,490;

24 (17) sec. 1, ch. 5, FSSLA 2011, page 4, lines 15 - 16, and allocated on page 4,
25 lines 22 - 24 (Department of Commerce, Community, and Economic Development,
26 community development and assistance program, coastal zone management program grant
27 administration - \$1,120,000), estimated balance \$120,000;

28 (18) sec. 1, ch. 5, FSSLA 2011, page 4, lines 15 - 16, and allocated on page 4,
29 lines 28 - 30 (Department of Commerce, Community, and Economic Development,
30 community development and assistance program, floodplain and erosion management
31 program - \$400,000), estimated balance \$100,000;

1 (19) sec. 1, ch. 5, FSSLA 2011, page 21, lines 15 - 18 (Anchorage, Rogers
2 Park Elementary Northern Lights Boulevard overpass safety upgrades - \$100,000), estimated
3 balance \$73,202;

4 (20) sec. 1, ch. 5, FSSLA 2011, page 29, lines 27 - 30 (Fairbanks North Star
5 Borough, Carlson activity center improvements phase 2 - \$3,500,000), estimated balance
6 \$6,790;

7 (21) sec. 1, ch. 5, FSSLA 2011, page 39, lines 24 - 26 (North Slope Borough,
8 village clinic morgue additions - \$2,000,000), estimated balance \$169,433;

9 (22) sec. 1, ch. 5, FSSLA 2011, page 66, lines 12 - 15 (Metlakatla Indian
10 Community, Annette Island Packing Co. freezer expansion - \$2,000,000), estimated balance
11 \$8,388;

12 (23) sec. 1, ch. 5, FSSLA 2011, page 74, lines 19 - 22 (Yukon-Kuskokwim
13 Health Corporation, Qungasvik youth sobriety project - \$1,624,800), estimated balance
14 \$24,984;

15 (24) sec. 1, ch. 5, FSSLA 2011, page 89, lines 5 - 7, and allocated on page 89,
16 lines 13 - 14 (Department of Military and Veterans' Affairs, Military and Veterans' Affairs
17 deferred maintenance projects, Elim armory deferred maintenance - \$5,000), estimated
18 balance \$5,000;

19 (25) sec. 4, ch. 5, FSSLA 2011, page 136, lines 31 - 33, as amended by sec.
20 26(a), ch. 16, SLA 2013 (Department of Commerce, Community, and Economic
21 Development, Alaska Energy Authority, energy generation projects, AEA, Akiak community
22 electrical generation system upgrade), estimated balance \$108,882;

23 (26) sec. 4, ch. 5, FSSLA 2011, page 137, lines 24 - 26 (Department of
24 Commerce, Community, and Economic Development, Alaska Energy Authority, energy
25 generation projects, AEA, Sitka Blue Lake hydroelectric project expansion - \$28,500,000),
26 estimated balance \$36,097;

27 (27) sec. 13, ch. 5, FSSLA 2011, page 155, line 13, and allocated on page 155,
28 lines 18 - 19 (Department of Transportation and Public Facilities, emergency projects,
29 Ketchikan, South Tongass Highway repair - \$200,000), estimated balance \$44,448;

30 (28) sec. 13, ch. 5, FSSLA 2011, page 155, line 13, and allocated on page 155,
31 lines 20 - 21 (Department of Transportation and Public Facilities, emergency projects,

- 1 Tatalina River Bridge repair - \$15,000), estimated balance \$7,628;
- 2 (29) sec. 41(a), ch. 5, FSSLA 2011 (Delta-Greely School District, school
- 3 district wood chip heating system project), estimated balance \$76,731;
- 4 (30) sec. 47(d), ch. 5, FSSLA 2011 (Friends of Jesse Lee Home, Jesse Lee
- 5 Home stabilization project), estimated balance \$170,440;
- 6 (31) sec. 1, ch. 17, SLA 2012, page 5, lines 18 - 21 (Department of
- 7 Commerce, Community, and Economic Development, state support for rural roads and
- 8 waterfront development partnership - \$3,000,000), estimated balance \$3,000,000;
- 9 (32) sec. 1, ch. 17, SLA 2012, page 5, lines 30 - 31, and allocated on page 6,
- 10 lines 6 - 8 (Department of Commerce, Community, and Economic Development, Alaska
- 11 Energy Authority, energy programs, AVTEC power plant infrastructure training systems
- 12 upgrade - \$400,000), estimated balance \$7,456;
- 13 (33) sec. 1, ch. 17, SLA 2012, page 28, lines 16 - 19 (Ketchikan Gateway
- 14 Borough, South Tongass volunteer fire department emergency generator - \$234,000),
- 15 estimated balance \$43,717;
- 16 (34) sec. 1, ch. 17, SLA 2012, page 38, lines 12 - 13 (Sitka, community
- 17 hospital roof replacement - \$1,200,000), estimated balance \$36,339;
- 18 (35) sec. 1, ch. 17, SLA 2012, page 44, lines 20 - 23 (Alaska Cancer Care
- 19 Alliance, cancer network video and web technology and programs - \$101,400), estimated
- 20 balance \$72,013;
- 21 (36) sec. 1, ch. 17, SLA 2012, page 85, lines 3 - 4 (Friends of the Jesse Lee
- 22 Home - \$5,000,000), estimated balance \$4,532,640;
- 23 (37) sec. 1, ch. 17, SLA 2012, page 118, lines 25 - 28 (Department of Health
- 24 and Social Services, international classification of diseases version 10, phase 2 - \$4,707,000),
- 25 estimated balance \$399,667;
- 26 (38) sec. 1, ch. 17, SLA 2012, page 122, lines 3 - 6 (Department of Military
- 27 and Veterans' Affairs, Fort Richardson, Camp Denali, install fire sprinkler system -
- 28 \$3,000,000), estimated balance - \$1,200,000;
- 29 (39) sec. 1, ch. 16, SLA 2013, page 24, lines 31 - 33 (Northwest Arctic
- 30 Borough, Shungnak heavy equipment - \$350,000), estimated balance \$25,972;
- 31 (40) sec. 1, ch. 16, SLA 2013, page 69, lines 23 - 24, and allocated on page

1 70, lines 5 - 6 (Department of Military and Veterans' Affairs, Army Guard facilities projects,
2 Fairbanks, covered shelter building - \$129,000), estimated balance \$129,000;

3 (41) sec. 1, ch. 18, SLA 2014, page 20, lines 24 - 26 (Alaskan Marine Dealers
4 Association, float plan/weather digital app - \$25,000), estimated balance \$15,775;

5 (42) sec. 1, ch. 18, SLA 2014, page 37, lines 30 - 32 (Delta Sportsman's
6 Association, Delta Sportsman's club building weatherization - \$46,136), estimated balance
7 \$46,136; and

8 (43) sec. 1, ch. 18, SLA 2014, page 58, lines 28 - 29 (Department of Natural
9 Resources, Seward Peninsula/Port Clarence project development - \$500,000), estimated
10 balance \$52,700.

11 (e) The sum of \$800,000 of the unexpended and unobligated balance of the
12 appropriation made in sec. 4, ch. 43, SLA 2010, page 12, lines 27 - 28, and allocated on page
13 12, lines 29 - 30 (Department of Military and Veterans' Affairs, deferred maintenance
14 projects, armory facilities deferred maintenance - \$8,408,000) is reappropriated to the
15 Department of Transportation and Public Facilities for federal-aid highway match.

16 * **Sec. 26.** HOUSE DISTRICTS 1 - 40. The unexpended and unobligated statutory
17 designated program receipts balance, estimated to be \$1,364,802, of the appropriation made in
18 sec. 1, ch. 23, SLA 2015, page 7, lines 23 - 28, and allocated on page 7, line 29 (Department
19 of Commerce, Community, and Economic Development, tourism marketing and
20 development, tourism marketing - \$5,639,800) is reappropriated to the Department of
21 Commerce, Community, and Economic Development for payment as a grant under
22 AS 37.05.316 to the Alaska Travel Industry Association for the Alaska visitor statistics
23 program research and other tourism research and marketing for the fiscal years ending
24 June 30, 2017, and June 30, 2018.

25 * **Sec. 27.** OFFICE OF THE GOVERNOR. The unexpended and unobligated general fund
26 balances, estimated to be a total of \$850,000, of the following appropriations are
27 reappropriated to the Office of the Governor to advance state government efficiency efforts
28 and to evaluate the current structure and focus of the Alaska Housing Finance Corporation,
29 the Alaska Energy Authority, and the Alaska Industrial Development and Export Authority
30 for the fiscal years ending June 30, 2017, and June 30, 2018:

31 (1) sec. 1, ch. 23, SLA 2015, page 17, line 32 (Office of the Governor,

1 commissions/special offices - \$808,700);

2 (2) sec. 1, ch. 23, SLA 2015, page 18, line 3 (Office of the Governor,
3 executive operations - \$3,795,200);

4 (3) sec. 1, ch. 23, SLA 2015, page 18, lines 8 - 9 (Office of the Governor,
5 Office of the Governor state facilities rent - \$306,900);

6 (4) sec. 1, ch. 23, SLA 2015, page 18, line 13 (Office of the Governor, office
7 of management and budget - \$706,100);

8 (5) sec. 1, ch. 23, SLA 2015, page 18, line 16 (Office of the Governor,
9 elections - \$1,471,300);

10 (6) sec. 1, ch. 1, SSSLA 2015, page 10, line 21 (Office of the Governor,
11 commissions/special offices - \$1,609,000);

12 (7) sec. 1, ch. 1, SSSLA 2015, page 10, line 23 (Office of the Governor,
13 executive operations - \$10,016,700);

14 (8) sec. 1, ch. 1, SSSLA 2015, page 10, lines 28 - 29 (Office of the Governor,
15 Office of the Governor state facilities rent - \$809,900);

16 (9) sec. 1, ch. 1, SSSLA 2015, page 10, line 33 (Office of the Governor, office
17 of management and budget - \$1,863,700); and

18 (10) sec. 1, ch. 1, SSSLA 2015, page 11, line 5 (Office of the Governor,
19 elections - \$2,489,600).

20 * **Sec. 28. REAPPROPRIATION OF LEGISLATIVE APPROPRIATIONS.** (a) The
21 unexpended and unobligated general fund balances, not to exceed \$1,500,000 of the total
22 estimated balance of \$5,517,500, of the following appropriations are reappropriated to the
23 Alaska Legislature for video surveillance upgrades and other security enhancements for the
24 Capitol complex:

25 (1) sec. 47, ch. 16, SLA 2013 (Alaska Legislature, Legislative Council, travel
26 costs and materials for the Task Force on Sustainable Education - \$250,000);

27 (2) sec. 1, ch. 23, SLA 2015, page 42, line 24 (Alaska Legislature, Budget and
28 Audit Committee - \$17,176,800);

29 (3) sec. 1, ch. 23, SLA 2015, page 42, line 28 (Alaska Legislature, Legislative
30 Council - \$29,800,000); and

31 (4) sec. 1, ch. 23, SLA 2015, page 43, line 10 (Alaska Legislature, legislative

1 operating budget - \$22,641,800).

2 (b) The unexpended and unobligated general fund balances after the appropriations
3 made in (a) of this section of the appropriations listed in (a)(1) - (4) of this section are
4 reappropriated to the Alaska Legislature, Legislative Council, for renovation of, repair of,
5 technology improvements to, and other necessary expenses related to legislative buildings and
6 facilities.

7 * **Sec. 29. FUND CAPITALIZATION.** (a) The sum of \$4,100,000 is appropriated from the
8 general fund to the Alaska liquefied natural gas project fund (AS 31.25.110).

9 (b) The sum of \$26,000,000 is appropriated from the in-state natural gas pipeline fund
10 (AS 31.25.100) to the Alaska liquefied natural gas project fund (AS 31.25.110).

11 * **Sec. 30. FUND TRANSFER.** (a) The balance of the large passenger vessel gaming and
12 gambling tax account (AS 43.35.220) as of June 30, 2016, estimated to be \$9,021,000, is
13 appropriated to the Alaska capital income fund (AS 37.05.565).

14 (b) The balance of the large passenger vessel gaming and gambling tax account
15 (AS 43.35.220) as of June 30, 2017, estimated to be \$6,700,000, is appropriated to the Alaska
16 capital income fund (AS 37.05.565).

17 * **Sec. 31. LAPSE.** (a) The appropriations made in secs. 13(2), 14, 16(b), 17, 19, 21, 23, 24,
18 25(d), 25(e), and 28 of this Act are for capital projects and lapse under AS 37.25.020.

19 (b) The appropriations made in secs. 13(1), 25(a) - (c), 29, and 30 of this Act are for
20 the capitalization of funds and do not lapse.

21 (c) A grant awarded in this Act to a named recipient under AS 37.05.316 is for a
22 capital project and lapses under AS 37.05.316 unless designated for a specific fiscal year.

23 * **Sec. 32. RETROACTIVITY.** (a) Section 11 of this Act is retroactive to June 30, 2015.

24 (b) If secs. 15, 16(b), 17(a), 19, 20, 22, 23, 24(a), 24(b), 24(c), 25(a), 25(d), 25(e), and
25 26 - 29 of this Act take effect after June 30, 2016, secs. 15, 16(b), 17(a), 19, 20, 22, 23, 24(a),
26 24(b), 24(c), 25(a), 25(d), 25(e), and 26 - 29 of this Act are retroactive to June 30, 2016.

27 * **Sec. 33. CONTINGENCY.** (a) The appropriation made in sec. 17(b) of this Act is
28 contingent on passage by the Twenty-Ninth Alaska State Legislature and enactment into law
29 of a bill creating an administrative sanction and incentive program for persons on probation or
30 parole.

31 (b) The appropriation made in sec. 21 of this Act is contingent on passage by the

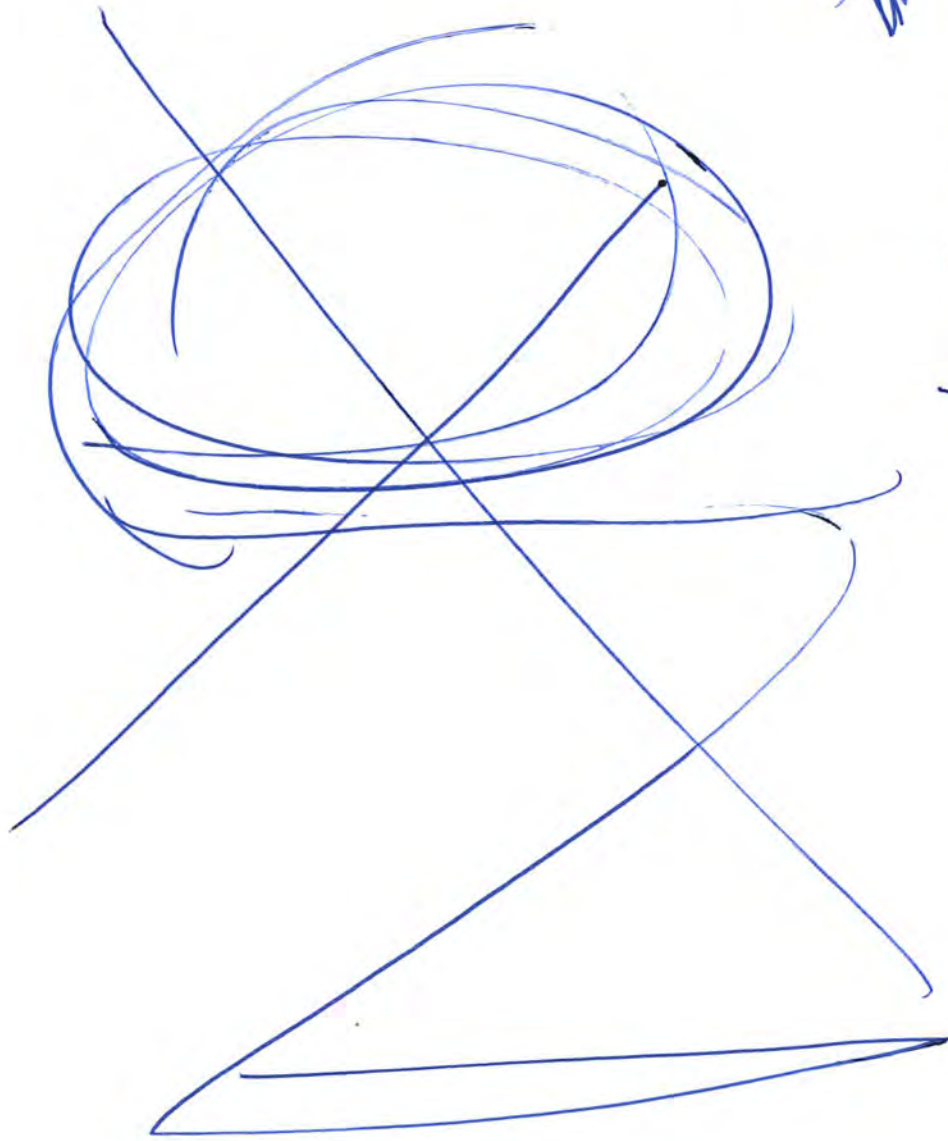
1 Twenty-Ninth Alaska State Legislature and enactment into law of a bill reforming the medical
2 assistance program and implementing cost-saving measures.

3 (c) The appropriation made in sec. 24(d) of this Act is contingent on passage by the
4 Twenty-Ninth Alaska State Legislature and enactment into law of a bill amending the oil and
5 gas production tax, tax credits, and administration of tax credits.

6 * **Sec. 34.** Sections 4, 7, 10, 11, and 32 of this Act take effect immediately under
7 AS 01.10.070(c).

8 * **Sec. 35.** Sections 15, 16(b), 17(a), 19, 20, 22, 23, 24(a), 24(b), 24(c), 25(a), 25(d), 25(e),
9 and 26 - 29 of this Act take effect June 30, 2016.

10 * **Sec. 36.** Except as provided in secs. 34 and 35 of this Act, this Act takes effect July 1,
11 2016.



yes

Changes to SB 138 from Version E to P

Prepared by Laura Cramer

Section 1

Page 4, line 28: Department of Health and Social Services Health Information Exchange Providers incentive Program, \$480.0 in UGF, leverages \$3,600.0 in federal funds.

Page 7, line 22: State Equipment Fleet Replacement reduced by \$4,600.0

Page 7, line 24: Federal Program Match, increased Federal-Aid Highway State match on line 27 by \$7,000,000. This is the result of removing some reappropriations in section 25(d)

Section 4

Page 24, line 23: Legislature – Office Building and Land Purchase located at 1500 W Benson Boulevard in Anchorage, \$12,500,000 Alaska Capital Income Fund

Section 7

Page 28, line 9: Department of Health and Social Services, Juvenile Justice facility staffing and health care \$1,000.0 UGF. This was a supplemental request by the Governor

Page 28, line 29: Department of Natural Resources, Administration and Support Services, technical fix due to conference committee error in FY16 budget

Section 17

Page 35, line 24: Department of Corrections –

Alaska Corrections Offender Management System and Victim Information Notification System to accommodate new probation and parole incentives amount was increased by \$250,000 from \$1,250,000 to \$1,500,000 (alcohol and other drug abuse treatment and prevention fund) - Result of Senate Bill 91- Criminal Justice Reform. This is contingent on the passage of justice reform legislation. Contingency language found on page 49, line 27

Section 20

Page 40, line 12: Department of Fish and Game-

Changing the appropriation made in 2012 for the Research Vessel Resolution from Replacement to Refurbishment and Repair

Section 21

Page 40, line 19: Department of Health and Social Services

Modifications to the Medicaid Management Information System as a result of Senate Bill 74 – Medicaid Reform. \$910.0 UGF leverages \$9,403.2 Federal Funds. This is contingent on the passage of Medicaid reform legislation. Contingency language found on page 49, line 31

Section 22

Page 40, line 28: Department of Law

Reduces the amount appropriated during the 2015 AKLNG special session by \$4,100.0. Dept. of Law is planning to lapse this amount

Section 24

Page 42, line 13: Department of Revenue

Reprogramming of the tax revenue management system and revenue online tax portal. \$1,200.00 UGF. This is contingent on the passage of

tax credit reform legislation. Contingency language found on page 50, line 3

Page 42, line 29:

Reappropriation total has be reduced from \$19,731,605 to \$13,507,546, this is the result of the removal of several projects originally identified with balances

Section 26

Page 47, line 16: Gives the Alaska Travel Industry Association statutory receipt authority to spend outstanding receipts estimated to be \$1,364,802 that were originally collected by the Department of Commerce, Community and Economic Development from advertisement sales and industry contributions for the Alaska Travel Guide. The management of this program was eliminated from the Operating Budget and the legislature has directed industry to take over the program. Without this language and giving this authority these receipt would go unspent.

Section 29

Page 49, line 7: Fund Capitalization

- (a) Takes the lapsing funds from the Department of Law, identified in Section 22, and deposits them into the AKLNG Fund

- (b) Transfers \$26,000.0 from the In-State Natural Gas Pipeline Fund to the Alaska Liquefied Natural Gas Project Fund - Intent for administration to pay for AKLNG expenses through AGDC and the fund

Section 32

Page 49, line 23: Retroactivity clause has been updated, should this bill pass after the June 30, 2016 date certain sections would be retroactive

Section 33

Page 49, line 27: Contingency language relating to the passage of justice reform, Medicaid reform, and tax credit reform

Section 34 page 50, line 6: Immediate effective date for supplemental, FY17 Operating, judgments and settlements, fire suppression, and the retroactivity clause

	SCS 17 Capital:	SCS Total Op, Cap, & Sup:
TOTAL:	1,547,455.7	1,626,997.7
UGF:	69,337.1	136,976.8
DGF:	49,705.9	63,982.6
Other:	103,178.1	96,052.4
FED:	1,325,234.6	1,329,985.9

Total capital reduction UGF from Governor to Senate CS:

(112,275.2)



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Law

CIVIL DIVISION

P.O. Box 110300
Juneau, Alaska 99811
Main: 907.465.3600
Fax: 907.465.2520

April 9, 2015

The Honorable Anna MacKinnon
Alaska State Senate
State Capitol Room 516
Juneau, AK 99801

Re: *Kasayulie v. State*
Court Case No.: 3AN-97-3782 CI

Dear Senator MacKinnon,

You have requested clarification from the Department of Law regarding the State of Alaska's ("State") obligations for the Kivalina K-12 school construction project (the "Kivalina School") as provided for in the 2011 Consent Decree and Settlement Agreement in *Kasayulie v. State*, 3AN-97-3782 CI (the "Settlement").

Members of the finance committee queried whether Charles Wohlforth's letter, dated January 7, 2015, and Commissioner Hanley's response, dated March 3, 2015 have obligated the State to provide funding during future sessions for the Kivalina access road project (the "Kivalina Road") as a condition of the Settlement. As an initial matter, the Settlement and the administration's recent communications with the plaintiffs recognize that the power of appropriation rests solely with the legislature.

Additionally, we do not believe that any obligation for future funding of the Kivalina Road exists or has been created by the Settlement. The Settlement provides that the State's financial obligation to the Kivalina School is tied directly to the Department of Education and Early Development's November 2013 Capital Improvement list. And, funding for projects on that list are always subject to legislative appropriation. The eligible amount of the Kivalina project does not include funding for the Kivalina Road, and any discussions that have taken place between the parties on incremental funding do not alter or add to what is required in the Settlement. Specifically, to meet the incremental funding option allowed for in Mr. Wohlforth's letter requires funding for the Kivalina Road independently of the Kivalina School, and does not require additional funding for the Kivalina Road after the \$2.4 million separately provided for in the


Governor's proposed FY2016 budget. Should the legislature choose to appropriate funds for the Kivalina School and the Kivalina Road in the manner proposed by the Governor this year, and then wishes to bring final resolution to the *Kasayulie* lawsuit thereafter, the ultimate financial obligation under the Settlement remains the same and does not include funding for the Kivalina Road.

The communications between Mr. Wohlforth and Commissioner Hanley explored the possibility of incremental funding in light of the current budget situation and the fact that plans for the Kivalina School have not been finalized. They represent one possibility that would require less funding in the FY2016 budget for the Kivalina School, with the understanding that full funding under the Settlement would be requested in future years. However, another possibility that we believe fully complies with the consent decree would be an appropriation, effective no later than July 1, 2015, in the amount of \$50,475,822. The sum of \$50,475,822 represents the total current eligible amount the Kivalina School could receive, minus the Northwest Arctic Borough's participating share.

I hope this clarifies the State's obligation and the funding possibilities.

Sincerely,

CRAIG W. RICHARDS
ATTORNEY GENERAL

By: 
Rebecca E. Hattan
Assistant Attorney General

REH/rjc

cc: Craig W. Richards, Attorney General, Alaska DOL
Michael Hanley, Commissioner, Alaska DEED
Darwin Peterson, Legislative Director, Office of the Governor
Cori Mills, Legislative Liaison, Special Assistant to the AG, Alaska DOL

RatingsDirect®

Alaska; Appropriations; General Obligation; Moral Obligation; Note

Primary Credit Analyst:

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Credit Profile

US\$151.18 mil GO bnds ser 2016A due 08/01/2035

<i>Long Term Rating</i>	AA+/Negative	New
Alaska GO		
<i>Long Term Rating</i>	AA+/Negative	Affirmed
Alaska GO		
<i>Long Term Rating</i>	AA+/Negative	Affirmed
Alaska GO		
<i>Unenhanced Rating</i>	AA+(SPUR)/Negative	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AA+' rating to Alaska's \$151.2 million in general obligation (GO) bonds, series 2016 A. We also affirmed our 'AA+' rating on Alaska's previously issued GO bonds. The outlook on all debt ratings is negative.

Proceeds from the series 2016A GO bonds will be used to retire on March 18 the state's GO bond anticipation notes, issued on March 19, 2015.

The GO bonds are backed by the state's full faith, credit, and resources. Although the state is in the midst of grappling with large general fund operating deficits, we continue to view Alaska as having very strong credit quality. This reflects our view that the state benefits from several favorable features, including:

- Budget reserves that, despite not representing a permanent solution to the state's unrestricted general fund deficit problem, remain large, equal to 298% of annual appropriations (as of February 2016);
- The potential to resolve much of the general fund gap by overhauling the flow and customary treatment of various legally unrestricted state revenues; and
- Its moderate debt burden and closed defined-benefit retirement system that should benefit actuarially from a recent large asset infusion.

Alaska's legislature is currently in negotiations over Governor Bill Walker's fiscal 2017 budget proposal and -- more broadly -- his recommendation to reform state finances. As it is, the state's general fund is mired in a large operating deficit, estimated at \$3.6 billion, equal to 69% of total fiscal 2016 appropriations. The current imbalance, as with much about Alaska's recent economic and fiscal experience, is summed up by collapsing oil prices on the global markets and declining production on Alaska's North Slope. Reflecting its linkage to the commodity markets, Alaska's economy has begun to contract and is out of step with the U.S. economy, which continues to expand. For much of the past 40 years, taxes and royalties on oil production have been sufficient to pay for a majority of the state's general fund expenses. For instance, in fiscal 2012, when Alaska North Slope (ANS) west coast spot prices averaged \$112.65 per barrel, the state

brought in nearly \$9.5 billion in total unrestricted revenue. But by the spring of 2015, the state's ANS oil price forecast – \$66.03 per barrel in fiscal 2016 – was projected to produce just \$2.2 billion in unrestricted general fund revenue. Consequently, despite having cut spending by 16% relative to the prior year – and 38% since fiscal 2013 – the state's fiscal 2016 budgeted appropriations still exceeded anticipated revenues by \$2.7 billion, a shortfall equal to 54% of budgeted expenditures. Lawmakers covered the gap in the budget by authorizing a transfer from the state's Constitutional Budget Reserve (CBR), albeit only after first getting hung up in the negotiating process.

Even this would prove optimistic, however, and as the year progressed, the slump in oil prices persisted. In its fall revenue forecast update, the state revised its fiscal 2016 ANS average spot price forecast lower, to \$49.58 per barrel, translating to a downward revenue adjustment of about \$600 million. This translates to roughly \$1.6 billion in unrestricted revenue for the year, leading the already large fiscal gap to balloon to the more recent \$3.6 billion estimate.

Our rating partly reflects that a broader view of state revenues – including those currently treated as restricted, but subject to appropriation – shows a smaller fiscal gap. In fiscal 2016, for example, there is approximately \$3.8 billion in revenue that is subject to appropriation. If the legislature repurposed all of this revenue to the general fund, it could eliminate the deficit. Of the additional revenue subject to appropriation, \$3.4 billion is from realized earnings on the permanent fund. Of this, however, \$1.4 billion was used to fund dividend payments to state residents while another \$892 million was redirected back to inflation-proof the permanent fund. Therefore, even if there are not legal constraints on appropriating this revenue, we believe there are practical and political ones. Nevertheless, although the policy choices involved are difficult, we view the state's potential fiscal capacity as greater than its unrestricted petroleum-related revenue alone suggests.

Furthermore, Alaska's still sizable budget reserves enable it to endure large operating deficits for several years. Ultimately, however, and particularly if lawmakers are unwilling to repurpose the restricted revenues, the fiscal trajectory sketched out above is unsustainable. Apart from the effect of falling commodity prices, declining oil production is putting a strain on state finances. ANS oil production peaked in 1988 at 2 million barrels per day, but has been in gradual decline since. The state anticipates 504,900 barrels of production in fiscal 2017, falling to fewer than 400,000 barrels per day by 2022. Following a months-long campaign to highlight these facts, Governor Bill Walker put forward a plan to overhaul, or "re-plumb," state finances as part of his fiscal 2017 budget proposal.

Governor's proposal to reform state finances

The main thrust of the governor's financial reform proposal involves Alaska's transitioning away from relying on volatile oil revenues to fund state government. Under the governor's plan, Alaska would instead finance most of its general fund expenditures from investment earnings on its asset holdings, in a variant of what state officials refer to as the sovereign wealth fund model. The state estimates that, in order to sustainably support both general fund and the permanent fund dividend program at present levels, roughly \$100 billion in total assets is necessary. However, the value of Alaska's combined assets – prodigious as they are – falls short of this, at about \$56 billion. The governor's proposal represents, therefore, a partial sovereign wealth fund model, supplemented by several other more conventional fiscal reforms that result in additional revenue and lower spending.

In our view, the governor's various reform proposals fall into one of the following three categories:

- 1. Adopt a partial sovereign wealth fund model highlighted by two fundamental changes to the design of Alaska's finances:
 - –a. Redirect all oil production tax revenue and 50% of oil royalty revenue away from the general fund to the state's permanent fund earnings reserve (PFER). The oil-related revenues make up \$946 million of \$1.8 billion in total projected unrestricted revenue for fiscal 2017. The remaining \$851 million in nonpetroleum-related unrestricted revenues would continue flowing into the general fund as it does now;
 - –b. Establish an annual draw from the PFER to the general fund, used to pay for a majority of governmental operations. The draw amount (proposed at \$3.3 billion for fiscal 2017) would be set according to formula and designed to preserve the real value of Alaska's invested assets.
- 2. Implement an additional \$169 million (4.1%) in cuts to state agency operations, following \$400 million in reductions in fiscal 2016. Additional future spending reductions would come from the governor's proposal to transform its oil and gas tax credit program into a loan program intended to spur development activity while lowering expenses.
- 3. Generate additional tax revenue from a new personal income tax, as well as increases to the state's mining, fishing, motor vehicle, alcohol, and tobacco taxes. New revenue from these changes would sum to a projected \$350 million in fiscal 2017, but increase to \$460 million in future fiscal years once annualized.

Governor's proposal would link permanent fund dividends to Alaska's natural resources

Central to the governor's reform proposal is the capacity of the state's financial assets to sustainably support an annual transfer of investment earnings to the state's general fund. Traditionally, the state has used half of the investment earnings from the Alaska permanent fund to pay an annual dividend to state residents. As part of repurposing these revenues, the governor has recommended changing the method for funding the annual dividend program, tying it to the state's receipt of oil royalties rather than to investment returns. This adjustment – which is integral to the sovereign wealth fund model – would reduce the cost of the dividend program to about \$700 million in fiscal 2017 from \$1.4 billion in fiscal 2016. While there is a philosophical consistency to the governor's approach in that the dividend program was meant to recognize Alaskans as resident-owners of its natural resources more than beneficiaries of its investment gains, the bottom-line result is a smaller dividend check.

Legislative members have put forward measures that would similarly shift the general fund's reliance on the permanent fund as its primary source of funding. The competing proposals would differ, however, in that rather than withdrawing for deposit to the general fund a consistent amount of revenue, they would transfer a fixed percentage of market value (POMV) of the permanent fund to the general fund.

Assessing the financial reform proposal from a credit perspective

The governor's proposal illustrates how it's possible that Alaska's fiscal flexibility could extend well beyond that which is provided by its traditional definition of unrestricted general fund revenue. By redirecting oil-related revenue to its PFER, future windfall-like revenues from oil price spikes would be retained in the permanent fund, allowing the state's asset base to grow. Conversely, when oil prices fall to low levels, the resulting decline in oil-related revenue would be absorbed by the state's permanent fund rather than its general fund. Insofar as the sovereign wealth fund model would transfer the volatility of the oil-related revenue away from the general fund to the state's permanent fund, it could have a stabilizing effect on the state's budget performance. It could help lawmakers be less inclined to engage in yo-yo budgeting. We have observed that lawmakers in Alaska have a history of allowing appropriations to swell during years when oil prices are high, only to be forced to make steep cutbacks when they fall.

In contrast, the POMV approach would result in larger transfers – and thus potentially larger general fund budgets – in years when the permanent fund value increases. Because the permanent fund value would increase most in years when oil prices are high, the state's fiscal linkages to conditions in the commodities markets would likely be greater under the POMV funding model.

Stabilizing the state budget in the manner proposed by the governor involves a wholesale redesign of the state's financial architecture, however. Not surprisingly, some of the individual components of the proposal have already been met with resistance by some members of the legislature and other stakeholders. And if the politics of enacting a fiscal overhaul prove too politically difficult, resulting in inaction this year, the state's options will narrow. On a combined basis, Alaska's various budget reserves currently total about \$15.5 billion (PFER, CBR, and statutory budget reserve fund, or SBRF). While reserves at that level remain comparatively strong, it's unlikely they can be sustained, considering the state is operating with a \$3.6 billion structural deficit this year.

Even assuming no budget reform and an unrestricted general fund structural deficit of about \$3 billion, the projected date-to-depletion of the state's reserves is unclear. That's because a significant share of permanent fund investment earnings are retained and allowed to accumulate in the PFER. In fiscal 2017, for example, the state forecasts investment earnings of \$3.4 billion, approximately \$1.4 billion of which would be spent on dividends under the existing methodology. The remaining \$2 billion in investment earnings would bolster and extend the life of the state's budget reserves even if they were simultaneously being drawn upon to fund the budget gap.

Nevertheless, Alaska's lawmakers confront a relatively urgent situation if they hope to move the state away from its budgetary dependence on the volatile oil-related revenues. In order for the annual draw from state savings to be sustainable, officials estimate that Alaska's invested assets need to generate a 6.5% average annual rate of return. According to the governor's proposal, the state's asset base currently could sustainably support a \$3.2 billion transfer to the general fund. But if lawmakers defer taking action, allowing PFER balances to be drawn down, the assets would support only a smaller annual transfer.

In our view, Alaska has sufficient financial resources to stabilize general fund operations if it can assemble the necessary political will to adopt the necessary changes. We expect this will require asking residents to accept reduced state spending, higher taxes, and, if it is to use investment earnings, a reconstituted – and lower – dividend payment. Although from a constitutional and statutory standpoint, the investment earnings are unrestricted revenues, using them to fund general fund expenses represents a politically difficult tradeoff. Given that lawmakers have yet to coalesce around either the governor's proposal or some alternative, we therefore continue to evaluate the state's creditworthiness largely according to its existing budgetary framework. Through this lens, and in light of the unrelenting oil price declines, the state's fiscal structure is deeply misaligned and its reserves, while still significant, are declining at a fast rate.

The stakes are high for the state to enact a package of fiscal reforms that would help stabilize the state's credit quality at a high rating level. Part of the administration's medium-term fiscal strategy involves using pension obligation bonds in an effort to drive down the budgetary cost of funding actuarially sound annual contributions. On the economic development front over the longer term, we understand the state is interested in seeing its estimated 30 trillion cubic feet in natural gas reserves get developed. And lacking a mechanism for delivering the gas to market, state officials are

contemplating partially debt-financing a natural gas pipeline. Both propositions make less economic sense, however, in a scenario where the state's credit rating is significantly lower and its cost of capital materially higher.

Based on the analytic factors we evaluate for states, on a four-point scale in which '1' is the strongest, Standard & Poor's has assigned a composite score of '1.7' to Alaska.

Composite scores ranging from 1.6 to 1.8 correspond with a 'AA+' rating under our criteria. Although previously we have employed a one-notch upward adjustment as allowed under our criteria to account for what we viewed as uncommonly high budget reserve levels, we view the current trajectory of the reserves and fiscal condition as no longer warranting this adjustment.

Outlook

The negative outlook reflects the large structural budget deficit in Alaska's unrestricted general fund. Currently, the state is able to finance its operating deficits by withdrawing funds from its budgetary reserves. Alaska had built up large budget reserves that thus far have shielded the state's credit quality from the degradation that the large deficits would inflict on most states' credit quality. But the magnitude of the fiscal deficits makes the arrangement unsustainable and, unless corrected, inconsistent with the current rating. Therefore, we will likely again lower the state's rating -- possibly by more than one notch -- if state lawmakers do not enact measures to begin correcting the state's fiscal imbalance during its 2016 legislative session.

The typical lag that exists between the enactment of fiscal policy adjustments and when they yield results implies the need for lawmakers to act soon. Therefore, even with its reserve balances at still-strong levels, we would likely lower the state's rating even within the next year if lawmakers defer enacting corrective fiscal policy adjustments.

In the event policymakers continued to take no action, the current initial rating change most likely represents the first step in a downward migration that would likely accelerate as the state's reserve balances approached depletion. If lawmakers succeed in putting the state on what we view as a glide path to a sustainable fiscal structure, with its strong reserve balances still intact, we could revise the outlook to stable.

Governmental Framework

The Alaska constitution requires the governor to submit a balanced budget proposal to the state legislature by Dec. 15 for each fiscal year, which begins on July 1. The governor is required to submit three budgets -- an annual operating budget, a mental health budget, and a six-year capital budget. The governor can line-item veto legislatively approved budget bills. An enacted state budget is not required to stay in balance during the course of the fiscal year after budget adoption, but the governor can hold back expenditures when revenue is below budget.

Although the governor has proposed one, currently the state does not have an individual income tax or sales tax but has occasionally adjusted its formula for oil production and other mining-related tax rates. The state legislature can impose new taxes by majority vote, but a qualifying referendum petition could be filed to challenge new tax legislation. Alaska has the legal authority to re-impose an income tax (which it had in place before 1978) or to impose a sales tax if

it so chooses.

Alaska's constitution provides that proceeds of state taxes or licenses "shall not be dedicated to any special purpose" except for restricted federal revenue, money dedicated before statehood, and money required to be placed in the state's permanent fund. As a result, most revenue is placed in Alaska's general fund although the state has created numerous subaccounts within the general fund.

The state's permanent fund was established as the result of a constitutional amendment in 1977, which requires that at least 25% of all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral-sharing revenue and bonuses be placed in the fund. An additional 25% is currently deposited to the fund per state statute. Investment income and annual constitutional and statutory deposits into the fund are reflected in the state's audited financial statements as restricted revenue. According to existing statute, investment income is used to fund the state's annual dividend program and inflation-proof the permanent fund with any remaining income held in savings. The portion of investment income held in savings is retained in the PFER and is available for appropriation by the legislature.

A component of the governor's fiscal reform proposal is the Alaska Permanent Fund Protection Act (APFPA). Under the APFPA, the dividend payments would be funded from 50% of any mineral royalties. The balance of mineral royalties, plus 100% of production taxes and investment income, would flow directly into the permanent fund. Within the permanent fund, 25% of royalty revenue would continue to flow to the corpus of the fund, pursuant to the constitution. Other mineral royalty revenue would flow to the PFER, with the objective of building a balance equal to 400% of the prior year's transfer to the general fund. In effect, investment income would be the primary source of funding for the PFER. The additional revenue from mineral royalties, taxes, and investment income beyond what is required for the targeted balance would flow to the permanent fund corpus.

The state's Constitutional Budget Reserve Fund (CBRF) was created as a constitutional amendment, in 1990, that requires all money received by the state after July 1, 1990, through resolution of disputes about the amount of certain mineral-related income must be deposited here. Investment income, as well as any current-year resolution dispute revenue, deposited into the fund is reflected as restricted revenue. In most cases, appropriation from the fund requires a three-fourths majority vote of the legislature and approval of the governor.

Alaska has wide legal latitude to cut disbursements as it chooses. It has an appropriation limit and reserves one-third of the amount within the limit for capital projects and loan appropriations. Because state appropriations have never significantly approached the limit, Alaska does not believe the reservation has constrained state operations. The appropriation limit does not apply to the permanent fund.

Voter initiatives may be placed on the ballot upon collection of enough petition signatures to equal 10% of the votes cast at the latest general election. However, successful voter initiatives only have the effect of statutory law and can be overridden or repealed by the legislature after two years. Voter initiatives may not amend the state constitution. In Standard & Poor's opinion, voter initiative activity has not historically affected or hindered state operations.

The state issues GO debt, lease-secured debt secured by annual appropriations, moral obligation debt, and dedicated tax revenue bonds. Due to the state's practice of annually appropriating reserve replenishment in its budget, we rate its Alaska Municipal Bond Bank (AMBB) debt, which also carries the moral obligation backing of the state, under our

appropriation-backed criteria. GO bond authorization requires a simple majority voter approval. GO bonds may be issued only for capital purposes except for veterans' mortgage guaranteed bonds. The state has issued moral obligation debt for its Bond Bank, for the Alaska Energy Authority, and for the Alaska Student Loan Corp. The state can also legally issue cash flow notes but has not done so in the past 35 years because of its historically strong cash position.

The Alaska constitution does not specify a priority of payment for GO debt service compared with other expenditures, but annual GO debt service, as constitutionally authorized debt, could be paid in absence of a specific annual budget appropriation. Generally, the state has appropriated both GO and lease-secured debt service under a separate line-item appropriation.

The state provides assistance to school districts, including discretionary payments since 1970 to subsidize pre-qualified local school district debt service but also can cut funding if it deems doing so necessary, as long as cuts are distributed so as to preserve equitable per-pupil funding across the state. The state has provided 60% to 100% reimbursement depending on different factors.

On a four-point scale in which '1' is the strongest, Standard & Poor's has assigned a '1.5' to the state's governmental framework.

Economy

Alaska's economy is largely dependent on the oil extraction and mining industry, but the fishing, timber, and tourism industries are also present. Alaska's high cost of living and dispersed population can serve to restrain growth in non-oil-and-gas-related industries. Employment sectors differ from those of the nation as a whole in some key respects. Most notably, construction and mining together account for about 11.0% of state employment versus 5.0% for the nation, according to IHS Connect estimates. Alaska's manufacturing employment is 4.2% of total employment compared with 8.7% for the nation; its business and professional services are 8.8% compared with the nation's 13.7%, and its governmental employment is 24.4% compared with 16.0% for the nation. This introduces potential exposure to employment losses from federal fiscal consolidation efforts.

Although the state's population has been increasing faster than that of the U.S. as a whole, this fluctuates from year to year. For example, Alaska's population increased 11.73% in from 2004 to 2014 versus 8.9% for the U.S., but the state's population dipped 0.07% in 2014. The state's age dependency ratio -- the ratio of dependent population to total population -- is 53.5% compared with the nation's rate of 60.2%.

Because of the state's sizable rural population, its unemployment rate has historically been higher than that of the nation, but in recent years, as national unemployment has increased and the state's unemployment rate has held steady, its seasonally adjusted unemployment rate has fallen below national rates. Alaska's unemployment rate in 2015 was 6.5% compared with 5.3% for the nation. The most recent monthly seasonally adjusted unemployment rate, for December 2015, was 6.6% compared with the national rate of 4.9%.

As the state's economy has gradually matured, the composition of its employment base has shifted. In recent years, new jobs in health care, construction, and government have offset job losses in timber and seafood processing. With

that said, seafood processing employment for the first nine months of 2013 was well ahead of where it was in 2012, suggesting that is likely to show growth in 2013 once the numbers are final. In addition to oil, gold, metal ore mining, and the possible construction of a major natural gas line could also prove promising for new jobs.

Notwithstanding recent declines, the value of mineral production resulted in Alaska's real gross state product (GSP) per capita equaling 142% of the U.S. level, although this is down from 154% in 2012. Whereas U.S. GDP (real) grew at 2.4% in 2014, Alaska saw a 1.3% contraction. Still, over a longer term, the state's economy has track record of growing faster than the nation. Alaska's 10-year average annual GDP growth rate through 2014 of 1.9% exceeds that of the nation (1.4%). The federal Bureau of Economic Analysis' 2014 estimate of Alaska's per capita personal income is \$54,012, or 117% of the nation.

Relative to other states, Alaska's income figures are more prone to volatility because of the economic linkages to oil prices, which tend to fluctuate in response to global economic and geopolitical forces. Alaska suffered a severe recession in the mid-1980s following a collapse in oil prices, and we believe it is now at risk of entering recession as a consequence of the collapse in oil prices.

Alaska continues to exploit its potential for natural resources production aggressively, in our view. The state is exploring the possibility of developing a natural gas pipeline to derive economic benefit from an estimated 35 trillion cubic feet of natural gas reserves located on Alaska's North Slope. The current market and price differential between North American and Asian markets is such that exporting natural gas in the form of liquefied natural gas may offer more benefit than an overland pipeline.

On a four-point scale, in which '1' is the strongest, Standard & Poor's has assigned a score of '1.5' to Alaska's economic structure.

Financial Management

Financial management assessment: Good

We consider Alaska's formal management practices good under our financial management assessment (FMA) methodology. An FMA of good indicates our view that the state maintains many best practices deemed as critical to supporting credit quality, particularly within the finance department. These practices, however, may not be institutionalized or formalized in policy, may lack detail or long-term elements, or may have little recognition by decision makers outside of the finance department.

The state has a statutory budget reserve within its general fund that, although not always funded, is available to provide liquidity. In addition, the state has also established the CBRF, which voters approved. Funds may be appropriated for certain purposes by a vote of three-fourths of each house of the legislature, but money can be used for interfund borrowing for general fund expenditures. All appropriations from the fund are recorded as a general fund liability.

Until recently, the state's forecast of its leading predictor of state revenue, the price per barrel of oil, has tended to err on the low side. (This changed in fiscal 2015 following the unanticipated collapse in global commodity prices.)

The state also forecasts production and has recently enhanced its methodology on this front. Budget amendments can occur throughout the year.

Alaska produces detailed revenue forecasts, with the focus being the price of oil, which -- unless the governor's reform package is adopted -- remains the leading determinant of general fund revenue. Other revenue sources are also included in the revenue source book, which is released twice each year. The tax division of the Alaska Department of Revenue (DOR) prepares the book, using numerous outside sources of information to help predict the price of oil.

In addition to the revenue forecast, the Office of Management and Budget maintains a 10-year fiscal forecast, which is updated annually. Expenditure projections are less detailed although the state accounts for some inflationary and caseload pressures on spending levels.

The state's debt management policy is updated annually with the public debt report and debt affordability analysis as required by statute. The debt report describes the different types of debt that Alaska issues, mainly certificates of participation and GO bonds. For general-fund-supported bonds, the state has a debt capacity that it determines, by policy, to be 8% of unrestricted revenue.

Investment management is also covered by the investment policy statement, and the performance of the state's investment portfolio is monitored daily. Each year the fund undergoes a fiduciary audit, which includes a review of legal and administrative constraints for each invested fund. The audit policy's stated goal is to keep Alaska's investment process intact during periods of market upheaval.

Alaska enacts an annual capital budget. Expenditure assumptions for the state's operating budget are adjusted as appropriate when capital projects begin. A transportation agency capital plan provides an annually prioritized plan detailing three years of projects and funding sources.

Budget management framework

The DOR issues formal revenue forecasts twice a year, in the spring and fall. The forecast is based on consultation with an engineering firm and the state department of natural resources. As noted above, the methodology for forecasting oil production has been revised to incorporate the greater variability associated with production forecasts from some oil fields that are still under development or are in the evaluation phase of development. The net effect of these changes has been to increase the long-term rate of production decline. The revenue forecast has historically been used as presented for budget adoption and not adjusted during the budget-adoption process.

Historically, Alaska has used existing high fund balances to carry deficits and is not legally required to make midyear budget adjustments in the event a midyear gap develops. The governor has the discretion to hold back spending in the middle of the fiscal year if a budget gap appears to be developing. Such adjustments were last made in fiscal 2009, during oil price fluctuations. The governor can unilaterally prioritize such holdbacks, but the holdbacks have no formal requirement or schedule.

On a four-point scale in which '1' is the strongest, Standard & Poor's has assigned a '2.0' to Alaska's financial management.

Budgetary Performance

The state has no legal requirement to fund reserves at any specified level. However, historically it has held total general fund balances we consider very high. With its exceptionally strong cash liquidity, the state's intrayear cash flows are positive, averting the need for it to borrow for cash flow purposes. On an audited basis, the general fund held a \$14.8 billion cash and investment position at fiscal year-end 2014, equal to 113% of general fund expenditures. Although the state has no legal minimum budget reserve requirement, it has created a CBRF that holds money received by the state as a result of legal settlement, administrative proceedings, or litigation of mineral-related revenue. For liquidity purposes in the past, the state has used the CBRF for temporary borrowing within the year or to balance the budget at the end of the year. The CBRF is also available for general expenditures with a three-fourths vote of the legislature and approval of the governor. In fiscal 2015, the state transferred \$3 billion from the CBRF to its two pension systems.

In 1990, when state revenues began to outpace its expenditures in a given year, the legislature began to appropriate the surplus to the SBRF. And while the state has no explicit policy to maintain a particular balance in the SBRF, to the extent that one is available, the state first draws upon the SBRF for liquidity purposes before borrowing from the CBRF. Transfers from the SBRF to the general fund require consent from a majority of the legislature. At this time, the SBRF balances have been depleted.

According to generally accepted accounting principles (GAAP), the direction of change from year to year in Alaska's net asset position on a government wide basis is not always dictated solely by its general fund operating performance. The state generates considerable investment income from its invested assets -- primarily the Alaska Permanent Fund. In fiscal 2015, for example, the \$45.6 billion permanent fund had income of \$3.1 billion from rents and royalties (\$597 million) and interest and investment income (\$2.5 billion), on a GAAP basis. In some years, the state can run an operating deficit in the general fund but see its net asset position grow due to the income earned by the permanent fund. For example, permanent fund income in fiscal 2014 of \$7.7 billion was more than enough to offset the general fund deficit of \$1.3 billion. Largely as a result of this, the state's overall net asset position increased \$6 billion despite the general fund deficit. In fiscal 2015, the state's net asset position declined by \$10.2 billion, however, driven in large part by the state having implemented governmental accounting standards board statement (GASB) 68, wherein the state added its net pension liabilities to its balance sheet.

Despite the recent large structural deficit, the general fund remains solvent, with a fiscal 2015 year-end committed and unassigned general fund balance of \$15.5 billion, or 118% of expenditures on a GAAP basis, which we consider very high. The state has had either an unreserved or unrestricted general fund balance higher than annual expenditures since fiscal 2008, when it produced a record \$7 billion financial windfall from high oil prices and a new tax structure that effectively increased tax rates on oil companies.

On a four-point scale in which '1' is the strongest, Standard & Poor's has assigned a '1.7' to Alaska's budgetary performance.

Debt And Liability Profile

As of fiscal 2015, we calculate Alaska's tax-supported debt per capita at \$1,396 (based on 2014 population), which we view as moderate. At June 30, 2015, the state had about \$810.7 million of GO debt, but about \$56.9 million of this is considered self-supporting veterans' mortgage revenue-secured debt, leaving about \$753.8 million net tax-supported GO debt. At the end of fiscal 2015, Alaska also had about \$274.8 million of annual appropriation-supported debt. Tax-supported debt (GO and appropriation) to personal income is 2.89%, which we view as moderate. Tax-supported debt to GSP, now at 1.8%, is low. Tax-supported debt service as a percentage of general fund spending was low, at about 0.8%, in fiscal 2015 and remains low, at 1.6%, when including the local municipal school and capital-reimbursement-related debt paid by the state on behalf of local jurisdictions. About 47% of combined GO and lease debt matures in the next 10 years. The governor's fiscal 2017 budget proposal includes approximately \$185 million in unrestricted state funds for capital funding, down from the fiscal 2015 budget, which included about \$600 million in state funding for capital projects.

Pension and OPEB liabilities

In 2006, Alaska moved all new employees to a defined-contribution retirement plan from a defined-benefit plan, but employees hired before that continue under the state's defined-benefit pension plan. In addition, unlike most other states, Alaska's other post-employment benefits (OPEB) are constitutionally protected. Also unlike most states, however, the state has an OPEB trust fund and a track record of funding the liability on an actuarial basis. Thanks to a large, extraordinary \$3 billion contribution from the state's CBRF to its pension systems, its funded ratios -- for both its defined benefit pension and OPEB liabilities -- improved markedly in fiscal 2015. The contribution was split between the Alaska Public Employee Retirement System, or PERS (\$1 billion), and the Teachers' Retirement System, or TRS (\$2 billion).

Following implementation of GASB 68 and as of fiscal 2015, the PERS multiemployer plan had a 64% pension-funded ratio. We estimate that, as of fiscal 2015, the state's proportionate net pension liability (NPL) related to PERS was \$3.8 billion. The separate TRS had a 74% pension-funded ratio as of fiscal 2015, up from a 56% ratio in fiscal 2014. Improvement to the TRS funded ratio was more pronounced than that for PERS because of the disproportionate contribution to that system. Both PERS and TRS employ an 8.0% assumed rate of return on invested assets.

Combined with the liabilities associated with much smaller pension systems judicial officials, and retired national guard and naval militia members, the total PERS and TRS NPL was \$3.4 billion as of June 30, 2015. As of fiscal 2015 and after incorporation of the extraordinary contribution that year, the combined pension-funded ratio stands at 80.3%, which is above average, in our view. However, the NPL remains high, in our view, at \$4,665 per capita and 8.6% of total state personal income.

Annual contributions to PERS and TRS have been set according to percentage of salaries. However, on July 1 of each year or as soon as funds are available thereafter, the state is required by statute to contribute sufficient additional funds to bring the total pension contribution for the prior fiscal year to the actuarially determined level, which we view favorably.

Favorable health care cost trends combined with the effect of the large contribution to the PERS and TRS systems, the

state has achieved virtual full funding (99% based on fiscal 2015 estimates). The OPEB liability also includes those of other participating local governments. The state is required by statute to fund the annual contributions to the pension system at the actuarially recommended level.

In addition to the state's direct debt, since 1970 Alaska has supported the bonds issued by pre-qualified school districts, with the legislature able to reimburse municipalities for 60% to 100% of debt service costs. The actual program funding depends on annual legislative appropriations, and although not contractually obligated to do so, the state has done so in recent years. Alaska has made the payments. In fiscal 2015, the budget includes an appropriation of \$125 million for the municipal school debt reimbursement program on total local school district obligations of approximately \$895.4 million. In 2015, the legislature placed a five-year moratorium beginning that year on additional bond authorizations in the program.

The state also has about \$1.2 billion of self-supporting state moral obligation debt issued by the AMBB, the Alaska Energy Authority, and the Alaska Student Loan Corp. Our rating of the AMBB debt recognizes features we view as strengthening related to its 2005 resolution requiring an annual open-ended appropriation to backfill the reserve, if necessary.

On a four-point scale on which '1' is the strongest, Standard & Poor's has assigned a score of '1.9' to Alaska's debt and liability profile.

Related Criteria And Research

Related Criteria

- USPF Criteria: State Ratings Methodology, Jan. 3, 2011
- USPF Criteria: Financial Management Assessment, June 27, 2006
- USPF Criteria: Debt Statement Analysis, Aug. 22, 2006
- USPF Criteria: Appropriation-Backed Obligations, June 13, 2007
- USPF Criteria: Bond Anticipation Note Rating Methodology, Aug. 31, 2011
- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009
- USPF Criteria: Moral Obligation Bonds, June 27, 2006

Ratings Detail (As Of March 1, 2016)

Alaska APPROP		
<i>Long Term Rating</i>	AA/Negative	Current
Alaska NOTE		
<i>Short Term Rating</i>	SP-1+	Current
Alaska Energy Auth, Alaska		
Alaska		
Alaska Energy Auth (Alaska) pwr rev (Bradley Lake Hydroelectric Proj)		
<i>Long Term Rating</i>	A+/Negative	Current
Alaska Mun Bnd Bank, Alaska		
Alaska		

Ratings Detail (As Of March 1, 2016) (cont.)

Alaska Mun Bnd Bank (Alaska) GO moral oblig (MBIA) (National)		
<i>Unenhanced Rating</i>	AA(SPUR)/Negative	Current
Alaska Mun Bnd Bank (Alaska) GO (Moral Ob)		
<i>Long Term Rating</i>	AA/Negative	Current
Alaska Mun Bnd Bank (Alaska) MORALOBLIG		
<i>Long Term Rating</i>	AA/Negative	Current
Alaska Mun Bnd Bank (Alaska) MORALOBLIG		
<i>Long Term Rating</i>	AA/Negative	Current
Alaska Mun Bnd Bank (Alaska) MORALOBLIG		
<i>Long Term Rating</i>	AA/Negative	Current
Alaska Mun Bnd Bank GO		
<i>Unenhanced Rating</i>	AA(SPUR)/Negative	Current
Alaska Mun Bnd Bank (Alaska) GO		
<i>Unenhanced Rating</i>	AA(SPUR)/Negative	Current
Matanuska-Susitna Boro, Alaska		
Alaska		
Matanuska-Susitna Boro (Alaska) lse rev rfdg bnds (Alaska) (Goose Creek Correctional Ctr Proj)		
<i>Long Term Rating</i>	AA/Negative NR(prelim)	Current
Matanuska-Susitna Boro (Alaska) lse rev (Goose Creek Correctional Facs) (ASSURED GTY)		
<i>Unenhanced Rating</i>	AA(SPUR)/Negative	Current
Many issues are enhanced by bond insurance.		

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Alaska's 2016 A GO Bonds Assigned 'AA+' Rating

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SAN FRANCISCO (Standard & Poor's) March 1, 2016--Standard & Poor's Ratings Services assigned its 'AA+' rating to Alaska's \$151.2 million in general obligation (GO) bonds, series 2016 A. We also affirmed our 'AA+' rating on Alaska's previously issued GO bonds. The outlook on all debt ratings is negative.

The GO bonds are backed by the state's full faith, credit, and resources.

"Although the state is in the midst of grappling with large general fund operating deficits," said Standard & Poor's credit analyst Gabriel Petek, "we continue to view Alaska as having very strong credit quality."

This reflects our view that the state benefits from several favorable features, including:

- Budget reserves that, despite not representing a permanent solution to the state's unrestricted general fund deficit problem, remain large, equal to 298% of annual appropriations (as of February 2016);
- The potential to resolve much of the general fund gap by overhauling the flow and customary treatment of various legally unrestricted state revenues; and
- Its moderate debt burden and closed defined-benefit retirement system that should benefit actuarially from a recent large asset infusion.

Proceeds from the series 2016A GO bonds will be used to retire on March 18 the state's GO bond anticipation notes, issued on March 19, 2015.

RELATED CRITERIA AND RESEARCH

Related Criteria

- USPF Criteria: State Ratings Methodology, Jan. 3, 2011
- USPF Criteria: Financial Management Assessment, June 27, 2006
- USPF Criteria: Debt Statement Analysis, Aug. 22, 2006
- USPF Criteria: Appropriation-Backed Obligations, June 13, 2007
- USPF Criteria: Bond Anticipation Note Rating Methodology, Aug. 31, 2011
- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009
- USPF Criteria: Moral Obligation Bonds, June 27, 2006

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CREDIT OPINION

29 February 2016

New Issue

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Alaska (State of)

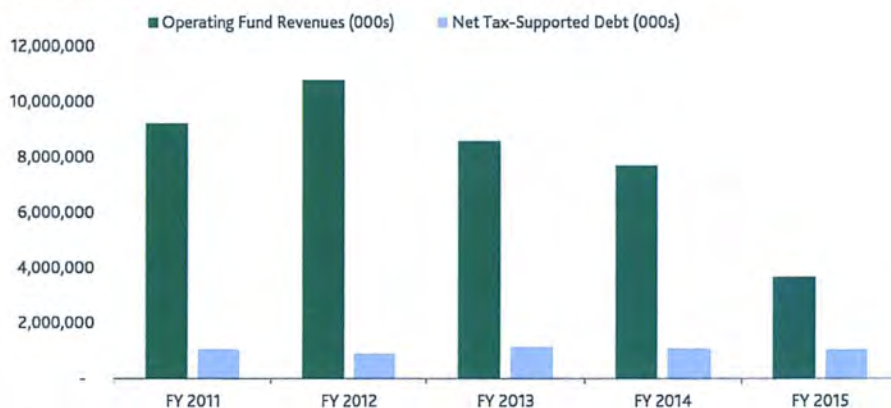
New Issue - Moody's downgrades Alaska GO to Aa1 from Aaa, assigns Aa1 to \$151.2M GO Series 2016A; outlook negative

Summary Rating Rationale

Moody's Investors Service has downgraded the State of Alaska's general obligation rating to Aa1 from Aaa and assigned a Aa1 rating to the state's General Obligation Bonds, Series 2016A. The downgrade affects \$744.2 million of outstanding GO debt. Concurrently, we have downgraded lease appropriation bonds and certificates of participation to Aa2 from Aa1 and the state's moral obligation debt to Aa3 from Aa2.

The downgrade to Aa1 reflects the heightened volatility in Alaska's revenues and the unprecedented structural imbalance caused by it. The state's financial reserves are large, but recent budgets have been calibrated to oil prices above \$100 per barrel, not prices forecasted to be less than half that though the next four years. Even with significant spending reductions, recurring revenues cannot keep pace with recurring expenditures, and the state would deplete its main budgetary reserves by fiscal 2019, absent significant changes in its financial framework.

Exhibit 1

Operating Revenues Follow Oil Prices Down While Debt Remains Low


Source: Moody's Investors Service

The governor has proposed such changes, offering a plan that would reduce direct volatility of oil prices in the state's budget, diverting half of the state's oil revenues to the state's \$50 billion Permanent Fund. It also creates new taxes and reforms certain tax credits. This sovereign wealth fund-like model assumes that investment earnings through the next four years could provide a level amount of revenue to the budget and help to return to a structurally balanced position, provided that expenditures remain essentially flat. We believe the plan would be a positive step for Alaska's finances, but it introduces investment earnings risk that isn't a significant budgetary factor now. Moreover, deposits into the state's Permanent Fund would become subject to oil price volatility. The plan's assumptions also would be strained if the state wants to increase expenditures in the future.

On balance, these factors could provide Alaska a greater degree of budgetary stability than it has today. However, the plan faces numerous implementation risks. The measure is still being considered by the legislature and faces political hurdles since it would reduce the popular dividend payment that all Alaskans receive and also impose an income tax, which Alaskans have not been subjected to for 40 years. Even if the proposal is enacted, the state still faces budgetary risks related to its narrow oil-dominated economy.

Credit Strengths

- » Large but shrinking financial reserves
- » History of conservative fiscal practices
- » Willingness to consider bold changes in fiscal management, such as shifting to a sovereign wealth fund-like model

Credit Challenges

- » Unprecedentedly large 68% structural budget gap
- » Narrow economic base
- » Relatively weak pension funding

Rating Outlook

The negative outlook reflects ongoing stress in Alaska's economy and finances caused by extraordinary revenue volatility, with oil prices well below prior forecasts. Absent significant changes, low oil prices will continue to cause large budget deficits, reserve draws, and structural budget gaps of an unprecedented size for a US state.

Factors that Could Lead to an Upgrade

- » Record of maintaining structural budget balance
- » Record of implementing changes in fiscal management that reduce revenue volatility
- » Sustained improvement in pension funding metrics

Factors that Could Lead to a Downgrade

- » Failure to implement measures to achieve structural budget balance
- » Depletion of financial reserves
- » Accelerating declines in petroleum production volume

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Key Indicators

Exhibit 2

Volatility in Oil Prices Has a Negative Impact on Alaska's Operating Fund Revenues

Alaska	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Operating Fund Revenues (000s)	9,217,341	10,785,224	8,577,583	7,706,982	3,678,644
Balances as % of Operating Fund Revenues	206.1%	211.0%	301.6%	353.2%	579.0%
Net Tax-Supported Debt (000s)	1,050,800	914,900	1,156,400	1,097,200	N/A
Net Tax-Supported Debt/Personal Income	3.3%	2.8%	3.2%	3.0%	N/A
Net Tax-Supported Debt/Personal Income 50 State Median	2.8%	2.8%	2.6%	2.5%	N/A
Debt/All Governmental Funds Revenue	5.5%	6.8%	7.3%	6.5%	N/A
Debt/All Governmental Funds Revenue 50 State Median	22.7%	24.3%	23.8%	23.0%	N/A
Adjusted Net Pension Liability/All Govt Funds Revenue	55.2%	74.0%	99.3%	85.2%	N/A
Adjusted Net Pension Liability/All Govt Funds Revenue 50 State Median	48.7%	63.9%	60.3%	59.2%	N/A
Total Non-Farm Employment Change (CY)	1.7%	1.5%	0.5%	0.5%	0.4%
*Per Capita Income as a % of US (CY)	113.8%	112.9%	112.0%	114.7%	118.1%

*Economic data for 2015 are as of third quarter 2015

Source: Moody's Investors Service

Recent Developments

Recent developments are incorporated into the sections below.

Detailed Rating Considerations

Economy

Alaska's economy is concentrated in the energy and government sectors. The state's labor market outperformed the US in the recession and during the recovery as oil prices surpassed \$100 per barrel. Since then, employment growth has been slow, reflecting both reductions in federal spending and the steep decline in oil prices. For the last three years, employment in Alaska has grown by less than 0.5% and in recent months it has been slightly negative. We do not expect employment growth to rebound strongly amid low oil prices, which we expect to persist for several years. The Moody's Investors Service [assumptions for crude oil prices](#) are \$33 per barrel in 2016, \$38 in 2017, \$43 in 2018, and \$48 in 2019.

Finances and Liquidity

Alaska relies more heavily on petroleum production taxes and royalties to fund government operations than any other oil-producing state. In recent years, as much as 90% of operating revenue was derived from the oil industry while the other oil states are all less than 20%. As oil prices slid steadily downwards the impact on the state's budget has been severe: general purpose unrestricted revenue has declined by 76% since fiscal 2013 and the state has cut spending by more than one-third since then. To fund state services, Alaska has relied heavily on its sizeable reserves: the state ended fiscal 2015 with \$10.1 billion in the Constitutional Budget Reserve Fund (CBRF) and \$7.1 billion in the Permanent Fund Earnings Reserve (PFER). As it uses reserves to fund operations, however, the resulting structural budget gap, 68% based on fiscal 2016 general fund expenditures, is unprecedentedly large for a state. Based on the size of the draws and current spending, the state expects the CBRF to be depleted in fiscal 2019, and in our analysis, this pattern could only be reversed if oil returns to \$100.

Exhibit 3

Oil Price Sensitivity & Reserve Depletion Scenarios

Oil Price	Total Unrestricted Revenue	Annual Deficit	Year of Reserve Depletion
\$30	\$1,040	(\$3,960)	2020
\$40	\$1,200	(\$3,800)	2020
\$50	\$1,590	(\$3,410)	2021
\$60	\$1,990	(\$3,010)	2022
\$70	\$2,240	(\$2,760)	2022
\$80	\$2,600	(\$2,400)	2023
\$90	\$3,300	(\$1,700)	2026
\$100	\$4,150	(\$850)	2036
\$110	\$5,010	\$10	N/A
\$120	\$5,880	\$880	N/A
\$130	\$6,740	\$1,740	N/A

Assumes \$5 billion General Fund expenditure base, fiscal 2015 CBRF balance of \$10 billion and fiscal 2015 PFER balance of \$7 billion.

Source: Moody's Investors Service

The centerpiece of the governor's plan is a proposed use of Permanent Fund investment earnings (calculated on a smoothed return basis). Those monies have historically been restricted by custom and saved. Under the governor's plan, they instead would be transferred to the state's General Fund each year. To accomplish this the plan would replace the annual dividend paid to Alaska residents from the Permanent Fund's earnings with a smaller dividend paid from half of annual mineral royalty revenues. The remainder of royalty revenue and other production-related revenue, instead of going to the general fund, would be transferred to the Permanent Fund. The estimated annual transfer to support the general fund budget is \$3.3 billion, compared to production revenue and reserve draws of \$4.4 billion in fiscal 2016. The transfer would come from the PFER. The goal of this new approach is to shield the state's operating budget from volatility in the global commodity markets while still allowing Permanent Fund principal to grow over time.

LIQUIDITY

Alaska has strong liquidity, with \$14.8 billion available to the General Fund based on the state's fiscal 2015 audit.

Debt and Pensions**DEBT STRUCTURE**

Alaska's debt is relatively low compared to other states, with just more than \$1 billion of net tax-supported debt, based on our 2015 state medians. On a per capita basis and as a percentage of personal income, however, the state's debt ratios are above average. Alaska's net tax supported debt per capita is \$1,489 (eighteenth) compared to the US median of \$1,012. Debt as a percentage of personal income is 3.0% (nineteenth) compared to the US median of 2.5%.

The state is authorized to issue up to \$5 billion of pension obligation bonds and proposals to issue up to \$2.5 billion this calendar year are being considered. An issuance of that size, expected to be secured by state appropriations, would significantly weaken Alaska's debt ratios. Using the same denominator as our 2015 medians, \$2.5 billion of additional debt would increase the debt to personal income ratio to 7.9%, fourth among states.

DEBT-RELATED DERIVATIVES

Alaska has no variable rate debt and is not party to any interest rate swaps.

PENSIONS AND OPEB

Alaska has an above-average employee pension burden among the states, based on unfunded liabilities for its share of multi-employer cost sharing plans. For the state's two biggest pension plans, based on our calculations, the state is responsible for 79.6% of PERS funding and 87% of TRS funding. Alaska's overall as-reported liabilities total \$7.7 billion.

The state's adjusted net pension liability (ANPL), under our methodology for adjusting reported pension data, is \$14.3 billion, or 85% of all governmental fund revenues, based on fiscal 2014 data, the fifteenth highest ANPL-to-revenue ratio. The ANPL also reflects 25% of the state's 2014 GDP, the second highest. Alaska's three-year average ANPL ratio is 80%, eighteenth highest among the states. Moody's adjusted net pension liability applies a bond index rate to determine the present value of plan liabilities, incorporates the

market (rather than actuarial) value of plan assets, and makes certain other changes to improve comparability of reported pension liabilities. The adjustments are not intended to replace Alaska's reported liability information, but to improve comparability with other states. Alaska's share of liability for both pension plans was determined in proportion to its contributions to the plans.

Based on a decision by its Supreme Court, Alaska is one of the few states that constitutionally guarantees OPEB benefits. When the state's ANPL is recalculated to include both the pension and OPEB liability, its pension ratios grow significantly, from 85% of revenue to 169%.

Governance

Alaska utilizes multi-year financial planning and there is also financial flexibility with no constitutional caps on revenue raising or spending increases, as well as no super-majority requirements for budget passage and/or tax increases.

Legal Security

The bonds are general obligations of the state, secured by its full faith and credit.

Use of Proceeds

Proceeds of the 2016A bonds will be used to take out general obligation bond anticipation notes that mature March 18, and to help finance state transportation projects.

Obligor Profile

Alaska is the largest state based on land mass, but its population ranks 48th among the states, at 738,000. Its GDP ranks 43rd.

Methodology

The principal methodology used in this rating was US States Rating Methodology published in April 2013. The additional methodology used in the lease-backed rating was The Fundamentals of Credit Analysis for Lease-Backed Municipal Obligations published in December 2011. The additional methodology used in the moral obligation rating was Moody's Approach To The Moral Obligation Pledge published in November 2008. Please see the Ratings Methodologies page on www.moody.com for a copy of these methodologies.

Ratings

Exhibit 4

ALASKA (STATE OF)

Issue	Rating
General Obligation Bonds Series 2016A	Aa1
Rating Type	Underlying LT
Sale Amount	\$151,180,000
Expected Sale Date	03/08/2016
Rating Description	General Obligation

Source: Moody's Investors Service

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REPORT NUMBER 1017789

FITCH PLACES STATE OF ALASKA ON NEGATIVE WATCH; RATES GO BONDS 'AAA'

Fitch Ratings-New York-29 February 2016: Fitch Ratings has assigned an 'AAA' rating to the following obligation of the state of Alaska:

--\$151.18 million general obligation (GO) bonds, series 2016A.

The bonds are expected to sell competitively on or about March 9, 2016.

In addition, the series 2016A bonds and the ratings noted below have been placed on Rating Watch Negative. The Negative Watch is expected to be resolved following the state's enactment of a budget for fiscal 2017:

--approximately \$753.8 million of outstanding GO bonds rated 'AAA';

--approximately \$244 million of outstanding appropriation bonds and certificates of participation (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 rated 'AA+';

--approximately \$930 million of outstanding Alaska Municipal Bond Bank Authority (AMBBA) bonds (2005 resolution) rated 'AA+';

--approximately \$4 million of outstanding AMBBA bonds (2010 resolution) rated 'AA'.

SECURITY

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

KEY RATING DRIVERS

RATING WATCH REFLECTS UNCERTAINTY: The Rating Watch Negative reflects uncertainty in both the execution and impact of budget initiatives to mitigate reserve draws and reduce revenue uncertainty tied to the natural resources sector. Cornerstones of the governor's proposal include an ongoing and permanent use of investment earnings derived from the state's permanent fund (PF) and a redirection of natural resource market risk to the PF. The governor has also recommended various tax measures and expenditure reductions.

AMPLE RESERVES DESPITE DRAWS: In prior years, Alaska 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 historically accessible reserves. The realized earnings reserve of the PF also maintains a substantial, accessible balance that is available to fund operating expenses. The balance in the state's PF (\$45 billion as of Jan. 1, 2016) requires a constitutional amendment to access.

LARGE BUDGET GAPS, DEEP CUTS: The severe, global decline in crude oil prices has resulted in both current and projected declines in state revenue. To solve for the revenue shortfalls, the state has used a portion of its substantial, accumulated reserves, largely from the CBR and the SBR, in addition to implementing large expenditure reductions. The state's reserves are expected to continue to decline, albeit more modestly, over the next several fiscal years.

CONSERVATIVE FINANCIAL PLANNING: Conservative planning, particularly in the context of currently weak crude oil prices, supports the state's high-quality rating given a limited economy

and a budget historically tied to natural resource revenue. Fitch expects Alaska to manage its reserve funds prudently and adjust its expenditures promptly as needed, consistent with the state's historical practice.

HISTORICAL DEPENDENCE ON NATURAL RESOURCES: 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 primary area of vulnerability. Petroleum-related revenue now accounts for a significantly lower percentage of UGF revenue, although the economy remains centered on the development of the state's natural resources.

MANAGEABLE LIABILITY POSITION: Alaska's debt burden is moderate. The state uses available cash to fund its capital needs and has cash-defeased outstanding obligations when cost-effective. To bolster the funding of its major statewide pension systems, the state deposited \$3 billion from its CBR in fiscal 2015 to improve the funded ratios. In addition, the state's other post-employment benefit obligations are largely pre-funded based on current assumptions.

RATING SENSITIVITIES

SUSTAINED FLEXIBILITY: Fitch will resolve the Watch after analyzing the state's enacted budget for fiscal 2017, which begins on July 1. The 'AAA' rating would likely be assigned a Negative Outlook or downgraded if, in Fitch's view, enacted budget measures do not support appropriate levels of long-term financial flexibility relative to the state's revenue structure.

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 focused on expected declines in production at its oil fields, prudently dedicating a substantial share of its past oil tax revenue to reserves to ease anticipated revenue loss due to the declines. However, the steep drop in crude oil prices beginning in late 2014 exceeded expectation and significantly reduced tax revenues to the state, requiring sizable use of reserves to fund operations in fiscals 2015 and 2016.

The governor has proposed a fiscal 2017 budget that significantly alters the manner in which the state funds operations in light of its expectation that crude oil prices will remain low. The proposal shifts petroleum-related revenues from the GF to the PF, reducing commodity volatility to the state's revenues but replacing the funds with expected investment earnings off of the large corpus in the PF. While there are several additional fiscally prudent measures proposed in the budget, Fitch believes the reliance on investment earnings to support almost three-quarters of its operating budget is not without risk. Fitch expects to resolve the Rating Watch following an enactment of a budget for fiscal 2017.

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 has been tied closely to its natural resource base, with the state typically deriving between 75% and 90% of its UGF revenues from petroleum-related activity. Fluctuating global energy prices have led to sharp surges and drops in the state's unrestricted general fund revenues, 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. 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.

In fiscal 2014, the state approved the transfer of \$3 billion of the CBR, to occur in fiscal 2015, to bolster the net position of the state's two largest pension systems, the public employees retirement system (PERS) and the teachers retirement system (TRS). The reduction in future annually required payments that results from the improvement in system funding provides out-year financial flexibility to the state, in Fitch's opinion.

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 fiscal 2015, as the average oil price was revised to \$76.31/bbl, increasing the anticipated revenue shortfall in fiscal 2015 to \$3.5 billion. The fiscal year ended with oil prices even lower than forecast, at \$72.58/bbl, resulting in a revenue shortfall of \$3.8 billion that was funded by depleting the SBR, with a total draw of \$3.1 billion. The state also drew approximately \$706 million from the CBR. Combined with withdrawals for the deposits to the pension systems, the balance in the CBR was reduced to \$10.1 billion at fiscal year-end from \$12.8 billion in fiscal 2014. The state also recorded a substantial balance in the PF's earnings reserve (PFER) of almost \$7.2 billion. Similar to the SBR, the PFER can be accessed by a simple majority vote of the state legislature. Even with these draws, the state's reserves remain substantial at almost 2.9x its operating budget.

The enacted budget for fiscal 2016 funds UGF expenditures of almost \$5 billion, a 19% reduction as compared to fiscal 2015. The budget incorporated an expectation of continued soft crude oil prices (\$66.03/bbl) and a planned \$2.7 billion operating deficit to be funded by a draw of monies from the CBR. The state's fall 2015 revenue forecast recognized the continued turbulence in crude oil prices and lowered the state's revenue forecast to reflect an average price of \$49.58/bbl. The forecast revision, despite additional expenditure reductions, has increased the expected budget gap in fiscal 2016 to \$3.6 billion (69% of the UGF budget).

Reserves at the close of fiscal 2016 are expected to total \$13.4 billion; equal to 2.6x the UGF budget, including about \$6.5 billion in the PFER. The governor has proposed moving \$5.5 billion from the CBR to the SBR to promote greater financial flexibility as part of his proposed fiscal plan for fiscal 2016, lowering the CBR balance to \$1 billion. Access to the PF 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 PF, which currently receives an annual allocation of state-derived oil royalties, rents, and bonuses, has increased from \$29.9 billion in fiscal 2009 to the current \$45.6 billion, incorporating sizable investment earnings on the fund's corpus.

FISCAL 2017 BUDGET PROPOSAL REALLOCATES STATE REVENUE

The governor's budget for fiscal 2017 fundamentally changes the way in which the state finances operations and attempts to shift volatility in the natural resource sector to the PF and PFER from the UGF. The proposal would shift petroleum-related revenues from the GF to the PF (both

mineral royalties and production taxes) and replace these funds with a perpetual \$3.3 billion annual allocation from the PFER to the UGF (about 69% of UGF expenditures in fiscal 2017). The proposal includes a \$3 billion transfer from the SBR to the PFER in fiscal 2017 that would build the corpus to allow it to spin off the targeted investment earnings over the long term.

There are several additional fiscally prudent measures proposed in the \$4.75 billion budget, including an over 50% cut to the annual PF dividend payment to residents and continued reductions in operating expenditures. The budget proposes the implementation or increase in several taxes, including re-instituting a state personal income tax; however, the proposals are contained within multiple pieces of legislation, resulting in uncertainty as to the passage of all measures. This potential impediment could increase the amount that is expected to be drawn from the SBR, currently estimated at \$300 million in fiscal 2017. Going forward, the state anticipates annual draws on the SBR through fiscal 2018 to fund operations.

Also part of the budget proposal for fiscal 2017, the governor is recommending further reforms to oil production tax credits to increase future revenue to the state; however, the reforms would come at a \$1.2 billion cost to the state in fiscal 2017. A revision to the state's oil tax policy was effective on Jan. 1, 2014 - the More Alaska Production Act (MAPA). MAPA 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. In Fitch's opinion, one positive of the tax change was the increase in the base tax rate from 25% to 35%, which has been beneficial in the current low price environment.

MANAGEABLE LIABILITY POSITION

The state is an infrequent debt issuer, meeting most capital needs from current revenues. The debt burden as of June 30, 2015 is manageable, with almost \$1.1 billion in net tax-supported debt measuring 2.7% 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 currently repaid from petroleum-related revenue, so the debt-to-income ratio is not as meaningful for Alaska as for other states.

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 annually consider appropriating for system employers' contributions over a fixed percentage of payroll. The application of \$3 billion of CBR funds in 2015 to accelerate progress toward full funding has also improved both systems' funded ratios. As of their June 30, 2015 draft funding valuations, PERS' pension funded ratio was 67%, up from 59.7% a year earlier, and TRS' pension funded ratio was 76.9%, up from 54.5% a year earlier (ratios are not inclusive of employee health benefits).

Based on Fitch's state pension update report, on a combined basis the burden of the state's net tax-supported debt and unfunded actuarial accrued liability for pension obligations, adjusted by Fitch to reflect a 7% return assumption, equaled 14% of 2014 personal income; however, Fitch expects that figure to have moderated following the CBR transfer noted earlier.

Healthcare trusts were established for both PERS and TRS, and as of June 30, 2015, were funded at 98.5% and 100.3%, respectively.

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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.

Fitch recently published an exposure draft of state and local government tax-supported criteria (Exposure Draft: U.S. Tax-Supported Rating Criteria, dated Sept. 10, 2015). The draft includes a number of proposed revisions to existing criteria. If applied in the proposed form, Fitch estimates the revised criteria would result in changes to less than 10% of existing tax-supported ratings. Fitch expects that final criteria will be approved and published by the end of the first quarter of 2016. Once approved, the criteria will be applied immediately to any new issue and surveillance rating review. Fitch anticipates the criteria to be applied to all ratings that fall under the criteria within a 12-month period from the final approval date.

Applicable Criteria

Exposure Draft: U.S. Tax-Supported Rating Criteria (pub. 10 Sep 2015)
https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=869942
Tax-Supported Rating Criteria (pub. 14 Aug 2012)
https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686015
U.S. State Government Tax-Supported Rating Criteria (pub. 14 Aug 2012)
https://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.

February 29, 2016

Mr. Deven J. Mitchell
Executive Director
Alaska Municipal Bond Bank Authority
333 Willoughby Avenue, 11th Fl.
P.O. Box 110405
Juneau, AK 99811

Dear Mr. Mitchell:

Fitch Ratings has assigned one or more ratings and/or otherwise taken rating action(s), as detailed in the attached Notice of Rating Action.

In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction.

The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors.

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Fitch seeks to continuously improve its ratings criteria and methodologies, and periodically updates the descriptions on its website of its criteria and methodologies for securities of a given type. The criteria and methodology used to determine a rating action are those in effect at the time the rating action is taken, which for public ratings is the date of the related rating action commentary. Each rating action commentary provides information about the criteria and methodology used to arrive at the stated rating, which may differ from the general criteria and methodology for the applicable security type posted on the website at a given time. For this reason, you should always consult the applicable rating action commentary for the most accurate information on the basis of any given public rating.

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Ratings are not a recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any issuer. Ratings do not comment on the adequacy of market price, the suitability of any investment, loan or security for a particular investor (including without limitation, any accounting and/or regulatory treatment), or the tax-exempt nature or taxability of payments made in respect of any investment, loan or security. Fitch is not your advisor, nor is Fitch providing to you or any other party any financial advice, or any legal, auditing, accounting, appraisal, valuation or actuarial services. A rating should not be viewed as a replacement for such advice or services.

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It is important that you promptly provide us with all information that may be material to the ratings so that our ratings continue to be appropriate. Ratings may be raised, lowered, withdrawn, or placed on Rating Watch due to changes in, additions to, accuracy of or the inadequacy of information or for any other reason Fitch deems sufficient.

Nothing in this letter is intended to or should be construed as creating a fiduciary relationship between Fitch and you or between us and any user of the ratings.

In this letter, "Fitch" means Fitch Ratings, Inc. and any successor in interest.

If you have any questions, please contact us at any time.

Jeff Schaub
Managing Director, Operations
U.S. Public Finance /
Global Infrastructure & Project Finance

JS/mb

Enc: Notice of Rating Action
(Doc ID: 200985)

Notice of Rating Action

<u>Bond Description</u>	<u>Rating Type</u>	<u>Action</u>	<u>Rating</u>	<u>Outlook/ Watch</u>	<u>Eff Date</u>	<u>Notes</u>
Alaska, State of (AK) GO bonds ser 2016A	Long Term	New Rating	AAA	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO & rfdg bonds (AMT) ser 2015B ser Two	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO & rfdg bonds (tax-exempt governmental purpose) ser 2013A Series Two	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO & rfdg bonds ser 2013 Series One	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO & rfdg bonds ser 2014 ser Three	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO & rfdg bonds ser 2015 series One	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO & rfdg bonds ser 2015A ser Two	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO & rfdg bonds ser 2016 ser One	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds (tax-exempt bank qualified) ser 2009A ser Four	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds (tax-exempt bank qualified) ser 2010A ser One	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds (tax-exempt bank qualified) ser 2010A ser Three	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds (tax-exempt governmental purpose) ser 2014A ser One	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds (taxable) ser 2009B ser Four	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds (taxable) ser 2010A-2	Long Term	Rating Watch On	AA	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds (taxable) ser 2010B ser Four	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds (taxable) ser 2010B ser One	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds (taxable) ser 2010B ser Three	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds (taxable) ser 2010B ser Two	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds (taxable) ser 2014B ser One	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds 2009 ser Three (tax-exempt bank qualified)	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds ser 2006 ser One	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds ser 2006 ser Two	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds ser 2007 ser Five	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	

Notice of Rating Action

<u>Bond Description</u>	<u>Rating Type</u>	<u>Action</u>	<u>Rating</u>	<u>Outlook/ Watch</u>	<u>Eff Date</u>	<u>Notes</u>
Alaska Municipal Bond Bank Authority (AK) GO bonds ser 2007 ser Four	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds ser 2007 ser One	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds ser 2007 ser Three	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds ser 2007 ser Two	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds ser 2008 ser One	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds ser 2008 ser Two	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds ser 2009 ser One	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds ser 2009 ser Two	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds ser 2010A ser Four	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds ser 2010A-1	Long Term	Rating Watch On	AA	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds ser 2011 ser One	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds ser 2011 ser Two	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds ser 2012 ser One	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds ser 2012 ser Three	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds ser 2013 ser Three	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds ser 2013B ser Two	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds ser 2014 ser Two	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO bonds ser 2015 series Three	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO rfdg bonds ser 2005 ser One	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO rfdg bonds ser 2011 ser Three	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska Municipal Bond Bank Authority (AK) GO rfdg bonds ser 2012 ser Two	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska, State of (AK) (Alaska Native Tribal Health Consortium Housing Facility Project) COPs ser 2014	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	
Alaska, State of (AK) (Seafood & Food Safety Laboratory Facility) COPs ser 2003A (insured: MBIA Insurance Corp.)	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	1
Alaska, State of (AK) (State Virology Laboratory Facility) COPs ser 2005B (insured: Financial Guaranty Insurance Company)	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	1

Notice of Rating Action

<u>Bond Description</u>	<u>Rating Type</u>	<u>Action</u>	<u>Rating</u>	<u>Outlook/ Watch</u>	<u>Eff Date</u>	<u>Notes</u>
Alaska, State of (AK) GO bonds (Taxable Build America Bonds - Direct Payment) ser 2010A	Long Term	Rating Watch On	AAA	RW:Neg	29-Feb-2016	
Alaska, State of (AK) GO bonds (Taxable Qualified School Construction Bonds - Direct Payment) ser 2010B	Long Term	Rating Watch On	AAA	RW:Neg	29-Feb-2016	
Alaska, State of (AK) GO bonds (Taxable Qualified School Construction Bonds - Direct Payment) ser 2013A	Long Term	Rating Watch On	AAA	RW:Neg	29-Feb-2016	
Alaska, State of (AK) GO bonds ser 2009A	Long Term	Rating Watch On	AAA	RW:Neg	29-Feb-2016	
Alaska, State of (AK) GO bonds ser 2013B	Long Term	Rating Watch On	AAA	RW:Neg	29-Feb-2016	
Alaska, State of (AK) GO gen purpose bonds ser 2003A (insured: Assured Guaranty Municipal Corp.)	Long Term	Rating Watch On	AAA	RW:Neg	29-Feb-2016	
Alaska, State of (AK) GO rfdg bonds ser 2012A	Long Term	Rating Watch On	AAA	RW:Neg	29-Feb-2016	
Alaska, State of (AK) GO rfdg bonds ser 2015B	Long Term	Rating Watch On	AAA	RW:Neg	29-Feb-2016	
Anchorage (AK) correctional facil lease rev rfdg bonds ser 2005 (insured: Assured Guaranty Municipal Corp.)	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	1
Matanuska-Susitna Borough (AK) (Goose Creek Correctional Center Proj) lease rev bonds ser 2008 (insured: Assured Guaranty Corp.)	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	1
Matanuska-Susitna Borough (AK) (Goose Creek Correctional Center Proj) lease rev rfdg bonds ser 2015	Long Term	Rating Watch On	AA+	RW:Neg	29-Feb-2016	

Key: RO: Rating Outlook, RW: Rating Watch; Pos: Positive, Neg: Negative, Sta: Stable, Evo: Evolving

Notes

- 1 The rating is an underlying rating, given without consideration of credit enhancement.