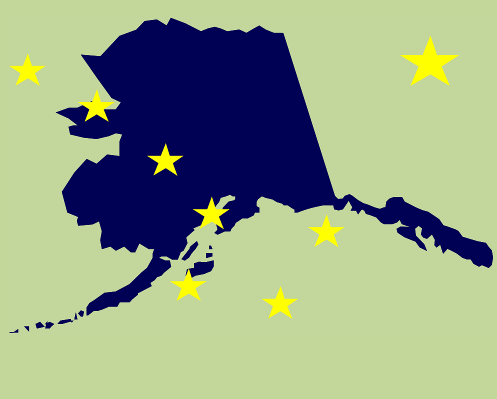
STATE OF ALASKA

STATE BOND COMMITTEE

Department of Revenue Commissioner's Conference Room

February 28, 2014

2:30 p.m.



STATE BOND COMMITTEE
AGENDA FOR BOARD OF DIRECTOR'S MEETING

Alaska Department of Revenue
Commissioner's Conference Room
333 Willoughby Avenue
State Office Building, 11th Floor
Juneau, Alaska 99811

February 28, 2014 2:30 P.M.

I. **Call to Order**

II. **Roll Call**

III. **Public Meeting Notice**

IV. **Approval of Agenda**

V. **Minutes of September 16, 2013 & January 6, 2014 State Bond Committee Meetings**

VI. **Public Participation and Comment**

VII. **New Business**

- **A.** **Resolution 2014-04 2014 Certificate of Participation Issuance Authority and Delegation**
- **B.** **Debt Manager's Report**

VIII. **Committee Member Comments**

IX. **Schedule Next Meeting**

X. **Adjournment**

Notice is hereby given that the State of Alaska State Bond Committee will hold a meeting at the Alaska Department of Revenue Commissioner's Office, 333 Willoughby Avenue, 11th Floor, Juneau, Alaska 99811, on February 28, 2014 at 2:30 p.m.

Resolution 2014-04	Authorizing the issuance of up to $35 million of State of Alaska Certificates of Participation for the construction of a residential housing facility and elevated pedestrian bridge to the Alaska Native Medical Center

Debt Manager's Report

The public is invited to attend and will be given the opportunity for public comment and participation. The State Bond Committee complies with Title II of the Americans with Disabilities Act of 1990 and the Rehabilitation Act of 1973.

Dated February 20, 2014
Deven Mitchell

OFFICIAL MINUTES
STATE BOND COMMITTEE
September 16, 2013

A meeting of the State Bond Committee was held at 2:00 p.m. on September 16, 2013 at the Department of Revenue, Commissioner's Conference Room, Juneau, Alaska.

State Bond Committee Members present in Juneau were:

Angela Rodell, Acting Commissioner, Department of Revenue
Michael Barnhill, Deputy Commissioner, Department of Administration

State Bond Committee Members present telephonically were:

Daniel Patrick O'Tierney, Deputy Commissioner, Department of Commerce, Community & Economic Development

Also present in Juneau were:

Deven Mitchell, Debt Manager, Department of Revenue
Ryan Williams, Department of Revenue

Also present telephonically were:

Kerry Salas, K & L Gates
Cynthia Weed, K & L Gates
Pete Nissen, Acacia Financial
Phoebe Seldon, Acacia Financial

I. Call to Order

Mr. O'Tierney called the meeting to order at 2:02 p.m. AST.

II. Roll Call

Mr. Mitchell took roll call. Ms. Rodell, Mr. Barnhill and Mr. O'Tierney were present.

III. Public Meeting Notice

A copy of the Affidavit of Publication concerning the date, location, and purpose of the meeting were reviewed and made a part of the minutes of the meeting. Mr. Mitchell stated the meeting notice was advertised in the State's Online Public Notice.

IV. Approval of Agenda

Ms. Rodell moved and Mr. Barnhill seconded approval of the Agenda. The motion was adopted without objection.

V. Minutes of February 20, 2013

Ms. Rodell pointed out two corrections to the committee packet's minutes. Mr. Barnhill moved and Ms. Rodell seconded approval of the revised minutes of February 20, 2013. The motion was approved without objection.

VI. Public Comment

Mr. O'Tierney asked for public participation and comment. There was none.

VII. New Business

Resolution 2013-02

Mr. Mitchell stated that the resolution authorizes bond anticipation note (BAN) series for the issuance of up to $1,688,000 for the Clean Water Fund and up to $1,795,000 for the Drinking Water Fund. The borrowed money (BANs proceeds) will be used as State of Alaska match to obtain federal appropriations into the Funds. The borrowed money (BANs) will be paid off the day following initial borrowing with investment earnings that are already in the Funds. The only purpose for this transaction is to obtain additional federal appropriations into the Funds without obligating additional general funds. This year's transaction represents the 13th year this mechanism has been used to provide for State match for the Federal funds. Key Agency Services has provided a bid to facilitate the BANs for a total fee of $2,500 plus interest expense of up to $406.22. The final amount of interest expense will be determined when the Department of Environmental Conservation identifies the deposit amounts that are desired for the Funds. I expect the transaction to be facilitated in the Month of October.

Mr. Barnhill moved and Ms. Rodell seconded approval of Resolution 2013-02. Mr. O'Tierney questioned the allowance for up to $40,000 for costs of issuance in section 5. Based on Mr. Mitchell's explanation costs are anticipated to be significantly less than that amount. Following discussion Ms. Rodell moved and Mr. Barnhill seconded amending the allowance for cost of issuance in section 5 to $10,000. The amendment was approved without objection. Mr. O'Tierney then asked if the third paragraph in Section 5 read correctly as Mr. Mitchell has indicated that the State will be using Key Agency Services for the overnight loan. Following additional discussion Mr. Barnhill moved that the first sentence of the third paragraph in section 5 of the resolution should be amended to read, "If the Designated Representative elects to prepare a solicitation" to the beginning of the sentence. Ms. Rodell seconded the motion and it was approved without objection. The Committee then approved Resolution 2013-02 as amended with three yes votes.

Alaska International Airports System Update

Mr. Mitchell explained that the Alaska International Airports System (AIAS) has developed a plan of financial goals over the course of the last several years regarding certain AIAS revenue bonds. The AIAS is an enterprise located in the Department of Transportation and Public Facilities comprised of the Anchorage and Fairbanks International airports. Management of the AIAS is accomplished through the oversight of the DOT Deputy Commissioner for Aviation, Steve Hatter, implemented on an AIAS wide basis by the AIAS Controller, Keith Day, with day to day operations management provided by Anchorage and Fairbanks airport directors, John Parrot and Jesse Vanderzanden respectively. Mr. Mitchell continued that the issuance of AIAS revenue bonds is legally approved by the State Bond Committee, but as has been learned by historical trial and error, the bonds that are issued must be carefully woven into the management plan for the System. Accordingly Mr. Mitchell plans to work closely with Keith Day and others at the AIAS to ensure their management goals are met in any financing undertaken on behalf of AIAS.

The AIAS management team has requested that the currently variable rate 2009A AIAS revenue bonds be effectively converted to fixed rate. The primary reason for this is that the AIAS has a plan to draw down their cash position and will thus lose the natural hedge that they've historically had against rising interest rates. Additional reasons that have been cited include perceived credit risk, and interest rate risk which ties into the primary reason of diminished cash position. The AIAS would like to accomplish this conversion prior to the end of the fiscal year.

Mr. Mitchell indicated that he has distributed an RFQ for underwriter to a list of firms generated in consultation with AIAS Controller Keith Day. The firms identified have reviewed the AIAS debt and worked to provide value over the last several years by meeting with both

Alaska International Airport System(AIAS)

Mr. Mitchell explained that this agenda item was added to provide an update on the potential AIAS refinancing reported on at the last meeting. Mr. Mitchell pointed the Committee to the Moody's rating update in their packets with which they downgraded the AIAS credit rating from AA3 to A1. This shift wasn't unexpected as the AIAS had been on negative outlook with Moody's for approximately 18 months. The downgrade was the result of a diminished air cargo traffic level between Asia and Central US. The AIAS has retained its market share of this cargo flow, but the flow has been more volatile than previously expected. Mr. Mitchell then reviewed the Goldman Sachs 2013 Finance Plan Update contained in the Committee's packets. He provided some explanation on current market conditions and the evolution of the market over the last 6 months. One of the primary reasons that the AIAS refinancing was placed on hold was that the 2006 C bonds were randomly selected for audit by the IRS. The financing team determined that the audit would negatively impact the pricing and therefore that the transaction should be shelved until its resolution. At the same time the financing was shelved interest rates on the long end of the yield curve increased. That said, as you can see on page 6 of the update there is approximately $50 million of AMT refunding potential that generates almost $4 million of savings or almost 8% present value savings as a percentage of the refunded bonds. There are additional Non-AMT candidates identified as well. Ms. Rodell requested that Mr. Mitchell reach out to the IRS based on the lack of communication since the audit was initiated. Mr. Mitchell state that the IRS would be contacted.

Debt Manager's Report

Mr. Mitchell reported on the following items:

The 2013 Series C general obligation bond anticipation notes authorized at the February meeting were successfully sold on March 14, 2013 and closed on March 27. The blended all in net interest cost of the bonds is .09571%. This sale is funding the initial cash flow associated with the 2012 transportation authorization. Given updates to the cash flow the $152.1 million generated from the sale will easily get us to the note's maturity on March 25, 2014. It is likely that the recommended approach for the refinancing of the 2013 C notes will be to issue another bond anticipation note. A post sale summary prepared by our financial advisor, Acacia is in your packet.

SB 88 authorizing the issuance of $35 million of certificates of participation to fund a residential housing facility and pedestrian bridge was approved. The project will be managed by the Alaska Native Tribal Health Consortium (ANTHC) and the State Bond Committee will be issuing the certificates of participation. We are waiting for ANTHC to let us know that funding is required. A copy of SB 88 is included in your packet.

HB 23 authorizing the Alaska Industrial Development and Export Authority to issue up to $150 million of State of Alaska moral obligation bonds, among other things, in support of a natural gas liquefaction plant on the North Slope was approved.

Sport Fishing Revenue bonds. Fitch, Standard and Poor's, and Moody's have requested information over the course of the last four months related to the outstanding Sport Fishing Revenue bonds. Fitch affirmed their rating of A+ on the bonds, while S&P and Moody's have taken no action. Information on Sport Fish license sales show significant decreases in licenses sold through June 2013 when compared to 2012, but an increase in license sales in July and August.

Governor Parnell along with other state representatives visited with rating analysts in May. The purpose of the visit was to provide an update on the State financials and perspective on the tax revision SB 21 provides.

Standard and Poor's has recently been compiling local government metrics and Moody's has been inquiring about the State's liquidity.

VIII. Committee Member Comments

There were none.

IX. Schedule Next Meeting

Mr. Mitchell indicated that the next meeting date will need to be in the next four months, but will be at the call of the Chair.

X. Adjournment

The meeting was adjourned at 3:02 p.m..

Susan Bell, Commissioner
Department of Commerce and Economic Development
Chairman

ATTEST:

Angela Rodell, Commissioner
Department of Revenue
Secretary

OFFICIAL MINUTES
STATE BOND COMMITTEE
January 6, 2014

A meeting of the State Bond Committee was held at 10:00 a.m. on January 6, 2014 at the Department of Revenue, Commissioner's Conference Room, Juneau, Alaska.

State Bond Committee Members present in Juneau were:

JoEllen Hanrahan, Deputy Commissioner, Department of Commerce Community & Economic Development
Jerry Burnett, Director of Administrative Services, Department of Revenue
Michael Barnhill, Deputy Commissioner, Department of Administration

Also present in Juneau were:

Deven Mitchell, Debt Manager, Department of Revenue
Ryan Williams, Department of Revenue

Also present telephonically were:

Kerry Salas, K & L Gates
Cynthia Weed, K & L Gates
Pete Nissen, Acacia Financial
Phoebe Seldon, Acacia Financial
Brian Olin, Goldman Sachs

I. Call to Order

Mr. Burnett called the meeting to order at 10:05 a.m. AST.

II. Roll Call

Mr. Mitchell took roll call. Mr. Burnett, Mr. Barnhill and Ms. Hanrahan were present.

III. Public Meeting Notice

A copy of the Affidavit of Publication concerning the date, location, and purpose of the meeting were reviewed and made a part of the minutes of the meeting. Mr. Mitchell stated the meeting notice was advertised in the State's Online Public Notice.

IV. Approval of Agenda

Mr. Barnhill moved and Ms. Hanrahan seconded approval of the Agenda. The motion was adopted without objection.

V. Minutes of September 16, 2013

Mr. Barnhill pointed out a partial paragraph in the minutes. Approval of the minutes was deferred to the next meeting of the Committee.

VI. Public Comment

Mr. Burnett asked for public participation and comment. There was none.

VII. New Business

Resolution 2014-01

Mr. Mitchell stated that the resolution allocates the annual private activity bond volume limit and the qualified public education facilities bond limit for calendar year 2013. There have been no requests for either one of the allocations for the year and accordingly it is the recommendation of staff to allocate to the most likely users of the caps. For the private activity bond volume limit, the Alaska Housing Finance Authority has been the most prolific user of the cap and therefore the entire amount is allocated to AHFC. As the cap can be carried forward for three years it is hoped that there will be an opportunity for use of the cap in the future. For the qualified public education facilities bonds all past allocations have been granted to the Alaska Industrial Export and Development Authority. This cap can also be carried forward for three years and by allocating to AIDEA it maximizes the likelihood of a future use on a consolidated project. Mr. Barnhill moved Resolution 2014-01 and Ms. Hanrahan seconded the motion. The Committee then approved Resolution 2014-01 with three yes votes.

Resolution 2014-02

Mr. Mitchell stated that the resolution provides for advance funding of the legislatively authorized $35 million residential housing facility by the Alaska Native Tribal Health Consortium to be reimbursable from the certificates of participation of the State of Alaska that are anticipated to be issued in April. The passage of the resolution allows for maximum funding flexibility. Included in your packet material is a letter from the Chairman and President of ANTHC explaining their agreement to forward fund the construction. Ms. Hanrahan moved Resolution 2014-02 and Mr. Barnhill seconded the motion. The Committee then approved Resolution 2014-02 with three yes votes.

Resolution 2014-03

Mr. Mitchell explained that the resolution delegates authority to approve the terms and conditions of the initial sale of the 2013 transportation general obligation bond issuance authority for a not to exceed amount of $225 million for the purpose of refinancing the 2013 C Bond Anticipation Notes and fund additional project cost. The final sizing will be determined by the updated cash flow expected later this month. Ms. Weed emphasized the legal delegations and authority that the Resolution conveyed. She continued that this Bond Anticipation Note will be the second issuance related to the$453 million of 2012 transportation projects. The Bond Anticipation Notes will be issued with a fixed rate of interest based on a maturity 12 months after issuance. The Resolution limits the rate of interest to 1%. Mr. Mitchell indicated that in the current market we expect the rate to be in the .15-.20 percent interest rate. Mr. Barnhill asked if we can continue to issue Bond Anticipation Notes indefinitely. Ms. Weed indicated that a permanent financing plan is required at some point. Mr. Barnhill moved and Ms. Hanrahan seconded the motion to approve Resolution 2014-03. The motion was carried with three yes votes.

Debt Manager's Report

Mr. Mitchell reported on the following items:

On October 22, 2013 the Revenue Bond Anticipation Notes were issued for the Clean Water and Drinking Water Funds. The $2,975,979.52 of Notes were repaid on October 23 as planned. The transaction provided for additional Federal match being deposited into the Funds as planned. The transaction Memorandum of Understanding is attached.

The FY 2015 State debt service requirement has been incorporated into the Governor's FY 2015 budget that was released in December. There were no issues with this process.

Ongoing Disclosure – the State of Alaska's FY 2013 CAFR and the Fall 2013 Revenue Forecast have been posted on EMMA in compliance with the State's ongoing disclosure responsibility.

On December 31, 2013 I directed US Bank to provide notice and optionally redeem $1,490,000 of the 2006 State of Alaska Sport Fishing Revenue Bonds. This optional redemption was the result of excess surcharge collection over the course of the last year. Following this optional redemption approximately $900,000 of the final maturity of the bonds will remain outstanding. A copy of the direction letter is in your packet.

The 2013 Series C general obligation bond anticipation notes authorized at the February meeting were successfully sold on March 14, 2013 and closed on March 27. The blended all in net interest cost of the bonds is .09571%. This sale is funding the initial cash flow associated with the 2012 transportation authorization. Given updates to the cash flow the $152.1 million generated from the sale will easily get us to the note's maturity on March 25, 2014. It is likely that the recommended approach for the refinancing of the 2013 C notes will be to issue another bond anticipation note. A post sale summary prepared by our financial advisor, Acacia is in your packet.

VIII. Committee Member Comments

There were none.

IX. Schedule Next Meeting

Mr. Mitchell indicated that the next meeting date will need to be in February , but will be at the call of the Chair.

X. Adjournment

The meeting was adjourned at 10:37 a.m..

Susan Bell, Commissioner
Department of Commerce and Economic Development
Chairman

ATTEST:

Angela Rodell, Commissioner
Department of Revenue
Secretary

STATE BOND COMMITTEE

RESOLUTION NO. 2014-04

A Resolution of the State Bond Committee of the State of Alaska relating to the issuance and sale of up to $35,000,000 of certificates of participation; delegating to the Debt Manager certain authority to arrange for a public hearing regarding the issuance of such certificates; to sell such certificates by negotiated sale and to approve preliminary and final official statements; and authorizing the Debt Manager to approve the interest rates, maturity dates and final principal amounts of the certificates under the terms and conditions set forth herein.

WHEREAS, the Alaska State Legislature approved Senate Bill No. 88 codified as Chapter 63, SLA 2013 (the “Act”), authorizing the Department of Administration (“DOA”) to enter into a facility lease and trust agreement (the “Agreement”) in order to permit the financing of the construction and equipping of a residential housing facility and a related elevated pedestrian bridge to the hospital to serve the Anchorage campus of the Alaska Native Medical Center to be used by the Alaska Native Tribal Health Consortium (“ANTHC”) within the Municipality of Anchorage (the “ANTHC Housing Facility Project”); and

WHEREAS, the Act provided a limitation on the total costs of the ANTHC Housing Facility Project in the dollar amount of $35,000,000; and

WHEREAS, the Act provided that the funds to be used for the ANTHC Housing Facility Project would be comprised of (i) $35,000,000 from the proceeds of certificates of participation to be issued by the State Bond Committee, and (ii) subject to appropriation, investment income earned on the money described in (i); and

WHEREAS, the Act requires that the State hold title to the ANTHC Housing Facility Project and the leasehold interest until the certificates of participation are repaid, at which time title will be transferred to ANTHC; and

WHEREAS, a portion of the costs of construction ($35,000,000) of the ANTHC Housing Facility Project are proposed to be provided from the proceeds of sale of certificates of participation ("Certificates") in the payments to be made by DOA under the Agreement; and

WHEREAS, Section 147 of the Internal Revenue Code of 1986, as amended, requires the holding of a public hearing prior to the issuance of the Certificates;

NOW, THEREFORE, BE IT RESOLVED BY THE STATE BOND COMMITTEE OF THE STATE OF ALASKA, as follows:

<u>Section 1</u>. <u>Certificates of Participation</u>. Subject to the holding of a public hearing on the issuance of Certificates, the issuance and sale of up to $35,000,000 of Certificates is hereby authorized and approved for the purpose of providing funds sufficient to pay costs of the ANTHC Housing Facility Project and pay costs of issuance.

<u>Section 2</u>. <u>Certificate Date and Payments</u>. The Certificates shall consist of participations in payments to be made by DOA under the Agreement and shall be issued by a Trustee (hereinafter provided for). The Certificates shall be fully registered as to both principal and interest and shall be in the denomination of $5,000 or any integral multiple thereof, provided that no Certificate may represent more than one maturity; shall be numbered separately and in such manner and with any additional designation as the financial institution selected by the Debt Manager and acting as authenticating agent, paying agent and registrar for the Certificates (the "Trustee") deems necessary for identification. The Certificates shall mature serially or with term maturities and shall be prepayable in accordance with the terms established in the bond purchase agreement for the Certificates.

The Certificates shall bear interest at such rate or rates as are established upon the sale of the Certificates as provided herein.

Section 3. Sale of Certificates. The Debt Manager is authorized and directed to publicize and conduct a public hearing or hearings on the issuance of the Certificates as required by Section 147 of the Internal Revenue Code of 1986, as amended. Following a public hearing or hearings, the Debt Manager is authorized to negotiate terms for the purchase of the Certificates by J.P. Morgan Securities LLC and Wells Fargo Bank, National Association (the "Underwriters") and execute a purchase contract for the Certificates, between the State and the Underwriters (the "Purchase Contract"), with such terms as are approved by the Debt Manager pursuant to this section and consistent with this resolution. The State Bond Committee has determined that it would be in the best interest of the State to delegate to the Debt Manager for a limited time the authority to determine the final interest rates, maturity dates, aggregate principal amount, terms of redemption and redemption rights and principal amounts of each maturity of the Certificates. The Debt Manager is hereby authorized to approve the final interest rates, maturity dates, aggregate principal amount, principal maturities, terms of redemption and redemption rights for the Certificates in the manner provided hereafter so long as (i) the aggregate principal amount of the Certificates does not exceed $35,000,000; and (ii) the true interest cost for the Certificates does not exceed 5.0%.

In determining the final interest rates, maturity dates, aggregate principal amount, principal maturities, terms of redemption and redemption rights, the Debt Manager, in consultation with State staff and the State's financial advisor, shall establish the overall debt structure and take into account those factors that, in his judgment, will result in the overall lowest true interest cost on the Certificates, including, but not limited to current financial market conditions and current interest rates for obligations comparable in tenor and quality to the Certificates. Subject to the terms and conditions set forth in this Section 3, the Debt Manager is hereby authorized to execute the final form of the Purchase Contract upon the Debt Manager's approval of the final interest rates, maturity dates, aggregate principal amount, principal maturities, terms of redemption and redemption rights, set forth therein. Following the execution of the Purchase Contract, the Debt Manager shall provide a report to the State Bond Committee, describing the final terms of the Certificates approved pursuant to the authority delegated in this section. The authority granted to the Debt Manager by this Section 3 shall expire 120 days after the date of approval of this resolution. If a Purchase Contract for the Certificates has not been executed within 120 days after the date of final approval of this resolution, the authorization for the issuance the Certificates shall be rescinded, and the Certificates shall not be issued nor their sale approved unless the Certificates shall have been re-authorized by resolution of the State Bond Committee. The resolution re-authorizing the issuance and sale of such Certificates may be in the form of a new resolution repealing this resolution in whole or in part (only with respect to the Certificates not issued) or may be in the form of an amendatory resolution approving a purchase contract or establishing terms and conditions for the authority delegated under this Section 3.

Upon the adoption of this resolution, the proper officials of the State including the Debt Manager, are authorized and directed to undertake all other actions necessary for holding of a public hearing or hearings, the prompt sale, execution and delivery of the Certificates and further to execute all closing certificates and documents required to effect the closing and delivery of the Certificates in accordance with the terms of the Purchase Contract.

The Debt Manager is authorized to ratify and to approve for purposes of Rule 15c2-12, promulgated by the Securities and Exchange Commission (the "Rule"), on behalf of the State, an official statement relating to the issuance and sale of the Certificates and the distribution of such official statement pursuant thereto with such changes, if any, as may be deemed by him to be appropriate. The Debt Manager is hereby authorized to deem final a preliminary official statement relating to the Certificates for the purposes of the Rule.

The Debt Manager is hereby further authorized to seek proposals and evaluate proposals for credit enhancement for the Certificates and to solicit proposals and evaluate proposals from banking institutions or trust companies to act as Trustee and/or contracting party for the issuance of the Certificates.

ADOPTED AND APPROVED by the State Bond Committee of the State of Alaska, the 28th day of February, 2014.

STATE OF ALASKA
STATE BOND COMMITTEE

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SUSAN K. BELL
Commissioner, Department of Commerce
Community and Economic Development
Chair and Member
Alaska State Bond Committee

____

CURTIS THAYER
Acting Commissioner, Department of
Administration
Member
Alaska State Bond Committee

____

ANGELA RODELL
Commissioner, Department of Revenue
Secretary and Member
Alaska State Bond Committee

Approved as to form:

____

Alaska Department of Law
State of Alaska

CERTIFICATE

I, the undersigned, Secretary of the State Bond Committee of State of Alaska (the "State"), and keeper of the records of the State Bond Committee (the "Committee"), DO HEREBY CERTIFY:

1. That the attached resolution is a true and correct copy of Resolution No. 2014-04 of the Committee (the "Resolution"), duly passed at a meeting thereof held on February 28, 2014.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a legal quorum was present throughout the meeting and a legally sufficient number of members of the Committee voted in the proper manner for the passage of said Resolution; that all other requirements and proceedings incident to the proper passage of said Resolution have been duly fulfilled, carried out and otherwise observed; and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this ___ day of ___________, 2014.

____

Secretary

PRELIMINARY OFFICIAL STATEMENT DATED ________, 2014

NEW ISSUE – BOOK-ENTRY ONLY **RATINGS: See "RATINGS" herein**

In the opinion of K&L Gates LLP, Bond Counsel, assuming compliance with certain covenants of the State, interest on the Notes is excludable from gross income for federal income tax purposes under existing law. Interest on the Notes is not an item of tax preference for purposes of either individual or corporate alternative minimum tax. Interest on the Notes may be indirectly subject to corporate alternative minimum tax and certain other taxes imposed on certain corporations. Interest on the Notes is not included in taxable income for purposes of the Alaska income tax imposed on corporations. Interest on the Notes may be indirectly subject to the Alaska alternative minimum tax imposed on corporations to the extent that interest on the Notes is subject to the federal alternative minimum tax on corporations. See "TAX MATTERS" herein for a discussion of the opinions of Bond Counsel.

$170,000,000[1]
STATE OF ALASKA
General Obligation Bond Anticipation Notes
Series 2014
(Non-Callable)
Interest Rate: ___%
Yield: ___%
CUSIP No.: 011770__

Dated: Date of Delivery **Due: March 23, 2015**

The State of Alaska (the "State") $170,000,000* General Obligation Bond Anticipation Notes, Series 2014 (the "Notes") will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers of Notes will not receive physical certificates representing their interest in the Notes purchased. DTC will act as securities depository for the Notes. Individual purchases of interests in the Notes will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof. The principal of and interest on the Notes shall be paid at maturity. The Notes are ***not*** subject to redemption prior to redemption.

The Notes shall bear interest at the rate annum set forth above, calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year. The principal of and interest on the Notes will be payable directly to DTC by The Bank of New York Mellon Trust Company, N.A. of Seattle, Washington, as authenticating agent, paying agent and registrar for the Notes (the "Bond Registrar"). Upon receipt of payments of principal and interest, DTC is to remit such principal and interest to the Direct Participants (as such term is defined in Appendix E hereto) for subsequent disbursement to the purchasers of beneficial interests in the Notes, as described herein.

The Notes will be general obligations of the State and the full faith, credit and resources of the State are pledged to the payment of principal of and interest on the Notes. See "THE NOTES – Security for the Notes" herein.

The Notes will be issued pursuant to the Alaska Constitution, Alaska Statutes 37.15.010 through 37.15.220 (the "Bond Act"), Sections 1, 3, 4 and 5 of Chapter 18, SLA 2012 (HB 286) (the "State Transportation Bond Act") and the Resolution (as defined herein) for the purpose of refunding a portion of the State's General Obligation Bond Anticipation Notes, Series 2013 and paying the costs of design and construction of state transportation projects. See "THE NOTES – Application of Note Proceeds" herein.

This cover page contains certain information for quick reference only. Investors must read the entire Official Statement to obtain information essential to the making of an informed decision.

The Notes are offered when, as and if issued, subject to the approval of their validity and enforceability by K&L Gates LLP, Seattle, Washington, Bond Counsel. Acacia Financial Group, Inc. is serving as Financial Advisor to the State. It is expected that the Notes in book-entry form will be available for delivery by Fast Automated Securities Transfer, through the facilities of DTC, on or about _______, 2014.

The date of this Official Statement is _______, 2014

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[1] **Preliminary, subject to change**

STATE OF ALASKA
Sean Parnell, Governor
Mead Treadwell, Lt. Governor
P.O. Box 110001
Juneau, Alaska 99811
http://www.alaska.gov[2]

STATE BOND COMMITTEE

Susan Bell, Chair
Commissioner
Department of Commerce, Community and Economic Development

Angela Rodell, Secretary
Commissioner
Department of Revenue

Curtis Thaver, Member
Commissioner
Department of Administration

JoEllen Hanrahan, Delegate for
Department of Commerce, Community and Economic Development
Deputy Commissioner

Mike Barnhill, Delegate for
Department of Administration
Deputy Commissioner

Deven J. Mitchell
Debt Manager, State of Alaska
Department of Revenue
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STATE DEPARTMENT OF LAW
P.O. Box 110300
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Christopher Poag
Assistant Attorney General

FINANCIAL ADVISOR TO THE STATE
Acacia Financial Group, Inc.
Anchorage, Alaska

BOND COUNSEL
K&L Gates LLP
Seattle, Washington

BOND REGISTRAR
The Bank of New York Mellon Trust Company, N.A.
Seattle, Washington

[2] The reference to the State's website is not a hyperlink and the State's website, by this reference, is not incorporated herein.

The information contained in this Official Statement has been obtained from the State of Alaska and other sources the State deems reliable. No representation is made, however, as to the accuracy or completeness of such information, and nothing contained in this Official Statement is, or shall be relied upon as, a promise or representation by the Underwriters. The information concerning DTC and its book-entry system has been obtained from DTC, and no representation is made by the State as to the completeness or accuracy of such information.

No dealer, broker, salesperson or other person has been authorized by the State or the State Bond Committee (the "Committee") to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Notes, and, if given or made, such other information or representations must not be relied upon as having been authorized by the State or the Committee.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sales made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the State since the date hereof. This Official Statement does not constitute a contract between the State and any one or more of the purchasers or registered owners of the Notes. All summaries of bond resolutions, agreements or other documents are made subject to the provisions of such documents, respectively, and do not purport to be complete or definitive statements of any or all of such provisions.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Certain statements contained in this Official Statement reflect not historical facts but forecasts and "forward-looking statements." The words "estimate," "project," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements. The achievement of certain results or other expectations contained in forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except for the historical information described in the continuing disclosure undertaking of the State, the State does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations or events, conditions or circumstances on which such statements are based occur.

IN CONNECTION WITH THE OFFERING OF THE NOTES, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE RESOLUTION BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICIATION OF THE NOTES IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH NOTES HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE NOTES OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

Relating to

$170,000,000
STATE OF ALASKA
General Obligation Bond Anticipation Notes,
Series 2014
(Non-Callable)

INTRODUCTORY STATEMENT

This Introductory Statement is intended to be a brief description of, and is therefore qualified by, the information contained in this Official Statement. Each prospective purchaser reviewing this Introductory Statement is directed to review this entire Official Statement, including the Appendices attached hereto, as well as all the documents referenced, summarized or described in this Official Statement.

The purpose of this Official Statement, including the Appendices attached hereto, is to provide certain information concerning the State of Alaska (the "State") and the issuance of $170,000,000 aggregate principal amount of the State of Alaska General Obligation Bond Anticipation Notes, Series 2014, (the "Notes"). The Notes will be issued pursuant to Resolution No. 2014-03 (the "Resolution"), adopted by the State Bond Committee (the "Committee") on January 6, 2014. See "THE NOTES" herein for a description of the Notes and the security therefor.

The Notes will be general obligations of the State and the full faith, credit and resources of the State will be pledged to the payment of the principal of and interest on the Notes. See "THE NOTES – Security for the Notes" herein.

The Notes are being issued for the purpose of paying the costs of design and construction of state transportation projects, as more fully described under the caption "THE BONDS – Application of Bond Proceeds" herein.

The audited general purpose financial statements for the State for the fiscal year ended June 30, 2013, are attached hereto as Appendix B. These financial statements reflect historical performance. The financial performance of the State reflected in these financial statements cannot be relied upon as a reliable indicator of subsequent performance. Historical trends cannot be used to anticipate results or trends in future periods.

This Official Statement includes brief descriptions of the Notes and the Resolution. These descriptions do not purport to be comprehensive or definitive. References to such documents are qualified in their entirety by reference to the complete texts thereof. Copies of such documents are available for inspection at the office of the Department of Revenue. All quotations from and summaries and explanations of provisions of laws of the State herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof. Summaries of, or references to, provisions of the Internal Revenue Code of 1986 (the "Code") contained herein are made subject to the complete provisions thereof and do not purport to be complete statements thereof. Certain capitalized terms used herein and not defined herein shall have the meanings assigned thereto in "APPENDIX E – INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY."

The forms of opinions of Bond Counsel are attached hereto as Appendix C.

THE NOTES

Authority for Issuance

The Notes will be issued pursuant to the Alaska Constitution, AS 37.15.010 through 37.15.380 (the "Bond Act"), Sections 1, 3, 4 and 5 of Chapter 18, SLA 2012 (HB 286) (the "State Transportation Bond Act") and the Resolution for the purpose of paying the costs of design and construction of state transportation projects. On November 6, 2012, a general obligation bond authorization was passed by a majority of the qualified voters in the State who voted in the election authorizing the issuance of $453,499,200 of general obligation bonds for the purpose of paying the costs of design and construction of state transportation projects.

Security for the Notes

The Notes will be general obligations of the State and the full faith, credit and resources of the State will be pledged to the payment of the principal of and interest on the Notes. The Notes will be paid from the next succeeding sale of bonds or from the proceeds of new notes issued by the State. The amounts required annually to pay the principal of, interest and redemption premium on all issued and outstanding general obligation bonds of the State are appropriated each fiscal year to the Committee to make all required payments of principal, interest and redemption premium.

For the payment of principal of and interest on general obligation indebtedness, including the Notes, the State has the power to levy taxes, including taxes on all taxable property and income in the State, without limitation as to rate or amount. For a description of the State's sources of revenues, see "INFORMATION CONCERNING THE STATE OF ALASKA – State Revenues" and for a more complete discussion of the authorization of general obligation bonds and the provisions for payment thereof, see "INFORMATION CONCERNING THE STATE OF ALASKA – Public Debt and Other Obligations of the State" herein.

Purpose of the Notes

The Notes are being issued for the purpose of refinancing $142,645,000 of the State's General Obligation Bond Anticipation Notes, Series 2013 (the "2013 Notes") originally issued for paying the costs of design and construction of state transportation projects pursuant to the State Transportation Bond Act and $27,355,000 for paying additional costs of the projects authorized by the State Transportation Bond Act for an estimated total of $170,000,000. For a further description of the Notes, see "THE NOTES – Application of Note Proceeds."

General Description of the Notes

The Notes will be issued solely as fully registered Notes without coupons (initially in the book-entry only system) in denominations of $5,000 or any integral multiple thereof. The Notes shall bear interest at the rate as set forth on the Cover, calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year. The Notes will be dated as of their original issuance and will mature on March 23, 2015. The principal of and interest on the Notes shall be paid at maturity.

So long as Cede & Co. is the registered owner of the Notes, principal of and interest on the Notes are payable by wire transfer by the Bond Registrar to DTC, which, in turn, is obligated to remit such principal and interest to the Direct Participants for subsequent disbursement to the Beneficial Owners (as defined in Appendix E) of the Notes, as further described in "APPENDIX E – INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY."

In the event that DTC or its successor (or substitute securities depository or its successor) resigns and no substitute securities depository can be obtained, or the State determines that it is in the best interests of the Beneficial Owners that they be able to obtain Notes in the form of bond certificates, new Notes are required to be issued and registered.

Application of Note Proceeds

Approximately $142,645,000 of the proceeds of the Notes will be used to refinance the 2013 Notes. The balance of the proceeds of the Notes will be allocated among the authorizations contained in Sections 3, 4 and 5 of the State Transportation Bond Act. The proceeds deposited in the 2012 State Transportation Project Fund, are expected to pay all or a portion of the costs of the following projects:

Department of Commerce

Port of Anchorage Expansion	$50,000,000
Bethel Harbor Dredging	4,000,000
Port of Bristol Bay Expansion and Pile Dock Replacement	7,000,000
Emmonak Port Improvements	3,000,000
Haines Borough Boat Harbor Upgrades	15,000,000
Hooper Bay Small Boat Harbor	1,000,000
Kodiak Pier III Replacement	15,000,000
Kotzebue Cape Blossom Road and Deep Water Port	10,000,000
Matanuska-Susitna Borough Bogard Road Extension East	13,500,000
Matanuska-Susitna Borough Port MacKenzie Rail Extension	30,000,000
Nenana Totchaket Resource Development Corridor Access	6,500,000
Newtok Traditional Council Mertarvik Evacuation	4,100,000
Nome Port Design and Construction	10,000,000
Sand Point Road Rehabilitation	2,500,000
Seward Marine Industrial Center Expansion	10,000,000
Sitka Sawmill Cove Industrial Park Dock	7,500,000
St. George Harbor Reconstruction	3,000,000
Togiak Waterfront Transit Facility	3,300,000

Department of Transportation

Glenn Highway, Hiland Road to Artillery Road Reconstruction	$35,000,000
Glenn Highway/Muldoon Road Interchange Reconstruction	15,000,000
New Seward Highway MP 75-90 Bridge Repairs	26,000,000
New Seward Highway/36th Avenue Reconstruction	10,000,000
O'Malley Road Reconstruction	15,000,000
Elliott Highway MP 108-120 Reconstruction	6,500,000
Old Steese Highway to McGrath Road Reconstruction and Extension	24,000,000
Wendell Street Bridge Replacement	14,400,000
Glacier Highway MP 4-6 Road Improvements	5,500,000
Mendenhall Loop Road Improvements	6,000,000
Kenai Spur Road Rehabilitation	20,000,000
Ketchikan - Shelter Cover Road Construction and Improvements	19,000,000
Matanuska-Susitna - Fairview Loop Road Reconstruction	10,000,000
Matanuska-Susitna - Knik Goosebay Road Reconstruction	15,000,000
North Pole - Plack Road Improvement	5,000,000
Platinum Airport Runway Extension	3,100,000
Richardson Highway - Ruby Creek Bridge Replacement	11,000,000
Sitka - Katlian Bay Road Construction	14,000,000

Redemption of the Notes

The Notes are ***not*** subject to redemption prior to maturity.

Defeasance

In the event that money and/or government obligations, which are noncallable direct obligations of the United States or obligations unconditionally guaranteed by the United States, maturing at such time or times and bearing interest to be earned thereon in amounts (together with such money, if necessary) sufficient to redeem and retire part or all of the Notes in accordance with their terms, as evidenced by a report of an independent accountant or verification agent (which report shall be required only if the defeasance is not a full cash defeasance), are set aside in a special account of the State to effect such redemption and retirement, and such moneys and the principal of and interest on such government obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made for the payment of the principal of and interest on the Notes so provided for, and such Notes shall cease to be entitled to any lien, benefit or security of the Resolution except the right to receive the moneys so set aside and pledged, and such Notes shall be deemed to be no longer outstanding.

Book-Entry System

When issued, the Notes will be registered in the name of Cede & Co. (or such other name as may be requested by an authorized representative of DTC), as nominee of DTC. DTC will act as securities depository for the Notes. Individual purchases will be made only in book-entry form through DTC, and purchasers will not receive physical certificates representing their interests in the Notes purchased. Except as provided in the Resolution so long as Cede & Co. (or such other name as may be requested by an authorized representative of DTC) is the registered owner of the Notes, as nominee of DTC, references in this Official Statement to Owners, Registered Owners or holders mean Cede & Co. (or such other name) and not the Beneficial Owners of the Notes. For information about DTC and its book-entry system, see "INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY" in Appendix E.

INFORMATION CONCERNING THE STATE OF ALASKA

General

Alaska is a sovereign state of the United States of America and is located in the far northwest corner of North America, to the west of Canada and approximately 500 miles north of the State of Washington. Most of the State's revenue is derived from resources owned by the State itself, including petroleum and minerals extracted from State-owned lands and securities in funds owned by the State.

State Government

Alaska became the 49th state in 1959 pursuant to the Alaska Statehood Act, which was enacted by the United States Congress in 1958 (the "Statehood Act"). The Alaska Constitution was adopted by the Constitutional Convention on February 5, 1956, ratified by the people of Alaska on April 24, 1956, and became operative with the formal proclamation of statehood on January 3, 1959.

There are three branches of government: legislative, executive and judicial. The legislative power of the State is vested in a legislature consisting of a Senate with a membership of 20 and a House of Representatives with a membership of 40 (the "Legislature"). The executive power of the State is vested in the Governor. The judicial power of the State is vested in a supreme court, a superior court and the courts established by the Legislature. The jurisdiction of courts and judicial districts are prescribed by law. The courts constitute a unified judicial system for operation and administration.

The State provides a range of services including education, health and human services, transportation, law enforcement, judicial, public safety, community and economic development, public improvements and general administrative services.

State Bond Committee

The Legislature, by AS 37.15.110, has created the Committee. The Committee is comprised of the Commissioner of the Department of Commerce, Community & Economic Development, as chairperson, the Commissioner of the Department of Revenue, as secretary, and the Commissioner of the Department of Administration, or their designees. The Committee adopts resolutions and generally oversees the proceedings relating to the issuance of bonds by the State.

Overview of the Economy of the State

The key drivers of the Alaska economy include natural resource development, federal (including national defense) and state government, seafood and tourism. While 92 percent of unrestricted State General Fund revenues arise from the oil and gas sector, more than 25 percent of the State's employment is derived from government. Tourism provides 11 percent of the State's economy with seafood providing 10 percent. The State's population continues to grow, increasing 12.5 percent from 2003 to 2013 (Alaska Dept. of Labor and Workforce Development, Research & Analysis; December 2013). The State's major exports are oil, seafood (primarily salmon, cod, pollock and crab), coal, gold, silver, zinc and other minerals.

For more information regarding the economy of the State, see "APPENDIX A – SUMMARY INFORMATION REGARDING THE ECONOMY OF THE STATE."

State Ownership of Land and Natural Resources

Alaska includes approximately 586,412 square miles (approximately 365 million acres) in land and is the largest state in the United States, roughly equivalent in land to one-fifth of all of the other 49 states combined. Unlike the other 49 states, where most of the land is owned by individuals or entities in the private sector, less than one percent of the land in Alaska is owned by private, non-Native owners. In 1959, when Alaska became a state, 99.8 percent of the land was owned by the federal government. The Statehood Act, and later the Alaska Land Transfer Acceleration Act, enacted in 2004, gave the State the right to select and acquire approximately 104 million of the nearly 365 million acres of federal lands in Alaska. As of June 30, 2013, more than 90 percent of this grant has been conveyed to the State. In addition, the State has acquired an estimated 65 million acres of submerged lands, some of which contain oil-producing and gas fields or areas that may have potential for oil and gas production.

The United States Congress enacted the Alaska Native Claims Settlement Act ("ANCSA") in 1971, following the discovery of a large oil and gas reservoir on the Alaska North Slope. Under ANCSA, 13 regional corporations and more than 200 village corporations were established with rights to select approximately 44 million acres of federal lands and associated subsurface and surface rights. Currently, the Native corporations own approximately 13 percent of Alaska lands, the State owns approximately 26 percent and the federal government owns approximately 60 percent, with less than 1 percent of Alaska lands owned by private, non-Native owners. As described below, the State obtains significant revenues from companies that lease State-owned lands for extraction of oil, natural gas, coal, gold, silver, zinc and other minerals and shares with the federal government revenues from oil, natural gas and other assets extracted from federal lands leased by private companies.

Article 8, Section 1 of the Alaska Constitution provides that, "it is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest." The Department of Natural Resources ("DNR") oversees all activities that occur on the 94 million acres of State upland, 65 million acres of submerged lands and 40,000 miles of coastline. DNR's mission is to "responsibly develop Alaska's resources by making them available for maximum use and benefit consistent with the public interest." As such, DNR has the stewardship and public trust responsibility for all State-owned land, water and resources in addition to certain regulatory responsibility on private lands. DNR manages the State's mineral, coal, oil and gas, geothermal, timber, material and water resources, provides land use authorizations for surface activities on State land, receives title from the federal government in accordance with the Statehood Act and the Alaska Land Transfer Acceleration Act and conveys land to private purchasers. DNR manages and distributes a large volume of technical data, public records, land records and geospatial information.

Oil and Gas Reserves. The State's finances have been dominated by oil exploration and production since 1968, when the first large oil and gas reservoir on the Arctic Coast was discovered. The Trans-Alaska Pipeline System (the "TAPS"), an 800-mile, 48-inch crude oil pipeline from the State's Arctic Coast to Valdez in south-central Alaska, was completed in June 1977, enabling the production and transmission from the North Slope of Alaska of more than 16.6 billion barrels of crude oil between fiscal years 1978 and 2013. Crude oil production on the North Slope peaked in 1988 at slightly above 2.0 million barrels per day from the large Prudhoe Bay field, Kuparuk, the State's second largest oil-producing area, and from the Endicott and Lisburne satellite fields. Currently producing oil fields face declining rates of production as production continues beyond field peak performance. Oil producers attempt to replace this depletion by finding, developing and producing new oil.

The Alaska North Slope has experienced new oil being produced at additional fields and new developments that will bring future production. New production on the North Slope has helped to offset some of the decline since 1988, with total production estimated to be 508,200 barrels per day in fiscal year 2014. In its Fall 2013 Revenue Sources Book, the State forecasted that crude oil production on the North Slope would continue to decline over the 10 year forecast period to 312,900 barrels per day by 2023. The forecast oil production in 2023 estimates 90,466 barrels of oil per day will come from projects currently under evaluation or under development. This estimate is a weighted average of many potential new projects coming on line at various times and production rates over the forecast period. In 2012, the Alaska Department of Revenue ("DOR") began reporting future production as a risk-weighted value in order to account for the risk involved in bringing new projects online as an appropriate measure to prepare the State's budget. In 2013, DOR further reduced forecast production due to the increase in natural gas liquids re-injection, more extensive maintenance projections, and reduced oil well performance and recovery response expectation. While this ensures conservative financial planning further into the future, the DOR projected high production case indicates that production could be as high as 500,000 barrels of oil per day by 2023 under the right economic conditions. That number could be higher with technological breakthroughs or major changes in current conditions. Oil production from the smaller fields within the Cook Inlet Basin, in south-central Alaska, has increased for the last four years as new participants enter the Alaska market. Cook Inlet production has grown from 8,900 barrels per day in 2010 to an estimated 13,500 barrels per day in 2014 and is forecast to be at least 6,000 barrels per day in 2023, despite entering its 64th year of production at that time.

Although crude oil production is decreasing, State revenues have been increasing as a result of changes to the State's oil-related tax structure and general increase in price for oil. In addition, the potential for future production from known (discovered but undeveloped) and unknown (undiscovered) hydrocarbon resources in northern Alaska is considerable. In August 2007, the U.S. Department of Energy ("DOE") released "Alaska North Slope Oil and Gas: A Promising Future or an Area in Decline?" – a report that assessed the potential for Alaska to remain a major producer of oil and gas under various development scenarios. The report examined near-term potential (2007-2015) and long-term potential (2015-2050), mostly under a major gas sales scenario. According to the report, the North Slope is a relatively underexplored petroleum province that may provide oil and increasingly, natural gas, for years to come.

The 2007 U.S. DOE report evaluated geologic and commercial viability of future oil and gas production from five areas or provinces: 1) the central Arctic area between the Colville and Canning Rivers (and adjacent State waters), 2) the 1002 area of the Arctic National Wildlife Refuge, 3) the National Petroleum Reserve in Alaska ("NPR-A"), 4) the Beaufort Sea Outer Continental Shelf ("OCS"), and 5) the Chukchi Sea OCS. Under the most optimistic scenario, DOE reported mean technically recoverable oil resources of 38.2 billion barrels and mean technically recoverable gas resources of 186.5 trillion cubic feet ("TCF") from these five areas. The State benefits from the production of federal oil within the State (especially in the NPR-A, where the State is entitled to 50 percent of all royalties, bonuses and rents) and benefits to some extent from the production of federal oil from non-State lands shipped through TAPS. These estimates are not included in the DOR's projections of oil production from the North Slope.

In the next ten years, the State anticipates new developments on State and federal lands, both of which benefit the State. Most of the opportunities to add production from State lands are from expanded heavy/viscous oil development, shale oil, continued satellite development at Alpine, and continued developments at Oooguruk and Nikaitchuq. Production from the Oooguruk field began during the summer of 2008 and is progressing as expected. The Nikaitchuq field began production on schedule in February of 2011. The Point Thomson field, 20 miles east of the existing Badami development, together with three known satellite fields, is estimated to hold more than eight TCF of gas reserves and more than 500 million barrels of liquid hydrocarbons. Production at Point Thomson is currently forecast based on a gas cycling production profile consistent with recent publicly available statements on the project. Another new field expected to begin production is Umiat, first discovered in 1946 by the U.S. Navy. It is estimated to have one billion barrels of oil in place with approximately 200 million recoverable barrels. It has not been developed due to its remoteness, but production at the Umiat field is expected to begin within approximately six years.

The State has also seen renewed interest in the bidding on leases of State land for oil and gas exploration and production. On November 7, 2012, the State received 132 bids tracts from 15 different bidding groups, resulting in 119 leases encompassing approximately 278,000 acres. Bidders included the major producers on the North Slope as well as familiar smaller companies and at least two new entrants to the Alaska market. Winning bids totaled $10.5 million of which came from the North Slope sale. This makes this recent North Slope area lease sale the third largest by dollar amount since area-wide lease sales began in 1998. The Beaufort Sea sale netted the State over $1.4 million, making it the sixth largest by dollar amount in that area. The North Slope Foothills area, which had not seen any bidding in the past three years, received eight bids, the fourth best result ever by bonus bids for that area. A year earlier, on December 7, 2011, the State received more than 300 bids from more than 18 bid groups for oil and gas lease tracts on the North Slope and the Beaufort Sea, totaling more than $17.7 million. Earlier, in June 2011, the State received 110 bids for 442,000 acres in Cook Inlet. The total $7.8 million in high bids made it the fourth most lucrative Cook Inlet lease sale in State history.

Natural Gas Pipeline Developments. Natural gas development on the Alaska North Slope has been limited because a pipeline to transport recovered natural gas to market outside Alaska has never been constructed. As a result, natural gas produced in conjunction with oil production on the North Slope is not yet sold commercially in significant volumes. Most of the produced gas is re-injected into the North Slope oil fields for use in enhanced oil recovery projects at the Prudhoe Bay field or at the Kuparuk field while some is used on site or is sold to the TAPS and used to heat field camps, run electrical generators or power the TAPS pump stations. Although there are currently an estimated 35 TCF of known reserves on the North Slope, mostly in the Prudhoe Bay and Point Thomson fields, geologic estimates by the U.S. Geological Survey place the amount of technically recoverable resources at more than 100 TCF.

The State's tax and royalty provisions apply to natural gas products as well as to oil, and the State's long-term planning is based in part on efforts to develop natural gas resources as oil production declines. See "State Revenues—Oil and Gas Revenues" herein. To spur commercialization of Alaska natural gas, the Legislature enacted the Alaska Gasline Inducement Act ("AGIA") in 2007. In August 2008, following an extensive application and evaluation process, the Legislature authorized the State to award an AGIA license to TransCanada Alaska, a wholly-owned subsidiary of the TransCanada Corporation ("TransCanada"). TransCanada partnered with ExxonMobil, one of the three major North Slope producers, on the pipeline project. Pursuant to the AGIA license, TransCanada committed to initiate pre-development activities and to obtain necessary permits to build a 1,715-mile natural gas pipeline from a natural gas treatment plant at Prudhoe Bay to the Alberta Hub in Canada. Under AGIA, the State had agreed to provide matching funds of up to $500 million to reimburse TransCanada for a portion of the development costs of the proposed pipeline. The AGIA license obligated TransCanada to complete certain predevelopment and regulator steps but did not require them to proceed with construction. The project conducted its initial open season in 2010, receiving multiple bids from potential shippers. In 2012 TransCanada, ExxonMobil, ConocoPhillips and BP formally agreed on a work plan under the AGIA framework and pertinent milestones to explore and develop a concept for a liquefied natural gas project and associated pipeline to Southcentral Alaska. On January 10, 2014, Governor Parnell announced the State of Alaska will terminate its involvement with TransCanada as its licensee under AGIA, and partner with the company in a more traditional commercial agreement.

In addition to efforts to develop a project to bring Alaska gas to markets outside the State, in 2009, the Alaska Gasline Development Corporation ("AGDC"), a subsidiary of the Alaska Housing Finance Corporation, was formed pursuant to AS 38.34.010, et seq., as amended. AGDC's primary purpose is to review and present options to the Legislature regarding a smaller pipeline project designed to bring gas from the North Slope to the Alaska 'railbelt' (the region between Fairbanks and the Kenai Peninsula where a majority of the State's population and economic activity are domiciled). AGDC is continuing to evaluate project costs, approaches to development and financing and how the various gas development efforts may impact each other. There can be no assurance that any of these or any other commercialization effort will result in a project moving forward.

Since the original award of the license under AGIA, substantial natural gas supplies have been discovered and developed in the continental U. S. Further, a competitive pipeline project – the "Denali Project" – was undertaken in 2008 by ConocoPhillips and BP. Work on the Denali Project was subsequently suspended in 2011. Currently**,** the natural gas price differential between North American and Asian markets has meant that a project that exports Alaska natural gas as LNG is considered preferable over an overland North American project. In January of 2014, a Heads of Agreement (HOA) was signed with ExxonMobil, BP, ConocoPhillips, and TransCanada Corp., regarding a proposed Alaska LNG project, which would provide gas to Alaskans and be one of the largest export projects of its kind in the world. In addition to the HOA, the Commissioner of the Department of Revenue, and the Commissioner of the Department of Natural Resources have also signed a Memorandum of Understanding (MOU) with TransCanada defining AGDC's role in developing the midstream (pipeline) portion of the projects. The HOA, and MOU, will serve as guidance to the Alaska Legislature during its review of legislation Governor Parnell has proposed during the 2014 Legislative session. Furthermore, the legislation proposes the authorization for DNR to modify leases, allow the State to enter gas shipping agreements, revise the production tax for natural gas, authorize AGDC to participate in liquefaction, and make other changes. There can be no assurance that the proposed legislation concerning commercialization of gas resources, in its current or any subsequently modified form, will be passed in the current or future legislative sessions.

The HOA provides a roadmap for the Alaska LNG Project to ramp up the Pre-Front End Engineering Design (Pre-FEED) stage and establishes a framework for negotiating multiple project-enabling agreements. The HOA includes the State as an equity partner, provides gas to Alaskans, lays out proposed fiscal terms, and includes pro-expansion principles that will allow third-party access to all of the project components, including possible construction of a new LNG train at the liquefaction plant. It outlines significant participation by AGDC, including a new subsidiary to carry the State's interest in the project, and specifically recognizes that AGDC will continue to pursue the Alaska Stand Alone Pipeline (ASAP) instate gasline project.

The MOU with TransCanada is part of an amicable wind-down of its AGIA license and describes an arrangement for the company to provide the State of Alaska with transportation services for the State's royalty and tax share of gas flowing through the pipeline, including offtake points for instate gas deliveries. TransCanada would fund midstream development work and provide the State with an option to purchase up to 40 percent of the equity in the midstream component of the State's portion of the overall project before it moves to Frond End Engineering Design (FEED). The MOU also provides that TransCanada will work with the State to expand the Gas Treatment Plant and pipeline to additional, third-party gas producers on the North Slope.

Mineral Resources. Seven large mines that produce zinc, gold, lead, silver, coal, and gravel and sand are currently in operation and several other large mines are under development or exploration. There are also numerous placer and other small mining operations.

The six major Alaska mines are:

- Red Dog Mine, a surface mine and mill that produces zinc, lead and silver in concentrates in the Northwest Arctic Borough. It is a joint venture between Teck and an Alaska Native Corporation (NANA Regional Corporation). Red Dog is one of the largest zinc mines in the world, both in terms of production and reserves.
- Fort Knox Mine, owned by Kinross, has been the largest gold producer in Alaska since production began in 1996 and is located 25 miles northeast of Fairbanks.
- Pogo Mine is an underground gold mining operation that began producing gold in 2006, operated by Sumitomo Metal Mining.
- Usibelli Coal Mine, a family-owned mine located outside Healy, in the interior of the State, is the only operating coal mine in Alaska.
- Greens Creek Mine, located on Admiralty Island, in southeast Alaska near Juneau, is an underground polymetallic mine producing silver, gold, zinc and lead. It is owned by Hecla and is one of the world's top 10 silver producers.
- Kensington Gold Mine, located on the east side of Lynn Canal about 45 miles north-northwest of Juneau, is owned by Coeur Alaska. It began production in 2010.

Of the approximately 95 million acres of land transferred to the State by the federal government, nearly 35 million acres were selected for transfer because of anticipated mineral value. As of the end of calendar year 2012, 4.3 million acres of State land were subject to mining claims.

In calendar year 2012, the cumulative value of Alaska's mining industry was approximately $4.1 billion, divided between exploration and development investments, and the gross value of the mineral products. At the same time, the value of large mine mineral production for 2012 was estimated at $3.4 billion, compared to $3.5 billion in 2011. The industry spent an estimated $335 million in Alaska mineral exploration in 2012, down 8 percent from the previous year. The industry spent $342 million on mine construction and other activities to facilitate production of mineral products. Exploration spending in Alaska accounted for 20 percent of the total exploration monies spent in the U.S. in 2012. In 2012, there were 31 exploration projects in Alaska that spent more than $1 million each. Alaska's mining industry provided an estimated 4,366 direct, full-time-equivalent mining industry jobs in Alaska in 2012. Mining companies are among the largest taxpayers in the City and Borough of Juneau, the Fairbanks North Star Borough, the Denali Borough and the Northwest Arctic Borough. In 2012, the estimated value of gold production in Alaska for both domestic and international markets (more than $1.5 billion) overtook the zinc production value for the first time since 1989; Red Dog Mine began full commercial production of zinc in 1990. Zinc and lead produced by Red Dog Mine accounted for approximately 41 percent of the entire value of Alaska's mineral production in 2012. Over the past several years through 2011, relatively strong prices for zinc and lead have helped to sustain the high level of Alaska's mineral export values. Minerals are the State's second largest export commodity. Mineral exports accounted for 35 percent of the State's export total.

Prospective mineral projects for Alaska include:

- The Donlin Gold Project in southwest Alaska, a large open-pit gold deposit.
- The Chuitna Coal Project, located in the Beluga Coal Field of south-central Alaska.
- The Pebble Project, an initiative to develop a copper, gold and molybdenum deposit in the Bristol Bay region of southwest Alaska.
- The Livengood gold project north of Fairbanks, currently undergoing a feasibility project.
- The Niblack prospect in southeast Alaska, on Prince of Wales Island, for the production of gold, silver, copper and zinc.
- The Bokan Mountain project, a rare earth minerals deposit in southeast Alaska, on Price of Wales Island.
- The Graphite Creek graphite project on the Seward Peninsula north of Nome.
- The high-grade gold veins at the Terra project in the western Alaska Range.

As described below, the State's revenues from mining are derived primarily from mining license taxes, corporate income taxes, annual rentals and production royalties. Production is expected to end over the next decade at many of the seven mines that currently contribute most of the State's mining-related revenue. Overall, mining-related revenues to the State were more than $103 million in 2012. In most cases, as is common in the industry, new resource areas are being explored for expansions and extensions of the mine life. In addition, several projects are in advanced exploration or the permitting phase. See "State Revenues—Mineral Revenues."

Alaska has a number of deposits of rare earth elements, which are used in magnets, batteries, refining and other metallurgical applications. Finished products in which they are critical include smart phones, hybrid cars, military hardware, advanced consumer electronics, fiber optics and windmills. Bokan Mountain, which is located in Southeast Alaska, on Prince of Wales Island near Ketchikan, has inferred resources of between 1.0 and 6.7 million metric tons. While Bokan Mountain is the only rare earth element project that is likely to be developed in the near future, there are three other known deposits of rare earth elements located on Prince of Wales Island, as well as near Nome and Fairbanks that are currently under evaluation. The Alaska Division of Geological & Geophysical Surveys is currently engaged in a major project to detail Alaska's potential to develop rare earth elements and other strategic and critical minerals.

Other Major Resources. Fish and game have long been important resources in Alaska, and taxes on fish landings and processing represent a share of the State's non-petroleum revenues. With increased air and cruise services to Alaska in the last 10 years, tourism is now another important source of revenue for the State. Although passenger fee revenues are restricted revenue and not available for general appropriations, the large commercial passenger cruise vessels are subject to the State corporate income tax, the proceeds of which are unrestricted. See "State Revenues—Other Non-Oil and Non-Mineral Revenues" below.

State Revenues

The State does not currently impose personal income taxes and has never imposed general sales taxes. The State does, however, impose a number of business-related taxes that, together with rents and royalties and fines and fees, represented nearly 100 percent of unrestricted non-investment General Fund revenue and about 8.0 percent of unrestricted non-investment total revenue in fiscal year 2013. Grants, contributions and other revenue from the federal government and interest and investment income represent the remaining portions of State revenue.

From time to time, the State has implemented changes to its tax regime and/or tax rates. The current tax law was passed in November 2007, known as "Alaska's Clear and Equitable Share" (ACES). This legislation was reformed during the 2013 legislative session under Senate Bill 21 that was signed into law on May 21, 2013, as the "More Alaska Production Act" (MAPA). MAPA retains the basic framework of ACES, with the primary change being the removal of the progressive surcharge tied to the value of oil. The base tax rate was increased from 25% to 35% of the net value of oil and gas production. Other major factors include the replacement of credits tied to capital spending with one tied to production on the North Slope, and the creation of an incentive for the development of areas north of 68 degrees North latitude that are not currently in production. MAPA went into effect on January 1, 2014.

Following passage of MAPA a referendum petition challenging MAPA's approval was introduced and obtained the required number of voter signatures. The ballot initiative will be voted on during the State's Primary Election in August 2014. If the ballot initiative is approved by a majority of voters the State would revert to the ACES tax law.

There are 18 boroughs in Alaska and 144 cities, 96 of which are located within a borough. Of these, 13 boroughs and 23 cities impose property taxes and nine boroughs and 52 cities impose sales taxes.

Oil and Gas Revenues. The State's unrestricted General Fund revenues are generated primarily from petroleum production activities. The State receives petroleum revenues (some of which are restricted) from five sources: oil and gas property taxes, corporate income taxes, oil and gas production taxes, bonuses and rents, and oil and gas royalties.

Oil and Gas Property Tax. The State levies a tax on oil and gas production income generated from production activities in the State. The tax on production is levied on all onshore oil and gas production, except for the federal and State royalty shares and on offshore developments within three miles of shore. In the 2013 legislative session, the Legislature amended the oil and gas production tax statutes, replacing the tax system known as Alaska Clear and Equitable Share ("ACES") for production from Alaska's North Slope. The new law is called the More Alaska Production Act ("MAPA"). The main provisions of MAPA became effective January 1, 2014.

MAPA retains the basic framework of ACES, which levies production tax based on "production tax value," a net profits tax. The primary change from ACES to MAPA is the removal of the progressive surcharge tied to the value of oil, which increased tax rates at higher oil prices. The base tax rate was then increased from 25% to 35% of the net value of oil and gas production. Other major changes in MAPA include the replacement of credits tied to development capital spending with one tied to production based credits on the North Slope. A new incentive was created for development of areas that are not currently in production. The new tax is targeted toward increasing investment and production on the North Slope, and ACES provisions are retained for production for non-North Slope areas of the state.

During the creation of MAPA, the legislature wanted to have a direct incentive for companies to produce additional oil. As a result, a mechanism was created in the form of a per-taxable-barrel credit. The per-taxable-barrel credit is reduced from $8 per barrel to $0 at wellhead values between $80 per barrel and $150 per barrel, thus retaining a progressive element in the tax system. As this new production credit was introduced, the credit on qualified capital expenditures was eliminated for the North Slope. The new credit would be targeted directly to oil production rather than indirectly by providing an incentive for spending. Importantly, the new per-taxable-barrel credit also protects state revenue at lower prices, as it cannot be applied against the statutory minimum tax, which is generally 4% of gross value.

The final major component of MAPA was the introduction of an incentive to bring new production areas on the North Slope into development. This incentive reduces the tax liability in new production areas by excluding 20% of the gross value for that production from the tax calculation. Qualifying production includes areas surrounding a currently producing area that may not be commercial to develop, as well as new oil pools that have not been discovered or developed. Oil that qualifies for this Gross Value Reduction (GVR) receives a flat $5 per taxable barrel credit rather than the sliding-scale credit available for most other North Slope production. As a further incentive, this $5 per taxable barrel credit can be applied against the minimum tax.

Taxpayers are required under the ACES and MAPA legislation to make monthly estimated payments, based upon activities of the preceding month, due on the last day of the following month and to file an annual tax return to "true up" any tax liabilities or overpayments made during the year. As an incentive for new exploration, companies without tax liability against which to apply credits available under the ACES and the MAPA tax may apply for a refund of the value of most of the credits. In fiscal year 2013, the State paid $369 million to companies claiming such credits. MAPA will reduce the state's exposure for such credits for the North Slope, as the new per-taxable-barrel credits are not eligible for refund.

All unrestricted revenue generated by the oil and gas production taxes ($3.1 billion in fiscal year 2009, $2.9 billion in fiscal year 2010, $4.6 billion in fiscal year 2011, $6.1 billion in fiscal year 2012 and $4.1 billion in fiscal year 2013) is deposited into the General Fund, except that any payments received as a result of an audit assessment under the oil and gas production tax or as a result of litigation with respect to the tax are deposited into the Constitutional Budget Reserve Fund.

Corporate Income Tax. Alaska levies a corporate income tax on Alaska taxable net income of companies doing business in Alaska (other than insurance companies that pay premium tax and other than S corporations and limited liability companies). Corporate income tax rates are graduated and range from one percent to 9.4 percent of income earned in Alaska. Taxable income is generally calculated using the provisions of the federal Internal Revenue Code, and the calculation of Alaska taxable income varies, depending on whether the corporation does business solely in Alaska, does business both inside and outside Alaska or is part of a group of corporations that operate as a unit in the conduct of a single business (a "unitary" or "combined" group). Oil and gas companies are combined on a world-wide basis, although for other industries only the companies doing business in the United States are combined. Taxpayers may claim all federal incentive credits, but federal credits that refund other federal taxes are not allowed. In addition to the federal incentive credits, the State provides additional incentives, including an education credit for contributions made to accredited State universities or colleges for education purposes, a minerals exploration incentive, an oil and gas exploration incentive and a gas exploration and development tax credit.

Most corporate net income tax collections are deposited into the General Fund, although collections from corporate income tax audit assessments of oil and gas corporations are deposited into the Constitutional Budget Reserve Fund.

Oil and Gas Production Taxes. The State levies a tax on oil and gas production income generated from production activities in the State. In November 2007, the Legislature amended the oil and gas production tax statutes and adopted the Alaska Clear and Equitable Share ("ACES") legislation. Under

ACES, the tax on production is levied on all onshore oil and gas production except for the federal and State royalty shares, and on offshore developments within three miles of shore. A hazardous release surcharge (the revenues of which are for deposit to a restricted response fund) is levied only on crude oil production. The ACES tax is levied on the net value of oil and gas production (the volume of oil and gas produced, multiplied by the wellhead value), less the total of operating expenditures and capital expenditures, multiplied by the applicable tax rate and then minus credits for certain capital expenditures and certain transition expenditures.

The base tax rate under ACES is 25 percent, and the tax rate increases 0.4 percent for every dollar per-barrel (or the equivalent for natural gas) the net income exceeds $30 per barrel. At $92.50 per barrel, this progressive factor changes from 0.4 percent to 0.1 percent for every additional dollar of profit on a barrel up to a total tax rate of 75 percent. The ACES system authorizes a company to reduce its tax liability to the extent that it invests in equipment, projects or other items that are deemed to be "capital expenditures," by expensing such costs immediately instead of capitalizing them. As an incentive to reinvest in Alaska, capital costs that exceed $0.30 per barrel are eligible for an additional 20 percent credit against the company's ACES liability, to be taken over two years. Higher credits of 30 or 40 percent are available as an incentive for exploration expenditures from certain qualifying projects. An additional credit of up to $12 million base allowance is granted to companies that qualify as small producers. Figure 1 is a graphical depiction of the ACES tax liability calculation.

Figure 1. ACES Tax Liability Calculation

ACES Tax Liability Calculation

ACES Tax Liability = [Production Tax Value * Tax Rate] – Credits

The terms used in the equation are defined as follows:

Production Tax Value = (Value - Costs)

Value = Volume of Taxable Oil & Gas Produced * Wellhead Value

Costs = Operating Expenditures + Capital Expenditures

Tax Rate = 25% + 0.4% for every $1 per barrel that this "net income" exceeds $30, up to $92.50, then 0.1%

Credits = (20% * Capital Expenditures)[1] + (20% * Eligible Transition Expenditures)[2] + Small Producer Credit[3]

[1] Spread over two years

[2] Limited to those credits earned while the PPT was in effect and could not be used

[3] Credit is for companies producing less than 100,000 bbls/day. Available up to $12 million for North Slope and/or Cook Inlet Producers, and $6 million for production outside of North Slope and Cook Inlet annually. Small producer credits cannot be redeemed for cash certificates or carried forward.

Taxpayers are required under the ACES legislation to make monthly estimated payments, based upon activities of the preceding month, due on the last day of the following month and to file an annual tax return to "true up" any tax liabilities or overpayments made during the year. As an incentive for new exploration, companies without tax liability against which to apply credits available under the ACES tax may apply for a refund of the value of most of the credits. In fiscal year 2012 the State paid $353 million to companies claiming such credits. The ACES legislation also requires that the companies report the volumes and expenditures used to calculate their estimated monthly installments and requires that companies provide to the DOR semiannual best estimates of future oil production and lease expenditures.

Before April 2006 the production tax system was based upon the gross value of oil and gas at the point of production plus an economic limit factor. In April 2006, the Legislature adopted legislation that established a net income-based tax (the "Petroleum Profits Tax" or "PPT"), which established new tax rates on oil and gas production, repealed the economic limit factor volume-based tax and provided credit for certain qualifying expenditures and taxpayers. The PPT was replaced by ACES in 2007. As shown in Table 2 below, the PPT and ACES resulted in an increase in production tax revenue to the State as compared to the earlier tax system.

All unrestricted revenue generated by the oil and gas production taxes ($3.1 billion in fiscal year 2009, $2.9 billion in fiscal year 2010, $4.5 billion in fiscal year 2011 and $6.1 billion in fiscal year 2012) is deposited into the General Fund, except that any payments received as a result of an audit assessment under the oil and gas production tax or as a result of litigation with respect to the tax are deposited into the Constitutional Budget Reserve Fund.

Oil and Gas Royalties, Rents and Bonuses. Approximately 99 percent of all current oil production in the State, including the reserves at Prudhoe Bay, is from State land leased for exploration and development. As the land owner, through the Department of Natural Resources, the State earns revenue from leasing as (i) upfront bonuses, (ii) annual rent charges and (iii) retained royalty interests in the oil and gas production. State land has historically been leased largely based on a competitive bonus bid system. Under this system the State retains a statutorily prescribed minimum royalty interest of at least 12.5 percent on oil and gas production from land leased from the State, although some leases contain royalty rates of up to 20 percent and some also include a net profit-share production agreement. While other leasing alternatives are available under statute, they have not been taken advantage of in the past. Under all lease contracts the State has ever written, it reserves the right to switch between taking its royalty in-kind or in cash (in cash royalty is valued according to a formula based upon the higher-of contract prices received by the producers, net of transportation charges). If the state takes its royalty share in-kind it becomes responsible for selling and transporting that royalty share. This means establishing complex contracts to accomplish these tasks. In fiscal year 2013, the State took approximately 28,000 royalty barrels per day of North Slope oil in-kind, which it sold to Flint Hills Resources Alaska, LLC refinery in Alaska.

In addition to royalties from production on State land, the State receives 50 percent of royalties and lease bonuses and rents received by the federal government from leases of federal lands in the NPR-A. The State also receives revenues from federal royalties and bonuses on all other federal lands located within State borders and federal royalties and lease bonuses and rents from certain federal waters at rates negotiated on a field by field basis.

As shown in Tables 2 and 3 below, a portion of the State's oil-related revenue, including oil and other royalty and bonus payments, is restricted revenue and is not available for general appropriations. See "Government Funds." The State Constitution requires that a minimum of 25 percent (and State statutes currently require 50 percent for certain leases) of all mineral and oil and gas lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State be deposited to the Permanent Fund. Alaska statutes also require that at least 0.5 percent of all royalties and bonuses be contributed to the Public School Fund Trust and that most settlements with or judgments involving tax and royalty disputes be deposited to the Constitutional Budget Reserve Fund. See "Government Funds". In addition, the State is required to deposit its entire share of lease bonuses, rents and royalties from oil activity in the NPR-A to the NPR-A Special Revenue Fund, from which a portion is used to make grants to municipalities that demonstrate present or future impact from oil development in the NPR-A. Of the revenue in the NPR-A Special Revenue Fund that is not appropriated to municipalities, 50 percent is to be deposited to the Permanent Fund, with up to 0.5 percent to the Public School Trust Fund and then to the Power Cost Equalization Fund. Any remaining amount is then available for General Fund appropriations.

Table 2 summarizes the sources and uses of oil and other petroleum-related revenue for fiscal years 2004 through 2013.

Table 2

Sources and Initial Applications of Oil and Other Petroleum-Related Revenue
Fiscal Years Ended June 30, –2004 - 2013
($ millions)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Oil Revenue to the General Fund										
Property Tax	$47.3	$42.5	$54.5	$65.6	$81.5	$111.2	$118.8	$110.6	$111.2	$99.3
Corporate Income Tax	298.8	524.0	661.1	594.4	605.8	492.2	446.1	542.1	568.8	434.6
.Production Tax (1).......................	651.9	863.2	1,199.5	2,208.4	6,822.6	3,112.0	2,871.0	4,552.9	6,146.1	4,050.3
Royalties (including bonuses, rents and interest) (2)..	1,056.1	1,419.9	1,784.1	1,613.0	2,446.1	1,465.6	1,477.0	1,843.3	2,031.7	1,767.8
Subtotal..................	$2,054.1	$2,849.6	$3,699.2	$4,481.4	$9,956.0	$5,181.0	$4,912.9	$7,048.9	$8,857.8	$6,352.0
Oil Revenue to Other Funds										
Royalties to the Permanent Fund and School Fund (3).......................	$361.8	$486.5	$611.5	$545.6	850.5	$670.8	$707.2	$870.9	$919.6	$855.9
Tax settlements to CBRF	8.4	27.4	43.7	101.9	476.4	202.6	552.7	167.3	102.1	176.6
NPR-A royalties, rents and bonuses (4)	2.5	31.6	4.5	12.8	5.2	14.8	21.3	3.0	4.8	3.6
Subtotal..................	372.7	545.5	659.7	660.3	1,332.1	888.2	1,281.2	1,041.2	1,026.5	1,032.5
Total Oil Revenue .	$2,426.8	$3,395.1	$4,358.9	$5,141.7	$11,288.1	$6,069.2	$6,194.1	$8,090.1	$9,884.3	$7,388.1

(1) The standard deduction provided under ACES for production in the Prudhoe Bay and Kuparuk fields expired on December 31, 2009.
(2) Net of deposits to the Permanent Fund and the Constitutional Budget Reserve Fund. The Constitution requires the State to deposit at least 25 percent to the Permanent Fund, and between 1980 and 2003 Alaska statutes required the State to deposit at least 50 percent to the Permanent Fund. The statutory minimum was changed to 25 percent beginning July 1, 2003, and changed back to 50 percent as of October 1, 2008. See "The Alaska Permanent Fund."
(3) Includes proceeds of royalties taken in-kind.
(4) By federal statute, the State receives 50 percent of federal revenues from oil and gas lease sales located in the NPR-A.
Source: State of Alaska Department of Revenue

Mineral Revenues. The minerals industry contributed approximately $79.8 million in State revenues in fiscal year 2013, received from corporate income tax, mining license tax, and mining rents and royalties.

Corporate Income Tax. The corporate income tax is based on the share of U.S. net income apportioned to Alaska, based upon the share of a company's property, payroll and sales in the State. State revenue from the corporate income tax on net income of mining companies was $81.8 million in fiscal year 2011, dropped to $15.0 million for fiscal year 2012 and rose to $40.7 million for fiscal year 2013.

Mining License Tax. The State's severance tax on mining, the mining license tax, is based on the net income of individual mines for all mining property in the State, whether or not mining occurs on State-owned land. New mining operations are exempt from the tax for the three and a half years after production begins. Tax rates are scaled from 0 percent to 7 percent depending upon net income, with the 7 percent rate applying to all net income over $100,000. Revenue from this tax was $49 million in fiscal year 2011, $41 million in fiscal year 2012 and $46.7 million in fiscal year 2013. Revenue from the mining license tax is deposited into the General Fund; settlement payments received by the State after a tax assessment dispute, however, are deposited into the Constitutional Budget Reserve Fund. See

"Government Funds—The Constitutional Budget Reserve Fund." Beginning in calendar year 2012, sand and gravel, quarry rock and marketable earth mining operations are exempt from the mining license tax.

Production Royalties and Annual Rentals. The State charges a production royalty on mining operations conducted on State-owned lands in the amount of three percent of net income. The State is required by statute to deposit 50 percent of total minerals royalties to the Permanent Fund and 0.5 percent to the Public School Trust Fund, although deposits of 25 percent, the constitutionally-mandated minimum, were required to be made between July 1, 2003 and October 1, 2008. The Pogo mine and proposed Pebble mine are on State land but most of the existing mines are not. In fiscal year 2013, the State received $33.1 million in total mining royalty and rental income. See "-Government Funds—The Alaska Permanent Fund."

Other Non-Oil and Non-Mineral Revenues. The State also receives unrestricted and restricted General Fund revenues from activities unrelated to petroleum and mining production. The State receives revenues from corporate income taxes paid by corporations other than petroleum producers and mining companies, cigarette/tobacco excise taxes, motor fuel taxes, alcoholic beverage taxes, fishery business taxes, electric and telephone cooperative taxes, insurance premium taxes, commercial passenger vessel excise taxes and service charges, permit fees, fines and forfeitures, and miscellaneous revenues. In fiscal year 2013, unrestricted revenue from non-oil and non-minerals sources (including investments) was $496.7 million.

Corporate Income Tax and Insurance Premium Tax. In addition to corporate income taxes paid by mining companies and by oil and gas producers, the State collected approximately $112.5 million of other corporate income taxes in fiscal year 2013. Insurance companies doing business in Alaska pay a premium tax instead of paying corporate income tax. Unrestricted revenues from insurance premium taxes totaled approximately $52.4 million in fiscal year 2013.

Cigarette/Tobacco Excise Tax. The State levies a tax on cigarettes imported into the State for sale or personal consumption. The cigarette tax is paid through the purchase of cigarette tax stamps, which must be affixed to every pack of cigarettes imported into the State for sale or personal consumption. The tax rate on cigarettes was increased from $1.60/pack to $1.80/pack on July 1, 2006 and to $2.00/pack on July 1, 2007. $0.76/pack from the cigarette tax is deposited to the Public School Trust Fund, together with cigarette and other tobacco products license fees. The remaining $1.24/pack is deposited into the General Fund, with 8.9 percent of that amount going to the Tobacco Use Education and Cessation Fund, a subfund of the General Fund. In addition, the State levies a tax on other tobacco products imported into the State for sale, at a rate of 75 percent of the wholesale price, which is the established price at which a manufacturer sells other tobacco products to a distributor. All proceeds from the other tobacco products tax go to the General Fund.

Approximately $21.6 million of revenue from cigarette taxes and from the tobacco products taxes was deposited into the Public School Trust Fund in fiscal year 2013 to be used for the rehabilitation, construction, repair and associated insurance costs of State school facilities. Cigarette tax revenue deposited in the Tobacco Education and Cessation Fund in fiscal year 2012 was $3.1 million, and remaining General Fund cigarette tax revenue was $32.2 million. In addition, the General Fund received $12.6 million in other tobacco products tax revenue in fiscal year 2013.

Motor Fuel Taxes. The State generally levies a motor fuel tax at rates that vary from 3.2 cents per gallon for jet fuel to 8 cents per gallon for highway use, on almost all motor fuel sold, transferred or used within Alaska. Aviation-related fuel is restricted to airport-related uses, and 60 percent of aviation fuel taxes attributed to aviation fuel sales at municipal airports is shared with the municipalities (slightly under $150,000 in fiscal year 2012) and is considered restricted revenue. The motor fuel tax generated approximately $41.9 million in unrestricted revenue in fiscal year 2013.

Fishery Business Taxes. The State imposes a number of fishery-related taxes and fees, including a fisheries business tax charged to fish processors (one percent to five percent of the value of raw fish) and a fishery resource landing tax of from one percent to three percent on the value of fish landed in Alaska but processed outside State boundaries. Proceeds from these fishery taxes are shared with qualified municipalities. The State's share of these fishery taxes in fiscal year 2011 was \$22.8 million, in fiscal year 2012 was \$32.7 million and in fiscal year 2013 was \$24.7 million.

Federal Revenue. The federal government is a significant employer in Alaska, directly and indirectly, as a result of procurement contracts, grants and other spending. In addition to expenditures in connection with federal military bases and other activities in Alaska, the State receives funding from the federal government, approximately \$2.4 billion in fiscal year 2011, \$2.5 billion in fiscal year 2012 and \$2.4 billion in fiscal year 2013. It is used for road and airport improvements, as aid to schools and Medicaid payments, all of which payments vary in amount and are restricted by legislative appropriation to specific uses. In general, federal funds are paid on a reimbursement basis and are subject to audit.

Investment Income. The State earns unrestricted and restricted investment earnings from a number of internal funds. Two primary sources of investment income for the State are two Constitutionally-mandated funds, the Permanent Fund and the Constitutional Budget Reserve Fund. The Permanent Fund had a fund balance (principal and the earnings reserve) of approximately \$44.8 billion as of June 30, 2013, \$40.3 billion as of June 30, 2012, \$40.1 billion as of June 30, 2011 and \$33.3 billion as of June 30, 2010. The Constitutional Budget Reserve Fund had a fund balance of approximately \$11.6 billion as of June 30, 2013, \$10.6 billion as of June 30, 2012, \$10.3 billion as of June 30, 2011 and \$8.7 billion as of June 30, 2010. Unrestricted, realized investment income from balances in the Permanent Fund are available for appropriation with a majority vote of the Legislature. The Balance of the Constitutional Budget Reserve Fund is available for appropriation with a three quarter vote of the Legislature, and as described below, the State borrows from the Constitutional Budget Reserve Fund when needed to address mismatches between revenue receipts and expenditures in the General Fund and/or to balance the budget at the end of the fiscal year. See "Government Funds – The Constitutional Budget Reserve Fund" and "—The Alaska Permanent Fund."

Although not as significant, the State also receives the earnings on the Statutory Budget Reserve Fund, with a balance of \$4.7 billion as of June 30, 2013, \$4.4 billion as of June 30, 2012, and \$2.6 billion as of June 30, 2011, and these earnings are considered General Fund unrestricted revenue. See "Government Funds – The Statutory Budget Reserve Fund."

In addition to investment income from the above-described funds, the State receives investment income (including interest paid) from investment of other, unrestricted funds (\$28.1 million in fiscal year 2013, \$107.8 million in fiscal year 2012, \$96.3 million in fiscal year 2011 and \$184.0 million in fiscal year 2010). See "Government Funds."

Major Components of State Revenues. Table 3 summarizes the sources of unrestricted and restricted revenues available to the State in fiscal years 2003 through 2013.

Table 3

Total State Government Revenue by Major Component
Fiscal Years Ended June 30, 2004 – 2013
($ millions)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenue Source										
Unrestricted										
Oil Revenue	$2,054.1	$2,849.6	$3,699.2	$4,481.4	$9,956.0	$5,181.0	$4,912.9	$7,048.9	$8,857.8	$6,352.0
Non-Oil Revenue	281.8	314.5	447.9	537.1	544.4	402.6	414.0	527.7	519.6	548.4
Investment Earnings	9.7	24.7	53.3	140.1	248.8	247.6	184.0	96.3	107.8	28.1
Subtotal	$2,345.6	$3,188.8	$4,200.4	$5,158.6	$10,749.1	5,831.2	5,513.3	7,672.9	9,485.2	6,928.5
Restricted										
Oil Revenue	$372.7	$545.5	$659.7	$660.3	$1,332.1	$888.2	$1,281.2	$1,038.2	1,021.7	1,032.5
Non-Oil Revenue	449.2	514.7	536.5	684.9	604.4	545.8	467.1	473.6	452.7	485.0
Investment Earnings	3,516.1	2,773.6	3,173.3	3,737.8	(1,483.5)	(6,894.5)	4,291.9	7,928.5	144.3	4,977.8
Federal Revenue	1,941.0	1,924.9	1,966.2	1,971.9	1,902.5	2,088.4	2,387.9	2,410.9	2,460.3	2,386.8
Subtotal	$6,279.0	$5,758.7	$6,335.7	$7,054.9	$2,355.5	($3,372.1)	$8,428.2	$11,851.2	$4,079.0	$8,882.1
Total	$8,624.6	$8,947.5	$10,536.1	$12,213.5	$13,083.7	$2,459.1	$13,940.9	$19,524.2	$13,564.2	$15,810.6

Note: "Federal Revenue" includes oil revenue for NPR-A Rents, Royalties, and Bonuses shared by the Federal government. In fiscal year 2013 this constituted $3.6 million.
Source: State of Alaska Department of Revenue.

Government Budgets and Appropriations

The State is limited by its Constitution and statutes and by policy in how it manages its funds and, as in other states, no funds, regardless of source, may be spent without an appropriation from the Legislature.

Budgets. The State's fiscal year begins on July 1 and ends on the following June 30. The Constitution requires the Governor to submit to the Legislature by December 15 a budget for the next fiscal year, setting forth all proposed expenditures and anticipated income of all departments, offices and agencies of the State, and to submit bills covering recommendations in the budget for new or additional revenues. The Constitution prohibits the withdrawal from the treasury of any funds, regardless of source, without an appropriation, and so the Governor's proposed budget and the Legislature's appropriation bills include federal and other funds as well as funds generated by the State. In addition to the annual budgets described below, the Governor is required by statute to prepare a six-year capital budget covering the succeeding six fiscal years and beginning in fiscal year 2010, is required by statute to prepare a 10-year fiscal plan with estimates of significant sources and uses of funds, including among other requirements, operating expenditures, capital expenditures and debt service expenditures. To assist the Governor in preparing budgets and fiscal plans, the Tax Division of the Department of Revenue prepares forecasts of all anticipated revenues. See "Government Funds" and "General Fund Forecasts."

General Appropriations. The Governor is required to submit three budgets — an operating budget, a mental health budget and a capital budget — by December 15 and to introduce the budgets and appropriation bills formally to the Legislature in January by the fourth day of the regular Legislative session. The appropriation bills, with any changes made by the House Finance Committee, are voted upon first by the House of Representatives, which can amend the bills. The bills approved by the House of Representatives are then voted upon and may be amended by the Senate. Often a conference committee of three members from each house is required to work out differences between the House-approved bills and the Senate-approved bills. The new versions are then submitted to both houses for final votes. Once enacted by both houses, the appropriations bills are delivered to the Governor for signature. The Governor may veto one or more of the appropriations made by the Legislature in an appropriations bill (a "line-item veto"). The Legislature may override a veto by the Governor, and either the Governor or the Legislature may initiate supplemental appropriations during the fiscal year to deal with new or changed revenue receipts, to correct errors or for any other reason.

The Governor has the ability to prioritize or restrict expenditures, redirect funds within an operating appropriation to fund core services, and expend unanticipated federal funds or program receipts. Historically, Alaskan Governors have placed restrictions on authorized expenditures during years when actual revenues were less than forecast and budgeted. Expenditure restrictions have included deferring capital expenditures, State employment hiring freezes, and restrictions on allowed non-core operating expenses.

The Legislature must appropriate to create the authority to expend General Fund revenue. If an expenditure of General Fund revenue is required mid-budget cycle, a special session of the Legislature would be required to provide the authority to expend.

Debt-Related Appropriations. The Governor's proposed appropriations bills include separate subsections for appropriations for State debt and other subject-to-appropriation obligations and specify the sources of funds to pay such obligations. The amounts required annually to pay the principal of and interest and redemption premium on all issued and outstanding general obligation bonds of the State are appropriated each fiscal year to the Committee to make all required payments of principal, interest and redemption premium. Pursuant to AS 37.15.012, if such appropriation is insufficient to fully pay these amounts, the necessary additional amounts are appropriated from the General Fund to the Committee to make all required payments of principal, interest and redemption premium.

Appropriation Limits. The Constitution does not limit expenditures but does provide for an appropriation limit and reserves one-third of the amount within the limit for capital projects and loan appropriations. Because State appropriations have never approached the limit, the reservation for capital projects and loan appropriations has not been a constraint. The appropriation limit does not include appropriations for Permanent Fund dividends described below, appropriations for revenue bond proceeds, appropriations to pay general obligation bonds or appropriations of funds received in trust from a non-State source for a specific purpose. In general, under the Constitution, appropriations that do not qualify for an exception may not exceed $2.5 billion by more than the cumulative change, derived from federal indices, in population and inflation since July 1, 1981. For fiscal year 2014, the appropriations limit was approximately $10.1 billion.

Government Funds

Because the State is dependent upon taxes, royalties, fees and other revenues that can be volatile, the State has developed a number of long-term and short-term options to address cashflow mismatches and budgetary deficits. In addition to the General Fund, some of these include using earnings from the Permanent Fund, borrowing from the Constitutional Budget Reserve Fund and/or from the Statutory Budget Reserve Fund, reducing State expenditures, transferring spending authority among line items, providing additional incentives to develop petroleum or mining resources, reinstituting a State personal income tax and instituting a State sales tax. Most of these options, including the imposition of personal income taxes or sales taxes, would require action by the Legislature.

One method that the state deploys to provide fiscal stability is forward funding or endowing programs. One particularly notable example is the method that been used to fund K-12 education. Since fiscal year 2009, more than $1 billion of the state's current year revenue has been set aside in the Public Education Fund to pre-fund the State's projected contribution to K-12 education for the succeeding fiscal year. The State of Alaska's constitutionally based obligation for K-12 education is one of the largest single recurring budget line items in the State's budget.

The General Fund. The Constitution provides that with three exceptions, the proceeds of State taxes or licenses "shall not be dedicated to any special purpose." The three exceptions are when required by the federal government for State participation in federal programs, any dedication existing before statehood and moneys to be placed in the Permanent Fund. As a result of these Constitutional provisions, most State revenue is deposited to the General Fund, which serves as the State's primary operating fund and accounts for most of the State's unrestricted financial resources. The State has, however, created more than 55 subfunds and "cash pools" within the General Fund to account for funds allocated to particular purposes or reserves, including the Constitutional Budget Reserve Fund; a Statutory Budget Reserve Fund, created by the Legislature in 1986; an Alaska Capital Income Fund, created in 2005; and a debt retirement fund.

In terms of long-term and short-term financial flexibility, the Constitutional Budget Reserve Fund and the Statutory Budget Reserve Fund (subfunds within the General Fund) and the Permanent Fund Earnings Reserve (part of the Permanent Fund) are of particular importance to the State. To balance revenues and expenditures in a time of financial stress, each of these funds can be drawn upon, either immediately, in the case of the Constitutional Budget Reserve Fund following a year-over-year revenue decline, or by a vote of the Legislature and with the approval of the Governor (by a three-quarters majority vote in the case of appropriations from the Constitutional Budget Reserve Fund and by a simple majority vote in the case of appropriations from the Statutory Budget Reserve Fund and from the Permanent Fund Earnings Reserve).

The Constitutional Budget Reserve Fund. The Constitution requires that oil and gas dispute-related revenue be deposited to the Constitutional Budget Reserve Fund. The Constitution provides that other than money required to be deposited to the Permanent Fund, all money received by the State after July 1, 1990 as a result of the termination, through settlement or otherwise, of an administrative proceeding or of litigation involving mineral lease bonuses, rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments or bonuses or involving taxes imposed on mineral income, production or property, are required to be deposited in the Constitutional Budget Reserve Fund. Money in the Constitutional Budget Reserve Fund may be appropriated (i) for any public purpose, upon the affirmative vote of three-fourths of the members of each house of the Legislature; or (ii) if the amount available to the State for appropriation for a fiscal year is less than the amount appropriated for the previous fiscal year; however, the amount appropriated may not exceed the amount necessary, when added to other funds available for appropriation, to provide for total appropriations equal to the amount of appropriations made in the previous calendar year for the previous fiscal year. The Constitution also provides that until the amount appropriated from the Constitutional Budget Reserve Fund is repaid, excess money in the General Fund at the end of each fiscal year must be deposited in the Constitutional Budget Reserve Fund.

The State historically has borrowed from the Constitutional Budget Reserve Fund as part of its cash management plan to address timing mismatches between revenues and disbursements within a fiscal year and also to balance the budget when necessary at the end of the fiscal year. The Legislature last appropriated funds from the Constitutional Budget Reserve Fund in fiscal year 2005. As of June 30, 2009, the balance owed by the General Fund to the Constitutional Budget Reserve Fund was completely repaid and there have been no draws or appropriations from the Constitutional Budget Reserve Fund since this repayment.

The balance in the Constitutional Budget Reserve Fund as of June 30, 2013 was $11.6 billion.

The Statutory Budget Reserve Fund. The Statutory Budget Reserve Fund has existed in the State's accounting structure since 1986. The Statutory Budget Reserve Fund is available for use for legal purposes with a simple majority vote of the Legislature and with approval by the Governor. In fiscal year 2008, the Legislature authorized an initial transfer to the Statutory Budget Reserve Fund of $1.0 billion. Additional deposits have been made to the fund in fiscal years 2010, 2011, 2012, and 2013. As of June 30, 2013, the balance in the Statutory Budget Reserve Fund was $4.8 billion. If the unrestricted amount available for appropriation in the fiscal year is insufficient to cover General Fund appropriations, the amount necessary to balance revenue and General Fund appropriations or to prevent a cash deficiency in the General Fund is appropriated from the Statutory Budget Reserve Fund to the General Fund. For FY13, this resulted in a year-end transfer from the Statutory Budget Reserve Fund to the General Fund for $776 million, for a net impact to the Statutory Budget Reserve Fund of $526 million (backing out the FY13 legislative transfer from the General Fund to the Statutory Budget Reserve Fund totaling $250 at the beginning of FY13). Earnings on the Statutory Budget Reserve Fund flow to the General Fund.

The Alaska Permanent Fund. The Permanent Fund was established by a voter-approved Constitutional amendment that took effect February 21, 1977. The amendment provides that "at least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in a permanent fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments" and that "all income from the permanent fund shall be deposited in the General Fund unless otherwise provided by law."

In 1980, legislation was enacted that provided for the management of the Alaska Permanent Fund by the Alaska Permanent Fund Corporation, a public corporation and government instrumentality within the Department of Revenue, managed by a board of trustees. The same legislation modified the contribution rate to the Permanent Fund from 25 percent (the minimum constitutionally mandated contribution) to 50 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares, federal mineral revenue sharing payments and bonuses received by the State from mineral leases issued after December 1, 1979 or, in the case of bonuses, after May 1, 1980. The statutory contribution rate was changed back to 25 percent by legislation as of July 1, 2003 but then returned to 50 percent as of October 1, 2008. For fiscal year 2013, State revenues deposited into the Permanent Fund were $840.1 million compared to $915.1 million in fiscal year 2012. In addition to these constitutionally and statutorily mandated transfers to the Permanent Fund, the Legislature has made special appropriations from the General Fund to the Permanent Fund several times, totaling approximately $2.7 billion as of June 30, 2013.

Pursuant to legislation enacted in 1982, annual appropriations are made from the earnings reserve of the Permanent Fund in accordance with appropriations, first for dividends and then for inflation-proofing. Between 1982 and 2013, $20.4 billion of dividends ($900 per person in fiscal year 2013) were paid to Alaska residents and $15.0 billion of Permanent Fund income has been added to principal for inflation proofing purposes (for fiscal year 2013 the inflation proofing transfer was $743 million, down from the fiscal year 2012 amount of $1.1 billion). In addition to the statutorily directed inflation proofing transfers, the Legislature has made special appropriations from the earnings reserve to the principal of the Permanent Fund, totaling approximately $4.2 billion as of June 30, 2013.

If any income remains after these transfers (except the portion transferred to the Alaska Capital Income Fund as described below), it remains in the Permanent Fund's earnings reserve as undistributed income. The Legislature may appropriate funds from the earnings reserve at any time for any other lawful purpose. The principal portion of the Permanent Fund ($40.8 billion as of June 30, 2013, up from $38.3 billion as of June 30, 2012) may not be spent without amending the State Constitution. The earnings reserve portion of the Permanent Fund ($4.1 billion as of June 30, 2013, up from $2.1 billion as of June 30, 2012) may be spent with a simple majority vote of the Legislature. The Permanent Fund is valued at approximately $49.2 billion as of December 31, 2013.

During fiscal years 1990 through 1999, the Permanent Fund received dedicated State revenues from settlements of a number of North Slope royalty cases (known collectively as *State v. Amerada Hess, et al.*). The total of the settlements and retained income thereon, as of June 30, 2013, is approximately $351.2 million. Earnings on the settlements are excluded from the dividend calculation in accordance with State law and beginning in 2005, the settlement earnings have been appropriated to the Alaska Capital Income Fund, a subfund within the General Fund. Funds in the Alaska Capital Income Fund and interest thereon (approximately $29.6 million in fiscal year 2013) are unrestricted and have been appropriated for capital expenditures.

Table 4

State of Alaska
Available Funds and Recurring and Discretionary General Fund Expenditures
Fiscal Years Ended June 30, 2003-2013
($ millions)

Fiscal Year	General Purpose Unrestricted Revenue (1)	Recurring & Discretionary General Fund Expenditures (2)	Surplus/ (Deficit)	Net Draw on CBRF (3)	CBRF Available Balance (4)	Perm. Fund Earnings Reserve
2003	$1,948	$2,496	$(548)	$526	$2,092.4	$100.0
2004	2,346	2,319	26	0	2,064.2	859.3
2005	3,189	2,646	543	0	2,235.7	1,439.9
2006	4,200	3,247	953	0	2,267.1	2,584.8
2007	5,159	4,272	886	0	2,549.0	4,132.0
2008	10,749	5,473	5,256	0	5,601.0	4,969.0
2009	5,831	6,000	(169)	0	7,114.4	440.6
2010	5,515	4,995	520	0	8,664.0	1,209.8
2011	7,673	6,355	1,318	0	10,330.0	2,307.8
2012	9,485	7,252	2,233	0	10,642.4	2,080.6
2013	6,929	7,455	(526)	0	11,564.4	4,093.4

(1) State of Alaska Department of Revenue, Tax Division.
(2) Excludes amounts expected to forward fund programs and reserve deposits. State of Alaska Office of Management & Budget. See "General Fund Expenditure Trends" and Table 6.
(3) Net draws differ from borrowing reported in the State's financial statements due to restricted revenue and cash accounting impact.
(4) CBRF available balance represents the market value of the Constitutional Budget Reserve Fund.
Source: State of Alaska Department of Revenue

General Fund Forecasts

The State regularly prepares General Fund financial forecasts for planning and budgetary purposes. Table 5 provides a summary of the State's most recent General Fund revenue and expenditure forecasts, including forecast beginning and ending balances of available funds in the Constitutional Budget Reserve Fund and in the Statutory Budget Reserve Fund through 2024 and forecast oil prices and production levels during the same time period.

Of necessity, such forecasts include assumptions about events that are not within the State's control. The forecast oil production volumes include only production on State land and only current production and production expected from projects currently under development or evaluation on State land. The forecast does not include any revenues that could be received if a natural gas pipeline is constructed. In making its forecasts, the State makes assumptions about, among other things, the demand for oil and national and international economic factors and assumes that the Legislature will not amend current laws to change materially the sources and uses of State revenue and that no major calamities such as earthquakes or catastrophic damage to TAPS will occur. Actual revenues and expenditures will vary, perhaps materially, from year to year, particularly if any one or more of the assumptions upon which the State's forecasts are based proves to be incorrect or if other unexpected events occur. See "Government Funds" for a description of some of the actions the State can take when revenues prove to be lower than expected.

Table 5

State of Alaska General Fund and Budget Reserve Scenario
Fiscal Years 2014 through 2024(1)

Fiscal Year	General Purpose Unrestricted Revenues ($mil)	Recurring & Discretionary General Fund Expenditures ($mil) (1)	Surplus/ (Deficit) ($mil)	Ending CBRF/Statutory Budget Reserves Available Balance ($mil)	Oil Price Forecasts ($/barrel)	ANS Oil Production Forecasts (thousand barrels per day)
2014	$4,964.6 (2)	$6,914.6	$(1,950.0)	$15,032.6	$105.68	508.2
2015	4,532.0	5,640.9	(1,108.9)	11,371.0	105.06	498.4
2016	4,609.5	5,600.0	(990.5)	10,858.3	107.69	487.6
2017	4,980.6	5,600.0	(619.4)	10,752.0	110.38	482.7
2018	5,105.0	5,600.0	(495.0)	10,802.8	115.40	459.5
2019	5,135.4	5,600.0	(464.6)	10,912.6	121.19	429.1
2020	4,810.0	5,600.0	(790.0)	10,720.1	122.43	399.6
2021	4,502.5	5,600.0	(1097.5)	10,232.4	123.67	368.8
2022	4,653.6	5,600.0	(946.4)	9,937.0	133.00	340.1
2023	4,129.4	5,600.0	(1,470.6)	9,049.3	131.85	312.9
2024	4,006.1	5,600.0	(1,593.9)	7,959.7	135.16	285.6

Sources: State of Alaska; Department of Revenue, Tax Division and State of Alaska Office of Management and Budget FY2015 10-Year Plan using Fall 2013 Revenue Sources Forecast.

(1) This table represents one possible scenario taken from the FY2015 10-Year Plan. Recurring and Discretionary General Fund Expenditures are based on the Enacted FY 2014 Budget, Governor's Budget for FY 2015. Appropriations projections in the plan do not represent a commitment by the Administration to propose spending or generate revenue at a particular level in FY2014, FY2015 or any future year. The 10-year forecast shows that unanticipated budget shortfalls during the 10-year period could be filled primarily through use of reserve funds; however, other fiscal tools including spending reductions would likely be used in addition to, or in lieu of, reserve funds.

(2) Fiscal year 2014 number includes $4,930.6 General Fund Unrestricted Revenue forecast plus $34.9 of funds reappropriated and/or carried forward from fiscal year 2013 for total of $4,964.9.

(3) The ending CBRF / Statutory Budget Reserves Available Balance reflects an assumption that a transfer in the amount of $3 billion occurs in FY15 from the CBRF to PERS/TRS.

General Fund Expenditure Trends

From fiscal year 2003 through fiscal year 2014, recurring General Fund expenditures have grown by an average of nearly 12 percent annually. Although General Fund expenditures have increased by a greater percentage since fiscal year 2005, a significant portion of the increase in expenditures was for savings, to forward-fund future fiscal year obligations and to make targeted investments. Table 6 summarizes these expenditures from fiscal year 2008 through fiscal year 2013. "Savings" include deposits and withdrawals from reserves including, but not limited to the Statutory Budget Reserve Fund and the Constitutional Budget Reserve Fund, two of the State's most accessible reserve accounts. "Investments" includes discretionary capital expenditures (over $200 million annually) as well as direct payments and any credits to oil companies to underwrite a portion of exploration and development costs. The direct payments to oil exploration and development companies are intended as incentives to encourage more oil and gas exploration activity with the intended result being an increase in oil and gas production in the future. The expenditures under "Fund Future Obligations" include a number of expenditures designed to relieve the State of certain future obligations, such as annual deposits to the retirement systems to reduce the unfunded accrued actuarial liabilities; deposits to the Public Education

Fund to set aside in advance in excess of a full year's State K-12 education expenditures; funding of the Power Cost Equalization Fund Endowment, a program that underwrites a portion of the cost of rural consumer energy use; the Community Revenue Sharing Fund, a program that shares with local municipalities a portion of the State's resource income; and deposits to the Alaska Housing Capital Corporation Fund a fund set aside for some of the costs associated with developing a natural gas pipeline.

Table 6

State of Alaska Non-Recurring General Fund Expenditure Trends
Fiscal Years 2008 through 2012
($ millions)

Expenditure Category	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Savings	$213	$600	$240	$2,865	-$654
Investments	1,310	731	583	1,697	$2,212
Fund Future Obligations	784	444	609	1,260	$1,308
Total	$2,307	$1,775	$1,432	$5,822	$2,865

Source: State of Alaska.

Other Funds Maintained by the State

The State maintains other types of funds, such as Enterprise Funds, Trust and Agency Funds, Capital Projects Funds and Special Revenue Funds.

Enterprise Funds are operated by the State for "self-supported" activities that provide goods and/or services to the public on a charged payment basis. The International Airports Revenue Fund and a number of State loan program funds are Enterprise Funds.

Trust and Agency Funds are maintained to account for assets held by the State acting in the capacity of custodian or fiduciary agent. In addition to the Permanent Fund and the retirement systems funds, major funds in this category include the Public School Trust Fund, the Mental Health Trust Fund, the Alaska Children's Trust Fund, the Power Cost Equalization Endowment and the University of Alaska Endowment.

Capital Projects Funds account for the use of the proceeds of general obligation bond issues and matching federal funds for capital outlays. In general, all capital outlay projects are accounted for through Capital Projects Funds except capital projects being financed by the General Fund through direct appropriations and capital projects financed with moneys in the International Airports Revenue Fund.

Special Revenue Funds are maintained in connection with the State's issuance of revenue bonds, such as revenue bonds issued by the Alaska International Airports System and the Sport Fishing Revenue Bonds.

Public Debt and Other Obligations of the State

State debt includes general obligation bonds and revenue anticipation notes, and State-supported debt includes lease-purchase financings and revenue bonds. The State also provides guarantees and other support for certain debt and operates a school debt and capital project debt reimbursement program. These programs do not constitute indebtedness of the State but do provide, annually on a subject-to-appropriation basis, financial support for general obligation bonds of State agencies and political subdivisions.

Outstanding State Debt. State debt includes general obligation bonds and revenue anticipation notes. The State Constitution provides that general obligation bonds must be authorized by law and be ratified by the voters and permits authorization of general obligation bonds only for capital improvements. The amount and timing of a bond sale must be approved by the State Bond Committee. For both general obligation bonds and revenue anticipation notes, the full faith, credit and resources of the State are pledged to the payment of principal and interest. If future State revenues are insufficient to make the required principal and interest payments, the State is legally required to raise taxes to provide sufficient funds for this purpose. $840.2 million of general obligation bonds were outstanding as of June 30, 2013. See "—Summary of Outstanding Debt" and Tables 7 – 9 below.

On November 6, 2012, voters approved $453,499,200 in general obligation bonds for the purpose of design and construction of state transportation projects. The State of Alaska issued $149,645,000 of these bonds in fiscal year 2013 in the form of Bond Anticipation Notes. The 2014 Notes shall refinance $142,645,000 of the 2013C Bond Anticipation Notes of the State of Alaska and paying $27,355,000 to fund an estimated total of $170,000,000 of paying the costs of design and construction of state transportation projects pursuant to the State Transportation Bond Act. It is anticipated that the remaining authority of $274,031,554 will be issued over the next two to four years.

The following other debt and debt programs of the State were outstanding as of June 30, 2013, except as otherwise noted.

State Guaranteed Debt. The only purpose for which State guaranteed debt may be issued is for payment of principal and interest on revenue bonds issued for the Veterans Mortgage Program by the Alaska Housing Finance Corporation for the purpose of purchasing mortgage loans made for residences of qualifying veterans. These bonds are general obligation bonds of the State, and they must be authorized by law, ratified by the voters and approved by the State Bond Committee. These bonds are known as "double-barrel bonds" because there are two distinct forms of security behind the bonds. The principal source of payment is the revenue stream generated by payments on the mortgage loans made from bond proceeds. Additional security to bondholders is provided by the general obligation pledge of the State to make the required debt service payments in the event that pledged revenues from mortgage repayments are insufficient. Approximately $102.1 million of State guaranteed debt was outstanding as of June 30, 2013. On November 7, 2010 the voters approved an additional $600 million of State guaranteed veteran's mortgage bonds, and the total current unissued authorization is $694.6 million.

State Supported Debt. State supported debt is debt for which the ultimate source of payment is, or may include, appropriations from the General Fund. The State does not pledge its full faith and credit to State-supported debt, but another public issuer may have pledged its full faith and credit to it. State supported debt is not considered "debt" under the Constitution, because the State's payments on this debt are subject to annual appropriation by the Legislature. Voter approval of such debt is not required. State supported debt includes lease-purchase financing obligations (including lease revenue capital lease bonds and certificates of participation issued by lessors of facilities used by the State) and the share of municipal general obligation bonds issued for school construction and other capital projects that is reimbursable by the State on a subject to appropriation basis. Approximately $1,195.0 million of State supported debt was outstanding as of June 30, 2013. As of June 30, 2013, the State was obligated on $4.9 million of lease purchase financing obligations, $268.8 million of capital lease bonds and $24.1 million of capital project reimbursement. As of June 30, 2013, the State was reimbursing local municipalities on the debt service of $897.1 million of bonds under the school reimbursement program.

State Moral Obligation Debt. State moral obligation debt consists of bonds issued by certain State agencies or authorities that are secured, in part, by a debt service reserve fund benefited by a discretionary replenishment provision that permits, but does not legally obligate, the Legislature to appropriate to the particular State agency or authority the amount necessary to replenish the debt service reserve fund up to its funding requirement (generally the maximum amount of debt service required in any year). State moral obligation debt is payable in the first instance by revenues generated from loan repayments or by the respective projects financed from bond proceeds. Among those State agencies that have the ability to issue State moral obligation debt are: Alaska Aerospace Development Corporation ("AADC") which has not issued any debt; Alaska Energy Authority ("AEA"); Alaska Housing Finance Corporation ("AHFC"); Alaska Industrial Development and Export Authority ("AIDEA"); Alaska Municipal Bond Bank ("AMBB"); and Alaska Student Loan Corporation ("ASLC"). Approximately $1,200.7 million of State moral obligation debt was outstanding as of June 30, 2013.

State and University Revenue Debt. This type of debt is issued by the State or by the University of Alaska but is secured only by revenues derived from projects financed from bond proceeds. Revenue debt is not a general obligation of the State or of the University and does not require voter approval. Such debt is authorized by law and issued by the State Bond Committee or the University of Alaska for projects approved by the Commissioner of Transportation and Public Facilities or the University of Alaska. This type of debt includes Sportfish Revenue Bonds, International Airports Revenue Bonds, various University Revenue Bonds and Notes and Toll Facilities Revenue Bonds. A total of $786.3 million of revenue bonds, including $190.5 million of University of Alaska Revenue Bonds, Notes and Contracts, $42.5 million of Sportfish Revenue Bonds and $553.2 million of airport revenue bonds were outstanding as of June 30, 2013.

State Agency Debt. State agency debt is secured by revenues generated from the use of bond proceeds or the assets of the agency issuing the bonds. This debt is not a general obligation of the State nor does the State provide security for the debt in any other manner, i.e., by appropriations, guarantees, or moral obligation pledges. As of June 30, 2013, there was $543.3 million principal amount of State agency debt outstanding comprised of $28.4 million AHFC obligations; $10.6 million AMBB Coastal Energy Bonds payable to the National Oceanic and Atmospheric Administration; $142.4 million Alaska Railroad Notes; and $361.9 million of obligations of the Northern Tobacco Securitization Corporation;

State Agency Collateralized or Insured Debt. As security for State agency collateralized or insured debt, the particular State agency pledges mortgage loans or other securities as primary security which, in turn, may be 100 percent insured or guaranteed by another party with a superior credit standing. This upgrades the credit rating on the debt and lowers the interest cost and makes it less likely that the State will assume responsibility for the debt. At June 30, 2013, the total principal amount outstanding of State agency collateralized or insured debt was approximately $2,312.2 million comprised of approximately $2,157.1 million issued by AHFC and $155.1 million issued by AIDEA.

Through the Alaska Pension Obligation Bond Corporation, the State is authorized to issue up to $5,000 million of bonds and/or enter into contracts to finance the payment by governmental employers of their share of the unfunded accrued actuarial liabilities ("UAALs") of the retirement systems. See also "STATE PENSION AND OTHER POST-EMPLOYMENT BENEFIT RESPONSIBILITIES" below.

Summary of Outstanding Debt. Table 7 lists, by type, the outstanding State-related debt as of June 30, 2013. There have been no general obligation bonds issued by the State since June 30, 2013. Other categories of debt have not been compiled beyond June 30, 2013.

Table 7

State of Alaska Debt and State-Related Debt by Type as of June 30, 2013

($ in millions)

	Principal Outstanding	Interest to Maturity	Total Debt Service to Maturity
State Debt			
State of Alaska General Obligation Bonds	$840.2	$332.5	$1,172.8
State Supported Debt			
Lease-Purchase Financings	4.9	0.4	5.4
State Reimbursement of Municipal School Debt Service	897.1	292.8	1,189.9
State Reimbursement of capital projects	24.1	7.9	32.0
Capital Leases	268.8	164.4	433.2
Total State Supported Debt	1,195.0	465.5	1,660.5
State Guaranteed Debt			
Alaska Housing Finance Corporation State Guaranteed Bonds (Veterans' Mortgage Program)	102.1	105.1	207.2
State Moral Obligation Debt			
Alaska Municipal Bond Bank:			
1976, 2005 & 2010 General Resolution General Obligation Bonds	783.5	378.4	1,161.9
2003-2004 Revenue Bonds	18.0	6.6	24.6
Alaska Energy Authority:			
Power Revenue Bonds #1 through #5	86.2	22.8	109.0
Alaska Student Loan Corporation			
Student Loan Revenue Bonds	161.0	12.7	173.7
Education Loan Backed Notes	142.0	4.5	146.5
Student Capital Project Revenue Bonds	10.0	0.5	10.5
Total State Moral Obligation Debt	1,200.7	425.5	1,626.2
State Revenue Debt			
Sportfish Revenue Bonds	42.5	16.2	58.7
International Airports Revenue Bonds	553.2	275.7	828.9
University of Alaska Debt			
University of Alaska Revenue Bonds	148.7	52.7	201.4
University Lease Liability and Notes Payable	39.8	18.6	58.4
Installment Contracts	2.0	0.2	2.2
Total University of Alaska Debt	190.5	71.5	262.0
Total State Revenue and University Debt	786.3	347.2	1,133.4
State Agency Debt			
Alaska Housing Finance Corporation			
Commercial Paper	28.4	N/A	28.4
Alaska Municipal Bond Bank Coastal Energy Loan Bonds	10.6	2.9	13.5
Alaska Railroad	142.4	31.7	174.1
Northern Tobacco Securitization Corporation			
2006 Tobacco Settlement Asset-Backed Bonds	361.9	603.3	965.2
Total State Agency Debt	786.3	637.9	1,181.2
State Agency Collateralized or Insured Debt			
Alaska Housing Finance Corporation			
Collateralized Home Mortgage Bonds & Mortgage Revenue Bonds:			
2002 Through 2011 (First Time Homebuyer Program)	962.2	739.7	1,701.9
General Mortgage Revenue Bonds 2002	193.1	89.3	282.4
Housing Development Bonds 2004	1.0	0.7	1.7
General Housing Purpose Bonds 2005	266.4	289.5	555.9
Government Purpose Bonds 1997 & 2001	138.4	73.4	211.8
State Capital Project Bonds, 2002-2011	314.1	231.4	545.5
State Capital Project Bonds, II 2012-2013	281.9	112.4	394.3
Alaska Industrial Development and Export Authority			
Revolving Fund and Refunding Revolving Fund Bonds	81.1	29.6	110.7
Power Revenue Bonds, First Series (Snettisham Hydro Project)	74.0	50.3	124.3
Total State Agency Collateralized or Insured Debt	2,312.2	1,616.3	3,928.5
Total State and State Agency Debt	6,979.8		
Municipal Debt			
School G.O. Debt	1,330.0	$ N/A	$ N/A
Other G.O. Debt	1,076.8	N/A	N/A
Revenue Debt	743.8	N/A	N/A
Total Municipal Debt	3,150.6		
Less: State Reimbursable School Debt Reported by Municipalities	-1,076.8		
Less: Alaska Municipal Bond Bank Debt included in Municipal Debt	-812.1		
	1,148.4		
Total Alaska Public Debt (2)	**$8,128.1**		

(1) University debt owed to AHFC is double counted in detail, but eliminated from Total Alaska Public Debt.
(2) Reimbursable school G.O. debt is included in "State Supported Debt"; Capital Leases are included in "State Agency Collateralized or Insured Debt and Municipal Debt"; State Reimbursement of Capital Projects is included in "University and Municipal Debt."

Sources: Annual reports and financial statements of AHFC, AMBBA, AIDEA, AEA, University of Alaska, Alaska Railroad, and directly from agencies.

General Fund Supported Obligations. General Fund support is pledged and required for only a portion of the total outstanding Alaska Public Debt. General Obligation Bonds are unconditionally supported, and Certificates of Participation and Capital Leases are subject-to-appropriation commitments with associated obligations. The School Debt and Capital Project Reimbursement Programs provide discretionary annual payments to municipal issuers for qualified general obligation bonds that are eligible by statute to participate in the programs. Over the last 20 years, the State has fully funded these programs. Tables 8 and 9 show the historical level of support the State has provided from the General Fund for these outstanding obligations and the forecast support required to retire the outstanding obligations.

Table 8

State of Alaska
Debt Service on State Supported Debt
Fiscal Years Ended June 30, 1980 – 2013
($ millions)

Fiscal Year	State G.O.	University Revenue Debt	Lease / Purchase	Capital Leases (1)	School Debt Reimbursement	Capital Project Reimbursements	Total Debt Service (2)
1980	75.1	1.8	10.1	–	24.1	–	111.1
1981	97.6	2.2	10.0	–	38.4	–	148.2
1982	97.5	2.3	10.0	–	38.3	–	148.1
1983	143.6	2.3	9.9	–	36.2	–	192.0
1984	166.3	2.0	9.9	–	90.6	–	268.8
1985	169.5	2.0	10.7	–	93.2	–	275.4
1986	163.2	1.8	10.4	–	106.3	–	281.7
1987	154.9	1.8	11.2	–	115.8	–	283.7
1988	147.9	1.5	11.2	–	109.5	–	270.1
1989	135.5	2.2	11.7	–	109.5	–	258.9
1990	120.3	2.2	12.0	–	107.8	–	242.3
1991	95.5	2.7	12.0	–	116.7	–	226.9
1992	68.2	2.7	11.8	–	129.0	–	211.7
1993	59.7	3.7	11.2	–	127.6	–	202.2
1994	33.8	0.2	8.5	–	99.1	–	141.6
1995	22.9	0.2	10.2	–	103.3	–	136.6
1996	21.3	0.2	9.6	–	79.7	–	110.8
1997	16.5	0.2	9.5	–	62.5	–	88.7
1998	14.2	0.2	10.3	–	61.6	–	86.3
1999	8.8	0.2	15.5	–	62.0	–	86.5
2000	2.4	–	15.0	3.5	64.4	–	85.3
2001	–	–	12.8	3.5	52.1	–	68.4
2002	–	–	12.4	8.8	54.1	–	75.3
2003	–	–	11.9	8.8	52.0	–	72.7
2004	19.4	–	12.1	8.8	60.6	0.3	101.2
2005	46.4	–	13.8	8.8	71.4	0.2	140.6
2006	45.7	–	13.2	8.6	81.1	2.2	150.8
2007	45.0	–	13.2	9.1	86.9	3.6	157.8
2008	44.4	–	11.1	11.8	91.1	4.2	162.7
2009	43.9	–	8.0	20.4	93.3	3.9	169.5
2010	48.9	–	8.0	29.6	95.8	5.2	187.5
2011	53.8	–	8.0	29.7	99.6	5.3	196.4
2012	78.8	–	7.5	29.1	100.9	5.3	221.6
2013	76.3	–	7.0	28.7	112.3	5.2	229.4

(1) Three facilities are financed with capital leases.
(2) Totals may not add due to rounding.
Source: State of Alaska.

Table 9

State of Alaska
Debt Service on Outstanding State Supported Debt
Forecast for Fiscal Years Ended June 30, 2014 - 2038
$ (millions)

Fiscal Year	State G.O. (1)	Notes	University Revenue Debt	Lease / Purchase (2)	Capital Leases (3)	School Debt Reimbursement (4)	Capital Project Reimbursements	Total Debt Service (5)
2014	86.0	2.6	-	1.8	28.7	108.3	5.1	229.9
2015	63.5		-	1.8	28.7	105.9	5.0	204.9
2016	63.4		-	1.8	26.4	101.1	4.2	196.9
2017	63.2		-	0.0	25.5	95.2	4.2	188.1
2018	63.1		-	-	21.8	91.1	4.1	180.1
2019	63.0		-	-	21.1	84.3	4.1	172.5
2020	51.9		-	-	21.3	78.0	2.8	154.0
2021	51.9		-	-	21.1	75.1	2.8	150.9
2022	41.7		-	-	21.1	63.2	2.8	128.8
2023	41.8		-	-	21.1	59.2	2.8	124.9
2024	44.7		-	-	21.1	49.2	2.8	117.9
2025	37.3		-	-	21.1	40.6	2.8	101.7
2026	17.8		-	-	21.1	29.3	2.6	70.8
2027	36.3		-	-	21.1	25.1	-	82.5
2028	36.3		-	-	17.8	22.2.	-	76.3
2029	36.2		-	-	17.8	16.9	-	70.9
2030	36.1		-	-	17.8	13.7	-	67.6
2031	23.6		-	-	17.8	11.2	-	52.6
2032	23.5		-	-	17.8	- 7.8	-	49.1
2033	23.5		-	-	17.8	-	-	41.3
2034	23.5	-	-	-	-	-	-	23.5
2035	0.1	-	-	-	-	-	-	0.1
2036	0.1	-	-	-	-	-	-	0.1
2037	0.1	-	-	-	-	-	-	0.1
2038	0.1	-	-	-	-	-	-	0.1

(1) State G.O. debt service is net of federal subsidies for interest expenses from 2014 through 2038.
(2) A prison, a building and a parking garage have been financed with capital leases.
(3) Information as of January 23, 2013, provided by the Department of Education & Early Development.
(4) Fiscal Year 2014 – Fiscal Year 2033 payments are estimated. Totals may not add due to rounding.

Source: State of Alaska.

Payment History. The State has never defaulted on its bond obligations nor has it ever failed to appropriate funds for any outstanding lease obligations.

State Debt Capacity. The State has historically used the ratio of debt service to revenue as a guideline for determining debt capacity of the State. This policy was established due to the State's relatively small population and high per capita revenue due to oil resource-generated revenue. Historically the State's policy has been that debt service should not exceed five percent of unrestricted revenue when considering only general obligation bonds, certificates of participation and the University of Alaska bonds that are State supported. More recently, the State has included more discretionary General Fund supported obligations and programs, including the School Debt Reimbursement Program, the Capital Project Reimbursement Program and certain capital leases. With the more inclusive funding, the State's policy was amended to allow the annual payments on these items to range up to eight percent of unrestricted revenue. Using the official Fall 2013 State revenue forecast, the historical and projected ratio of debt service on outstanding obligations to unrestricted revenue is shown in Table 10.

Table 10

State of Alaska
Debt Service on Outstanding Obligations to Unrestricted Revenues*
Fiscal Years Ended June 30, 1980 – 2023

Fiscal Year	Unrestricted Revenues	State G.O. Debt Service	Notes	State Supported Debt Service	Total State Debt Service	School Debt Transfers	Total Debt Service to Revenues
	($Millions)	%		%	%	%	%
1980	3,718.0	2.0		0.3	2.3	0.6	3.0
1981	4,108.4	2.4		0.3	2.7	0.9	3.6
1982	3,631.0	2.7		0.3	3.0	1.1	4.1
1983	3,587.8	4.0		0.3	4.3	1.0	5.4
1984	3,390.1	4.9		0.4	5.3	2.7	7.9
1985	3,260.0	5.2		0.4	5.6	2.9	8.4
1986	3,075.5	5.3		0.4	5.7	3.5	9.2
1987	1,799.4	8.6		0.7	9.3	6.4	15.8
1988	2,305.8	6.4		0.6	7.0	4.7	11.7
1989	2,186.2	6.2		0.6	6.8	5.0	11.8
1990	2,507.2	4.8		0.6	5.4	4.3	9.7
1991	2,986.6	3.2		0.5	3.7	3.9	7.6
1992	2,462.6	2.8		0.6	3.4	5.2	8.6
1993	2,352.0	2.5		0.6	3.2	5.4	8.6
1994	1,652.5	2.0		0.5	2.6	6.0	8.6
1995	2,082.9	1.1		0.5	1.6	5.0	6.6
1996	2,133.3	1.0		0.5	1.5	3.7	5.2
1997	2,494.9	0.7		0.4	1.1	2.5	3.6
1998	1,825.5	0.8		0.6	1.4	3.4	4.7
1999	1,348.4	0.7		1.2	1.8	4.6	6.3
2000	2,081.7	0.1		0.9	1.0	3.1	4.1
2001	2,281.9	0.0		0.7	0.7	2.3	3.0
2002	1,660.3	0.0		1.3	1.3	3.3	4.5
2003	1,947.6	0.0		1.1	1.1	2.7	3.7
2004	2,345.6	0.8		0.9	1.7	2.6	4.3
2005	3,188.8	1.5		0.7	2.2	2.2	4.4
2006	4,200.4	1.1		0.6	1.7	1.9	3.6
2007	5,158.5	0.9		0.5	1.4	1.7	3.1
2008	10,749.1	0.4		0.3	0.6	0.8	1.4
2009	5,831.2	0.8		0.6	1.3	1.6	2.9
2010	5,513.3	0.9		0.8	1.7	1.7	3.4
2011	7,673.0	0.7		0.6	1.3	1.3	2.6
2012	9,485.2	0.8		0.4	1.3	1.1	2.3
2013	6,928.5	1.1		0.6	1.7	1.6	3.3
Projected							
2014*	4,930.0	1.7		0.7	2.5	2.2	4.7
2015*	4,532.0	1.4		0.8	2.2	2.3	4.5
2016*	4,609.5	1.4		0.7	2.1	2.2	4.3
2017*	4,980.6	1.3		0.6	1.9	1.9	3.8
2018*	5,105.0	1.2		0.5	1.7	1.8	3.5
2019*	5,135.4	1.2		0.5	1.7	1.6	3.4
2020*	4,810.0	1.1		0.5	1.6	1.6	3.2
2021*	4,502.5	1.2		0.5	1.7	1.7	3.4
2022*	4,653.6	0.9		0.5	1.4	1.4	2.8
2023*	4,129.4	1.0		0.6	1.4	1.4	3.0

* Unrestricted revenue projection is based on Fall 2013 Revenue Source Book. Debt Service is based on June 30, 2013 balances, not adjusted for cash defeasances.

Source: State of Alaska.

STATE PENSION AND OTHER POST-EMPLOYMENT BENEFIT RESPONSIBILITIES

General

The State, through the Department of Administration, administers five retirement systems, a healthcare trust, a deferred compensation plan and a supplemental annuity plan. The two largest retirement systems are Teachers' Retirement System ("TRS") and Public Employees' Retirement System ("PERS"). Smaller systems are the Alaska National Guard and Naval Militia Retirement System ("Military System") and the Judicial Retirement System ("JRS"). The fifth system, the smallest, is the Elected Public Officers Retirement System ("EPORS"), which provides benefits to elected officials who served in 1976.

PERS and TRS each had funding ratios in excess of 100 percent (*i.e.*, were "overfunded") as recently as 2001. Since that time, as a result of investment losses, recalibration of other post-employment benefit ("OPEB") liabilities and changes in actuarial assumptions and valuation methods, PERS and TRS each has had an unfunded accrued actuarial liability (a "UAAL") and increasing actuarially required employer contribution rates. The Military System and JRS, although much smaller systems, also had UAALs until June 30, 2008, when the Legislature made additional contributions in amounts calculated to eliminate the entire UAAL of both the Military System and JRS as of June 30, 2006. The Military System has been fully funded since June 30, 2010. Since that additional 2008 legislative contribution eliminating the UAAL as of 2006, JRS has carried a UAAL. The State maintains EPORS as a cash-funded, pay-as-you go arrangement and pays benefits each year as they arise. No assets are set aside to pay EPORS benefit costs.

The Alaska Retirement Management Board

The Alaska Retirement Management ("ARM") Board is the fiduciary for funds of three of the retirement systems: TRS, PERS and the Military System and oversees investments of all of the systems. The ARM Board's mission is to serve as the trustee of the assets of the State's retirement systems, the State Supplemental Annuity Plan, the deferred compensation program for State employees and the Retiree Healthcare Trusts.

Administration of the Systems

The Commissioner of the Department of Administration or the Commissioner's designee is the administrator, and the Attorney General is the legal counsel, for each of the State's retirement systems. The Treasury Division of the Department of Revenue provides investment and cash management services, together with 55 external money managers and consultants, for the ARM Board and for each of the retirement systems.

Valuation Reports

PERS and TRS are funded by a combination of mandatory employee contributions at rates that are determined by statute, investment income and employer contributions at rates determined by the ARM Board based upon recommendations of the actuary in its valuation reports. State law requires that actuarial valuation reports be prepared annually for TRS and PERS and that the work of the actuary be reviewed by a second, independent actuary. State law requires in addition that every four years a different independent actuary be retained to conduct a separate, complete valuation for comparison purposes.

Employer Contribution Rates. Employer contribution rates are determined by the ARM Board and are based upon State law, administrative regulations and the actuary's recommended employer contribution rates based upon results of the actuary's valuations. Individual employer rates represent a percentage of payroll based upon (i) the consolidated normal cost (a uniform rate for all employers within a specific pension program (e.g., PERS and TRS) calculated to reflect the cost of benefits accruing in the applicable fiscal year, less the value of the employees' contributions during that year, plus (ii) the individual employer's share of the program's UAAL. The PERS employer rate is set by law at 22 percent; the TRS employer rate is set by law at 12.56 percent. If the rate established by the actuary and adopted by the ARM Board to fund the plans exceeds these established rates, the State is required to pay an amount, when combined with the total employer contributions, sufficient to pay the plans' past service liability for that fiscal year.

Employee Contributions. Employee contributions are established by statute and vary for each program and for tiers within a program. Employees may also make additional, voluntary contributions, which are accounted for separately.

The Public Employees Retirement System

General. PERS, formed in 1961, is the largest of the State's retirement systems with 160 employers comprising three State entities, 77 municipalities, 53 school districts and 27 other public entities. The three State entities represent approximately 50 percent of active PERS members. PERS is a cost-sharing, multiple employer plan composed of both a defined benefit ("DB") plan and a defined contribution ("DC") plan. Membership in either plan is dependent upon the participant date of hire. The PERS DB plan was closed to all new members effective July 1, 2006.

At June 30, 2012, the PERS DB membership consisted of 22,730 active members and 28,540 retirees and beneficiaries and the PERS DC membership consisted of 12,597 active members. PERS provides pension and other post-employment benefits, death and disability benefits prior to retirement and death benefits and survivor benefits after retirement, in a combination of defined benefit (Tiers 1, 2 and 3) and defined contribution (Tier 4) plans. PERS also provides a voluntary savings plan for the DB tiers and beginning in fiscal year 2007 is funding costs of healthcare benefits through the separate Retiree Healthcare Trust within PERS. Membership in PERS is mandatory for all full- and part-time (15-30 hours per week) employees of the State and of the other participating governmental employers (other than employees exempted by statute or employer participation agreements or who belong to another of the State's retirement systems).

Participants first hired before July 1, 1986 are Tier 1 participants of PERS and are eligible for retirement and for health insurance premiums paid by PERS earlier than members hired after June 30, 1986 (Tier 2). Members first hired after June 30, 1996 (Tier 3) have a 10-year requirement for system-paid premiums, and members who are not peace officer/firefighter members have a different final average earnings calculation than members from Tiers 1 and 2.

Shift to Defined Contribution Plan. In 2005 the Legislature closed the PERS DB plan to members first hired on or after July 1, 2006 and created for Tier 4 employees a DC retirement plan which is composed of a participant-directed investment account, medical benefits, a health reimbursement arrangement and occupational disability and death benefits.

The PERS DC participant account is funded with employee contributions of 8 percent and an employer match of 5 percent. Each participant designates how both employee and employer contributions (regardless of vesting status) are to be allocated among various investment options. Participants are 100 percent vested in their employee contribution and related earnings. Employer contributions to the participant account, plus any earnings they generate are vested as shown in the following Table 11:

TABLE 11

PERS DC Vesting Schedule

Years of Service	Vested Percentage of Employer Contributions
1 year	0%
2 years	25%
3 years	50%
4 years	75%
5 years	100%

Source is State of Alaska, Division of Retirement & Benefits

Employee Contributions. The PERS DB member contribution rates are 7.5 percent for peace officers and firefighters, 9.6 percent for certain school district employees, and 6.8 percent for general members, as required by statute. The DB member contributions earn interest at the rate of 4.5 percent per annum, compounded semiannually.

The PERS DC Plan member contribution rate is 8.0 percent, as required by statute.

Employer Contributions. The employer contribution rate is determined by the consulting actuary and adopted by the ARM Board annually. AS 39.35.255(a) sets the employer contribution rate at 22.0 percent. The employer contribution rate is paid based on all eligible salaries of the employer without regard to the participant's tier status. The difference between the actuarially determined rate and the statutory employer effective rate is paid by the State as a direct appropriation.

Employer contributions made on behalf of DC members also include funding of the DC Retiree Medical Plan, Occupational Death and Disability Plan and the Health Reimbursement Arrangement. DC employer contribution rates are determined by the ARM Board and are based upon State law, administrative regulations and the actuary's recommended employer contribution rates based upon results of the actuary's valuations. Table 12 provides a five year history of the employer contribution rates.

Table 12

PERS Employer Contribution Rates

Fiscal Year	ARM Board Adopted Rate	DB Employer Effective Rate	DC Employer Match	DC Retiree Medical Plan	DC Occupational Death and Disability - Police/Fire	DC Occupational Death and Disability – All Others	DC Health Reimbursement Arrangement (1)
2009	35.22%	22.00%	5.00%	0.99%	1.33%	0.58%	$ 1,616.81
2010	27.65%	22.00%	5.00%	0.83%	1.33%	0.30%	$ 1,699.71
2011	27.96%	22.00%	5.00%	0.55%	1.18%	0.31%	$ 1,720.70
2012	33.49%	22.00%	5.00%	0.51%	0.97%	0.20%	$ 1,778.09
2013	35.84%	22.00%	5.00%	0.48%	0.99%	0.14%	$ 1,848.43
2014	35.68%	22.00%	5.00%	0.48%	1.14%	0.22%	$ 1,896.60
2015	44.03%	22.00%	5.00%	1.66%	1.06%	0.22%	$ 1,960.53

(1) The employer contribution to the Health Reimbursement Arrangement is expressed as a dollar amount that must be paid in full on an annual basis for each year of service.

Source: State of Alaska Division of Retirement and Benefits.

Contributions from the State of Alaska. AS 39.35.280 provides that the State is required to contribute each July 1 or, if funds are not available on July 1, as soon after July 1 as funds become available, an amount for the ensuing fiscal year that, when combined with the total employer contribution rate of 22 percent, is sufficient to pay the PERS DB past service liability at the consolidated actuarially required contribution ("ARC") adopted by the ARM Board for the fiscal year. Table 13 provides a five year history of the PERS contributions from the State under AS 39.35.280.

Table 13

PERS Contribution from the State (under AS 39.35.280)

Fiscal Year	Legislative Bill	Amount Provided by State under AS 39.35.280 ($000s)	Total Employer Contributions to PERS DB ($000s)	% of Contributions made by State (1)
2008	Senate Bill 53	$185,000	$549,078	33.69%
2009	House Bill 310	241,600	649,052	37.22%
2010	House Bill 81	107,953	500,300	21.58%
2011	House Bill 300	165,841	566,450	29.28%
2012	House Bill 108	242,609	648,548	37.41%
2013	House Bill 284	307,302	717,268	42.84%
2014	House Bill 65	312,473	N/A	N/A

(1) Percent of Contributions made by State under AS 39.35.280.
Source: State of Alaska Division of Retirement and Benefits.

Pension Benefits. PERS DB members are eligible for normal retirement at age 55 or early retirement at age 50 (Tier 1) or (for Tiers 2 and 3) retirement at age 60 and early retirement at 55, in each case with at least five years of paid-up PERS service or other qualifying service. Members may retire at any age when they have at least 30 years of paid-up service.

PERS DC members are immediately and fully vested in member contributions and related earnings (losses). A member shall be fully vested in the employer contributions made on that member's behalf, and related earnings (losses), after five years of service.

Other Post-Employment Benefits. PERS pays the premium for healthcare benefits for all Tier 1 retirees, for Tier 2 retirees who are at least 60, and for Tier 3 retirees with ten years of credited service. Retirees in Tiers 1, 2 and 3 with 30 years of service (20 years for Tier 1 peace officers and firefighters and 25 years for other peace officers and firefighters) receive benefits with premiums paid by PERS regardless of their age or Tier. For Tier 4 retirees who are eligible for Medicare, PERS pays a portion (70-90 percent of the cost, depending upon length of service) of health insurance premiums.

PERS DC members are eligible for major medical benefits through the retiree medical plan after certain requirements have been met. In addition PERS DC members have access to a health reimbursement arrangement plan and Occupational Death and Disability Benefits.

Actuarial Valuation – PERS DB. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

The fiscal year 2013 contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing and a fixed 25-year amortization as a level percentage of payroll of the initial unfunded accrued liability and subsequent gains/losses and other changes. The payroll used to determine the contribution rates is the total payroll of all active members in the system, including those hired after July 1, 2006 who are in the DC plan. The amortization period is set by the ARM Board. Contribution rates are recommended by the actuary and adopted by the ARM Board each year.

The Legislature has discretion to deviate from the rates recommended by the ARM Board, however, they have not historically done so.

The funding objective of the plan, as adopted by the ARM Board, is to set a contribution rate that will pay the normal cost and amortize the initial UAAL and each subsequent annual change in the UAAL over a closed 25-year period as a level percentage of payroll.

Table 14 presents a summary of the funding status of PERS as a whole, including pension and post-employment healthcare benefits combined, as of June 30, 1999 through 2012. The information presented in Table 14 is derived from the 2012 PERS Valuation Report and differs from the information about PERS prepared for accounting purposes.

Table 14

PERS Funding Status (1)
(as of June 30)

Actuarial Valuation Year	Aggregate Accrued Liability (000s)	Valuation of Assets (000s)	Unfunded Liability (000s)	Funded Ratio (%)
2002 (2) (3)	$ 9,859,591	$ 7,412,833	$ 2,446,758	75.2 %
2003	10,561,653	7,687,281	2,874,372	72.8
2004 (2)	11,443,916	8,030,414	3,413,502	70.2
2005	12,844,841	8,442,919	4,401,922	65.7
2006	14,388,413	9,040,908	5,347,505	62.8
2007 (4)	14,570,933	9,900,960	4,669,973	68.0
2008	15,888,141	11,040,106	4,848,035	69.5
2009	16,579,371	10,242,978	6,336,393	61.8
2010	18,132,492	11,157,464	6,975,028	61.5
2011	18,740,550	11,813,774	6,926,776	63.0
2012	19,292,361	11,832,030	7,460,331	61.3

(1) For PERS Tiers I-III and pension and other post-employment benefits combined.
(2) Change in valuation assumptions (particularly the healthcare cost assumptions) and change in methods.
(3) Change in asset valuation method. In 2002, introduction of smoothing.
(4) Tier 4, the PERS defined contribution plan became effective for employees first hired after June 30, 2006 and the defined benefit plans were closed. Change in healthcare cost assumptions.

Source: 2013 PERS Valuation Report.

Table 15 presents the Schedule of Contributions from Employers and the State. This schedule shows the dollar amount of the annual required contribution and the percent of the ARC contributed by employers and by the State (under AS 39.35.280).

Table 15

PERS Schedule of Contributions from Employers and the State

(as of June 30)

		Annual required contribution			Pension percentage contributed			Postemployment healthcare percentage contributed		
Year Ended June 30	Actuarial Valuation year ended June 30 (1)	Pension (000s)	Postemployment healthcare (000s)	Total (000s)	By employer	By State	Total Percentage contributed	By employer	By State	Total Percentage contributed
2005	2002	$ 234,361	$ 142,393	$ 376,754	47.3%	—%	47.3%	47.3%	—%	47.3%
2006	2003	249,488	166,749	416,237	61.0	4.4	65.4	61.0	4.4	65.4
2007	2004	268,742	189,495	458,237	73.2	4.1	77.3	73.2	4.1	77.3
2008	2005	140,729	370,456	511,185	71.2	36.2	107.4	71.2	36.2	107.4
2009	2006	166,016	391,321	557,337	68.1	48.0	116.1	68.1	41.4	109.5
2010 (2)	2007	217,080	790,793	1,007,873	65.5	20.5	86.0	31.6	54.8	86.4
2011	2008	220,419	525,075	745,494	63.1	29.6	92.7	49.8	21.6	71.4
2012	2009	351,674	498,433	850,107	52.0	37.2	89.2	44.8	28.8	73.6

(1) Actuarial valuation related to annual required contribution for fiscal year.
(2) Beginning in the year ended June 30, 2010, the postemployment healthcare annual required contribution and percentage contributed includes the Medicare Part D subsidy.

Source: PERS Financial Statement as of June 30, 2013.

Projections of benefits for financial report purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows.

Valuation Date	June 30, 2012
Actuarial Cost Method	Entry Age Normal Level Percentage of Pay for Pension Level Dollar for Healthcare
Amortization Method	Level dollar, closed
Equivalent Single Amortization Period	18 years
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions:	
Investment rate of return*	8.00% for pension, 6.88% for healthcare.
Projected salary increases	Peace Officer/Firefighter: Merit – 2.75% per year for the first 4 years of employment, grading down to 0.5% at 7 years and thereafter. Productivity – 0.5% per year. Others: Merit – 6.00% per year grading down to 2.00% after 5 years; for more than 6 years of service, 1.50% grading down to 0%. Productivity – 0.5% per year.
*Includes inflation at	3.12%
Cost-of-living adjustment	Post-retirement Pension Adjustment.

Changes in Actuarial Assumptions Since the Prior Valuation. The ARM Board contracted for an experience analysis to be performed of the actuarial assumptions underlying the PERS actuarial valuation. As a result of the experience analysis the following changes were made as of June 30, 2010 actuarial valuation. There have been no changes in methodology since the June 30, 2010 valuation.

	June 30, 2009	**June 30, 2010**
Investment Return	8.25% per year (geometric), compounded annually, net of expenses	8.00% per year (geometric), compounded annually, net of expenses
Salary Scale	Based on actual experience from 2001 to 2005.	Others: Based on actual experience from 2005 to 2009. Increased most rates. Peace Officer/Firefighter: Rates are increased for the first 4 years. Decreased at year 5. Based on actual experience 2005 to 2009.
Payroll Growth	4.00% per year	3.62% per year
Inflation	3.50%	3.12%
Pre-termination Mortality	Peace Officer/Firefighter: 1994 GAM Table*, 1994 Base Year. Others: 42% of 1994 GAM Table, 1994 Base Year.	Peace Officer/Firefighter: Based upon the 2005-2009 actual mortality experience. 1994 GAM Table, sex distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA, 80% of the male table for males and 60% of the female table for females. Others: Based upon the 2005-2009 actual mortality experience. 1994 GAM Table, sex distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA, 75% of the male table for males and 55% of the female table for females.
Post-termination Mortality	1994 GAM Table, 1994 Base Year.	1994 GAM Table, sex-distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA for males and with a 1- year set-forward for females.
Disability Mortality	1979 PBGC** Disability Mortality Table for those receiving Social Security disability benefits.	RP-2000 Disabled Retiree Mortality Table.
Turnover	Based on actual experience from 2001 to 2005.	Rates adjusted based on actual experience from 2005 to 2009.
Disability	Based on actual experience from 2001 to 2005.	Peace Officer/Firefighter: No change except to stop rates at earliest retirement age. Others: Male/Female rates decreased based on actual experience from 2005 to 2009 and stop rates at earliest retirement age.
Retirement	Based on actual experience from 2001 to 2005.	Rates were adjusted based on actual experience from 2005 to 2009.

* Group Annuity Mortality Table.
** Pension Benefit Guaranty Corporation.

Teachers' Retirement System

General. TRS was established in 1955 to provide pension and other post-employment benefits to teachers and other eligible participants. TRS includes 58 employers (including the 53 school districts). TRS is a cost-sharing, multiple employer plan composed of both a defined benefit ("DB") plan and a defined contribution ("DC") plan. Membership in either plan is dependent upon the participant date of hire. The TRS DB plan is closed to all new members effective July 1, 2006.

At June 30, 2012 the TRS DB membership consisted of 6,845 active members and 11,301 retirees and beneficiaries and the TRS DC membership consisted of 3,057 active members. TRS provides pension and other post-employment benefits, death and disability benefits prior to retirement and death benefits and survivor benefits after retirement, in a combination of defined benefit (Tiers 1 and 2) and defined contribution (Tier 3) plans. TRS also funds costs of healthcare benefits through the separate Retiree Healthcare Trust within TRS. Membership in TRS is mandatory for all full- and part-time employees, including employees who are certificated elementary and secondary teachers, school nurses and certificated employees in positions requiring teaching certificates, employees in Department of Education and Early Development and Department of Labor and Workforce Development positions that require teaching certificates, University of Alaska full- and part-time teachers and with the approval of the TRS administrator, full-time administrative employees in positions requiring academic standing and certain full-time or part-time teachers of Alaska Native language or culture who elect to be covered under TRS.

Participants first hired before July 1, 1990 are Tier 1 participants of TRS and are eligible for retirement and for health insurance premiums paid by TRS earlier than members hired after July 1, 1990 (Tier 2).

Shift to Defined Contribution Plan. In 2005 the Legislature closed the TRS DB plan to members first hired on or after July 1, 2006 and created for Tier 3 employees a DC retirement plan which is composed of a participant-directed investment account, medical benefits, a health reimbursement arrangement, and occupational disability and death benefits.

The TRS DC participant account is funded with employee contributions of 8 percent and an employer match of 7 percent. Each participant designates how contributions are to be allocated among various investment options. Participants are 100 percent vested in their employee contribution and related earnings. Employer contributions to the participant account, plus any earnings they generate are vested as shown in the following Table 16:

TABLE 16

TRS DC Vesting Schedule

Years of Service	Vested Percentage of Employer Contributions
1 year	0%
2 years	25%
3 years	50%
4 years	75%
5 years	100%

Source is State of Alaska, Division of Retirement & Benefits

Employee Contributions. The TRS DB member contribution rates are 8.65 percent as required by statute. Eligible TRS DB members contribute an additional 1.11 percent of their salary under a supplemental contribution provision. The DB member contributions earn interest at the rate of 4.50 percent per annum, compounded semiannually.

The TRS DC member contribution rate is 8.0 percent, as required by statute.

Employer Contributions. The employer contribution rate is determined by the consulting actuary and adopted by the ARM Board annually. AS 14.25.070(a) sets the employer contribution rate at 12.56 percent. The employer contribution rate is paid based on all eligible salaries of the employer without regard to the participant's tier status. The difference between the actuarially determined rate and the statutory employer effective rate is paid by the State as a direct appropriation.

Employer contributions made on behalf of DC members also include funding of the DC Retiree Medical Plan, Occupational Death and Disability Plan and the Health Reimbursement Arrangement. DC employer contribution rates are determined by the ARM Board and are based upon State law, administrative regulations and the actuary's recommended employer contribution rates based upon results of the actuary's valuations.

Table 17 provides a history of the employer contribution rates from fiscal year 2008 through 2015.

Table 17

TRS Employer Contribution Rates

Fiscal Year	ARM Board Adopted Rate	Employer Effective Rate	DC Employer Match	DC Retiree Medical Plan	DC Occupational Death and Disability	DC Health Reimbursement Arrangement (1)
2008	Varied	12.56%	7.00%	0.99%	0.62%	$1,531.27
2009	44.17%	12.56%	7.00%	0.99%	0.62%	1,616.81
2010	39.53%	12.56%	7.00%	1.03%	0.32%	1,699.71
2011	38.56%	12.56%	7.00%	0.68%	0.28%	1,720.70
2012	45.55%	12.56%	7.00%	0.58%	0.00%	1,778.09
2013	52.67%	12.56%	7.00%	0.49%	0.00%	1,848.43
2014	53.62%	12.56%	7.00%	0.47%	0.00%	1,896.60
2015	70.75%	12.56%	7.00%	2.04%	0.00%	1,960.53

(1) The employer contribution to the Health Reimbursement Arrangement is expressed as a dollar amount that must be paid in full on an annual basis for each year of service.

Source: State of Alaska Division of Retirement and Benefits.

Contributions from the State. AS 14.25.085 provides that the State is required to contribute each July 1 or, if funds are not available on July 1, as soon after July 1 as funds become available, an amount for the ensuing fiscal year that, when combined with the total employer contribution rate of 12.56 percent, is sufficient to pay the DB past service liability at the consolidated ARC adopted by the ARM Board for the fiscal year.

Table 18 provides a history of the TRS contributions from the State under AS 14.25.085 from fiscal year 2008 through 2014.

Table 18

TRS Contribution from the State (under AS 14.25.085)

Fiscal Year	Legislative Bill	Amount Provided by State under AS 14.25.085 ($000s)	Total Employer Contributions to TRS DB Plan ($000s)	% of Contributions made by State (1)
2008	Senate Bill 53	$269,992	$345,002	78.26%
2009	House Bill 310	206,300	292,428	70.55%
2010	House Bill 81	173,462	249,956	69.40%
2011	House Bill 300	190,850	266,871	71.51%
2012	House Bill 108	234,517	308,987	75.90%
2013	House Bill 284	302,777	375,442	80.65%
2014	House Bill 65	316,847	N/A	N/A

(1) Percent of Contributions made by State under AS 14.25.085.

Source: State of Alaska Division of Retirement and Benefits.

Pension Benefits. Tier 1 members were hired before July 1, 1990 and are eligible for normal retirement at age 55 or for early retirement at age 50, and Tier 2 members were hired after June 30, 1990 and before July 1, 2006 and are eligible for normal retirement at age 60 and for early retirement at 55, and generally with at least eight years of paid-up membership service or other qualifying service. Members may retire at any age when they have at least 20 years of paid-up membership service or 20-25 years of a combination of paid-up membership service and other types of service. TRS members are also eligible for normal retirement if they have, for each of 20 school years, at least one-half year of membership service as a part-time teacher.

Tier 3 employees were hired after June 30, 2006 and are 100 percent vested in their own contributions from the beginning and vest in their employers' seven-percent contributions over five years: 25 percent after two years of service, 50 percent after three years of service, 75 percent after four years of service and 100 percent after five years of service. Tier 3 pension payments (the account balance plus investment income) are payable in a lump sum or over time at the employee's option.

Other Post-employment Benefits. Tier 1 members who are at least 50 or who are any age with at least 20 years of paid-up service receive healthcare benefits and Tier 2 members who are 60 or older or who have 25 years of paid-up membership service or are disabled also receive healthcare benefits with system-paid premiums. Tier 2 members may receive coverage prior to age 60 if they pay the premiums. Medical benefits are supplemental to Medicare. For both Tier 1 and Tier 2, coverage includes coverage for eligible dependents.

For Tier 3, the TRS healthcare plan is a coinsurance major medical and prescription drug plan intended to maintain over time coinsurance levels at approximately 80 percent by the plan and 20 percent by the participant, with a maximum annual coinsurance payable by the participant of $2,500 per person and a maximum lifetime benefit payable by the plan, less any amounts paid by Medicare.

Actuarial Valuation – TRS DB. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

The fiscal year 2013 contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing and a fixed 25-year amortization as a level percentage of payroll of the initial unfunded accrued liability and subsequent assumption changes and gains/losses. The payroll used to determine the contribution rates is the total payroll of all active members in the System, including those hired after July 1, 2006 who are in the Defined Contribution Retirement Plan. The amortization period is set by the ARM Board. Contribution levels are recommended by the actuary and adopted by the ARM Board each year.

The Legislature has discretion to deviate from the rates recommended by the ARM Board, however they have not historically done so.

The funding objective of the plan, as adopted by the ARM Board, is to set a contribution rate that will pay the normal cost and amortize the initial UAAL and each subsequent annual change in the UAAL over a closed 25-year period as a level percentage of payroll.

The information about TRS funding status included in Table 19 reflects the status of TRS as of June 30, 2012. Information about TRS assets and liabilities allocable to State employers alone is not shown because most non-State TRS employers make these contributions primarily from funds provided by the State.

Table 19

TRS Funding Status (1)

(as of June 30)

Actuarial Valuation Year	Aggregate Accrued Liability (000s)	Valuation Assets (000s)	Unfunded Liability	Funded Ratio
2002 (2) (3) (4)	$ 5,411,642	$3,689,036	$ 1,722,606	68.2 %
2003	5,835,609	3,752,285	2,083,324	64.3
2004 (2)	6,123,600	3,845,370	2,278,230	62.8
2005	6,498,556	3,958,939	2,539,617	60.9
2006	7,229,851	4,141,700	3,088,151	57.3
2007	7,189,403	4,424,399	2,765,004	61.5
2008	7,619,178	4,936,976	2,682,202	64.8
2009	7,847,514	4,472,958	3,374,556	57.0
2010	8,847,788	4,739,128	4,108,660	53.6
2011	9,128,795	4,937,937	4,190,858	54.1
2012	9,346,444	4,869,154	4,477,290	52.1

(1) Includes pension benefits and other post-employment benefits.
(2) Change in asset valuation method.
(3) Change of assumptions
(4) Change of methods.
Source: 2012 TRS Valuation Report.

Table 20 presents the schedule of contributions from employers and the State. This schedule shows the dollar amount of the annual required contribution and the percent of the ARC contributed by employers and by the State (under AS 14.25.085).

Table 20

TRS Schedule of Contributions from Employers and the State

(as of June 30)

		Annual required contribution			**Pension percentage contributed**			**Postemployment healthcare percentage contributed**		
Year Ended June 30	**Actuarial Valuation year ended June 30 (1)**	**Pension (000s)**	**Postemployment healthcare (000s)**	**Total (000s)**	**By employer**	**By State**	**Total Percentage contributed**	**By employer**	**By State**	**Total Percentage contributed**
2005	2002	$ 152,168	$55,783	$207,951	45.0%	0.0%	45.0%	45.0%	0.0%	45.0%
2006	2003	170,019	66,719	236,738	54.1	0.0	54.1	54.1	0.0	54.1
2007	2004	169,974	76,879	246,853	62.2	0.0	62.2	62.2	0.0	62.2
2008	2005	134,544	185,271	319,815	23.3	82.7	106.0	23.6	85.7	109.3
2009	2006	94,388	164,171	258,559	28.7	110.6	139.3	28.7	62.1	90.8
2010 (2)	2007	170,788	312,922	483,710	19.8	58.8	78.6	13.6	38.8	52.4
2011	2008	167,978	167,686	335,664	19.5	65.1	84.6	25.8	51.5	77.3
2012	2009	229,509	192,700	422,209	16.6	68.6	85.2	18.8	46.6	65.4

(1) Actuarial valuation related to annual required contribution for fiscal year.
(2) Beginning in the year ended June 30, 2010, the postemployment healthcare annual required contribution and percentage contributed includes the Medicare Part D subsidy.
Source: TRS Financial Statement as of June 30, 2013.

Projections of benefits for financial report purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows.

Valuation Date	June 30, 2012
Actuarial Cost Method	Entry Age Normal Level Percentage of Pay for Pension Level Dollar for Healthcare
Amortization Method	Level dollar, closed
Equivalent Single Amortization Period	18 years
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions: Investment rate of return* Projected salary increases	 8.00% for pension, 8.00% for healthcare 6.11% for first 5 years of service grading down to 3.2% after 20 years
*Includes inflation at	3.12%
Cost-of-living adjustment	Postretirement Pension Adjustment.

Changes in Actuarial Assumptions Since the Prior Valuation. The ARM Board contracted for an experience analysis to be performed of the actuarial assumptions underlying the TRS actuarial valuation. As a result of the experience analysis the following changes were made as of June 30, 2010 actuarial valuation. There have been no changes in actuarial method since June 20, 2010.

	June 30, 2009	**June 30, 2010**
Salary Scale	Based on actual experience from 2001 to 2005.	Rates adjusted on actual experience from 2005 to 2009.
Payroll Growth	4.00% per year.	3.62% per year.
Total Inflation	3.50%	3.12%
Investment Return/ Discount Rate	8.25% per year (geometric), compounded annually, net of expenses.	8.00% per year (geometric), compounded annually, net of expenses.
Pre-termination Mortality	The 1994 GAM Sex-distinct Table, 1994 Base Year adjusted 55% for males, and 60% for females.	The 1994 GAM Sex-distinct Table, 1994 Base Year projected to 2013 using Projection Scale AA, adjusted 45% for males, and 55% for females.
Post-termination Mortality	The 1994 GAM Sex-distinct Table, 1994 Base Year, setback 1 year for females and 3-year setback for males.	The 1994 GAM Sex-distinct Table, 1994 Base Year projected to 2013 using Projection Scale AA, setback 3 years for females and 4-year setback for males.
Disability Mortality	1979 PBGC Disability Mortality Table for those receiving Social Security disability benefits.	RP-2000 Disabled Retiree Mortality Table.
Turnover	Based on actual experience from 2001 to 2005.	Rates adjusted based on actual experience from 2005 to 2009.
Disability	Based on actual experience from 2001 to 2005.	Male/female rates decreased based on actual experience from 2005 to 2009 and stop rates at earliest retirement age.
Retirement	Based on actual experience from 2001 to 2005.	Rates adjusted based on actual experience from 2005 to 2009.
Part-time Service	.55 years of credited service per year.	.60 years of credited service per year.
Occupational Assumption	0% of deaths are assumed to be from occupational causes.	15% of deaths are assumed to be from occupational causes.
Deferred Vested Commencement Age	Earliest reduced age.	Earliest unreduced age.
Healthcare Participation	100% of members and their spouses are assumed to elect healthcare benefits as soon as they are eligible.	100% of system paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible. 10% of non-system paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible.

Recent Pension Reforms

In the past several years, to mitigate expected pension costs and rising employer contribution rates, the Legislature enacted a range of statutory changes to the retirement systems and to the State's approach to managing pension and OPEB costs. In 2005, during a special session, the Legislature enacted Senate Bill 141 to close the PERS and TRS DB plans and to establish DC plans, each with a healthcare component, for new employees.

In 2007 the Legislature enacted Senate Bill 123, which created the Alaska Retiree Health Care Trusts (the "Retiree Healthcare Trusts"). Senate Bill 123 directed that all separately calculated employer contributions for other post-employment benefits under the DB plans and all appropriations, earnings and reserves for the payment of retiree medical obligations be credited to these separate trusts. The State has received a ruling from the IRS confirming that the State may reallocate a portion of the assets of PERS and TRS to the Retiree Healthcare Trusts.

In 2008 the Legislature enacted two additional reform bills: Senate Bill 125 and the Retirement Cost Funding Act. The Retirement Cost Funding Act authorizes issuers, including the Alaska Pension Obligation Bond Corporation, to issue bonds and/or to enter into contracts to finance the payment by governmental employers of their share of the UAALs of the retirement systems.

Senate Bill 125 converted PERS to a cost-sharing system, similar to TRS, and shifted to the State more of the cost of funding the UAALs of PERS and TRS. Senate Bill 125 set employer contribution rates at the higher of (i) 22 percent of total payroll for PERS and 12.56 percent of payroll for TRS and (ii) in each case, the rate required to cover the actuarially determined normal cost plus amounts required to be contributed to the DC plans' Retiree Health Care Trusts.

The Governor's proposed fiscal year 2015 budget includes a $3 billion transfer from the state's Constitutional Budget Reserve Fund (CBRF) to the PERS and TRS retirement trust funds as part of a plan to manage the ongoing cost of funding the unfunded liabilities. If approved, the proposal would result in $1.12 billion being transferred to the TRS trust and $1.88 billion being transferred to the PERS trust and placing a non-statutory limit of $500 million on future annual payments by the state into the trusts. The transfer out of the CBRF would require a three-quarter majority vote of both houses of the Alaska Legislature and it is unclear if the proposal will advance at this time.

The Other Retirement Systems

The Alaska National Guard and Alaska Naval Militia Retirement System. The Military System was established in 1973 and includes members of the Alaska National Guard and members of the Alaska Naval Militia. Members receive voluntary retirement benefits, which do not include healthcare benefits. The Legislature made a supplemental appropriation of $9.87 million to eliminate the Military System UAAL in May 2008. The total contribution for fiscal year 2012 was $739,100 and $895,611 for fiscal year 2011.

The Judicial Retirement System. The Judicial System was established in 1963 and provides pension and other post-employment benefits to Supreme Court Justices and Superior, District and Appellate Court judges and the administrative director of the court system. In May 2008, the Legislature made a supplemental appropriation to eliminate the Judicial System UAAL that existed as of June 30, 2006. The total contributions for fiscal year 2012 as a result of HB 108 were $125,827 for other postemployment benefits and $2,205,898 for pensions. The total contributions for fiscal year 2013 were $134,921 for other postemployment benefits and $3,650,650 for pensions

The Elected Public Officers Retirement System. The EPORS was enacted as a retirement system for elected State officials who held office between January 1, 1976 and October 14, 1976. As of June 30, 2012, the actuarial accrued liability was $22.1 million, with an expected annual benefit payment and claims cost of approximately $2.0 million. No assets are set aside to pay EPORS benefit costs.

State's Supplemental Benefits System

In 1979, State employees elected to withdraw from the Social Security system. The State established a benefit program, effective January 1, 1980, which supplements the existing public employee retirement plans. Participation in the supplemental benefits system is mandatory for each State employee and the 16 other employers participating in the supplemental benefits system. A combined employer/employee contribution of 12.26 percent of wages (one-half contributed by employees up to the wage limit in effect for Social Security in a current year) is deposited into each employee's annuity plan account. Separate contributions are allowed to a cafeteria style supplemental benefit plan to provide death, survivor, disability and health benefits.

As of January 31, 2012, the supplemental benefits system had approximately 41,494 participants. At January 31, 2013, net assets available for system benefits were $2.866 billion. These assets are held in trust by the State for the exclusive benefit of covered employees and their beneficiaries.

State's Deferred Compensation Plan

The State maintains an optimal Deferred Compensation Plan (the "Plan") for the benefit of its employees. Participants under the Plan defer receipt of a portion of their salary until termination of State employment. As of December 31, 2012, the Plan had approximately 10,100 participants. As of December 31, 2012, the net assets available for Plan benefits were $660.7 million. These assets are held in trust by the State for the exclusive benefit of the covered employees and their beneficiaries.

State's Annual/Personal Leave and Sick Leave

The cost of annual/personal leave and sick leave for State employees is charged against agency appropriations when leave is used rather than when leave is earned, except when an employee's State service is terminated. In that instance, the accumulated annual/personal leave balance is charged to a terminal leave liability account that is funded by a charge to each agency's operating budget.

INVESTMENT POLICIES

General Fund, Constitutional Budget Reserve Fund and Other Subfunds

By statute, the Commissioner of the Department of Revenue is the fiduciary for many of the State's funds, including the Constitutional Budget Reserve Fund, General Fund and subfunds within the General Fund, such as the Statutory Budget Reserve Fund and the Alaska Capital Income Fund. The Commissioner's responsibilities for these funds include establishing investment policy, providing accounting and custody for the assets and monitoring and reporting the performance and characteristics of the funds and investment options. The Commissioner reviews capital market assumptions and sets an appropriate asset allocation for the General Fund, the Constitutional Budget Reserve Fund and the other subfunds, consistent with each fund's objectives and constraints. As of January 1, 2014, the target asset allocation for the Statutory Budget Reserve Fund is 20 percent broad-market fixed income, 61 percent intermediate-term fixed income and 19 percent short-term fixed income.

As of August 6, 2013, the target asset allocation for the General Fund is 45 percent short-term fixed income, 10 percent liquidity fund and 45 percent intermediate-term fixed income investments.

The Constitutional Budget Reserve Fund has two components, the main account with an intermediate time horizon and the subaccount with a moderately long-time horizon. The subaccount has the ability to accept higher risk in exchange for higher expected returns due to the longer time horizon. As of July 1, 2013, the Constitutional Budget Reserve Fund main account has a target asset allocation of 20 percent broad-market fixed income, 61 percent intermediate-term fixed income and 19 percent short-term fixed income. As of July 1, 2013, the Constitutional Budget Reserve Fund subaccount has an asset allocation of 42 percent broad-market fixed income, 38 percent domestic equity and 20 percent international equity.

Annually, the Commissioner of the Department of Revenue adopts specific investment policies for each asset class. These investment policies specify asset class characteristics, monitoring requirements and risk controls. The Commissioner may revise the investment policies as market conditions warrant. The State employs industry consultants and a professional staff to assist in monitoring and evaluating investments.

The Permanent Fund

A governor-appointed Alaska Permanent Fund Corporation (the "APFC") Board of Trustees (the "APFC Board") sets the APFC investment policy. The policy is required to be consistent with the prudent investor rule stated in AS 37.13.120, which provides: "The prudent-investor rule as applied to investment activity of the fund means that the corporation shall exercise the judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the designation and management of large investments entrusted to it, not in regard to speculation, but in regard to the permanent disposition of funds, considering preservation of the purchasing power of the fund over time while maximizing the expected total return from both income and the appreciation of capital."

At least once each calendar year, the APFC Board reviews its asset allocation policy for the investment of fund assets for the coming year. This review is conducted under the guidance of APFC investment staff, with the assistance and advice of the APFC Board's investment consultant. The APFC Board's long-term investment goal is to achieve an average annual real rate of return of five percent at acceptable risk levels (measured by expected volatility).

The APFC Board has created a three-person investment advisory council to provide the APFC Board with independent advice from professionals with significant, direct experience in the management and operation of large investment funds. The role of the members of the investment advisory council is to make recommendations to the APFC Board concerning investment policies, investment strategy and investment procedures; and provide other advice as requested by the APFC Board.

The APFC Board's investment allocation includes multiple asset classes having varying risk and correlation assumptions. The APFC investment policy seeks to optimize expected return versus expected risk. The fund's current target asset allocation is: 36 percent stocks, 20 percent bonds and cash, 12 percent real estate, 12 percent private equity and absolute return, 4 percent infrastructure investments, 2 percent public and private credit, and 14 percent other investments. The APFC Board also establishes polices and guidelines for the asset classes in which fund assets are invested.

To allow for market fluctuations and to minimize transaction costs, the APFC Board has adopted ranges that permit percentage deviations from the strategic asset allocation targets in accordance with specified reporting requirements and other procedures. Generally, for each risk and asset class, the APFC's chief investment officer has discretionary authority to permit target deviations within one specified range (referred to as the "green zone" in the investment policy), the APFC's executive director can approve target deviations for up to 90 days within a broader range (the "yellow zone"), and the APFC Board can approve operating for longer than 30 days within a third range (the "red zone").

LITIGATION

There is no controversy or litigation of any nature now pending or, to the knowledge of the State of Alaska, threatened to restrain or enjoin the issuance, sale, execution or delivery of the Notes, or in any way contesting or affecting the validity of the Notes or any proceedings of the State of Alaska taken with respect to the issuance or sale thereof, or the pledge or application of any monies or security provided for the payment of the Notes, or the existence or powers of the State of Alaska.

Upon the delivery of the Notes, the State will furnish a certificate, in form satisfactory to the Underwriters, to the effect that, among other things, there is no litigation pending in any court to restrain or enjoin the issuance or delivery of the Notes or in any way contesting the validity or enforceability of the Notes.

At any given time, including the present, there are numerous civil actions filed by or pending against the State of Alaska, which could positively or negatively impact revenue sources or cash flow. A short description of such material litigation is provided below.

Oil and Gas Tax Litigation

Administrative Litigation: There are a number of disputed tax assessments against oil and gas corporations that are at the administrative level and thus confidential under AS 43.05.230(a). The assessments involve the corporate income tax (AS 43.20) or the oil and gas production tax (AS 43.55). Because the taxpayers, the tax years, and the amounts involved are confidential, a more detailed description of the cases cannot be given. Due to the confidentiality statute and because the disputed tax assessments are ongoing, the State cannot give an estimate of how much is expected to be eventually recovered through settlement, the administrative proceedings, or adjudication. Moneys recovered are required to be transferred to the Constitutional Budget Reserve Fund.

Litigation Pending Before the Alaska Supreme Court:

Corporate Income Tax Appeal: Tesoro Corporation appealed a decision from the Office of Administrative Hearings (administrative hearing agency) upholding most of the State's assessment against Tesoro for additional corporate tax liabilities and penalties for tax years 1994-1998. The superior court upheld the OAH decision and Tesoro filed an appeal with the Alaska Supreme Court. Briefing and oral argument took place in 2012 and this case is now ripe for a decision. At issue in this case is $12.5 million in additional taxes, penalties, and interest.

Trans Alaska Pipeline System (TAPS) Property Tax Appeal: The TAPS owners (BP, ExxonMobil, Unocal, ConocoPhillips, and Koch Alaska) appealed the State Assessment Review Board's (SARB's) 2006-2011 property tax assessments of TAPS, contending that the assessments were too high. The superior court upheld the valuation methodology used by the State for tax year 2006, but increased the value from $4.3 billion to $9.9 billion based upon new information previously not available to SARB. The TAPS owners appealed this decision to the Alaska Supreme Court. Briefing is complete and oral argument was held in December 2012. A decision from the superior court regarding tax assessments for 2007-2009 was issued in December 2011. That decision increased the TAPS property value to $8.941 billion for 2007, $9.644 billion for 2008 and $9.249 billion for 2009. The increased assessments will result in additional property tax revenue to the State. The parties have filed their respective notices of appeal and cross-appeal with the Alaska Supreme Court.

Pipeline Tariff Litigation

The State is currently a party to TAPS tariff litigation matters before the Regulatory Commission of Alaska (RCA) and the Federal Energy Regulatory Commission (FERC) regarding TAPS carriers' inclusion of expenditures related to the TAPS strategic reconfiguration project in the tariff rate base. Hearings on this matter ended in September 2012 and briefing will be completed in January 2013.

Facility Funding Litigation

In a 1997 education lawsuit, *Kasayulie v. State*, plaintiffs claimed that the State's method of financing school construction was unconstitutional and that the State violated its trust duties in managing public school trust land and funds and in accounting for those funds. The superior court ruled against the State in both portions of the case and ordered that school trust lands be valued before the court would address a remedy. Since that ruling, the Legislature has spent hundreds of millions of dollars on rural school construction. The 2010 Legislature created a rural education attendance area fund and adopted a formula for identifying money available for appropriation for rural school construction. The parties have reached a settlement which includes the State funding five school construction projects over the years 2012-2015. The parties recognize that a settlement cannot bind the State to a promise to fund schools because appropriations are always subject to the Governor's and Legislature's discretion. Therefore, the settlement reserves the right of the plaintiffs to reopen the case if the projects are not funded. If the plaintiffs reopen the litigation, the State is free to contest the merits of the court's original ruling.

Tort Claims

The Attorney General's Office is involved in defending numerous tort claims asserted against the State and agencies. No estimate can be given as to the likelihood or financial effect on the outcome of such claims.

Medicaid Payment Rate Appeals

The Attorney General's Office is involved in defending numerous Medicaid payment rate appeals filed by providers. No estimate can be given as to the likelihood or financial effect on the outcome of such appeals.

Employment Claims

The Attorney General's Office is involved in defending numerous employment-related claims filed by present or former employees. No estimate can be given as to the likelihood or financial effect on the outcome of such claims.

Tobacco Company Litigation

In 1998, Alaska was among 46 states that entered into a settlement of claims against the nation's major tobacco companies. The companies agreed to pay $4.5 billion in 2000 with annual increases until payments reach $9 billion in 2019 and each year thereafter. The State's share, based upon its proportionate tobacco consumption, is about .034 percent of the yearly payment. This income stream is indefinite as long as Americans continue to consume tobacco products.

The Legislature authorized the State to sell to the AHFC 80 percent of the State's annual settlement income. AHFC's purchase was financed through the issuance of revenue bonds by the Northern Tobacco Securitization Corporation (the "NTSC"), a subsidiary the AHFC established and to which the right to receive 80 percent of the settlement revenues was transferred. In 2006, NTSC issued additional revenue bonds to refinance its purchase of the State's annual settlement income. The NTSC is using the income stream to pay debt service on the bonds. When the bonds are paid, the settlement income reverts to the State. The State is using the bond proceeds to pay for a variety of construction and maintenance projects including rural schools, ports and harbors.

The master settlement agreement has been challenged in federal court in other jurisdictions; if there is an adverse decision as to the enforceability of the agreement, the State could experience an impairment of its right to receive the remaining 20 percent of revenue that is not pledged to the NTSC and the NTSC could suffer a revenue shortfall. Additionally, the master settlement agreement provides for a payment adjustment mechanism that, when triggered, could also result in the impairment of the State's right to receive the remaining 20 percent of revenue that is not pledged to the NTSC and the NTSC could suffer a revenue shortfall. This payment adjustment mechanism has been triggered for the years 2003 - 2010. States that have diligently enforced their qualifying statute are exempted from the application of this adjustment mechanism. In July of 2010, an arbitration commenced regarding which states "diligently enforced" their qualifying statutes in 2003. In November 2011, Alaska and 15 other states/territories received notice that the participating manufacturers (tobacco companies that joined the master settlement agreement) are no longer contesting their diligence, rendering those states exempt from the 2003 adjustment. Arbitration for the 2004 adjustment could begin as soon as of the summer of 2013. Recently, however, 19 states (not including Alaska) and the Participating Manufacturers ("PM") entered into a Memorandum of Understanding to negotiate and execute a settlement of the Non-Participating Manufacturer ("NPM") adjustment dispute for years 2003-2012. Because Alaska believes it is exempt from the NPM adjustment in those years, Alaska did not join this settlement.

CERTAIN LEGAL MATTERS

All legal matters incident to the authorization and issuance of the Notes are subject to the approval of K&L Gates LLP, Bond Counsel to the State. The forms of Bond Counsel's opinions are attached as Appendix C hereto. The Office of the Attorney General will issue a certificate regarding no litigation affecting the issuance of the Notes.

TAX MATTERS

In the opinion of Bond Counsel, interest on the Notes is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Notes is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Interest on the Notes is not included in taxable income for purposes of the Alaska income tax imposed on corporations. Interest on the Notes may be indirectly subject to the Alaska alternative minimum tax imposed on corporations to the extent that interest on the Notes is subject to the federal alternative minimum tax on corporations.

Federal income tax law contains a number of requirements that apply to the Notes, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the use of proceeds of the Notes and the facilities financed with proceeds of the Notes and certain other matters. The State has covenanted to comply with all applicable requirements.

Bond Counsel's opinion is subject to the condition that the State comply with the above-referenced covenants and, in addition, will rely on representations by the State and its advisors with respect to matters solely within the knowledge of the State and its advisors, respectively, which Bond Counsel has not independently verified. If the State fails to comply with such covenants or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Notes could be included in gross income for federal income tax purposes retroactively to the date of issuance of the Notes, regardless of the date on which the event causing taxability occurs.

Except as expressly stated above, Bond Counsel expresses no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Notes. Owners of the Notes should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Notes, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

Prospective purchasers of the Notes should be aware that ownership of the Notes may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Notes. Bond Counsel expresses no opinion regarding any collateral tax consequences. Prospective purchasers of the Notes should consult their tax advisors regarding collateral federal income tax consequences.

Payments of interest on tax-exempt obligations such as the Notes, are in many cases required to be reported to the IRS. Additionally, backup withholding may apply to any such payments made to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Bond Counsel gives no assurance that any future legislation or clarifications or amendments to the Code, if enacted into law, will not cause the interest on the Notes to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Notes from realizing the full current benefit of the tax status of the interest on the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal legislation, as to which Bond Counsel expresses no view.

Bond Counsel's opinion is not a guarantee of result and is not binding on the IRS; rather, the opinion represents Bond Counsel's legal judgment based on its review of existing law and in reliance on the representations made to Bond Counsel and the State's compliance with its covenants. The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the Notes. Owners of the Notes are advised that, if the IRS does audit the Notes, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the State as the taxpayer, and the owners of the Notes may have limited rights to participate in the audit. The commencement of an audit could adversely affect the market value and liquidity of the Notes until the audit is concluded, regardless of the ultimate outcome.

Not Qualified Tax-Exempt Obligations

The State has not designated the Notes as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the State, that are not purely historical, are forward-looking statements, including statements regarding the State's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the State on the date hereof, and the State assumes no obligation to update any such forward-looking statements. The State's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the State. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

RATINGS

Moody's Investors Service, Inc., Fitch Ratings and Standard & Poor's Ratings Services have assigned the Notes ratings of "___," "___" and "___," respectively, based on their research and investigation of the State. Moody's, Fitch and S&P are collectively referred to as the "Rating Agencies." The State furnished each of the Rating Agencies with certain information and materials concerning the Bonds and the State. Any desired explanation of such ratings should be obtained from the rating agency furnishing the same.

Generally, each of the Rating Agencies bases its ratings on such information and materials and also on investigations, studies, and assumptions that it may undertake independently. The ratings assigned by Moody's, Fitch, and S&P express only the views of the Rating Agencies. An explanation of the significance of the ratings may be obtained from Moody's, Fitch, and S&P, respectively. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if, in the judgment of such rating agency, circumstances so warrant. Any such change in or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

FINANCIAL ADVISOR

Acacia Financial Group, Inc. of Anchorage, Alaska (the "Financial Advisor") serves as independent financial advisor to the State in connection with various matters relating to the planning, structuring, execution and delivery of the Bonds. The Financial Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiated instruments. The Financial Advisor has not audited, authenticated or otherwise verified the information set forth in this Official Statement, or any other related information available to the State. No guaranty, warranty or other representation is made by the Financial Advisor respecting the accuracy and completeness of this Official Statement or any other matter related to the Official Statement.

UNDERWRITING

_________ (the "Underwriter"), has agreed to purchase the Notes from the State subject to certain conditions precedent, and will purchase all of the Notes, if any of such Notes are purchased, at a purchase price of $_________ (being the par amount of the Notes, plus $_________ original issue premium, less underwriters' discount of _________).

The Underwriter may offer and sell the Notes to certain dealers (including dealers depositing the

Notes into investment trusts) and others at prices lower than the public offering prices (or yields corresponding to such prices) stated on the inside cover page hereof. The initial public offering prices may be changed from time to time by the Underwriter.

In the ordinary course of their various business activities, the Underwriter and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the State. The Underwriter and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

CONTINUING DISCLOSURE

Annual audited financial statements of the State of Alaska will be available upon request from the State of Alaska Department of Revenue. The State has covenanted for the benefit of the holders and beneficial owners of the Notes to provide certain financial information and operating data (the "Annual Disclosure Report") within seven months after the end of each fiscal year (the "Report Date"), commencing January 31, 2015 for the Annual Disclosure Report for the fiscal year ending June 30, 2014, and to provide notices of the occurrence of certain enumerated events. A form of document specifying the nature of the information to be contained in the Annual Disclosure Report or the notices of certain events is set forth in Appendix D hereto. These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule").

A failure by the State to comply with the undertaking pursuant to the Rule will not constitute a default under the Resolution. Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by a broker-dealer or municipal securities dealer before recommending the purchase or sale of the Notes in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Notes or their market price.

Other than for fiscal year 2010, the State has not failed to comply with any previous undertakings pursuant to the Rule. The State's CAFR for fiscal year 2010 was filed 16 days later than required and was linked to only a limited number of bonds by CUSIP numbers. The State subsequently re-filed its CAFR for fiscal year 2010 and correctly linked it to all required bonds by CUSIP numbers.

The State has procedures in place to assure the future compliance with its undertakings.

MISCELLANEOUS

The Notes qualify as collateral for State funds deposited by the Department of Revenue.

The purpose of this Official Statement is to supply information to prospective purchasers of the Notes. Quotations from and summaries and explanations of the Notes and of the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements as to their provisions. This Official Statement is not intended to be a contract or agreement between the State and the purchasers and owners of the Notes. This Official Statement may not be reproduced or used, in whole or in part, for any purpose other than in connection with the issuance and sale of the Notes.

All data contained herein, including the appendices hereto, have been taken from State records unless attributed to a specific source. Insofar as any statements contained in this Official Statement involve matters of estimates, projections, forecasts or matters of opinion, whether or not expressly stated, they are set forth as such and are not to be construed as representations of fact.

The appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement. The appendices appended to this Official Statement are entitled: "SUMMARY INFORMATION REGARDING THE ECONOMY OF THE STATE," "STATE OF ALASKA COMPREHENSIVE ANNUAL FINANCIAL REPORT, Fiscal Year Ended June 30, 2013," "FORMS OF BOND COUNSEL OPINIONS," "FORM OF CONTINUING DISCLOSURE UNDERTAKING" and "INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY."

EXECUTION OF OFFICIAL STATEMENT

The execution and delivery of this Official Statement have been authorized by the State.

STATE OF ALASKA

By ______________________________

Deven J. Mitchell
Debt Manager,
State of Alaska
For the State Bond Committee

APPENDIX A

SUMMARY INFORMATION REGARDING THE ECONOMY OF THE STATE

THE ECONOMY

The economic and demographic information provided below has been derived from State publications and services which the State considers to be reliable. Such information is accurate as of its date; however, no assurance can be given that such information has not changed since its date.

Population

Alaska's Statewide population of 736,399 (July 2013 Estimate) increased by 86,933, or 13 percent, from 2003 to 2013. Alaska's growth was greater than the 9 percent increase for the United States as a whole during the ten-year period. Alaska's annual rate of population growth was 1.2 percent for the period 2011-2012 and 0.6 percent for the period from 2012-2013. Alaska's recent growth was mainly due to in-migration, or people moving into the State.[1]

The following table summarizes the State's population growth since 2003, as well as the growth of population in each of the State's regions. The majority of the high-growth areas were those with access to the road system. Anchorage gained the most, with 28,830 residents, followed closely by Matanuska-Susitna Borough at 28,111. The Matanuska-Susitna Borough, the fastest growing area in the State on a percentage basis, grew 41 percent from 97,963 in 2003 to 93,074 in 2013. The results were mixed in rural areas, with over half of the rural boroughs and census areas losing residents.

Population of Alaska by Region, 2003-2013*

Area Name	Estimate July 2003	Estimate July 2004	Estimate July 2005	Estimate July 2006	Estimate July 2007	Estimate July 2008	Estimate July 2009	Census April 2010	Estimate July 2011	Estimate July 2012	Estimate July 2013
Alaska	649,466	659,653	667,146	674,583	680,169	686,818	697,828	710,231	723,424	731,827	736,399
Anchorage / Mat-Su Region	340,267	347,904	352,028	360,060	362,163	366,562	375,304	380,821	387,989	392,385	397,208
Gulf Coast Region	75,732	75,129	75,403	75,196	76,121	76,973	77,742	78,628	80,401	80,692	80,507
Interior Region	97,652	101,555	104,391	104,919	109,336	110,473	110,752	112,024	112,534	115,080	114,175
Northern Region	23,843	23,874	23,665	23,655	23,548	23,532	23,685	26,445	26,962	27,288	27,547
Southeast Region	72,250	71,546	71,712	71,399	70,219	70,504	71,141	71,664	73,755	74,363	74,382
Southwest Region	39,722	39,645	39,947	39,354	38,782	38,774	39,204	40,649	41,783	42,019	42,580

* Preliminary Intercensal 2003-2009, 2011-2013 and 2010 Census. All numbers are based on 2010 Census geography.

Source: US Census Bureau and Alaska Department of Labor and Workforce Development, Research and Analysis Section

Income

In 2012, Alaska had a per capita personal income of $49,436, an increase of 2.7 percent from the 2011 per capita personal income of $48,114. In 2012 Alaska's per capita personal income ranked 8th in

[1] Alaska Department of Labor and Workforce Development, Research and Analysis Section. Population Data; Monthly Employment Statistics, January 2014.

the U.S. and was 113 percent of the national average of $43,735. This compares to a per capita personal income for the United States of $42,298 in 2011 and $40,163 in 2010.[1]

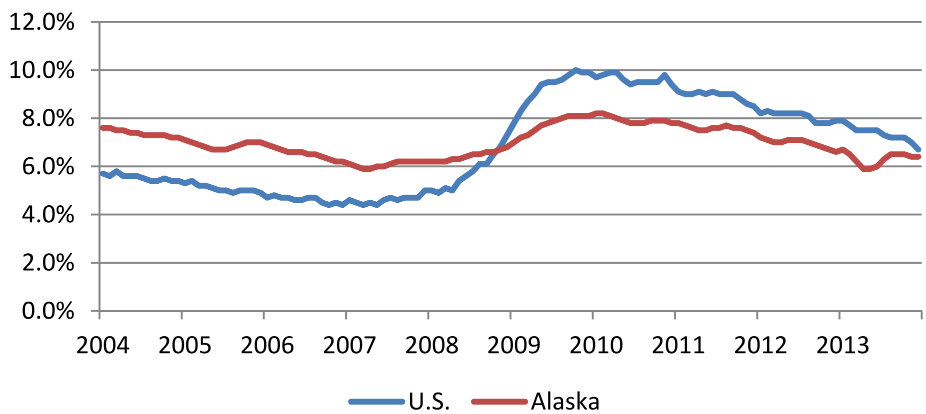
From 2012 to 2013, the inflation rate in Anchorage (the only Alaska city included in the Consumer Price Index) was 3.1 percent. The average in the United States was 1.5 percent. The average annual inflation rate in Anchorage from 2003 to 2013 was 2.7 percent, approximately equal to the average annual inflation rate for the U.S. over the same period.[2]

The cost of living in Alaska remains significantly higher than the national average. According to the Council for Community and Economic Research's ACCRA Cost of Living Index for 2011, which compares the living costs for about 300 urban areas in the United States, including four Alaska cities, Anchorage, Juneau, Fairbanks and Kodiak, the cost of living in those cities is 26, 34, 35 and 35 percent, respectively, more expensive than the average city in the index.[3]

Employment

Data of the Alaska Department of Labor and Workforce Development shows the unemployment rate (seasonally adjusted) for Alaska for December 2013 was 6.4 percent, as compared to a national unemployment rate for the same period of 6.7 percent. As noted in the table below, historically the State's unemployment rate has exceeded the national rate, but more recently Alaska's unemployment rate has been lower than that of the U.S.[4]

Unemployment Rate
Alaska and U.S., January 2004 to December 2013
(Seasonally Adjusted)



The largest employment sector in Alaska is government comprised of federal, State and local government employees. Government employment in October 2012 was 86,200. The largest non-government sector of employment was Trade, Transportation and Utilities with 62,800.[5] The table below provides a summary of the employment of the Alaska labor force by industry.

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[1] Bureau of Economic Analysis, Regional Data.
[2] Department of Labor and Workforce Development, Research and Analysis Section, CPI Consumer Price Index; U.S. Bureau of Labor Statistics.
[3] Alaska Department of Labor and Workforce Development, CPI Consumer Price Index; U.S. Bureau of Labor Statistics.
[4] Alaska Department of Labor and Workforce Development, Research and Analysis Section; U.S. Bureau of Labor Statistics.
[5] Alaska Department of Labor and Workforce Development, Research and Analysis Section.

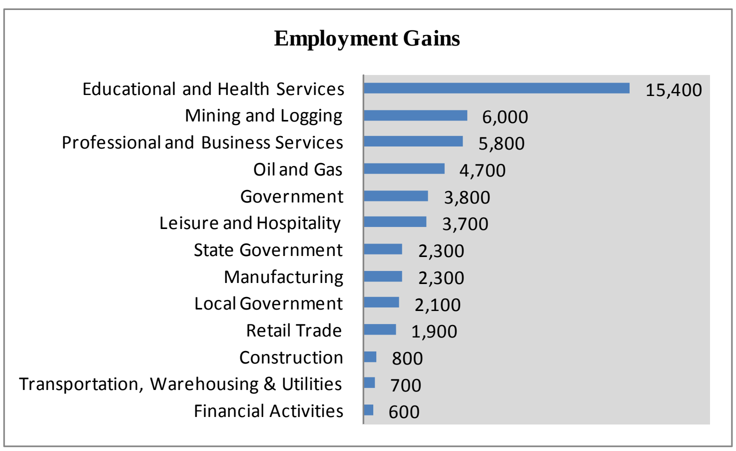
Alaska Labor Force Summary

	2002	2012	Change (2002-2012)	November 2013
Total Nonfarm	293,800	334,100	13.72%	320,600
Mining and Logging	11,000	17,000	54.55%	41,600
Oil and Gas	8,900	13,600	52.81%	14,700
Construction	15,800	16,600	5.06%	16,700
Manufacturing	11,200	13,500	20.54%	6,700
Wholesale Trade	6,200	6,200	0.00%	5,600
Retail Trade	33,900	35,800	5.60%	35,700
Transportation, Warehousing and Utilities	21,100	21,800	3.32%	20,200
Information	7,100	6,200	-12.68%	6,100
Financial Activities	12,700	13,300	4.72%	13,200
Professional and Business Services	22,800	28,600	25.44%	27,700
Educational and Health Services	31,000	46,400	49.68%	47,300
Health Care*	N/A	32,900	N/A	33,600
Leisure and Hospitality	29,300	33,000	12.63%	28,000
Other Services	11,800	11,600	-1.69%	11,700
Government	80,200	84,000	4.74%	83,500
Federal Government	16,800	16,300	-2.98%	14,100
State Government	23,800	26,100	9.66%	26,300
Local Government**	39,600	41,700	5.30%	43,100

* Information not compiled in 2001.
**Tribal government was manually added to local government in 2000.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis.

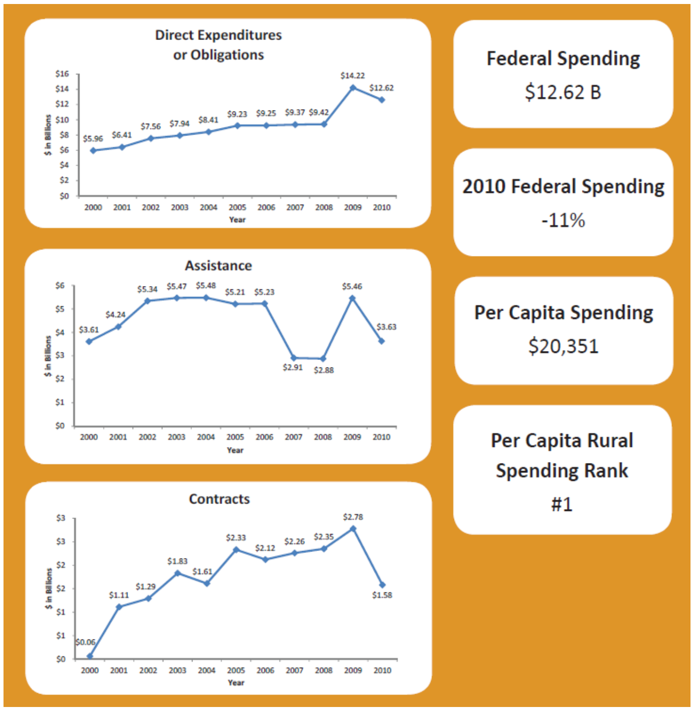
The following chart shows the employment growth by industry from 2002 to 2012.



Federal Spending[1]

Federal spending has a significant impact on Alaska's economy. Federal funds contribute to military and federal government employment, as well as provide support for specific in-state programs and projects. In many cases, State funds are also used to leverage federal funds in matching programs helping to improve Alaskan communities.

2010 Federal Spending Indicators



Federal spending in Alaska has been on the rise since 2000. Most notably, the American Recovery and Reinvestment Act (ARRA) of 2009 resulted in a 48 percent increase in federal funding. Between 2009 and 2010, ARRA funding declined, but still remained significantly higher than pre-ARRA spending. During 2010, federal spending per capita in Alaska was $20,351. Alaska currently ranks first in total per capita federal spending, followed by Virginia and Maryland. Alaska ranks first in grants, second in salaries and wages, and fourth in procurement. In addition to direct expenditures, the federal government is also a significant employer and landowner in Alaska. The federal government is Alaska's largest landowner with 60 percent of Alaska total area including national parks, refuges, national forests, military installations, and the North Slope National Petroleum Reserve.[2] A strong federal presence spanning land management, military, and numerous public services also leads to significant employment opportunities as 40,000 Alaskans were on the federal payroll during 2010.[3]

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[1] United States Department of Commerce, Census Bureau. 2011. Consolidated Federal Funds Report for Fiscal Year 2010: State and County Areas. CFFR/10

[2] Alaska Department of Natural Resources (ADNR), Division of Mining, Land, and Water. 2000. Land Ownership in Alaska Fact Sheet. March 2000.

[3] Alaska Department of Labor and Workforce Development (ADLWD), Research and Analysis Section. 2012. Trends. February 2012

Oil and Gas[1]

According to a study completed by McDowell Group, Inc. for the Alaska Oil and Gas Association (2011), employment and payroll in the oil and gas industry from October 2009 through September 2010 included over 4,840 jobs and $764 million in payroll. The report also stated total direct and indirect jobs account for 13 percent of all private sector employment (10 percent of all employment) in Alaska and 18 percent of all private sector resident earnings (13 percent of all resident earnings). Oil and gas employment reached record levels despite the ongoing decline in oil production in Alaska.

Government[2]

Government was responsible for 84,800 jobs in 2011, over a quarter of all nonfarm employment in the State. This sector encompasses occupations in all industries, including teachers, builders, deckhands, and scientists. Government's total share of Alaska jobs shrank from 27.1 percent to 25.8 percent of jobs over the period 2001 - 2011 as the job growth in private industries outpaced government. Government jobs represented more than $4.2 billion in wages in 2011.

Local government employment grew by about 3,000 jobs — or 7.9 percent — from 2001 to 2011, with local administrations and school districts representing the largest employers. Within the local government sector, school district employment gained 12 percent and other city, municipal, and borough employment grew by 1 percent.

State government employment accounted for 13 percent of total employment over the last decade. The State-run University of Alaska's employment increased by 1,358 jobs, or 22 percent, while other State agencies' employment increased by 15 percent over the decade, for an overall increase of 17 percent in State government employment.

Federal government employment added about 200 jobs, or 1.1 percent, over the decade. Growth in the civilian defense sector, Veterans' Affairs, and the National Park Service was largely offset by reduced employment by the U.S. Postal Service, health services, agriculture, and aviation, as private firms stepped in or programs were phased out.

Before September 11, 2001, the military was reducing its presence in Alaska. However since then the U.S. funneled additional defense funds into the State. Though the Base Realignment and Closure Act of 2005 resulted in closures, the overall presence of armed forces in the State has increased. There were 3,100 more uniformed military personnel in Alaska in 2011 than there were in 2001. Other military growth includes civilian defense employment and federal spending on base and facility upgrades, salaries, and maintenance.[3]

Health Care[4]

Health care has been the State's fastest-growing industry. It employs nearly 31,500 people, and in 2011 its payroll exceeded $1.5 billion. Fifteen of the 100 largest private sector employers in the State are health care providers. Private sector health care employment increased from 18,100 in 2001 to 31,500

[1] McDowell Group, Inc. (2011). The Role of the Oil and Gas Industry in Alaska's Economy. Alaska Oil and Gas Association. 52 pp. P. 1-2. Retrieved from http://www.aoga.org/wp-content/uploads/2011/10/2011-McDowell-Study.pdf
[2] Alaska Department of Labor and Workforce Development, Research and Analysis Section.
[3] State of Alaska, Comprehensive Annual Financial Report; July 1, 2011 – June 30, 2012.
[4] Alaska Economic Trends, September 2011, The Decade in Review: 2000 – 2010.

in 2011 and grew four times as fast as the average for all industries. As a result, health care made up over a quarter of all employment growth over the past decade in Alaska. It also grew twice as fast as the nation's health care sector.

The growing population of elderly Alaskans increased demand for services. Although only 7.7 percent of Alaskans are over 65 compared to the nation's 13 percent, the 65-plus group grew by 54 percent between 2000 and 2010, compared to 13 percent nationally. As the industry expanded and more health care choices emerged, more of Alaska's health care spending remained in-State. In 1990, health care accounted for 4 percent of Alaska's wage and salary employment versus 7 percent for the nation. By 2010, that difference narrowed to 9.3 percent for Alaska and 10.6 percent nationwide.

Fisheries[1]

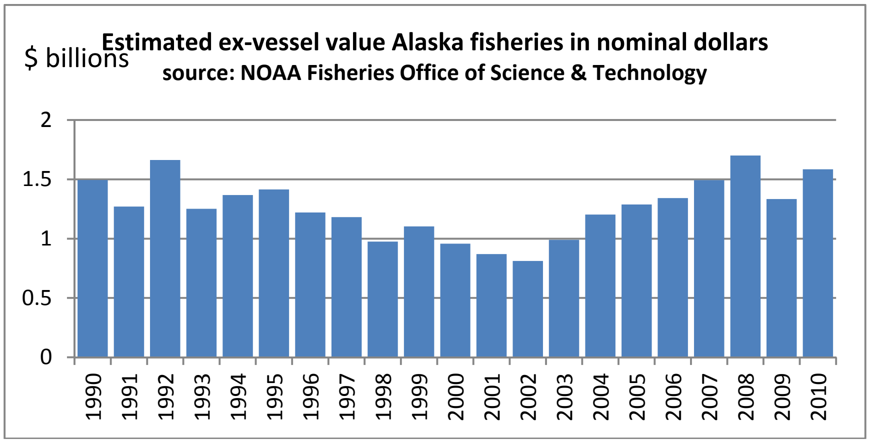
In 2010, Alaska's leading export was seafood, worth \$1.8 billion and accounting for 44 percent of Alaska's total exports of \$4.2 billion. Two countries, Japan and China, make up more than a billion dollars of Alaska's total seafood exports. Japan, long the State's largest seafood export market, purchased \$523 million. China was a close second at \$517 million. China has been steadily growing in importance in Alaska's seafood exports as evidenced by a 23 percent increase in exports during 2010.

During 2010, Alaska's commercial fishing fleet earned \$1.76 billion, up 21 percent from \$1.4 billion in 2009. Seafood processors sold this harvest for \$3.87 billion, up six percent from 2009. During the past ten years, the combined seafood harvesting and processing workforce has averaged nearly 50,000 people.

Seafood processing employment grew by 700 jobs, or 8 percent, between 2000 and 2010. Seafood preparation and packaging is one of Alaska's most cyclical industries, since it mostly follows the changes in fish harvesting from season to season. At the beginning of the decade, fish stocks crashed and there were low prices in key fisheries. After that, developed and emerging nations' desire for more ocean-derived protein increased demand and boosted prices. Salmon prices were also boosted by marketing that differentiated Alaskan wild salmon from their farmed counterparts. Prices and values fell sharply in 2009, during the global recession, for cod, pollock, halibut, and crab.

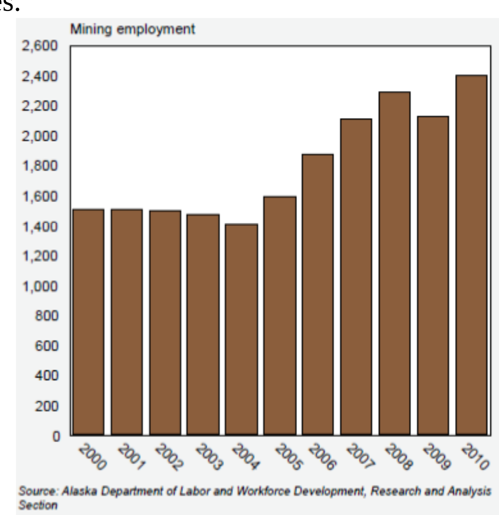
In 2011, five of the country's top ten fishing ports, ranked by value, were in Alaska -- Dutch Harbor ranked first in volume and second in value (\$207 million), Kodiak was fifth in volume and third in value (\$168 million), Naknek-King Salmon ranked eighth in value (\$86 million), and Akutan ranked fourth in value (\$114 million). Sitka was ranked ninth in value at \$85 million.[2] The following chart shows the value of the Alaskan fisheries.[3]

[1] Alaska Economic Trends, September 2011, The Decade in Review, 2000 – 2010.
[2] "2010 Commercial Fishery Landings by Port Ranked by Dollars" and 201 Commercial Fishery Landings by Port Ranked by Poundage", NOAA Fisheries, Office of Science & Technology.
[3] State of Alaska, Office of International Trade, 2010. *2010 Export Update.*



Mining[1]

The economic picture of mining in Alaska has changed dramatically, from declining employment in the beginning of the 2000s to a growing industry by 2006. Despite a slight downturn in 2009, mining employment has grown 35 percent overall since 2001, outpacing the nationwide growth rate of just 1.4 percent. The decline in mining employment in 2009 was largely attributable to shifts in the exploration stages at several potential mines.



The growth in mining was supported by several large developments. Pogo Mine in the eastern interior of Alaska was commissioned in 2006, but began to create jobs in 2005. Fort Knox Mine in the Fairbanks North Star Borough built a heap-leach facility in 2009. And, after several delays, Kensington Mine opened in Southeast Alaska in June of 2010.

The value of Alaska's primary produced metals more than quadrupled from 2001 to 2007, from $786.6 million to $3.22 billion. The total value of Alaska's mineral industry in 2009 was nearly $2.9 billion, down $204 million from 2008's value of $3.2 billion, but in 2010 it recovered to $3.1 billion. The 2009 decline in total value was primarily a result of lower metal prices, increased operating costs and a worldwide economic slowdown.[2]

[1] Alaska Economic Trends, September 2011, The Decade in Review, 2000 – 2010.
[2] 2009 Alaska Economic Performance Report.

The recent increase in mineral prices has renewed interest in a number of mining projects around the State.

Tourism[1]

The tourism sector is comprised of three major categories — recreation, food and drink, and accommodations — with the food and drink category accounting for approximately two-thirds of the employment. All three categories grew over the past decade. Over that period, food and drink added 2,500 jobs; accommodations grew by 600 jobs; arts, entertainment, and recreation added 700. As with the industry as a whole, each of accommodations and food and drink lost employment during the nationwide recession when fewer visitors came to the State. The highly seasonal leisure and hospitality industry was growing around 2 percent annually until the recession affected Alaska's tourism in 2009. The industry lost more than 2,500 jobs at the peak of that season. By the end of the decade, employment had recovered slightly, growing by just under 600 jobs from the 2009 to 2010 summer peaks. With this small recovery, leisure and hospitality ended the decade up 14 percent, or 3,800 average annual jobs, above its 2000 level but still 2,000 jobs below the 2008 peak.

Retail[2]

A number of new chain and homegrown retailers opened in Alaska during the past decade. Since 2000, the following retailers opened stores in Alaska: Kohl's, new Walmarts, Best Buy, Target, Sportsman's Warehouse, Petco, Bed Bath and Beyond, and Walgreens. The retail sector provided 35,500 jobs in Alaska in 2011.

Retail trade remains Alaska's largest private sector employer. During the 1980s and 1990s, retail trade in Alaska grew more rapidly than the overall economy. However, during this most recent decade, retail employment grew half as fast as overall employment, adding just 2,400 jobs compared to the 7,500 new jobs during the 1990s. At the end of the decade, retail's share of total Statewide employment was on par with the rest of the nation at 11 percent.

According to census data, Alaska's per-capita sales run 9 percent above the national average, with higher prices accounting for much of that difference.

Transportation[3]

Given the geography of the State, Alaskans rely on aviation and marine transportation to move people and goods. Although Alaska is the largest state in terms of area, it has the fifth-lowest road mileage in the U. S.. The primary reasons for the low road miles in Alaska are (i) the majority of people live in the urbanized areas and (ii) extreme weather, rugged terrain, vast distances, low population density and scattered islands make road construction difficult and costly compared to the number of users. Many remote communities are connected to the rest of Alaska and the rest of the world, through waterways or airports, rather than roads.

Most goods shipped to and from Alaska move by way of intermodal transportation systems. Most food, household items and consumer goods shipped from the lower 48 states of the U. S. to Alaska

[1] Alaska Economic Trends, September 2011, Decade in Review, 2000-2010.
[2] Alaska Economic Trends, September 2011, Decade in Review, 2000-2010.
[3] Alaska State Transportation Plan, adopted February 29, 2008.

generally arrive by container ship, barge or roll-on, roll-off vessel. Upon arriving in Alaska, freight bound for destinations connected by the highway system are transported by truck or by rail on the Alaska Railroad. Freight bound for remote destinations is flown from Anchorage or Fairbanks to the remote communities. Heavy or bulk commodities are most often moved by barge to remote communities where seasonal barge service is available.

Given the size, geography and population distribution in Alaska, air transportation is critical for Alaska's economy and the health, safety and welfare of all Alaskans. The State owns about 252 rural airports, in addition to Ted Stevens Anchorage International Airport ("ANC") and Fairbanks International Airport. ANC serves as the primary passenger airport in the State and is an important cargo airport globally. In terms of cargo levels, ANC was ranked as the number two cargo airport in North America and as the number five cargo airport in the world by Airports Council International in calendar year 2010. In fiscal year 2011, all-cargo certificated maximum gross takeoff weight (measured in 1,000 lb. units) increased to 25,214,813 from 20,307,000 in 2000. In fiscal year 2011, passenger activity at ANC (including passenger enplanements, passenger deplanements and in-transit passengers) was approximately 5.08 million, as compared to 5.03 million in 2000. [1]

Alaska's ports and harbors are an important element of the State's economy, providing for the import and export of goods. Port and harbor facilities provide an economic base for those communities dependent on marine resource utilization such as fishing and recreational use. They are an essential link to Alaska's resources, including fisheries, oil, natural gas, mineral resources and recreational activities.

The Alaska Marine Highway System ("AMHS") is a critical part of Alaska's transportation system and the service it provides is part of the National Highway System. AMHS serves 31 Alaska ports by transporting passengers and vehicles between coastal communities on 11 operating vessels. This service helps meet the social, educational, health and economic needs of Alaskans. AMHS experienced increases in passenger and vehicle traffic in each of the years from 2005 through 2008, when AMHS carried 340,412 passengers and 109,839 vehicles. AMHS experienced a decline in 2009 when it carried approximately 317,891 passengers and 108,541 vehicles. In 2010, AMHS saw a slight recovery, carrying 326,313 passengers and 110,075 vehicles[2] and further recovery in 2011 carrying 334,778 passengers and 114,100 vehicles.

The Alaska Railroad operates a total of 656 miles of railway miles in Alaska, consisting of 467 miles of main line, 54 miles of branch line and 135 miles of yards and sidings. The Alaska Railroad plays an important economic role. In 2011, the Alaska Railroad carried 6.20 million tons of freight and 412,200 passengers. As of May 2012, the railroad employed 685 year-round employees.[3]

In 2010 the transportation sector represented 5.9 percent of Alaska's wage and salary employment versus 3.2 percent for the nation. Transportation also represents a greater share of gross domestic product in Alaska than it does nationwide, at 9 percent in-State versus the nation's 3 percent.

Transportation employment grew modestly in the last decade, with 18,900 jobs in 2010 compared to 18,700 jobs in 2000. The slowdown in Alaska's economy in 2009 resulted in steep declines in the visitor industry and international cargo. However, employment growth in Alaska's transportation sector was slightly positive between 2000 and 2010, in contrast to the nation's decline of more than 6 percent.

[1] Alaska International Airports System, Statistics, http://www.dot.alaska.gov/aias/assets/AIAS_Statistics.pdf.
[2] Alaska Marine Highway, Annual Traffic Volume Report, 2010.
[3] Alaska Railroad Corporation Fact Sheet, http://www.akrr.com/arrc29.html.

APPENDIX B

STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT,
Fiscal Year Ended June 30, 2013

The Comprehensive Annual Financial Report for the State contained in Appendix B hereto is historical information that presents the State's financial position as of June 30, 2013. This report reflects historical performance. The financial performance of the State reflected in such report cannot be relied upon as a reliable indicator of subsequent performance. Historical trends cannot be used to anticipate results or trends in future periods.

APPENDIX C

FORM OF BOND COUNSEL OPINION

[TO BE PROVIDED]

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") constitutes the written undertaking of the State of Alaska (the "State"), for the benefit of the holders of the State's $_________ General Obligation Bond Anticipation Notes Series 2014 (the "Notes"), required by Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2 12) (the "Rule"), for the benefit of the beneficial owners or holders of the Bonds. The State is an "obligated person" with respect to the Bonds within the meaning of the Rule.

SECTION 1. Definitions: The following capitalized terms shall have the following meanings:

Annual Financial Information means the financial information (which shall be based on financial statements prepared in accordance with generally accepted accounting principles ("GAAP")) and operating and demographic data contained in the "Comprehensive Annual Financial Report" ("CAFR") of the State of Alaska, provided at least annually, and the annual "Alaska Public Debt Report" which together contain the type of financial and debt information included in the final official statement with respect to the Notes described in Exhibit B hereto; which Annual Financial Information shall include Audited Financial Statements.

Audited Financial Statements means the State's annual financial statements, prepared in accordance with GAAP, which financial statements shall have been audited by a firm of independent certified public accountants or the Legislative Auditor of the State.

Disclosure Representative means the Chairman of the State Bond Committee or his or her designee or such other officer or employee as the State shall designate in writing from time to time.

Fiscal Year means the period commencing on the first day of July of any year and ending on the last day of June of the following year or such other period of twelve consecutive calendar months as shall be specified by the State.

Material Event means any of the following events with respect to the Notes:

(i) Principal and interest payment delinquencies;
(ii) Non-payment related defaults, if material;
(iii) Unscheduled draws on debt service reserves, if any, reflecting financial difficulties;
(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
(v) Substitution of credit or liquidity providers, or their failure to perform;
(vi) Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material or events affecting the tax-exempt status of the Notes;
(vii) Modifications to rights of the owners of the Notes if material;

(viii) Optional, contingent or unscheduled Bond calls other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23856, if material, and tender offers;
(ix) Defeasances;
(x) Release, substitution or sale of property, if any, securing the repayment of the Notes if material;
(xi) Rating changes;
(xii) Bankruptcy, insolvency, receivership or similar event of the State;
(xiii) The consummation of a merger, consolidation, or acquisition of the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement to undertake such an action, other than pursuant to its terms, if material; and
(xiv) Appointment of a successor or additional trustee or the change of name of the trustee, if material.

Material Event Notice shall mean the Notice required to be given in accordance with Section 4 hereof.

MSRB means the Municipal Securities Rulemaking Board or any successors to its functions.

Participating Underwriter shall mean any of the original underwriters of the Notes required to comply with the Rule in connection with offering of the Notes.

Resolution shall mean the resolution of the State Bond Committee of the State authorizing the issuance of the Notes.

Rule shall mean Rule 15c2-12(b)(5)(i) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 2. Provision of Annual Financial Information.

(a) The State shall, while any Notes are outstanding, provide the Annual Financial Information to the MSRB on or before January 31 of each year (the “Report Date”), commencing January 31, 2015. The State may adjust the Report Date if the State changes its Fiscal Year by providing written notice of the change of Fiscal Year and the new Report Date to the MSRB; provided that the new Report Date shall be 210 days after the end of the new Fiscal Year, and provided further that the period between the final Report Date relating to the former Fiscal Year and the initial Report Date relating to the new Fiscal Year shall not exceed one year in duration.

(b) If the State is unable to provide to the MSRB the Annual Financial Information by the Report Date, the State shall send a notice to the MSRB in substantially the form attached hereto as Exhibit A.

(c) If the State is unable to provide the Audited Financial Statements to the MSRB by the Report Date, the State shall provide to the MSRB unaudited financial statements of the State, and, as required by the Rule, Audited Financial Statements, when and if available, must thereafter be provided to the MSRB.

SECTION 3. Content of Annual Financial Information. The State's Annual Financial Information shall contain or incorporate by reference the information described in Exhibit B attached hereto, as well as the following:

(i) The Audited Financial Statements,

(ii) the accounting principles pursuant to which the Audited Financial Statements were prepared, and

(iii) that the above-described information has been provided directly by the State.

The State reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the State; provided that the State agrees that any such modification will be done in a manner consistent with the Rule as provided in Section 6 hereof.

The Annual Financial Information may be included by specific reference to documents available to the public on the Internet Website of the MSRB or filed with the Securities and Exchange Commission.

SECTION 4. Reporting of Material Events.

(a) If a Material Event occurs while any Notes are outstanding, the State shall provide a Material Event Notice to the MSRB not in excess of ten business days after the occurrence of the event. Each Material Event Notice shall be so captioned and shall prominently state the date, title and CUSIP numbers of the Notes.

(b) The State shall provide, in a timely manner to the MSRB, notice of any failure while any Notes are Outstanding by the State to provide to the MSRB Annual Financial Information on or before the Report Date.

(c) The State may from time to time choose to provide notice of the occurrence of certain other events, in addition to Material Events, if, in the judgment of the State, such other event is material with respect to the Notes, but the State does not undertake to commit to provide any such notice of the occurrence of any material event except Material Events.

SECTION 5. Termination of Reporting Obligation. The State's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption in whole or payment in full of all of the Notes of a Series, respectively. In addition, any provision hereof and any provision relating to the Rule as set forth in the Resolution shall be null and void in the event that the State delivers to the Bond Registrar, an opinion of counsel expert in federal securities laws to the effect that those portions of the Rule which require this Disclosure Certificate, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Notes; provided that the State shall have provided notice of such delivery and the cancellation of this Disclosure Certificate and that portion of the Resolution relating to the Rule to the MSRB.

SECTION 6. Amendment; Waiver. Notwithstanding any provision of this Disclosure Certificate, the State may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not in and of itself cause the undertakings herein to violate, or adversely affect compliance with the Rule if such amendment or waiver had been effective on the date hereof, but taking into account any subsequent change in or official interpretation of the Rule.

Provided, however, that the following conditions must be satisfied prior to such amendment:

(a) The amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the State, or type of business conducted;

(b) The undertaking hereunder, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of the holders and the beneficial owners of the Notes, as determined either by parties unaffiliated with the State (such as bond counsel), or by approving vote of such holders in accordance with the terms of the Resolution at the time of the amendment.

Further, the Annual Financial Information containing the amended operating data or financial information shall explain in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

Further provided, if an amendment is made to an undertaking hereunder specifying the accounting principles to be followed in preparing the Audited Financial Statements, the Annual Financial Information for the year in which the change is made shall present a comparison between the Audited Financial Statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the Audited Financial Statements, in order to provide information to investors to enable them to reevaluate the ability of the State to meets its obligations. To the extent reasonably feasible, the comparison also shall be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 7. EMMA; Format for Filing with the MSRB. Until otherwise designated by the MSRB or the Securities and Exchange Commission, any filing required to be made with the MSRB under the undertaking are to be submitted through the MSRB's Electronic Municipal Market Access system ("EMMA"), currently located at www.emma.msrb.org. All notices, financial information and operating data required by the undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the

MSRB pursuant to the undertaking must be accompanied by identifying information as prescribed by the MSRB.

SECTION 8. Additional information. Nothing in this Disclosure Certificate shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or Material Event Notice, in addition to that which is required by this Disclosure Certificate. If the State chooses to include any information in any Annual Financial Information or Material Event Notice in addition to that which is specifically required by this Disclosure Certificate, the State shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Financial Information or Material Event Notice.

SECTION 9. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the State, the Participating Underwriters and the holders and the beneficial owners of the Notes, and shall create no rights in any other person or entity.

BY: ___________________________________

Deven J. Mitchell
Debt Manager, State of Alaska,
For the State Bond Committee

Date: _________________ ___, 2014

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	THE STATE OF ALASKA
Name of Obligated Person:	THE STATE OF ALASKA
Name of Bond Issue:	State of Alaska General Obligation Bond Anticipation Notes, Series 2013C
Date of Issuance:	March ___, 2014

NOTICE IS HEREBY GIVEN that the State has not provided Annual Financial Information with respect to the above-named Bonds as required by Continuing Disclosure Certificate of the State dated __________________, 2014. The State anticipates that the Annual Report will be filed by ____________.

Dated: _____________________ By: _______________________________________

Deven J. Mitchell
Debt Manager, State of Alaska
For the State Bond Committee

EXHIBIT B

(A) Names of the entities, enterprises, funds, accounts and other persons with respect to whom information will be provided:

Entity:

1. STATE OF ALASKA

(B) Types of information to be provided: (e.g., specific types of financial statements and general descriptions of operating, economic, statistical, utilization and trend data)

1. Audited Financial Statements

2. Comprehensive Annual Financial Report __________ ___, 20___.

(C) The accounting principles pursuant to which financial statements will be prepared:

Generally accepted accounting principles

APPENDIX E

INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY

INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for the Notes, the principal amount of the maturity, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

4. To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

6. Redemption notices shall be sent to DTC. If less than all of the Notes within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State or the Bond Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Registrar or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the State or the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the State or the Bond Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

10. The State may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy thereof.

MEMORANDUM

STATE OF ALASKA
Department of Revenue

TO: State Bond Committee

DATE: February 25, 2014

FROM: Deven Mitchell
Debt Manager
Treasury Division

TELEPHONE: 465-3750

SUBJECT**:** Report

In January I received a letter from Myron Dosch, Controller for the University of Alaska. He brought to light that there is certain private activity planned for the University of Alaska Anchorage campus community arena and athletic facility. The University has entered into a naming agreement and is considering a contract for the facility's operation. I followed up on his inquiry with a conference call with K&L and myself. Following this call K&L provided the University for allowable levels of private activity in the facility.

On February 10 and 11 Commissioner Rodell, Department of Natural Resources Commissioner Balash, Ryan Williams and myself met with analysts from Moody's Investors Service, Standard & Poor's, and Fitch Ratings. The analysts were provided a presentation on the State's financial position and future potential.

The Senate Finance Committee is expected to take up HB 23 which provides a framework for construction of a bridge across Knik Arm. It is expected that any financing mechanism that would be accepted by the market would require state balance sheet participation.

Myron J. Dosch, CPA
Controller
Phone: (907) 450-8079
Fax: (907) 450-8071
mjdosch@alaska.edu

UNIVERSITY of ALASKA
Many Traditions One Alaska

209 D Butrovich Building
910 Yukon Drive
PO Box 756540
Fairbanks, AK 99775-6540

January 3, 2014

Deven Mitchell, Debt Manager
Alaska Department of Revenue - Treasury Division
P.O. Box 110405
Juneau, AK 99811-0405

Dear Mr. Mitchell:

The State of Alaska (State) issued general obligation bonds (Bonds) in 2010 and 2013 to finance a number of University of Alaska (University) projects. In connection with the issuance of the Bonds, the University entered into a Memorandum of Agreement (MOA) with the State which set out procedures for the University to follow relating to receipt and expenditure of Bond proceeds. The University subsequently instituted a number of measures to ensure compliance with the mandates of the MOA.

One of the University projects, partially financed with proceeds of the Bonds, is the community arena and athletic facility (Facility) in Anchorage. The Facility construction costs are approximately $109 million, with $60 million being paid with proceeds of the Bonds and $49 million being paid with other funds available to the University. The Facility is currently under construction with an expected August 2014 completion date.

The Facility presents a number of revenue generating opportunities for the University. Thus the University is seeking your guidance as to whether the University is limited in entering into certain private use agreements relating to the Facility. And, if there are limitations imposed on the use of the Facility, to explain the parameters of such limitations. (The MOA does not address matters associated with "use" of bond financed facilities). The University wants to ensure that proposed third party agreements relating to the use of the Facility will not compromise the tax status of the Bonds.

In seeking your guidance, it should be noted that the University entered into a naming rights and sponsorship agreement with Alaska Airlines, Inc. (Alaska) in connection with the Facility. Subsequent to my learning about this agreement, negotiations for other sponsorship and related agreements have been put on hold until we hear back from you. In addition, as I earlier discussed with you, a Request for Proposals is underway to procure services to manage and operate the Facility.

As for the naming rights and sponsorship agreement mentioned above, the term of this agreement is for ten years. Over the term of the agreement, Alaska will pay $1 million to the University of Alaska Foundation, for deposit into the Alaska Airlines Scholar Athlete Endowment. The parties also agree to "trade" various services throughout the term of the agreement. Please advise if you need further information regarding the naming rights and sponsorship agreement.

Thank you for your consideration, and guidance, regarding the above matters.

Sincerely,

Myron J. Dosch
Controller

K&L | GATES

MEMORANDUM

TO: Deven Mitchell and Myron Dosch

FROM: K&L Gates LLP

DATE: February 4, 2014

RE: Private Use Considerations Associated with Bond Financed Collegiate Athletic Facilities

INTRODUCTION

Under federal income tax rules, bonds issued by the State of Alaska (the “State”) in part to finance improvements to a public university sports stadium (the "Stadium Project") will not be tax-exempt if the bonds are "private activity bonds". Bonds are private activity bonds if (1) more than 10% of the proceeds of the bonds are used for a "private business use" (the "Private Use Test") **and** (2) more than 10% of the debt service on the bonds is payable from or secured by property used in a private business (the "Private Payment Test"). The 10% threshold drops to 5% if the private business use of the proceeds is unrelated to or disproportionate to the governmental use of the proceeds. Note, however, that use is considered unrelated only if the amount of related governmental use of a financed facility is insubstantial (which should not be the case with respect to the Stadium Project) and is considered disproportionate only if the amount of proceeds allocated to the private use of a facility exceeds the amount of proceeds allocable to a related governmental use.

We understand that the proceeds of one or more issues of State general obligation bonds will be allocated among many different projects, including a grant to the University of Alaska (the “University”) for use in connection with the Stadium Project. The Private Use Test and Private Payment Test thresholds are applied on an issue-by-issue basis, aggregating private use and private payments with respect to all projects funded by a particular issue of bonds. Because the University will likely be viewed as related to the State for purposes of the applicable federal tax rules, private business use of the Stadium Project and payments received by the University with respect to that use should be taken into account for purposes of determining whether the Private Use Test and Private Payment Test are satisfied with respect to the State’s bonds.

DEFINITION AND TYPES OF PRIVATE BUSINESS USE

Private business use is any use other than use by a governmental entity or use as a member of the general public. Private business use can arise from a lease, management contract, licensing agreement or any other arrangement that gives a private business user special legal entitlements with respect to the use of the financed facilities. Certain types of short-term leases, properly structured management contracts and arrangements that result in limited, incidental business use do not result in private use.

Managed concessions and similar management arrangements relating to use of portions of the Stadium Project can create private business use depending on the terms of the management contracts. As a general matter, if a service provider is entitled to retain, or is paid based on, the net profits from its activities at the stadium, it will be considered a private business user. The IRS has issued specific guidance under which management contracts, depending on their term, will not be considered to create private business use. We would recommend that bond counsel review proposed management contracts relating to the Stadium Project prior to their execution for purposes of determining whether they are compliant with IRS guidance and, if not, the impact on the overall private use analysis.

MEASUREMENT OF PRIVATE BUSINESS USE

Private business use generally is measured by identifying potential private business uses of a bond financed facility, determining the cost of the facility, determining how much space in the facility is used for a private business use and determining the percentage of the total time the facility is in private business use. This is referred to a "time and space analysis." For example, if a facility costs $100 to build and 20% of the facility is used for private business use 25% of the time it is in use, then 5% of the proceeds of the bonds allocable to the facility will be treated as used for a private business use (100 x .20 x .25). Construction cost estimates can be used to determine the costs of a facility and an allocation based on square footage generally can be used to determine the costs associated with particular components.

Certain private uses of the Stadium Project may not be eligible for measurement according to a time and space analysis. For example, if a private business pays the University for naming rights to the stadium, the portion of the Stadium Project considered “used” by the private business may be considered to be greater than the square footage of the signage, particularly if the rights afford the private business a pervasive presence at the stadium. We would recommend that bond counsel review any naming rights agreements being negotiated, to help determine the impact that the arrangement will have on the private use analysis.

If there are other sources of financing for the Stadium Project in addition to bond proceeds, costs of the Stadium Project may be specially allocated among funding sources in a manner that minimizes private use allocable to the bonds. Generally speaking, the costs of the Stadium Project may be allocated and reallocated until the later of 18 months after the date of the particular expenditure or 18 months after the date the facility financed with the proceeds of the bonds is placed in service, but in no event more than 5 years after the date the bonds are issued.

Another complicating factor is that, as mentioned above, the Private Use Test and Private Payment Test are calculated by aggregating all of the uses of proceeds of each bond issue. Thus, it is possible that more than 10% of the proceeds of a bond issue allocable to the Stadium Project could be considered to be used for a private business use, but that the bond issue as a whole does not satisfy the Private Use Test because there is less private use with respect to the other projects financed. Nonetheless, as mentioned in the proposed methodology below, we would recommend that the Stadium Project be monitored for private use on a standalone basis, using 10% as the applicable threshold, and that the University notify the State if the threshold is being approached with respect to the Stadium Project.

METHODOLOGY FOR MONITORING PRIVATE BUSINESS USE

Our goal is to provide a simple and workable methodology for identifying and managing private use issues in connection with the Stadium Project. As a threshold matter, we believe that the private activity bond tests can be managed by focusing on the Private Use Test rather than the Private Payment Test. In either event, we would have to determine when and where Private Business Use occurs to identify private payments and apply the Private Payment Test.

Our proposed methodology involves the following steps. As mentioned above, we would recommend that the University conduct this analysis with respect to the Stadium Project and inform the State if the private use threshold is being approached as if the grant(s) for the Stadium Project were the sole use of proceeds of a bond issue. The State can then build this into its overall private use analysis with respect to its bond issues.

(1) Identify the types of use of the Stadium Project;

(2) Determine, with respect to each potential private use, whether there is a private business use exception available;

(3) Determine whether there is another way to manage private business use (e.g., through an allocation to equity);

(4) If no private business use exception is available, determine the amount of private business use on a time and space basis; and

(5) Allocate common facilities between governmental and private business use, generally on a proportionate basis.

It is worth noting that some double counting may be inevitable. For example, a sale of the naming rights to the Stadium could count as private use of the facility, which overlaps with private use caused by the lease of a portion of the Stadium to a business entity.

Attached is a table illustrating this methodology. The table enumerates certain types of arrangements typical to intercollegiate athletic facilities that have the potential of creating private use. With respect to each potential "use," the table identifies: the degree of risk of "private use" characterization, specific private business use exceptions that may apply under federal tax rules, alternate methods of managing private use issues, whether or not a space time allocation would be necessary or feasible, and due diligence items that will be important to review for purposes of the analysis. This table has been developed generically, so it is possible that some of the listed uses are not applicable to the Stadium Project, but it should be a useful tool.

Cost	Use	Private Use Potential	Private Business Use Exception	Time and Space Allocation	Due Diligence Items Needed
$____	Naming rights	High, unless no strings attached (i.e. donor recognition naming only)	No	Not Available	Term sheet for naming rights
$____	Comprehensive media contract, including broadcast rights, advertising, programs, etc.	High	Yes, incidental non-possessory uses such as TV cameras, advertising displays, kiosks, vending machines and pay telephones are ignored if all such uses do not exceed 2.5% of the facility -- "Incidental Use Exception"	Unnecessary	Copy of contract (or term sheet if not yet available)
$_____	Private events, including concerts, private school graduations, coaches' camps	Low	Use pursuant to a rate scale is not private use if the term including renewal options is not more than 100 days --"100 Day Rate Scale Exception". Use pursuant to an arms-length arrangement at FMV is not private use if the term including renewal options is not more than 50 days ("50 day FMV exception")	Necessary if exception does not apply	Discussion/description of the type and frequency of private events
$_____	Playing surface	Low			
$_____	Leased concession space	High	No, unless 100 Day Rate Scale Exception or 50 Day FMV Exception are available	Necessary	Copy of concession contract (or term sheet if not available)

Cost	Use	Private Use Potential	Private Business Use Exception	Time and Space Allocation	Due Diligence Items Needed
$_____	Managed concessions	Moderate; Roving vendors or seat service are a potential problem, but may fit in Incidental Use Exception	Use pursuant to a qualified management contract meeting certain guidelines (e.g., compensation of manager is not based on net profits) is not private use	Necessary, if management contract does not satisfy guidelines	Copy of concession contracts (or term sheet if not available)
$_____	Visiting team, gate and tickets	Low, may be relevant only for non-governmental schools	50 Day FMV Exception		
$_____	Luxury boxes (suites)	Moderate to high, assuming use is principally by businesses on a leased basis and is not limited to game days	Leases predominantly to natural persons are not private use if the lease term including renewal options is not more than 200 days -- "200 Day Exception"; 100 Day Rate Scale Exception and 50 Day FMV Exception available	Necessary, only if exception does not apply	Description of terms for rental/purchase of suites
$_____	Club seating	Low, unless personal seat license or other nonqualified use	200 Day Exception, 100 Day Rate Scale Exception and 50 Day FMV Exception available	Necessary only if priority entitlement to particular seats	Description of terms for rental/purchase of club seats
$_____	Common areas, including concourses, ramps, plazas, restrooms	Very low, principally public use or Incidental Use	200 Day Exception, Incidental Use Exception	Necessary only if exception not met	
$_____	Maintenance, operation and	Very low			

Cost	Use	Private Use Potential	Private Business Use Exception	Time and Space Allocation	Due Diligence Items Needed
	storage areas				
$______	Locker rooms, weight rooms, and other associated facilities	Very low (private events, coaches' camps only)	100 Day Rate Scale Exception and 50 Day FMV Exception Available	Necessary only if nonqualified use	