STATE OF ALASKA

STATE BOND COMMITTEE

DEPARTMENT OF REVENUE
COMMISSIONER'S CONFERENCE ROOM

Juneau, Alaska

January 30, 2019

1:30 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

January 30, 2019 at 1:30 P.M.

I. Call to Order

II. Roll Call

III. Public Meeting Notice

IV. Approval of Agenda

V. Minutes of November 13, 2018 State Bond Committee Meeting

VI. Public Participation and Comment

VII. New Business

   A. Resolution 2019-01 – 2018 Private Activity Bond Volume Cap Allocation
   B. Resolution 2019-02 – AHFC Veterans Mortgage bonds guaranteed by the State of Alaska
   C. Debt Affordability Analysis
   D. Debt Manager's Report

VIII. Committee Member Comments

IX. Schedule Next Meeting

X. Adjournment

STATUS: Active

NOTICE OF MEETING - State of Alaska - State Bond Committee

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 January 30, 2019 at 1:30 p.m.

Resolution 2019-01	2018 Private Activity Cap Allocation
Resolution 2019-02	Authorizing State Guaranteed Veterans' Mortgage bonds issued by AHFC
Debt Affordability	Adoption of 2019 Alaska Debt Affordability Analysis
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 January 11, 2019

Deven Mitchell

465-3750

Attachments, History, Details

Attachments
None

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Details

Department:	Revenue
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MINUTES of the
STATE BOND COMMITTEE
November 13, 2018

A meeting of the State Bond Committee was held at 1:07 p.m. ASDT on November 13, 2018 at the Department of Revenue, Commissioner's Conference Room, Juneau, Alaska (333 Willoughby Avenue, State Office Building, 11th Floor, Juneau, Alaska 99811).

State Bond Committee Members present were:
Leslie Ridle, Commissioner, Department of Administration
Mike Barnhill, Deputy Commissioner, Department of Revenue
Fred Parady, Deputy Commissioner, Department of Commerce, Community & Economic Development

Present telephonically were:
Deven Mitchell, Debt Manager, Department of Revenue
Les Krusen, Orrick, Herrington & Sutcliffe, LLP
Doug Goe, Orrick, Herrington & Sutcliffe, LLP
Pete Nissen, Acacia Financial Group

I. Call to Order

Mr. Parady called the meeting to order at 1:07 p.m. ASDT on November 13, 2018.

II. Roll Call

Mr. Mitchell took roll call. Mr. Parady, Mr. Barnhell, and Ms. Ridle were present. All members present, there was a quorum.

III. Public Meeting Notice

A copy of the Affidavit of Publication concerning the date, location, and purpose of the meeting was 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 - The notice was officially published on November 6, 2018, for the November 13, 2018 meeting date.

IV. Approval of Agenda

The Agenda was reviewed by the board and no changes were necessary. The agenda was approved as submitted without objection.

V. Minutes of December 4, 2017 SBC Meeting

The December 4, 2017 minutes were approved by unanimous consent as written.

VI. Public Comment

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

VII. New Business

Resolution No. 2018-01 – Clean Water/Drinking Water Funds Bond Anticipation Note 2018

Mr. Mitchell stated that Resolution 2018-01 would authorize the State Debt Manager and other appropriate officials of the State of Alaska to approve the issuance of Bond Anticipation Notes 2018 Series A of up to $1,926,842 for the Alaska Clean Water Fund and Series B of up to $2,227,623 for the Alaska Drinking Water Fund. Mr. Mitchell explained that this was an annual transaction that allowed retained interest earnings and loan interest income to be used to pay debt service on bond anticipation notes, the proceeds of which could be used as match to additional federal funds. Without this transaction additional state general funds would be required to obtain the federal grant amounts. Ms. Ridle moved Resolution 2018-01 and Mr. Barnhill seconded the motion. The State Bond Committee then approved Resolution 2018-01 unanimously with three yes votes.

Resolution 2018-02 – Private Activity Bond Volume Cap Allocation

Mr. Mitchell stated that Resolution 2018-02 would allocate the $311,375,000 of State of Alaska Private Activity Bond Volume Cap (PABVC) to the Alaska Housing Finance Corporation (AHFC). He continued that there had been no municipal requests and no requests at all for PABVC during the calendar year. PABVC can be designated and carried forward for three years following the year of origination. However, once that carryforward designation is made the category of use cannot be changed, so if multi-family housing is designated and a single family housing need arises the cap cannot be used. The Alaska Industrial Development and Export Authority indicated that they didn't need PABVC at this time, and while AHFC has significant carryforward from prior years seems the logical organization to allocate the PABVC. Mr. Parady asked if there were other potential users of PABVC. Mr. Krusen indicated that in other states they have worked on solid waste, gas from waste, water treatment private activity projects that have utilized cap. It was suggested that additional outreach to for profit businesses that could potentially utilize Alaska's PABVC be conducted. Mr. Mitchell agreed that there was time to try and identify other potential uses for Alaska's PABVC. Mr. Barnhill moved to table Resolution 2018-02 to a future meeting and Ms. Ridle seconded the motion. The State Bond Committee then approved the motion unanimously with three yes votes.

VIII. Committee Member Comments

Ms. Ridle thanked the State Bond Committee members and staff for their effort on behalf of the State of Alaska and acknowledged the pending change in administration. Mr. Parady and Mr. Barnhill had no additional comments.

IX. Schedule Next Meeting

Mr. Mitchell mentioned that another meeting would be at the call of the Chair, but would need to take place before the PABVC carryforward deadline in 2019.

X. Adjournment

The meeting was adjourned at 1:47 PM ASDT.

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Julie Anderson, Commissioner
Department of Commerce and Economic Development
Chairman

ATTEST:

____
Bruce Tangeman, Commissioner
Department of Revenue
Secretary

STATE BOND COMMITTEE

RESOLUTION NO. 2019-01

A Resolution of the State Bond Committee of the State of Alaska Allocating the Private Activity Bond Volume Limit of the State of Alaska for Calendar Year 2018

WHEREAS, Alaska Statute 37.15.800 directs the State Bond Committee (the "Committee") to allocate the private activity bond volume limit for the State of Alaska (the “volume cap”) as authorized under 26 U.S.C. 146(e); and

WHEREAS, the volume cap for calendar year 2018 is $311,375,000; and

WHEREAS, over the last five years there have been very limited requests for volume cap, with annual year end allocations to the Alaska Housing Finance Corporation (AHFC) of the majority of each year’s cap for potential use in future years; and

WHEREAS, private activity bond calendar year volume cap is available for use through the end of the calendar year in which it arises and then may be carried forward for an additional period of three years if carryforward forms are filed with the Internal Revenue Service no later than February 15 of the following year; and

WHEREAS, efforts were made to reach out to entities with potential volume cap eligible project financing; and

WHEREAS, there have been no requests by municipalities and no other requests for volume cap for calendar year 2018.

NOW, THEREFORE, BE IT RESOLVED BY THE STATE BOND COMMITTEE:

<u>Section 1</u>. The Committee hereby allocates $311,375,000 of the 2018 private activity bond volume limit for the State of Alaska to AHFC.

<u>Section 2</u>. This Resolution is effective immediately.

DATED AND ADOPTED this 30th day of January, 2019.

____
Julie Anderson, Commissioner
of the Department of Commerce, Community and Economic Development, Chair

____
Bruce Tangeman, Commissioner of the
Department of Revenue, Secretary

____
Jonathan Quick, Commissioner of the
Department of Administration, Member

APPROVED AS TO FORM:

____
Attorney General of the
State of Alaska

STATE BOND COMMITTEE

RESOLUTION NO. 2019-02

A Resolution of the State Bond Committee of the State of Alaska relating to and approving the issuance and sale by the Alaska Housing Finance Corporation of not to exceed $75,000,000 aggregate principal amount of Alaska Housing Finance Corporation Collateralized Bonds (Veterans Mortgage Program).

WHEREAS, Ch. 134, SLA 1986 (the “1986 Act”) authorizes the unconditional guaranty by the State of Alaska (the “State”) of the principal of and the interest on not more than $600,000,000 of revenue bonds of the Alaska Housing Finance Corporation (the “Corporation”) to provide money for the purchase by the Corporation of mortgages made for qualifying veterans; and

WHEREAS, as required by the 1986 Act and by Article IX, Section 8 of the State Constitution, the unconditional guaranty of bonds issued under the authorization granted by the 1986 Act as a general obligation of the State was approved by a majority of the qualified voters voting at a general election held on November 4, 1986; and

WHEREAS, Ch. 46, SLA 2010 (the “2010 Act”) authorizes the unconditional guaranty by the State of the principal of and the interest on not more than $600,000,000 (the “2010 Act Authorization”) of revenue bonds of the Corporation to provide money for the purchase by the Corporation of mortgages made for qualifying veterans; and

WHEREAS, as required by the 2010 Act and by Article IX, Section 8 of the State Constitution, the unconditional guaranty of such bonds as a general obligation of the State was approved by a majority of the qualified voters voting at a general election held on November 2, 2010; and

WHEREAS, as provided in AS 18.56.110, the Corporation has requested the State Bond Committee to approve the issuance by the Corporation of not to exceed $75,000,000 aggregate principal amount of Alaska Housing Finance Corporation Collateralized Bonds (Veterans Mortgage Program), in one or more series, for the purpose of purchasing mortgages made for qualifying veterans (the “2019 Bonds”); and

WHEREAS, AS 18.56.110(d) requires the Corporation to sell State guaranteed bonds, including the 2019 Bonds, at public sale in amounts and at times approved by the State Bond Committee, on terms fixed under a notice of sale (the “Notice of Sale”); and

WHEREAS, the Corporation will prepare a preliminary official statement and a notice of sale (together, the “Preliminary Official Statement”) with respect to the 2019 Bonds in connection with the public sale of the 2019 Bonds and will prepare a final official statement (the “Official Statement”) for delivery to initial purchasers of the 2019 Bonds, which Preliminary Official Statement and Official Statement will include information about the State; and

WHEREAS, the State will be required to execute a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") to evidence the State's obligation to provide certain continuing disclosure information;

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

Section 1. Authorization of the 2019 Bonds. The issuance by the Corporation of not to exceed $75,000,000 aggregate principal amount of 2019 Bonds to purchase mortgages made for qualifying veterans is hereby approved. The 2019 Bonds when issued by the Corporation in accordance herewith will be guaranteed as to principal and interest by the State, and the full faith, credit and resources of the State will be pledged to the payment thereof. The 2019 Bonds shall be sold by the Corporation at public sale no later than June 28, 2019, and with the terms to be fixed under the Notice of Sale.

Section 2. Disclosure. The State Bond Committee hereby authorizes the Designated Representative to review and approve, on behalf of the State, the information about the State to be included in the Preliminary Official Statement and the Official Statement for the 2019 Bonds. The Designated Representative is hereby further authorized to execute and deliver certificates to appropriate parties regarding such disclosure information.

The State Bond Committee hereby authorizes the Designated Representative and all other appropriate State officials to execute a continuing disclosure certificate and any and all other documents required to be executed on behalf of the State in connection with the sale and issuance of the 2019 Bonds.

Section 3. Effective Date. This resolution shall become effective upon its adoption.

ADOPTED AND APPROVED by the State Bond Committee of the State of Alaska, this 30th day of January, 2019.

STATE OF ALASKA
STATE BOND COMMITTEE

____
JULIE ANDERSON
Commissioner, Department of Commerce,
Community, and Economic Development
Chair and Member
Alaska State Bond Committee

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BRUCE TANGEMAN
Commissioner, Department of Revenue
Secretary and Member
Alaska State Bond Committee

____
JONATHAN QUICK
Commissioner, Department of Administration
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 the 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. 2019-02 of the Committee (the "Resolution"), duly passed at a meeting thereof held on January 30, 2019.

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 30th day of January, 2019.

____

Secretary

CERTIFICATE

I, DEVEN J. MITCHELL, on behalf of the State of Alaska (the “State”) Bond Committee and keeper of the records of the State Bond Committee (the “Committee”), DO HEREBY CERTIFY:

1. The attached resolution is a true and correct copy of Resolution No. 2019-02 of the Committee (the “Resolution”), duly adopted and executed at a meeting thereof held on the 30th day of January, 2019.

2. Such meeting was duly convened and held in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; 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 adoption of the Resolution; all other requirements and proceedings incident to the proper adoption of the Resolution have been duly fulfilled, carried out and otherwise observed; and I am authorized to execute this certificate.

3. The Resolution remains in full force and effect and has not been amended, modified, superseded or repealed since January 30, 2019.

Dated: ____ __, 2019

____
Deven J. Mitchell
Designated Representative,
Department of Revenue,
on behalf of the
State Bond Committee

APPENDIX G

STATE OF ALASKA

General

Alaska is a sovereign state of the United States of America, located in the far northwest of North America to the west of Canada, with its southeastern border approximately 500 miles north of the State of Washington. Alaska became a state in 1959. The State's population increased approximately 6.7 percent between fiscal year 2008 and fiscal year 2018, with a population estimate as of June 30, 2018 of 736,239 (Alaska Department of Labor and Workforce Development, Research & Analysis Section). The State's fiscal year is July 1 to June 30.

Alaska includes approximately 586,412 square miles (approximately 365 million acres) of land and is the largest state of the United States (roughly equivalent in size to one-fifth of all of the other 49 states combined). Unlike the other 49 states, where significant portions of the land may be owned by individuals or entities in the private sector, less than one percent of the land in Alaska is owned by private, non-Alaska Native owners. As described below, 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.

Alaska government has three branches: 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 is prescribed by law. The courts constitute a unified judicial system for operation and administration.

The State provides or funds 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.

There are 19 organized boroughs in Alaska and 145 cities, 49 of which are located within an organized borough and 96 of which are located within the unorganized borough. Of these, 15 boroughs and 21 cities impose property taxes and 107 cities impose general sales taxes.

State Revenues

The State does not currently impose personal income taxes and has never imposed statewide 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 designated and unrestricted non-investment General Fund revenue in fiscal year 2018. Grants, contributions and other revenue from the federal government and interest and investment income represent the remaining portions of State revenue.

The key drivers of the Alaska economy include natural resource development, federal (including national defense) and State government, seafood and tourism. Approximately 24.6 percent of the State's total nonfarm employment is derived from government (including federal, State, and local). Other major industries in Alaska include the education and health services industry, and trade, transportation, and utilities, making up 15.1 percent and 19.7 percent of total nonfarm employment, respectively. The State's major exports are oil, seafood (primarily salmon, halibut, cod, pollock and crab), coal, gold, silver, zinc and other minerals (Alaska Department of Labor and Workforce Development, Research & Analysis, Employment Statistics; 2017 Annual Average).

The Department of Revenue – Tax Division (the "Tax Division") produces a semi-annual revenue sources book. The Fall Revenue Sources Book is the comprehensive annual forecast released in December, and the Spring Revenue Sources Book is an annual, partial update of the Fall forecast. The most recent revenue forecast comes from the Fall 2018 Revenue Forecast, which was released by the Tax Division on December 14, 2018.

The State has not yet released its Comprehensive Annual Financial Report ("CAFR") for fiscal year 2018. The State anticipates that the fiscal year 2018 CAFR may be released by January 31, 2019.

In the Fall 2018 Revenue Forecast, the general purpose unrestricted revenue for fiscal year 2018 was $2,424.1 million compared to unrestricted revenue generation in fiscal year 2017 of $1,354.6 million, and $1,532.7 million in fiscal year 2016.

Approximately 80% of the fiscal year 2018 unrestricted General Fund revenue was generated from petroleum. The Alaska North Slope ("ANS") oil price in fiscal year 2018 was $63.61, compared to prices of $49.43 in fiscal year 2017 and $43.18 in fiscal year 2016. The production in fiscal year 2018 was approximately 518.4 thousand barrels of oil per day compared to 526.4 thousand barrels of oil per day in 2017 and 514.7 thousand barrels of oil per day in fiscal year 2016. The Fall 2018 Revenue Forecast includes the State's forecast for ANS oil price through fiscal year 2028 ($67.96 is forecasted for fiscal year 2019 and $64.00 is forecasted for fiscal year 2020). The Fall 2018 Revenue Forecast includes the State's forecast for general purpose unrestricted revenue through fiscal year 2028 ($5,495.0 million is forecasted for fiscal year 2019 and $5,198.0 million is forecasted for fiscal year 2020).

Forecast information is derived from a number of sources and is based upon a variety of assumptions, many of which themselves are based upon other forecasts and assumptions and most of which are not within the State's control. Actual budgets, plans and results may differ materially from the plans, budgets and results described herein. As described below, the State's 2018 Fall Revenue Forecast for unrestricted revenue available for General Fund appropriation has increased in fiscal year 2018.

Although petroleum-related revenue was the largest source of unrestricted revenue for the State's General Fund, in fiscal year 2019 the State began appropriating amounts from the Permanent Fund earnings reserve to the General Fund as unrestricted General Fund revenue and will significantly diminish the percentage of unrestricted revenue that petroleum-related revenue represents. Other revenues customarily treated as restricted, but available for appropriation for any purpose, include investment earnings and settlement revenue of the Constitutional Budget Reserve Fund (the "CBRF"), royalty revenue deposited in the Permanent Fund beyond the 25 percent constitutional dedication, and certain revenues deposited in subaccounts of the General Fund. See "Government Budgets and Appropriations" and "Revenue Forecasts" below.

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

Oil and Gas Property Tax. The State levies an oil and gas property tax on the value of taxable oil and gas exploration, production and pipeline transportation property in the State at a rate of 20 mills (two percent) of the assessed value of the property. This is the only centrally assessed statewide property tax program in Alaska. Oil and gas reserves, oil or gas leases, the rights to explore or produce oil or gas, and intangible drilling expenses are not considered taxable property under the statute. The most notable properties that are subject to this tax are the Trans-Alaska Pipeline System, including the terminal at Valdez ("TAPS") and the field production systems at Prudhoe Bay. The assessed value of all existing properties subject to this tax was $28.4 billion as of January 1, 2017, $27.7 billion as of January 1, 2016, $28.6 billion as of January 1, 2015, $27.4 billion as of January 1, 2014, $28.6 billion as of January 1, 2013, and $24.5 billion as of January 1, 2012.

Property taxes on exploration property are based upon estimated market value of the property. For property taxes on production property, values are based upon replacement cost, less depreciation based on the economic life of the proven reserves (or the economic limit in the case of taxes on offshore platforms or onshore facilities). The amount collected from property taxes on existing production property is expected to decrease in the future. For property taxes on pipeline transportation property (primarily TAPS property), values are determined based upon the economic value, taking into account the estimated life of the proven reserves of gas or unrefined oil expected to be transported by the pipeline and replacement cost, less depreciation based on the economic life of the reserves.

Local governments also may levy a property tax on oil and gas properties at individual mill rates up to 20 mills using the assessed values determined by the State. Taxpayers receive a credit against the State oil and gas property tax for property taxes paid to municipalities on such property up to the amount of State tax that would otherwise be due. Effective July 1, 2014, the State increased one of the limits on the total amount of taxes that may be levied by local governments if the mill rate is less than 20 mills. Of the $562.6 million of gross tax collected in fiscal year 2018 on oil and gas property in the State, the State's share was approximately $121.6 million. In the Fall 2018 Revenue Forecast, the State forecasts income from the oil and gas property tax to be approximately $126.1 million in fiscal year 2019, and $119.0 million in fiscal year 2020.

Revenue from oil and gas property taxes is deposited in the General Fund; however, the State Constitution requires that settlement payments received by the State after a property tax assessment dispute be deposited in the CBRF. Per the Fall 2018 Revenue Forecast, $481.9 million in total settlements were deposited into the CBRF for fiscal year 2017, $121.3 million for fiscal year 2018 and is forecasted to be $125 million for fiscal year 2019, and forecasted to be $150 million for fiscal year 2020. See "Government Funds – The Constitutional Budget Reserve Fund" below.

Oil and Gas Production Taxes. 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 sales of all onshore oil and gas production, except for federal and State royalty shares and on offshore developments within three miles of shore.

The oil and gas production tax can be a significant source of revenue and in many past years has been the State's single largest source of revenue. The production tax is levied differently based upon the type of production (oil versus gas) and the geographical location (North Slope versus Cook Inlet, the State's two producing petroleum basins).

For North Slope and export gas, the tax uses the concept of "Production Tax Value" ("PTV"), which is gross value at the point of production minus lease expenditures. PTV is similar in concept to net profit, but different in that all lease expenditures can be deducted in the year incurred; that is, capital expenditures are not subject to a depreciation schedule. The production tax rate is 35 percent of PTV, with an alternative minimum tax of 0 percent to 4 percent of gross value, with the 4 percent minimum tax applying when oil prices for the year exceed $25 per barrel.

Several tax credits and other mechanisms are available for North Slope oil production to provide incentives for additional investment. A per-taxable-barrel credit is available, which is reduced progressively from $8 per barrel to $0 as wellhead values increase from $80 per barrel to $150 per barrel. This credit cannot be applied against the gross minimum tax. This results in a flattening of the production tax revenue decline at prices lower than $80 per barrel. An additional incentive applies for qualifying new production areas on the North Slope. The so-called "Gross Value Reduction" (the "GVR") permits a company to exclude 20 percent or 30 percent 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 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. Effective January 1, 2017, the GVR is available for only seven years of production and ends early if ANS prices exceed $70 per barrel for any three years.

Effective January 1, 2022, for North Slope export gas, the tax rate will be 13 percent of gross value at point of production. Currently there is only a very small amount of gas that is technically export gas, sold for field operations in federal offshore leases. However, this tax rate would apply to a major gas export project.

For the North Slope, a Net Operating Loss ("NOL") credit in the amount of 35 percent of losses is available. This credit can be carried forward to a future tax liability or in some cases transferred or repurchased by the State.

For Cook Inlet oil production, the tax rate officially is 35 percent of PTV. Prior to January 1, 2017, however, the tax was limited to a maximum of zero dollars per barrel; after January 1, 2017, the tax is limited to a maximum of $1.00 per barrel.

For Cook Inlet gas production, the tax rate is 35 percent of PTV, and the tax is limited to a maximum value averaging 17.7 cents per thousand cubic feet. This rate also applies to North Slope gas used for qualifying in-State uses, commonly referred to as “non-export gas.”

Taxpayers are required to make monthly estimated payments, based upon activities of the preceding month. These payments are due on the last day of the following month, and taxpayers are required to file an annual tax return to “true up” any tax liabilities or overpayments made during the year. From fiscal year 2007 through fiscal year 2017, as an incentive for new exploration, companies without tax liability against which to apply credits could apply for a refund of the value of most of the credits, subject to appropriation. In fiscal year 2016, the State credited for potential purchase $498 million from companies claiming such credits. For fiscal year 2017, the State appropriated the minimum provided for in the statutorily based formula of $32.7 million for payments of such credits. In the Fall 2017 Revenue Sources Book forecast, the State estimated that as of June 30, 2018, approximately $711 million in outstanding tax credits were eligible for future payment. Payments of these credits are subject to future fiscal year appropriation.

In 2017, HB 111 was signed into law making multiple changes to Alaska’s oil and gas production tax and tax credit statutes. Following passage of this legislation most new credits will no longer be eligible for cash repurchase. Instead, companies will retain their credits until such time as they owe a tax liability to the State, at which time the credits could be used to offset the company’s oil and gas production taxes.

All unrestricted revenue generated by the oil and gas production taxes ($4.1 billion in fiscal year 2013, $2.6 billion in fiscal year 2014, $0.4 billion in fiscal year 2015, $0.2 billion in fiscal year 2016, $0.1 billion in fiscal year 2017, $0.7 billion in fiscal year 2018, and projected in the Fall 2018 Revenue Forecast to be $0.8 billion in fiscal year 2019) is deposited in 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 CBRF. See Table 1.

Oil and Gas Royalties, Rents and Bonuses. In fiscal year 2018, approximately 97 percent of all current oil production in the State, including the reserves at Prudhoe Bay, was from State land leased for exploration and development. As the land owner, through the Department of Natural Resources (“DNR”), 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 historically has 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 16.67 percent and some also include a net profit-share or sliding scale component. Under all lease contracts the State has ever written, the State 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 contract prices received by the producers, net of transportation charges). When the State elects to take its royalty share in-kind, the State becomes responsible for selling and transporting that royalty share, which means establishing complex contracts to accomplish these tasks. The State regularly negotiates these contracts and has historically sold roughly 95% of North Slope oil royalties in this way. State royalty revenue from production on State land that is not obligated to the Permanent Fund or Public School Trust Fund is unrestricted revenue that is available for general appropriations.

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 National Petroleum Reserve Alaska (the “NPR-A”). The State is required to deposit its entire share of lease bonuses, rents and royalties from oil activity in the NPR-A in 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. The State also receives a portion of revenues from federal royalties and bonuses on all other federal lands located within State borders and from certain federal waters.

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Table 1 summarizes the sources and initial applications of oil and other petroleum-related revenue for fiscal years 2008 through 2018.

Table 1

Sources and Initial Applications of Oil and Other Petroleum-Related Revenue
Fiscal Years Ended June 30, 2009 – 2018
($ millions)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018[5]
Oil Revenue to the General Fund										
Property Tax	$ 111.2	$ 118.8	$ 110.6	$ 111.2	$ 99.3	$ 128.1	$ 125.2	$ 111.7	$ 120.4	$ 121.6
Corporate Income Tax [1] .	492.2	446.1	542.1	568.8	434.6	307.6	94.8	(58.8)	(59.4)	67.9
Production Tax..	3,112.0	2,871.0	4,552.9	6,146.1	4,050.3	2,614.7	389.7	186.0	134.4	749.9
Royalties (including bonuses, rents and interest) [2][3]	1,465.6	1,477.0	1,843.3	2,031.7	1,767.8	1,712.4	1,078.2	870.6	681.5	1,002.3
Subtotal	$5,181.0	$4,912.9	$7,048.9	$8,857.8	$6,352.0	$4,762.8	$1,687.9	$1,109.5	$ 877.0	$ 1,941.7
Oil Revenue to Other Funds										
Royalties to the Permanent Fund and School Fund [2][3]	$ 670.8	$ 707.2	$ 870.9	$ 919.6	$ 855.9	$ 786.2	$ 518.3	$ 396.9	$ 340.0	$ 363.1
Tax settlements to CBRF	202.6	552.7	167.3	102.8	357.4	177.4	149.9	119.1	481.9	121.3
NPR-A royalties, rents and bonuses [4]	14.8	21.3	3.0	4.8	3.6	6.8	3.2	1.8	1.4	23.7
Subtotal	888.2	1,281.2	1,041.2	1,027.2	1,216.9	970.4	671.4	517.8	823.3	508.1
Total Oil Revenue	$6,069.2	$6,194.1	$8,090.1	$9,885.0	$7,568.9	$5,733.2	$2,359.3	$1,627.3	$1,700.3	$2,449.8

(1) Corporate income tax collections for fiscal years 2016 and 2017 were negative due to large refunds of prior-year estimated taxes and low estimated taxes for fiscal year 2016 and 2017.

(2) Net of deposits in the Permanent Fund and the CBRF. The State Constitution requires the State to deposit at least 25 percent in the Permanent Fund, and between 1980 and 2003, State statutes required the State to deposit at least 50 percent in 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. In fiscal year 2018, only the constitutionally required 25 percent of royalties were deposited into the Permanent Fund. In fiscal year 2019, only the constitutionally required 25 percent of royalties are forecasted to be deposited into the Permanent Fund. See "Government Funds – The Alaska Permanent Fund" below.

(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.

(5) All values for fiscal year 2018 are based on the Fall 2018 Revenue Sources Book released December 14, 2018.

Source: *2008 through 2018 Revenue Sources Books, Tax Division.*

Corporate Income Tax. The State levies a corporate income tax on Alaska taxable net income of corporations doing business in Alaska (other than certain qualified small businesses and income received by certain corporations from the sale of salmon or salmon eggs). Corporate income tax rates are graduated and range from zero percent to 9.4 percent of income earned in Alaska. Taxable income generally is calculated using the provisions of the federal Internal Revenue Code, and the calculation of Alaska taxable income varies, depending upon 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 as credits against State corporate income taxes. 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 in the General Fund, although collections from corporate income tax audit assessments of oil and gas corporations are deposited in the CBRF.

Non-Oil Revenues. The State also receives unrestricted and restricted General Fund revenues from activities unrelated to petroleum. The State receives revenues from corporate income taxes paid by corporations other than petroleum producers, cigarette/tobacco (and beginning in fiscal year 2017, marijuana) 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, mining license taxes and miscellaneous revenues. A number of these non-oil tax, license and fee revenues (but not investment income and federal revenue) are shared with municipalities. In fiscal year 2018 unrestricted revenues unrelated to petroleum production (excluding investment income and federal revenues) was $466.1 million, and in the Fall 2018 Revenue Forecast the State forecasts the fiscal year 2019 value to be $488.5 million, and the fiscal year 2020 value to be 493.6. Contained in the non-oil figures is the minerals industry, which contributes State revenue in the form of corporate income tax, mining license tax, and mining rents and royalties.

Federal Revenue. The federal government is a significant employer in Alaska, directly and indirectly, in connection with its military bases and 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 $2.5 billion in fiscal year 2014, $2.5 billion in fiscal year 2015, $2.6 billion in fiscal year 2016, $3.2 billion in fiscal year 2017, and $3.1 billion in fiscal year 2018. In the Fall 2018 Revenue Forecast, the State forecasts restricted federal revenue to be approximately $3.8 billion in fiscal year 2019 and $3.8 billion in fiscal year 2020. The forecasts represent total budgeted spending authority for federal receipts, and actual federal receipts are subject to change. The federal funds are used primarily for road and airport improvements, aid to schools and Medicaid payments, all of which are restricted by legislative appropriation to specific uses. Federal funds are most often transferred to the State on a reimbursement basis, and all transfers are subject to federal and State audit. Most federal funding requires State matching. The State match for federal spending in fiscal year 2018 was approximately $736 million for the operating budget and $82 million for the capital budget.

Investment Revenues. The State earns unrestricted and restricted by custom investment earnings from a number of internal funds. Two primary sources of investment income for the State are the two constitutionally-mandated funds, the Permanent Fund and the CBRF. The Permanent Fund had a fund balance (principal and the earnings reserve) of approximately $64.9 billion as of June 30, 2018, which includes the value of the General Fund transfer commitment of $2.7 billion. The Permanent Fund had a fund balance of $59.8 billion as of June 30, 2017, $52.8 billion as of June 30, 2016, $52.8 billion as of June 30, 2015, $51.2 billion as of June 30, 2014, and $44.9 billion as of June 30, 2013. The CBRF had an asset balance of approximately $2.4 billion as of June 30, 2018. The CBRF had an asset balance of approximately $3.9 billion as of June 30, 2017, $7.3 billion as of June 30, 2016, $10.1 billion as of June 30, 2015, $12.8 billion as of June 30, 2014, and $11.6 billion as of June 30, 2013. Restricted investment revenue from the CBRF was $47.2 million in fiscal year 2018. In the Fall 2018 Revenue Sources Book, restricted investment revenue from the CBRF is forecasted to be $51 million in fiscal year 2019, and $74.5 million in fiscal year 2020. The earnings reserve balance in the Permanent Fund is available for appropriation with a majority vote of the Legislature, while appropriation of the Permanent Fund's principal balance requires amendment of the State Constitution. The balance of the CBRF is available for appropriation with a three-fourths vote of each house of the

Legislature, and as described below, the State borrows from the CBRF 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.

Senate Bill 26 ("SB26"), relating to the earnings of the Permanent Fund, was approved and became law in 2018. The law adjusted the transfer from the earnings reserve of the Permanent Fund to an amount determined by taking 5.25% of the average market value of the fund for the first five of the preceding six fiscal years, including the fiscal year just ended. Effective July 1, 2021, the amount determined for transfer from the earnings reserve of the Permanent Fund is reduced to 5.00% of the average market value of the fund for the first five of the preceding six fiscal years, including the fiscal year just ended. As described below in "Government Funds—The Alaska Permanent Fund," this calculation does not include the principal attributable to the settlement of *State v. Amerada Hess*. This transfer is made from the earnings reserve to the General Fund as unrestricted General Fund revenue in fiscal year 2019 in the amount of approximately $2.7 billion. The Alaska Permanent Fund Corporation ("APFC") projects this annual transfer of unrestricted General Fund revenue to the State's General Fund in their monthly history and projections report, as reflected in Table 2. This shift of classification of revenue of the Permanent Fund from restricted to unrestricted has been incorporated into the State's Fall 2018 Revenue Sources Book Forecast, using information available at time of release.

Table 2

State of Alaska
Transfer from the Earnings Reserve of the Permanent Fund
to the State's General Fund for the Fiscal Year Ending June 30, 2019
APFC FORECAST for Fiscal Years Ending June 30, 2020 – 2028
($ in millions)

Fiscal Year	Transfer Amount
2019	$ 2,723
Projected [(1)]	
2020	2,933
2021	3,090
2022	3,091
2023	3,254
2024	3,361
2025	3,432
2026	3,505
2027	3,578
2028	3,652

(1) APFC transfer projections are as of November 30, 2018, and subject to change.

General Fund asset balances listed as of June 30 may include borrowings from the CBRF for future fiscal year operating requirements. All CBRF values for fiscal year 2018 stated above are asset values. The accrual based fund balance will appear in the State's fiscal year 2018 CAFR, once released. The State anticipates that the fiscal year 2018 CAFR may be released by January 31, 2019. See "Government Funds – The Constitutional Budget Reserve Fund" and "– The Alaska Permanent Fund" below.

In the past, the State has also received earnings on the Statutory Budget Reserve Fund (the "SBRF"). Earnings on the SBRF are considered General Fund unrestricted revenue unless otherwise appropriated back to the fund. Article IX, Section 17(d), of the Alaska Constitution, provides that the amount of money in the General Fund available for appropriation at the end of each succeeding fiscal year shall be deposited in the CBRF until the amount appropriated is repaid. For fiscal year 2016, this resulted in a year-end sweep from the SBRF to the General Fund for transfer to the CBRF in the amount of $288 million. The fund balance of the SBRF as of June 30, 2017 was zero. The SBRF had a balance of zero as of June 30, 2016, $288 million as of June 30, 2015, $2.8 billion as of June 30, 2014, and $4.7 billion as of June 30, 2013. See "Government Funds – The Statutory Budget Reserve Fund" below.

In addition to investment income from the above-described funds, the State receives investment income (including interest paid) from investment of other unrestricted funds ($16.3 million in fiscal year 2018, $17.3 million in fiscal year 2017, $22.5 million in fiscal year 2016, $47.9 million in fiscal year 2015, and $130.2 million in fiscal year 2014). In the Fall 2018 Revenue Forecast, the State forecasts investment revenue of other unrestricted funds to be approximately $72.4 million in fiscal year 2019 and $82.4 million in fiscal year 2020. See "Government Funds" below.

Major Components of State Revenues. Table 3 summarizes the sources of unrestricted and restricted revenues available to the State in fiscal years 2013 through 2018, with a forecast for fiscal years 2019 and 2020 from the Fall 2018 Revenue Forecast.

Table 3

Total State Government Revenue by Major Component
Fiscal Years Ended June 30, 2013 – 2018
FORECAST For Fiscal Years Ended and Ending June 30, 2019 - 2020
($ millions)

	2013	2014	2015	2016	2017	2018	2019 [2]	2020 [2]
Revenue Source								
Unrestricted								
Oil Revenue	$ 6,352.0	$ 4,762.8	$ 1,687.9	$ 1,109.5	$ 877.0	$ 1,941.7	$ 2,211.1	$ 1,688.9
Non-Oil Revenue	548.4	497.1	520.5	400.7	460.3	466.1	488.5	493.6
Investment Earnings	28.1	130.2	47.9	22.5	17.3	16.3	2,795.4	3,015.5
Subtotal	$ 6,928.5	$ 5,390.1	$ 2,256.3	$ 1,532.7	$ 1,354.6	$ 2,337.3	$ 5,495.0	$ 5,198.0
Restricted								
Oil Revenue [1]	$ 1,036.1	$ 934.4	$ 670.5	$ 517.8	$ 823.8	$ 508.1	$ 503.3	$ 555.9
Non-Oil Revenue	485.0	473.5	491.2	647.5	656.3	698.0	662.2	668.8
Investment Earnings [3]	4,977.8	7,927.7	2,603.4	556.0	6,832.2	5,616.4	977.7	1,269.8
Federal Revenue	2,383.2	2,511.9	2,512.7	2,640.1	3,198.2	3,098.9	3,780.8	3,780.8
Subtotal	8,882.1	11,847.5	6,277.8	4,361.4	11,510.5	9,921.4	5,924.0	6,275.3
Total	$ 15,810.6	$ 17,237.6	$ 8,534.1	$ 5,894.1	$ 12,865.1	$ 12,345.5	$ 11,419.0	$ 11,473.3

(1) "Restricted Oil Revenue" includes oil revenue for the State of Alaska's share of rents, royalties, and bonuses from the National Petroleum Reserve – Alaska, shared by the federal government.
(2) Forecast for fiscal years 2019 and 2020 include a projection for the transfer from the Permanent Fund Earnings Reserve to the General Fund for Unrestricted General Fund expenditures, including the dividend, based on Senate Bill 26 ('SB 26'). All values for fiscal year 2019 and 2020 are based on projections as of the release of the Fall 2018 Revenue Sources Book, and are subject to change.
(3) A portion of the Restricted investment earnings starting in fiscal year 2019 consist of Permanent Fund unrealized gains and realized gains, less the transfer to the general fund classified as unrestricted per SB 26.
Source: 2013 through 2018 Revenue Sources Books, Tax Division.

Government Budgets and Appropriations

The Legislature is responsible for enacting the laws of the State, including laws that impose State taxes, and for appropriating money to operate the government. The State is limited by the State Constitution and statutes, and also by policy in how it manages its funds and, as in other states, no funds, regardless of source, may be spent without a valid appropriation from the Legislature. The Legislature has a 90-day statutory time limit, and a constitutional time limit of 120 days with an allowance for up to an additional 10 days, to approve a budget. If the Legislature fails to approve a budget, or if other limited purpose legislation needs to be considered, the Governor or Legislature may call a special session to consider such matters. See "General Appropriations" below.

Budgets. The State's fiscal year begins on July 1 and ends on the following June 30, and the Legislature meets in regular session beginning on the fourth Monday of January in each year. The Governor is required by AS 37.07.020(a) to prepare (1) a statutorily conforming budget for the succeeding fiscal year, including capital, operating and mental health budgets, setting forth all proposed expenditures (including expenditures of federal and other funds not generated by the State) and anticipated income of all departments, offices and agencies of the State; (2) a general appropriation bill to authorize proposed expenditures; and (3) in the case of proposed new or additional revenues, one or more bills containing recommendations for such new or additional revenues. In accordance with AS 37.07.020(b), the Governor also is required to prepare a six-year capital budget covering the succeeding six fiscal years and a 10-year fiscal plan. To assist the Governor in preparing budgets, proposed appropriation bills and fiscal plans, the Tax Division prepares forecasts of annual revenues in December and April of each year. See "State Revenues" above and "General Appropriations," Table 4, "Government Funds" and "Revenue Forecasts" below.

The State Constitution prohibits the withdrawal from the treasury of nearly all funds, regardless of source, without an appropriation. As a consequence, the Governor's proposed budget and the Legislature's appropriation bills include federal and other funds as well as funds from the State and, by practice, funds that may be available for withdrawal without an appropriation. The State has customarily restricted certain revenue sources each fiscal year by practice. Such revenue is nonetheless available for appropriation.

General Appropriations. The Governor is required by State law to submit the 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. These three budgets then to go the House Finance Committee and are voted upon by the House of Representatives. The three budgets then go to the Senate Finance Committee, are voted upon by the full Senate and may go to a conference committee to work out differences between the House and Senate versions (and then be submitted to both houses for final votes). Bills passed by both houses 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") or may sign the bill or permit the bill to become law without a signature or veto. The Legislature may override a veto by the Governor (by a vote of three-fourths of the members of each house of the Legislature in the case of appropriation bills and by a vote of two-thirds of the members of each house in the case of other bills). 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. Appropriation is an authorization to spend, not a requirement to spend. Enacted budget appropriations may be expended beginning July 1.

The Governor is permitted to prioritize or restrict expenditures, to redirect funds within an operating appropriation to fund core services and to expend unanticipated federal funds or program receipts. Historically, Alaskan Governors have placed restrictions on authorized operating and capital expenditures during years in which actual revenues were less than forecast and budgeted. Such expenditure restrictions have included deferring capital expenditures, State employment hiring and compensation freezes, lay-offs and furloughs and restrictions on non-core operating expenses. As described below, unrestricted General Fund revenues began declining after the end of fiscal year 2012, increased in fiscal year 2018, and are projected to increase over the forecast period after fiscal year 2020. See Tables 4 and 5 below. Operating and capital expenditures have generally declined over the same time-period through, among other actions, use of administrative restrictions on spending. See "Public Debt and Other Obligations of the State" below.

Additional options for the State to manage budget funding include reducing State expenditures, transferring spending authority among line items, providing additional incentives to develop petroleum or mining resources, reinstituting a State personal income tax or imposing other broad-based statewide taxes, such as a sales tax. Most of these options, including the imposition of personal income taxes or other taxes, would require action by the Legislature.

Appropriations for Debt and Appropriations for Subject-to-Appropriation Obligations. 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. For the State's outstanding, voter-approved general obligation bonds and bond anticipation notes and for revenue anticipation notes to which the State's full faith and credit are pledged, money is appropriated from the General Fund and if necessary, to the General Fund from other funds, including the Permanent Fund, to the State Bond Committee to make all required payments of principal, interest and redemption premium. For these full faith and credit obligations, the State legally is required to raise taxes if State revenues are not sufficient to make the required payments.

The Governor's proposed appropriation bills also include separate subsections for appropriations for subject-to-appropriation obligations, such as outstanding capital leases and lease-purchase financings authorized by law, as well as the School Debt Reimbursement Program and Transportation and Infrastructure Debt Service Reimbursement Authorization for reimbursement to local governments for debt payments on certain general obligation bonds issued by local governments for school construction and certain other limited projects, and for State "moral obligation" debt, appropriations to replenish debt service reserves in the event of a deficiency. Such appropriations are made from the General Fund or from appropriations transferring to the General Fund money available in other funds such as the CBRF, the Power Cost Equalization Fund, unencumbered funds of the State's public corporations and the Permanent Fund earnings reserve.

Appropriation Limits. The State 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 of 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, including revenues of a public enterprise or public corporation of the State that issues revenue bonds. In general, under the State 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 2016, the appropriations limit was approximately $10.07 billion and is estimated to be $10.16 billion for fiscal year 2017.

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As shown in Table 4, State Unrestricted General Fund Revenue decreased from $1.53 billion in fiscal year 2016 to $1.35 billion in fiscal year 2017, and increased to $2.42 billion in fiscal year 2018. State Unrestricted General Fund Revenue is projected to be approximately $5.50 billion in fiscal year 2019 per the Fall 2018 Revenue Forecast. In fiscal year 2019, the state began appropriating amounts from the Permanent Fund earnings reserve to the General Fund as unrestricted General Fund revenue and will significantly diminish the percentage of unrestricted revenue that petroleum-related revenue represents. The enacted fiscal year 2019 budget includes $2.7 billion in transfers, including the dividend, from the Permanent Fund earnings reserve account to the General Fund as unrestricted revenue. This shift of classification of revenue of the Permanent Fund from restricted to unrestricted has been incorporated into the State's revenue projections in Table 4. The Tax Division will incorporate these changes and future year forecasts in the Fall 2018 Revenue Sources Book, released December 14, 2018.

Table 4

State of Alaska
Total Unrestricted General Fund Revenue, ANS West Coast Oil Price, and ANS Oil Production
Fiscal Years Ended June 30, 2007 – 2018 and
FORECAST for Fiscal Years Ending June 30, 2019 – 2027

Fiscal Year	**Total Unrestricted General Fund Revenue** ($ mil)	**Oil Price** ($/barrel)	**ANS Oil Production** (thousands of barrels per day)
2007	$ 5,159	$61.60	734.2
2008	10,735	96.51	715.4
2009	5,838	68.34	692.8
2010	5,513	74.90	642.6
2011	7,673	94.49	599.9
2012	9,485	112.65	579.3
2013	6,929	107.57	531.6
2014	5,390	107.57	531.1
2015	2,257	72.58	501.5
2016	1,533	43.18	514.9
2017	1,355	49.43	526.5
2018	2,424	63.61	518.4
Projected [(1)]			
2019	5,495	67.96	526.8
2020	5,198	64.00	533.2
2021	5,394	66.00	514.2
2022	5,345	67.00	493.2
2023	5,500	69.00	476.7
2024	5,596	70.00	470.0
2025	5,670	72.00	472.7
2026	5,865	74.00	484.1
2027	6,074	75.00	493.4

(1) The values for fiscal years 2019 through 2027 use the projections included in the Fall 2018 Revenue Forecast, and are subject to change. The Enacted fiscal year 2019 budget also includes $2.7 billion in transfers from the Permanent Fund earnings reserve account to the General Fund as Unrestricted Revenue, those projections are included in Table 2. Forecast period includes a projection for the transfer from the Permanent Fund Earnings Reserve to the General Fund for Unrestricted General Fund expenditures, including the dividend, based on Senate Bill 26 ('SB 26').

Source: 2007 through 2018; Revenue Sources Books; Tax Division.

In 2017, the Governor issued an Administrative Order to limit or stop State spending on State "Mega Projects" including the Juneau Access road, a proposed bridge from Anchorage to the Matanuska-Susitna Borough across Knik Arm (the "Knik Arm Crossing"), the Susitna Hydroelectric project, a small diameter in-State gas pipeline project, and a proposed State road to the Ambler Mining District. Subsequent to the Administrative order, the Governor discontinued State spending on the Knik Arm Crossing, Susitna Hydroelectric project, and Juneau Access road.

The State has historically provided fiscal stability by forward funding or endowing programs, including the method used by the State to fund K-12 education. The State's constitutionally based obligation for K-12 education has been one of the largest single recurring budget line items in the State's budget. From fiscal year 2008 through fiscal year 2015, more than $1 billion of the State's current year revenue was set aside annually in the Public Education Fund to pre-fund the State's projected contribution to K-12 education for the succeeding fiscal year. See "Public Debt and Other Obligations of the State – State-Supported Debt – State-Supported Municipal Debt Eligible for State Reimbursement" below.

The Governor's enacted fiscal year 2019 budget includes approximately $5.1 billion in Unrestricted General Fund State Revenues, and approximately $4.7 billion in total Unrestricted General Fund operating and capital budget appropriations. The enacted fiscal year 2019 budget includes $2.7 billion in transfers from the Permanent Fund earnings reserve account to the General Fund as unrestricted revenue. Of the $2.7 billion in transfers for fiscal year 2019, approximately $1.0 billion has been assigned for the Permanent Fund dividend transfer, and approximately $1.7 billion has been assigned for governmental use. In fiscal year 2019, as a result of the use of Permanent Fund earnings authorized in SB26, the deficit is projected to decrease to approximately $700 million (based on information available as of the Spring 2018 Revenue Forecast; Source: Office of Management and Budget, Enacted FY2019 Fiscal Summary). The capital budget in the enacted fiscal year 2019 budget is approximately $189.3 million, the fourth consecutive fiscal year capital budget appropriations have been under $200 million, compared to $608 million in fiscal year 2015, and $1.3 billion in fiscal year 2014.

Government Funds

Because the State is dependent upon taxes, royalties, fees and other revenues that can be volatile, the State has developed a framework of constitutionally and statutorily restricted revenue that is held in a variety of reserve funds to provide long-term and short-term options to address cash flow mismatches and budgetary deficits. The State 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 when provided by the State Constitution, such as restricted for savings in the Permanent Fund or the CBRF.

Current State funding options available on a statutory basis include unrestricted revenue of the General Fund (which now includes an annual transfer from the Permanent Fund earnings reserve account pursuant to SB26), use of the earnings or the principal balance of the SBRF, borrowing restricted earnings revenue or principal balance from the CBRF, use of the statutorily restricted oil revenue currently flowing to the Permanent Fund, and use of the unrestricted earnings revenue of the Permanent Fund. To balance revenues and expenditures in a time of financial stress, each of these funds can be drawn upon, following various protocols. The CBRF may be accessed with a majority vote of the Legislature following a year-over-year total decline in total revenue available for appropriation, or in any year by a three-quarters vote of both houses of the Legislature. A simple majority vote is needed to appropriate from the SBRF and from the Permanent Fund earnings reserve.

The General Fund. Unrestricted State revenue is annually deposited in 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 approximately 55 subfunds and "cash pools" within the General Fund to account for funds allocated to particular purposes or reserves, including the CBRF, the SBRF, an Alaska Capital Income Fund, and a debt retirement fund. In terms of long-term and short-term financial flexibility, the CBRF and the SBRF (subfunds within the General Fund) have been of particular importance to the State.

The Constitutional Budget Reserve Fund. The State Constitution requires that oil and gas and mineral dispute-related revenue be deposited in the CBRF. The State Constitution provides that other than money required to be deposited in the Permanent Fund and the Public School Trust 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 CBRF. Money in the CBRF 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 State Constitution also provides that until the amount appropriated from the CBRF is repaid, excess money in the General Fund at the end of each fiscal year must be deposited in the CBRF.

The fiscal year 2015 capital budget approved by the Legislature included a $3 billion transfer from the CBRF to the Public Employees Retirement System ("PERS") and Teachers Retirement System ("TRS"). PERS received $1 billion and TRS received $2 billion.

The State historically has borrowed from the CBRF 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. Prior to draws in fiscal years 2015, 2016, 2017, and 2018, the Legislature last appropriated funds from the CBRF in fiscal year 2005. All borrowing from the CBRF was completely repaid in fiscal year 2010 and no borrowing activity from the CBRF occurred during fiscal years 2011, 2012, 2013, or 2014. The $3 billion transfer from the CBRF to PERS and TRS in fiscal year 2015 resulted in a liability of the general fund. Additional amounts were appropriated from the CBRF to the general fund during fiscal years 2016, 2017, and 2018, to fund any shortfalls between state revenue and general fund appropriations. The total net amount appropriated from the CBRF since fiscal year 2015 as of June 30, 2017 was $9.2 billion.

The asset balance in the CBRF as of June 30, 2018, was approximately $2.4 billion, including earnings of $47.2 million. General Fund asset balances listed as of June 30 may include borrowings from the CBRF for future fiscal year operating requirements. All CBRF values for fiscal year 2018 stated are asset values. The accrual based fund balance will appear in the State's fiscal year 2018 CAFR, once released. The State anticipates that the fiscal year 2018 CAFR may be released by January 31, 2019. As of June 30, 2017, the asset balance was approximately $3.9 billion, with earnings of approximately $94.2 million; as of June 30, 2016, the asset balance was approximately $7.3 billion, with earnings of approximately $138.3 million; as of June 30, 2015, the asset balance was approximately $10.1 billion, with earnings of approximately $197.7 million; as of June 30, 2014, the asset balance was approximately $12.8 billion, with earnings of approximately $1.0 billion; and as of June 30, 2013, the asset balance was approximately $11.6 billion, with earnings of approximately $618.1 million.

The Statutory Budget Reserve Fund. The SBRF has existed in the State's accounting structure since 1986. When funded, the SBRF is available for use for legal purposes with a simple majority vote of the Legislature and with approval by the Governor. If the unrestricted amount available for appropriation in the fiscal year was 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 was appropriated from the SBRF to the General Fund. For fiscal year 2015, this resulted in a year-end transfer from the SBRF to the General Fund of approximately $2.5 billion. As of June 30, 2015, the SBRF held approximately $288 million. Article IX, Section 17(d), of the Alaska Constitution, provides that the amount of money in the General Fund available for appropriation at the end of each succeeding fiscal year shall be deposited in the CBRF until the amount appropriated is repaid. For fiscal year 2016 and 2017, this resulted in a year-end sweep from the SBRF to the General Fund for transfer to the CBRF in the amount of $288 million. The fund balance of the SBRF, as of June 30, 2017, was zero. Any earnings on the SBRF are considered unrestricted investment revenue and 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 Permanent Fund by the Alaska Permanent Fund Corporation, a public corporation within the DOR, 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. In fiscal year 2018, only the constitutionally required 25 percent of royalties were deposited into the Permanent Fund. In fiscal year 2019, only the constitutionally required 25 percent of royalties are forecasted to be deposited into the Permanent Fund. For fiscal year 2018, State oil and mineral revenues deposited in the Permanent Fund were $353 million, compared to $365 million in fiscal year 2017, $284 million in fiscal year 2016 and $600 million in fiscal year 2015. In addition to these constitutionally and statutorily mandated transfers to the Permanent Fund the Legislature has made special appropriations from the State's General Fund to the Permanent Fund several times, totaling in the aggregate approximately $2.7 billion as of June 30, 2017.

The Permanent Fund tracks earnings on a basis compliant with statements pronounced by the Governmental Accounting Standards Board ("GASB") in the compilation of the financial statements of the Permanent Fund. Fund balance consists of two parts: (1) principal, which is non-spendable, and (2) earnings reserve, which is spendable with an appropriation by the Legislature. By statute, only realized gains are deposited in the earnings reserve. Unrealized gains and losses associated with principal remain allocated to principal. Because realized gains deposited in the earnings reserve are invested alongside the principal, however, the unrealized gains and losses associated with the earnings reserve are spendable with an appropriation of the Legislature.

Pursuant to legislation enacted in 1982, annual appropriations are made from the earnings reserve of the Permanent Fund, first for dividends to qualified Alaska residents and then for inflation-proofing. Between 1982 and 2018, $24.7 billion of dividends were paid to Alaska residents and $16.2 billion of Permanent Fund income has been added to principal for inflation proofing purposes; for fiscal year 2015, the inflation proofing transfer was $624 million, up from the fiscal year 2014 amount of $546 million. For fiscal year 2016, 2017, and 2018 there were no appropriations and therefore no transfers from the earnings reserve to principal for inflation-proofing. The dividend paid in fiscal year 2018 was $1,600 per person. In addition to the statutorily directed inflation proofing transfers, the Legislature has made special appropriations from the earnings reserve account of the Permanent Fund to the principal balance of the Permanent Fund, totaling approximately $4.2 billion as of June 30, 2018.

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 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, approximately $46.0 billion as of June 30, 2018, down from approximately $47.0 billion as of June 30, 2017, may not be spent without amending the State Constitution. The earnings reserve portion of the Permanent Fund, approximately $18.9 billion as of June 30, 2018 (this amount includes $2.7 billion committed to the State's General Fund for fiscal year 2019), up from approximately $12.8 billion as of June 30, 2017, may be spent with a simple majority vote of the Legislature. The Permanent Fund balance as of June 30, 2018 was approximately $64.9 billion, including the $2.7 billion commitment to the State's General Fund as unrestricted revenue for fiscal year 2019.

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). The total of the settlements and retained income thereon, as of June 30, 2018, was approximately $424 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 $46.0 million as of June 30, 2018, up from approximately $25.1 million as of June 30, 2017, are unrestricted and have been appropriated for capital expenditures.

SB26 created a percent of market value ("POMV") draw on the earnings reserve account for transfer to the General Fund as unrestricted revenue. Alaska Statute 37.13.140 was amended to specify the formula for POMV as 5.25% of the average market value of the Permanent Fund as of June 30 for the first five of the preceding six fiscal years, including the fiscal year just ended. Effective July 1, 2021, the amount determined for transfer from the earnings reserve of the Permanent Fund is reduced to 5.00% of the average market value of the Permanent Fund for the first five of the preceding six fiscal years, including the fiscal year just ended. The average market value of the Permanent Fund includes the earnings reserve account, but not the principal attributed to the settlement of *State v. Amerada Hess*. See Table 2 above for current projections of the annual transfer from the earnings reserve account to the State's General Fund as unrestricted revenue.

Table 5

State of Alaska
Available Funds and Recurring and Discretionary General Fund Expenditures
Fiscal Years Ended June 30, 2007 – 2018

Fiscal Year	**General Purpose Unrestricted Revenue** ($ mil)	**Recurring & Discretionary General Fund Expenditures** ($ mil)	**Unrestricted Revenue Surplus/ (Deficit)** ($ mil)	**Ending SBRF Reserves Available Balance** ($ mil)	**Ending CBRF Reserves Available Balance** ($ mil) [1]	**Permanent Fund Earnings Reserve Balance** ($ mil)	**Oil Price** ($/barrel)	**ANS Oil Production** (thousands of barrels per day)
2007	$ 5,159	$ 4,272	$ 886	$ –	$ 2,549	$4,132	$ 61.60	734.2
2008	10,749	5,473	5,256	1,000	5,601	4,969	96.51	715.4
2009	5,831	6,000	(169)	1,000	7,114	4,401	68.34	692.8
2010	5,515	4,995	520	1,000	8,664	1,210	74.90	642.6
2011	7,673	6,355	1,318	1,248	10,330	2,308	94.49	599.9
2012	9,485	7,252	2,233	2,683	10,642	2,081	112.65	579.3
2013	6,929	7,455	(526)	4,711 [2]	11,564	4,054	107.57	531.6
2014	5,394	7,314	(1,920)	2,791 [2]	12,780	6,211	107.57	531.1
2015	2,257	4,760	(2,503) [3]	288 [2]	10,101	7,162	72.58	501.5
2016	1,533	5,213	(3,680) [3]	0 [2]	7,331	8,570	43.18	514.9
2017	1,354	4,498	(3,144) [3]	0 [2]	3,896	12,816	49.43	526.5
2018	2,424	4,489	(2,065) [3]	0 [2]	2,360	18,864 [4]	63.61	518.4

(1) The CBRF available balance represents the historical asset values.
(2) Includes net transfer from the SBRF to the General Fund reconciled at the releases of CAFRs for fiscal years 2013 through 2017, and a projection for 2018. The State of Alaska's CAFR is expected to be released prior to January 31, 2019.
(3) The SBRF was used to balance the fiscal year 2015 deficit, with $288 million remaining as of June 30, 2015. Article IX, Section 17(d), of the Alaska Constitution, provides that the amount of money in the General Fund available for appropriation at the end of each succeeding fiscal year shall be deposited in the CBRF until the amount appropriated is repaid. For fiscal year 2017, this resulted in a year-end sweep from the SBRF to the General Fund for transfer to the CBRF in the amount of $288 million. The fund balance of the SBRF as of June 30, 2017 was zero.
(4) Includes amount committed for fiscal year 2019 general fund transfer per SB 26
Source: State of Alaska Department of Revenue.

Revenue Forecasts

The State regularly prepares revenue forecasts for planning and budgetary purposes. Of necessity, such forecasts include assumptions about events that are not within the State's control. The forecast oil production volumes include only production expected from projects currently under development or evaluation. 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. Portions of TAPS are located in areas that have experienced and may in the future again experience major earthquakes. 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. The State's most recent forecast is set forth in the Fall 2018 Revenue Forecast. The State will next update its forecast in the Spring 2019 Revenue Sources Book, updating the prior Fall forecast, and is anticipated to be released in April 2019. The State has provided certain estimates for fiscal year 2019 and 2020 based on information available as of the Fall 2018 Revenue Forecast, released December 14, 2018. See "Government Funds" above for a description of some of the actions the State can take when revenues prove to be lower than expected.

The State has customarily restricted certain revenue sources each fiscal year by practice. Such revenue is nonetheless available for appropriation. Table 6 provides a summary of the State's most recent forecast for revenues subject to appropriation in fiscal years 2019 through 2024.

Table 6

State of Alaska Revenues Subject to Appropriation
Forecast Summary for Fiscal Years 2019 through 2024 (1)
(millions)

	2019	2020	2021	2022	2023	2024
Petroleum Revenue						
Unrestricted General Fund(3)	$ 2,211.1	$ 1,688.9	$ 1,717.8	$ 1,657.1	$ 1,642.0	$ 1,620.8
Royalties to Alaska Permanent Fund beyond 25% dedication (2)	0.0	69.4	65.6	63.1	70.5	86.9
Tax and Royalty Settlements to CBRF	125.0	150.0	125.0	100.0	75.0	50.0
Subtotal Petroleum Revenue	**$ 2,336.1**	**$ 1,908.3**	**$ 1,908.4**	**$ 1,820.1**	**$ 1,787.5**	**$ 1,757.7**
Non-Petroleum Revenue						
Unrestricted General Fund(3)	$ 488.5	$ 493.6	$ 502.3	$ 511.6	$ 517.7	$ 526.5
Designated General Fund	379.5	382.5	383.7	385.1	386.9	388.2
Royalties to Alaska Permanent Fund beyond 25% dedication (2)	0.0	3.7	3.8	4.1	4.5	4.6
Tax and Royalty Settlements to CBRF	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal Non-Petroleum Revenue	**$ 867.9**	**$ 879.8**	**$ 889.8**	**$ 900.8**	**$ 909.1**	**$ 919.3**
Investment Revenue						
Unrestricted General Fund	$ 2,795.4	$ 3,015.5	$ 3,173.7	$ 3,176.1	$ 3,340.5	$ 3,449.0
Designated General Fund	21.2	47.5	47.6	47.8	47.9	48.0
Constitutional Budget Reserve Fund	51.0	74.5	82.5	88.3	93.4	98.0
Subtotal Investment Revenue	**$ 2,867.6**	**$ 3,137.5**	**$ 3,303.8**	**$ 3,312.2**	**$ 3,481.8**	**$ 3,595.0**
Total Revenue Subject to Appropriation	**$ 6,071.6**	**$ 5,925.6**	**$ 6,102.0**	**$ 6,033.1**	**$ 6,178.4**	**$ 6,272.1**

(1) This table presents only the largest known categories of current year funds subject to appropriation. A comprehensive review of all accounts in the State accounting system would likely reveal additional revenues subject to appropriation beyond those identified here.

(2) Estimated based on deposit in Permanent Fund minus 25 percent of total royalties. In fiscal year 2018, only the constitutionally required 25 percent of royalties were deposited into the Permanent Fund. In fiscal year 2019, only the constitutionally required 25 percent of royalties are forecasted to be deposited into the Permanent Fund.

Source: Fall 2018 Revenue Forecast, Tax Division

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 Reimbursement Program and Transportation and Infrastructure Debt Service Reimbursement Authorization. Other than the Veterans' Mortgage 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 local governments, and obligations of State agencies.

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. Approximately $724.4 million of general obligation bonds were outstanding as of June 30, 2018. See "Summary of Outstanding Debt" and Tables 7 and 8 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. To date, the State has obtained $343,150,958 in funding under the $453,499,200 authorization, leaving $110,348,242 of unissued authority. The State does not anticipate utilizing the remaining authority until after fiscal year 2019.

The following other debt and debt programs of the State were outstanding as of June 30, 2018, 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 ("AHFC") for the purpose of purchasing mortgage loans made for residences of qualifying veterans. These bonds are also general obligation bonds of the State, and they must be authorized by law, ratified by the voters and approved by the State Bond Committee. On November 7, 2010, the voters approved an additional $600 million of State guaranteed veterans' mortgage bonds, and the total current unissued authorization is $644.6 million. As of June 30, 2018, approximately $48.1 million of State guaranteed debt was outstanding. During fiscal year 2017, the AHFC issued $50 million aggregate principal amount of State-guaranteed bonds to purchase additional mortgage loans and to refund a portion of the guaranteed bonds that remained outstanding.

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 State 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 (structured as certificates of participation ("COPs")) and capital leases the State has entered into with respect to the Linny Pacillo Parking Garage (with AHFC), and the Goose Creek Correctional Center (with the Matanuska-Susitna Borough). Approximately $226.7 million of State-supported debt was outstanding as of June 30, 2018.

State-Supported Unfunded Actuarially Assumed Liability (UAAL). In 2008, Senate Bill 125 became law, requiring that the State fund any actuarially determined employer contribution rate above 22 percent for the Public Employees' Retirement System ("PERS") or 12.56 percent for the Teachers' Retirement System ("TRS") out of the State's General Fund, to the extent the actuarially determined employer contribution rate exceeds payment of (i) the employer normal cost and (ii) required employer contributions for retiree major medical insurance, health reimbursement arrangement plans and occupational death and disability benefits. This change was designed to address stress municipal employers were experiencing due to high actuarially determined percentage of payroll amounts to pay for actuarially assumed unfunded liabilities of the retirement systems. In 2015, General Accounting Standards Board Statement 68 (GASB 68) was enacted, updating reporting and disclosure requirements related to pension-related liabilities. One of the key changes was requiring a government that is committed to making payments on a pension system's unfunded actuarially assumed liability ("UAAL") on behalf of another entity to record the liability as a debt of the government making the payment. As a result of GASB 68, $5.8 billion of long-term debt was reflected in the State's CAFR for fiscal year 2015 for a total of $6.0 billion of UAAL owed by the State.

This debt will be paid through fiscal year 2039 with annual payments determined based on a variety of actuarial assumptions, and the evolving experience at it occurs. The assumption with perhaps the greatest impact on future payments is the assumed rate of return on invested assets. While the actuarial assumption is that the PERS and TRS invested assets will earn 8 percent per year through fiscal year 2039, if the earnings rate is 7 percent, total State payments increase by approximately $3.9 billion. Lower earnings rates may result in similar increases in required State payments.

As long as the Senate Bill 125 statutory framework is in place, the State is statutorily obligated to obtain amounts required to meet all actuarially determined employer contribution rates for PERS employers above 22 percent and TRS employers above 12.56 percent (subject to the exceptions described above). This payment is subject to annual appropriation. The State GASB determined long-term debt for PERS and TRS UAAL as of June 30, 2017, was approximately $6.9 billion, based on the most recent PERS and TRS June 30, 2017 actuarial valuation reports.

State-Supported Municipal Debt Eligible for State Reimbursement. The State administers two programs that reimburse municipalities for municipal debt: the School Debt Reimbursement Program ("SDRP") and the Transportation and Infrastructure Debt Service Reimbursement Program ("TIDSRP"). These programs provide for State reimbursement of annual debt service on general obligation bonds of municipalities for the SDRP and a combination of general obligation and revenue bonds of authorized participants in the TIDSRP. The State may choose not to fund these programs in part or whole. Most recently in fiscal year 2017, the SDRP was funded at 75% of the authorized amount. The SDRP was funded at 100% of the authorized amount for fiscal year 2018.

The Department of Education and Early Development ("DEED") administers the SDRP, which was created by law in 1970. The SDRP allows municipalities to apply, and if structured correctly be eligible for reimbursement on up to 100 percent of the debt service on general obligation bonds issued for school construction. All municipal bonds are required to be authorized as general obligation bonds of the municipality, providing the ultimate source of payment commitment. The SDRP has been partially funded in a number of years. Access to the SDRP was restricted during the 1990s due to State budgetary pressure. Beginning in the early 2000s, and through 2014, the program was generally available for any qualified municipal project at reimbursement rates of 60 to 70 percent of debt service. In 2015, the Legislature passed a moratorium on State school debt reimbursement and eliminated DEED's authority to issue agreements to reimburse debt from school bonds that voters approved after January 1, 2015, and before July 1, 2020. In addition, in June 2016, the Governor signed the fiscal year 2017 budgets transmitted by the Legislature and exercised his line-item veto authority to reduce the fiscal year 2017 appropriations by approximately $1.29 billion, including a 25 percent reduction in the SDRP. As of June 30, 2018, State-supported SDRP debt was $769.0 million.

The Department of Transportation and Public Facilities and the Alaska Energy Authority administer TIDSRP. The program currently includes University of Alaska revenue bonds, seven municipalities' general obligation bonds and two electric associations' revenue bonds. There are no additional authorized participants in TIDSRP and no efforts have been made to add to the program since creation in 2002. As of June 30, 2018, State-supported TIDSRP debt was approximately $26.1 million.

State-Supported Toll Revenue Bonds. House Bill 23 was approved in the 2014 Legislative Session authorizing the funding of the proposed Knik Arm Crossing with a combination of (i) up to $300 million of State-supported toll revenue bonds subordinated to a Transportation Infrastructure Finance and Innovation Act ("TIFIA") loan, (ii) a maximized loan under TIFIA of not less than $300 million and estimated to be approximately $350 million and (iii) up to $300 million of appropriations of additional Federal Highway Administration funds to the project. The State expected to pay debt service on the State toll revenue bonds using a combination of annual State appropriations and toll collections that exceeded the TIFIA loan payment. The Governor discontinued all spending on the Knik Arm Crossing in July 2016.

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"); AHFC; Alaska Industrial Development and Export Authority ("AIDEA"); Alaska Municipal Bond Bank Authority ("AMBBA"); and Alaska Student Loan Corporation ("ASLC"). Approximately $1,289.3 million of State moral obligation debt was outstanding as of June 30, 2018.

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, Notes and Contracts, Clean Water and Drinking Water Fund Bonds, and Toll Facilities Revenue Bonds. As of June 30, 2018, there was $692.3 million of State and University Revenue Debt outstanding, consisting of $299.9 million of University of Alaska Revenue Bonds, Notes and Contracts, $16.9 million of Sportfish Revenue Bonds and $375.5 million of International Airports Revenue Bonds.

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, 2018, there was $480.8 million aggregate principal amount of State agency debt outstanding, consisting of $53.4 million of AHFC obligations, $10.0 million of Bond Bank Coastal Energy Impact Program Bonds payable to the National Oceanic and Atmospheric Administration, $113.1 million of Alaska Railroad Notes, and $304.3 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. As of June 30, 2018, the total principal amount outstanding of State agency collateralized or insured debt was approximately $2,309.9 million, consisting of approximately $2,207.2 million issued by AHFC and $102.7 million issued by AIDEA.

Potential State-Supported Pension Obligation Bonds. Through the Alaska Pension Obligation Bond Corporation (the "Corporation"), a public corporation created in 2008 within the DOR, the State initially authorized the issuance of up to $5.0 billion of bonds and/or enter into contracts with governmental employers to finance the payment by governmental employers of their shares of the unfunded accrued actuarial liabilities of the State retirement systems. Senate Bill 97 was enacted by the Legislature in 2018, and changed the authorization to $1.5 billion. The State is required by Senate Bill 125 enacted in 2008 to make supplemental contributions to the State retirement system defined benefit plans to reduce the plans' unfunded actuarial liabilities. In 2016, the Board of Directors of the Corporation authorized the Corporation to issue up to $3.5 billion of pension obligation bonds to finance for the State a portion of its statutorily required contributions to PERS and TRS. The Corporation has not issued bonds, and there is no current plan to issue bonds at this time. If the Corporation were to issue pension obligation bonds, such bonds would be payable from payments to be made by the State, acting by and through the Department of Administration, which would be subject to annual appropriation by the Legislature.

Potential State-Supported Tax Credit Certificate Bonds. Through the Alaska Tax Credit Certificate Bond Corporation (the "ATCCBC"), In 2018, AS 37.18.010 was enacted creating the ATCCBC for the purpose of selling bonds for up to $1 billion to provide for the purchase of certain State of Alaska tax credits. The ATCCBC bonds would be considered State-Supported debt as they would be secured by agreements entered into by other state agencies that are subject to annual appropriation. The authorization for the Tax Credit Certificate Bond Corporation has had a legal challenge raised against it which will need to be satisfactorily resolved prior to any bond issuance. As of June 30, 2018, no bonds have been sold by the ATCCBC.

Summary of Outstanding Debt. Table 7 lists, by type, the outstanding State-related debt as of June 30, 2018, except as otherwise noted.

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Table 7

State of Alaska Debt and State-Related Debt by Type as of June 30, 2018
($ millions)

	principal outstanding	interest to maturity	total debt service to maturity
State Debt			
State of Alaska General Obligation Bonds	724.4	313.4	1,037.8
State Guaranteed Debt			
Alaska Housing Finance Corporation State Guaranteed Bonds (Veterans' Mortgage Program)	48.1	16.3	64.4
State Supported Debt			
Certificates of Participation	24.2	7.6	31.8
Lease Revenue Bonds with State Credit Pledge and Payment	202.5	83.5	286.0
Total State Supported Debt	226.7	91.1	317.8
State Supported Municipal Debt			
State Reimbursement of Municipal School Debt Service	769.0	231.5	1,000.5
State Reimbursement of capital projects	26.1	10.7	36.8
Total State Supported Municipal Debt	795.1	242.2	1,037.3
Pension System Unfunded Actuarial Accrued Liability (UAAL)[3]			
Public Employees' Retirement System UAAL	5,094.0	N/A	5,094.0
Teachers' Retirement System UAAL	1,831.0	N/A	1,831.0
Total UAAL	6,925.0	N/A	6,925.0
State Moral Obligation Debt			
Alaska Municipal Bond Bank:			
2005, 2010, & 2016 General Resolution General Obligation Bonds	1,141.7	569.1	1,710.8
Alaska Energy Authority:			
Power Revenue Bonds #1 through #8	85.2	36.2	121.4
Alaska Student Loan Corporation			
Student Loan Revenue Bonds	6.9	0.1	7.0
Education Loan Backed Notes	55.5	3.2	58.7
Total State Moral Obligation Debt	1,289.3	608.6	1,897.9
State Revenue Debt			
Sportfish Revenue Bonds	16.9	2.6	19.5
International Airports Revenue Bonds	375.5	187.0	562.5
University of Alaska Debt			
University of Alaska Revenue Bonds	283.4	157.2	440.6
University Lease Liability and Notes Payable	16.3	4.2	20.5
Installment Contracts	0.2	0.0	0.2
Total University of Alaska Debt	299.9	161.4	461.3
Total State Revenue and University Debt	692.3	351.0	1,043.3
State Agency Debt			
Alaska Housing Finance Corporation:			
Commercial Paper	53.4	N/A	53.4
Alaska Municipal Bond Bank Coastal Energy Loan Bonds	10.0	2.2	12.2
Alaska Railroad	113.1	14.5	127.6
Northern Tobacco Securitization Corporation			
2006 Tobacco Settlement Asset-Backed Bonds[1]	304.3	402.1	706.4
Total State Agency Debt	480.8	418.8	899.6
State Agency Collateralized or Insured Debt			
Alaska Housing Finance Corporation:			
Collateralized Home Mortgage Revenue Bonds & Mortgage Revenue Bonds:			
2002 Through 2011 (First Time Homebuyer Program)	718.9	341.8	1,060.7
General Mortgage Revenue Bonds II -2012 & 2016	201.0	77.6	278.6
Government Purpose Bonds 1997 & 2001	111.3	25.0	136.3
State Capital Project Bonds, 2002-2011[2]	35.4	3.8	39.2
State Capital Project Bonds, II 2012-2018[2]	1,140.6	473.4	1,614.0
Alaska Industrial Development and Export Authority:			
Revolving Fund Bonds	43.0	13.3	56.3
Power Revenue Bonds, 2015 Series (Snettisham Hydro Project)	59.7	27.6	87.3
Total State Agency Collateralized or Insured Debt	2,309.9	962.5	3,272.4
Total State and State Agency Debt	13,491.6		

Table 7 (Continued)

State of Alaska Debt and State-Related Debt by Type as of June 30, 2018
($ millions)

	principal outstanding	interest to maturity	total debt service to maturity
Municipal Debt			
School G.O. Debt	1,141.0	N/A	N/A
Other G.O. Debt [4]	1,006.5	N/A	N/A
Revenue Debt[4]	941.1	N/A	N/A
Total Municipal Debt	3,088.6		
Debt Reported in More than One Category			
Less: State Reimbursable Municipal Debt and Capital Leases *	-228.6		
Less: State Reimbursable Municipal School G.O. Debt	-766.6		
Less: Alaska Municipal Bond Bank debt included in University debt *	-86.1		
Less: Alaska Municipal Bond Bank debt included in Municipal debt *	-917.7		
Total Deductions Due to Reporting in More than One Category	-1,999.0		
Total Alaska Public Debt	**$ 14,581.2**		

NOTES
1. "Interest to Maturity" and "Total Debt Service to Maturity" includes accreted interest due at matuirty of $125.2 million
2. Does not include defeased bonds
3. From most recent 6/30/2017 actuarial valuation. See table 5.3 for a summary of the Retirement System's Funding Levels
4. 'Other G.O. Debt' and "Revenue Debt" derived from 6/30/2017 information, values subject to change upon release of fiscal year 2018 Alaska Taxable report.

Sources: Annual reports and financial statements of AHFC, AMBBA, AIDEA, AEA, UofA, AKRR, AIAS, and directly from state agencies

General Fund Supported Obligations. General Fund support is pledged and required for only a portion of the total outstanding public debt. General obligation Bonds are unconditionally supported, and COPs and capital Leases are subject-to-appropriation commitments with associated obligations. The SDRP and TIDSRP provide discretionary annual payments to municipal issuers for qualified general obligation bonds that are eligible by statute to participate in the programs. Table 8 sets forth existing debt service on outstanding State-supported debt the State has provided from the General Fund for these outstanding obligations and the forecast support required to retire the outstanding obligations into the future.

Table 8

State of Alaska
Payments on General Fund Paid Debt as of June 30, 2018
($ millions)

fiscal year	state G.O.*	lease / purchase	Capital Leases[1]	school debt reimbursement[2]	Capital Project Reimbursements	Statutory Debt Payment to PERS/TRS[3]	total debt service
2018	89.7	2.9	19.7	111.7	4.6	184.3	412.9
2019	89.3	2.9	19.7	104.3	4.5	263.4	484.0
2020	77.8	2.9	19.7	96.4	4.5	300.7	502.0
2021	77.0	2.9	19.5	94.2	3.6	311.4	508.6
2022	66.5	2.9	19.5	81.3	3.6	300.1	473.9
2023	66.4	2.9	19.5	82.3	3.6	306.3	481.0
2024	66.2	2.9	19.5	66.9	3.6	314.1	473.3
2025	61.3	2.9	19.5	57.2	3.6	322.9	467.4
2026	61.1	2.9	19.5	46.4	2.8	333.2	465.9
2027	60.6	2.9	20.9	41.8	2.6	344.7	473.5
2028	59.7	2.9	20.9	39.1	2.2	358.9	483.7
2029	58.8	2.9	17.6	34.3	0.9	372.8	487.3
2030	58.1	-	17.6	31.7	0.9	387.1	495.4
2031	45.8	-	17.6	29.3	0.4	403.9	497.0
2032	45.4	-	17.6	26.0	-	421.1	510.1
2033	45.0	-	17.6	20.6	-	439.9	523.2
2034	44.5	-	-	18.1	-	460.7	523.4
2035	20.9	-	-	13.0	-	483.3	517.2
2036	20.9	-	-	5.4	-	507.8	534.2
2037	0.5	-	-	0.4	-	534.6	535.5
2038	12.2	-	-	-	-	566.2	578.4
2039	-	-	-	-	-	641.4	641.4
2040	-	-	-	-	-	-	-

(1) There is a prison and a parking garage financed with capital leases.
(2) Fiscal year 2019-2037 payments are based on actual bond repayment schedules on file with the Department of Education & Early Development as of June 30, 2018.
(3) Based on PERS and TRS Actuarial Valuation Reports as of June 30, 2017.
(*) State G.O. debt service is net of federal subsidies on interest expense through 2038.
Source: 2018 – 2019 Alaska Public Debt Book, State of Alaska

Payment History. The State has never defaulted on its general obligation bond obligations nor has it ever failed to appropriate funds for any State-supported outstanding securitized 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 and COPs that are State-supported. More recently, the State has included more discretionary General Fund supported obligations and programs, including the SDRP, TIDSRP and certain capital leases. With the more inclusive funding, the State's policy allows the annual payments on these items to range up to seven percent of unrestricted revenue.

Table 9

State of Alaska
Debt Service on Outstanding Obligations to Unrestricted Revenues
Fiscal Years Ended June 30, 1996 – 2018
FORECAST FOR Fiscal Years Ending June 30, 2019 – 2028

Fiscal Year	Unrestricted Revenues [1]	State G.O. Debt Service	State Supported Debt Service	Total State Debt Service	School Debt Reimburse-ments	Statutory Payment to PERS/TRS	Total Payments to Revenues
	($Millions)	%	%	%	%	%	%
1996	2,133.3	1.0	0.5	1.4	3.7		5.2
1997	2,494.9	0.7	0.4	1.0	2.5		3.5
1998	1,825.5	0.8	0.6	1.3	3.4		4.7
1999	1,348.4	0.7	1.1	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	5,158.6	0.9	0.5	1.4	1.7		3.1
2008	10,728.2	0.4	0.3	0.6	0.8		1.4
2009	5,838.0	0.8	0.6	1.3	1.6		2.9
2010	5,512.7	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
2014	5,390.0	1.4	0.7	2.1	2.0		4.1
2015	2,256.0	3.3	1.6	4.9	5.2		10.1
2016	1,533.0	4.0	2.3	6.3	7.6		13.9
2017	1,355.0	6.1	2.3	8.3	6.7		15.0
2018	2,424.1	3.7	1.1	4.8	4.6		9.4
projected							
2019	5,495.0	1.6	0.5	2.1	1.9	4.8	8.8
2020	5,198.0	1.5	0.5	2.0	1.9	5.8	9.7
2021	5,393.8	1.4	0.5	1.9	1.7	5.8	9.4
2022	5,344.8	1.2	0.5	1.7	1.5	5.6	8.9
2023	5,500.2	1.2	0.5	1.7	1.5	5.6	8.7
2024	5,596.3	1.2	0.5	1.6	1.2	5.6	8.5
2025	5,670.4	1.1	0.5	1.5	1.0	5.7	8.2
2026	5,864.9	1.0	0.4	1.5	0.8	5.7	7.9
2027	6,074.3	1.0	0.4	1.4	0.7	5.7	7.8
2028	6,320.7	0.9	0.4	1.4	0.6	5.7	7.7

(1) Unrestricted revenue projection for fiscal years 2019 through 2028 is based on the Fall 2018 Revenue Sources Book. Debt service is based on June 30, 2018 balances.

Source: *2018 – 2019 Alaska Public Debt Book, State of Alaska*

MEMORANDUM

STATE OF ALASKA
Department of Revenue

TO:	State Bond Committee	**DATE:**	January 23, 2019
FROM:	Deven Mitchell Debt Manager Treasury Division	**TELEPHONE:**	465-3750
		SUBJECT**:**	Report

The 2019 Debt Book has been compiled and is attached.

Budget process – Ryan and I have been working with OMB and Legislative Finance to identify the FY 2020 debt service needs of the state.

Bond Proceeds I have been working with OMB to try and zero out some older bond funded accounts. Proceeds being reviewed are transportation 2009A $6.7 million, Education 2010C $188 thousand, Education 2013B $10.7 million. I have requested a reconciliation of these accounts from DOA, DOF.

On January 28, 2019, I am scheduled to provide a presentation to the Senate Finance Committee on state debt and credit rating.