March 8, 2013 Update

State of Alaska
State Bond Committee
Debt Management Policies

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Executive Summary

The national credit rating agencies have placed State of Alaska among the highest echelon of states in the United States. In January 2013, the State was awarded a "AAA" rating from Fitch Ratings, Inc., the agency's highest rating. Fitch joined Standard and Poor's (whom upgraded the State to AAA in December 2011) and Moody's Investors Service (whom upgraded the State to Aaa in November 2010) as recognizing the strength of the State's current strong fiscal position. The ability of the State to maintain this elite position is a function of many factors including: financial management, moderate debt levels and strong and responsible leadership. A carefully considered debt management plan can be a useful tool to policy leaders and government professionals to determine appropriate levels of debt while meeting the need of funding the State's capital program

The State of Alaska is unique in both its strengths and challenges. While many other States throughout the nation suffer from high debt burdens as a result of large borrowings over the years, the State maintains a comparatively low debt burden, both in absolute terms and relative to the State's balance sheet and revenues. Strong revenues from oil production have provided the State with unique advantages; however this concentration of revenues could pose a potential risk to the State in the future.

The State has finite capacity to borrow money in a cost effective manner. Any borrowing which jeopardizes the State's credit rating or perceived credit by investors will increase the cost of borrowing money by the State as well as other issuers in Alaska. As such, these guidelines are established to ensure that any borrowings by the State are reflective of the best practices and represent conservative, well balanced approaches to debt management. These guidelines also envision that in certain circumstances, deviations from these guidelines may be in the best interest of the State, however any such deviations should be well studied by the State and its financial advisor.

As of June 30, 2012, the State had approximately $575.8 million of outstanding general obligation bonds, all of which are in fixed rate mode and approximately $11.4 million in Certificates of Participation outstanding, all in fixed rate mode. The State also had $282.2 million of capital lease obligations securitized through political subdivisions that were authorized by Alaska Law, all in the fixed rate mode. On June 30, 2012 the State had $180.1 million in guaranteed debt obligations issued for the purpose of making home loans to qualified Alaskan military veterans, all in the fixed rate mode. In addition, the State had authorized payment of 100% of debt service on $872.6 million of municipal general obligation bonds on a subject to appropriation basis through the School Debt Reimbursement Program. On June 30, 2012 there was $1,080.1 million of moral obligation debt of the State, $760.9 million of State revenue and university debt, and $3,188 million of State agency debt. The State currently has no outstanding interest rate derivatives. The treatment of pension liabilities is likely to change under the revisions to pension accounting rules. The State plans to research this topic in advance of the required implementation dates of these rules. The State's funding of its OPEB liabilities remains in excess of many other states. The State has significant capacity to issue more debt without impacting its current credit rating; however, this capacity is finite and must be used judiciously to allow the State to fund capital programs in the future.

After reviewing the State's debt and fiscal position and comparing the State's practices with the best practices of other states, FirstSouthwest recommends the following to further bolster and ensure the State's ongoing fiscal health:

- FirstSouthwest recommends that "Debt Service as a % of general government spending (or revenues)" is a better measure of an entity's debt burden. The ratio illustrates the relative portion debt service represents of total state annual expenses or state resources. First Southwest recommends adopting a formal policy set at percentage of revenue (or expenses) target level of 5% with an absolute not-to-exceed ceiling of 8%. The ratio should include debt service paid on general obligation bonds, securitized lease obligations, and other subject to appropriation obligations of the general fund that have been securitized.

- The State Bond Committee should continue to monitor other ongoing commitments of the general fund including the School Debt Reimbursement Program, the Veteran's Mortgage Program, PERS and TRS system funding requirements, and any other quantifiable multi-year obligation of the State to pay or reimburse on outstanding liabilities.

- FirstSouthwest recommends the Department of Education submit their current outstanding reimbursement schedules to the State annually by October 15th for a refinancing analysis by the State. While State law doesn't require that municipalities pursue refinancing opportunities on bonds subject to reimbursement from the State, the State Bond Committee will continue to monitor opportunities and encourage municipalities to refinance and reduce the State's appropriation requirements.

- The State's broad fiscal position shall be considered and noted when determining debt capacity. It shall generally impact capacity negatively if the State is experiencing or anticipates deficit spending in the following five years to provide for the annual budgetary needs of the State.

- FirstSouthwest recommends the State follow the refunding recommendations outlined in this debt management report.

Introduction

The following policies are established in an effort to standardize the practices of the issuance and management of debt by the State Bond Committee of Alaska. The primary objective of the policies is to establish conditions for the use of debt and to create procedures and policies that minimize the State's debt service and issuance costs, maintain credit ratings, reflect best practices for State government finance, and maintain full and complete financial disclosure and reporting. The policies apply to any debt issued by the State, including general obligation bonds, lease-revenue bonds, certificates of participation, revenue bonds and any other forms of indebtedness, as well as any debt which is implicitly or explicitly guaranteed by the State.

Debt policies promote the best and most efficient use of the State's finite capacity to borrow to meet the State's commitments to provide services to its citizens without jeopardizing the future financial health of the State. These policies should be considered guidelines for general use, and seek to provide the State with adequate flexibility to be able to respond to constantly changing economic conditions and changes in financial markets. Nevertheless, nothing contained herein should be construed as prohibiting the State from undertaking actions not specifically contemplated in these policies should it determined to be necessary and appropriate. Regular updates to debt policies are encouraged as necessary to ensure that the State maintains sound financial management practices reflecting then-current market and economic conditions.

Beginning in 1983 the State has measured debt capacity by comparing debt service to unrestricted revenue. The State's policy was that debt service should not exceed 5% of unrestricted revenues. Beginning in 1985 the State included general obligation, lease revenue, university, certificates of participation, and the school debt reimbursement program in the ratio. University debt was subsequently removed from the calculation. In 1999, recognizing past practice of the State, the policy was amended to target 5%, but allow for the ratio to reach up to 8% due to revenue volatility.

Discussion of Credit Ratings and Applicable Ratios

In June 2006, Standard and Poor's (S&P) released an update to its 2005 Public Finance Criteria Book focusing specifically on how they assess the strength of a governmental entity's financial management practices. State general obligation bond ratings are driven by four primary credit factors:

- Economy
- Finances
- Management and Administration
- Debt and other long-term liabilities

In the update, S&P stated that "as part of its financial management assessment, it evaluates established and ongoing management practices and policies in the areas most likely to affect credit quality. One such area is debt management. S&P seeks to determine if the entity has established policies relative to, among other things, the issuance of debt, maturity and debt structure, and debt refunding guidelines. Issuers deemed "Strong" in this regard would be entities that have well-defined debt policies, with strong reporting and monitoring mechanisms in place.

In its August 14, 2012 publication "*U.S. State Government Tax-Supported Rating Criteria*" (see: Appendix C), Fitch stated that its analysis of a given state's debt burden focuses on all net tax-supported debt. The State's outstanding general obligation and state-supported debt would necessarily fall under this definition. As part of the credit review process to determine a state's debt burden, rating agencies review each entity's outstanding debt and future capital plans through the following:

- **Debt Ratios**
  - Debt to personal income
  - Debt service as a percentage of general government spending (or, conversely, unrestricted revenues)
- **Debt Structure**
  - A review of the composition of the debt (GO, appropriation-backed or special tax)
  - The rate at which the debt is repaid
  - The purposed for which the bond proceeds are used
  - The percentage of fixed vs. variable rate debt
- **Future Capital and Debt Needs**
- **Pension and Other Post-Employment Benefit (OPEB) Funding**

Debt Ratios
The rating agencies are consistent in the manner in which they review an issuer's debt profile, thereby facilitating comparative analysis within peer groups. Such comparative analysis has taken on greater importance over the last several years as investors in the capital markets have pushed for greater transparency within the ratings process.

Fitch believes the calculation of net tax-supported debt as a percentage of personal income to be the best indicator of a state's debt burden, and has opined that "…a low debt burden is a positive credit factor." Fitch recently noted in its latest report on the State of Alaska's most recent general obligation bond issuance released on January 7, 2013, that, as the majority of the State's debt is repaid from petroleum-related revenue, the debt-to-income ratio is not as meaningful for Alaska as for other states. Fitch calculated the State's debt to personal income ratio to be 3.2% with the recent debt issuance, a level considered "MODERATE".

Table 1 provides a comparison of the State of Alaska's debt/personal income ratio with other states also rated in the "AAA" category by at least one rating agency:

Table 1	
State	**Debt as a % of Personal Income**
Alaska	**3.3%**
Florida	3.0%
Georgia	3.1%
Maryland	3.6%
Minnesota	2.7%
North Carolina	2.3%
Texas	1.5%
Vermont	2.0%
Virginia	2.6%
Peer Median	**2.8%**

Source: Moody's 2012 State Debt Medians

Debt Service as a % of general government spending (or revenues) is a much more meaningful measure of an entity's debt burden. The ratio illustrates the relative portion debt service represents of total state annual expenses or state resources. Table 2 provides a representative list of similarly rated states that have adopted a debt policy linked to annual operating revenues:

Table 2		
State	**Debt Service as a % of Unrestricted Revenues**	**Legal Authority**
Florida	8.0%*	Policy
Georgia	8.0%	Policy
Maryland	8.0%	Policy
Minnesota	3.0%	Policy
North Carolina	4.8%	Policy
Texas	5%**	Constitutional
Vermont	6.0%	Policy
Virginia	5.0%	Policy

** 8% cap; 6% target*

*** Calculated using the average revenues of the prior 3 years*

S&P, in its report released in conjunction with the State's most recent general obligation bond issuance, noted that general obligation and appropriation-backed debt service represented "…only 1.2% of general fund and non-major special fund expenditures"; thus, it is not a significant claim on state resources at this time. In formalizing and linking the State debt policy linked to either general expenditures or revenues at a level comparable to its peers, it would have sufficient borrowing capacity to meet its foreseeable capital needs.

Further evidence of the importance the debt service ratio plays in the overall credit review process can be found in a special comment recently published by Moody's titled "U.S. State Debt Service Ratios" (See: Appendix F). In the report, Moody's noted that the debt service ratio, defined as net tax supported debt service as a percentage of operating revenues, is a key metric used when assessing a given state's fiscal flexibility. Moody's contends this ratio "…measures the extent to which a state's operating budget is burdened by fixed costs."

As you will note upon reviewing Appendix A, the State of Alaska's ratio at June 30, 2012 (1.2% comprised of .8% general obligation and .4% state supported; 2.3% when including the School Debt Reimbursement Program) is well below the 50-state median (4.9%). Only three states (Iowa, Wyoming and Nebraska) have a ratio lower than that of Alaska. Thus, the State has greater fiscal flexibility in addressing future budgetary challenges than the vast majority of states in the lower 48. The following table provides a peer group comparison of the debt service ratio of Alaska and other Moody's "Aaa" rated states:

Table 3

State	Debt Service as a % of Unrestricted Revenues
Alaska	**1.3%**
Delaware	7.4%
Georgia	7.6%
New Mexico	5.5%
Maryland	5.7%
Minnesota	2.8%
Missouri	4.4%
North Carolina	3.6%
South Carolina	5.5%
Tennessee	1.6%
Texas	3.3%
Vermont	3.0%
Virginia	5.2%
Median	**4.9%**

Source: Moody's 2012 State Debt Medians

Additional and updated information on the State's applicable ratios can be found in Appendix A of this report. Moody's intends to include this comparative ratio analysis in all future State Debt Medians reports which are published annually and the recent version can be found in Appendix G.

The Alaska economy is highly resource dependent, and the rating agencies recognize the revenue volatility inherent in an oil-based economy. Given these circumstances, FirstSouthwest recommends the State adopt a policy similar to that utilized by Texas, in which the controlling ratio relative to debt service is linked to an average of total projected unrestricted revenue collections from the most recent Revenue Sources Book of the Department of Revenue Tax Division over the next 3-year period. We further believe adopting a formal policy set at percentage of revenue (or expenses) target level of 5% with an absolute not-to-exceed ceiling of 8%, would not result in any downward movement in its strong investment grade ratings.

The State issued bonds in January 2013 to satisfy the remaining $198.84 million authorization from 2010 for education related projects. The State plans to issue a Bond Anticipation Note in March 2013 to fund the first $150 million of the $453.5 million authorized in 2012 for transportation projects. The long term structure and additional $303.5 million of authorization is anticipated to be sold incrementally from 2014 through 2016.

Current and anticipated reserve balances including the Statutory Budget Reserve, the Constitutional Budget Reserve, and the Permanent Fund Earnings Reserve should be maintained at minimum fund levels to ensure the highest probability of rating security. The State's most significant long term reserve, the Alaska Permanent Fund Corpus should remain intact to provide for the potential long-term transfer from oil and gas extraction for revenue generation to other revenue sources. S&P, in its report released in conjunction with the State's most recent general obligation bond issuance, noted the upgrade of Alaska's GO rating to 'AAA' from 'AA+' reflects the **state's maintenance of very substantial and growing reserve balances** and the continuation of conservative financial management practices at a time of strong revenue performance"

Pension and OPEB Funding

As noted in Appendix C, Fitch has specifically stated that "…Pension and OPEB liabilities are not included in the calculation of an issuer's net tax-supported debt ratio, Fitch does calculate an additional long-term liability metric for the use in the credit analysis of the states", acknowledging that such benefits represent a more variable commitment to future payments than bonded debt.

In March 2011, Moody's released a Special Comment (See: Appendix E) in which they combined the debt and pension liabilities of the U.S. States in an effort to improve transparency to investors by facilitating comparative credit assessments of the states. Moody's provided the same debt ratios included in its annual State Debt Medians Report, revised to include each state's pension and OPEB liabilities. Moody's contends this information allows investors to gain a better sense of each state's long-term obligations as a portion of available revenue and taxing capacity. However, the inherent flaw in providing this information – which Moody's recognizes – is the differing assumptions used by each state in determining its liability.

The following table provides a comparative analysis of State of Alaska's debt burden versus other "AAA" rated states when each state's pension liabilities are added to its net tax-supported debt totals. For this purpose, debt burden is measured using the following two ratios:

- Total Debt as a Percentage of Personal Income
- Total Debt as a Percentage of Unrestricted Revenues

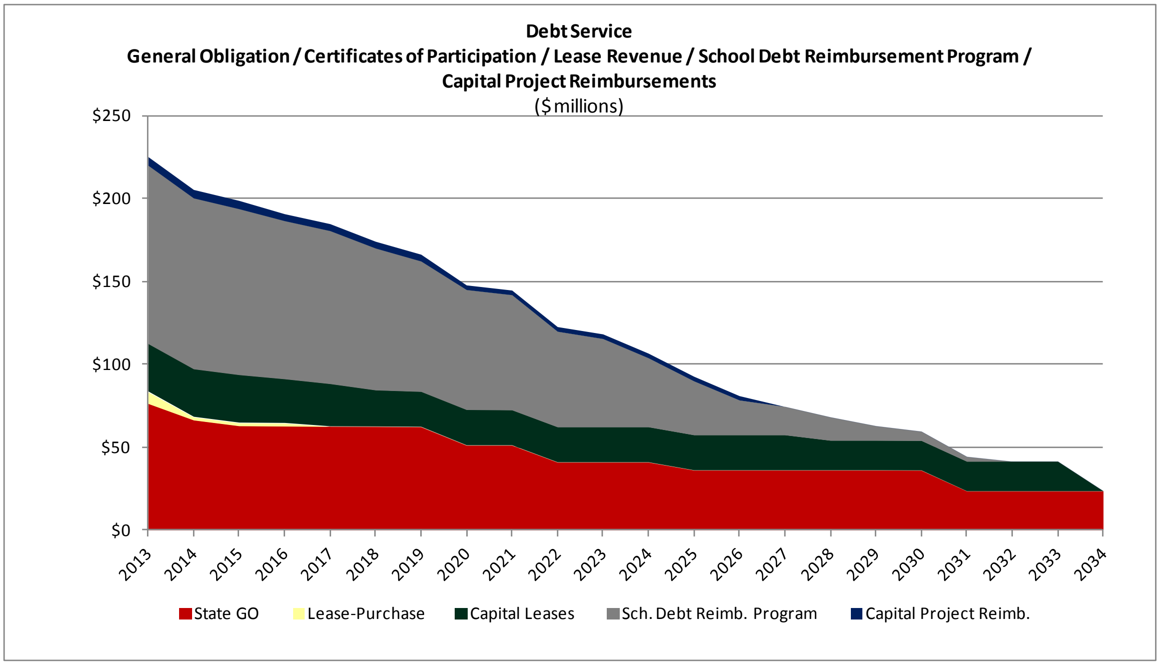
Table 4		
State	Debt as a % of Personal Income	Debt as a % of Unrestricted Revenue
Alaska	**15.1%**	**64.1%**
Florida	5.4%	123.4%
Georgia	6.2%	111.4%
Maryland	9.8%	172.7%
Minnesota	8.7%	127.9%
North Carolina	2.4%	42.0%
Texas	4.0%	86.8%
Vermont	6.3%	66.1%
Virginia	5.3%	114.6%
Peer Median	**6.2%**	**111.4%**

**Source: Moody's Special Comment: "Combining Debt and Pension Liabilities of U.S. States Enhances Comparability" (March 11, 2011)*

Current Debt Position

As of June 30, 2012 the State of Alaska ("State") had approximately $575.8 million in General Obligation debt outstanding. The State recently issued $162.48 million in General Obligation Bonds in January 2013 and plans to issue $150 million of General Obligation bond anticipation notes in March 2013. The State has traditionally had a very conservative stance with general obligation bond funding, as the State has a preference for pay-go funding as a primary source of capital.

As of June 30, 2012, the State had lesser commitments, but amounts included in net tax supported debt, of approximately $11.4 million in Certificates of Participation and $282.2 million of capital lease obligations securitized through political subdivisions that were authorized by Alaska Law. The graph below depicts the State's current outstanding debt service included in net tax supported debt.



Rating agencies have commended the State's conservative financial management, citing a low debt burden and increased reserve amounts to offset any unanticipated shift in the price or production of oil. While the State currently relies on North Slope oil production for revenues, there are long term alternatives in natural gas and mineral production generated revenue, potential implementation of a Statewide broad based tax, and the potential use of earnings of the Permanent Fund to offset costs of government services. The State's current debt position is very conservative and, as a result, the State has maintained a level of flexibility not experienced by many other states in funding for capital projects.

An evident factor in assessing the conservative nature of the State's debt practices is witnessed by the relatively low level of debt service as a percentage of unrestricted general fund revenue. While the current State policy is designed to limit this ratio to 8%, for the last ten years the State has remained below 5% and was 2.3% for fiscal year 2012. In addition to the low level of debt service as a percentage of unrestricted general fund revenue, another metric demonstrating the conservative debt position of the State is the trajectory of general obligation debt retirement. Approximately 60% of the current general obligation debt outstanding will amortize and retire over the next 10 years, allowing for increased flexibility for the State to participate and support in large scale projects.

The State has traditionally utilized long-term fixed rate debt in relation to its general obligation bond issuance. This, in turn, has resulted in no exposure to floating or variable rate debt as well as swaps and other derivative products used to hedge interest rate risk. While it is recognized that agencies of the State use variable rate debt and derivative products, no direct exposure exists for the State and the risks associated with such products are not found in the States general obligation bond indebtedness.

The State's ability to fund capital projects with current revenues has played a significant factor in the relatively low level of general obligation debt for the State. The reliance on current revenues has limited the State's need for bond issuance as a funding source and as a result has allowed the State to maintain a flexible debt profile.

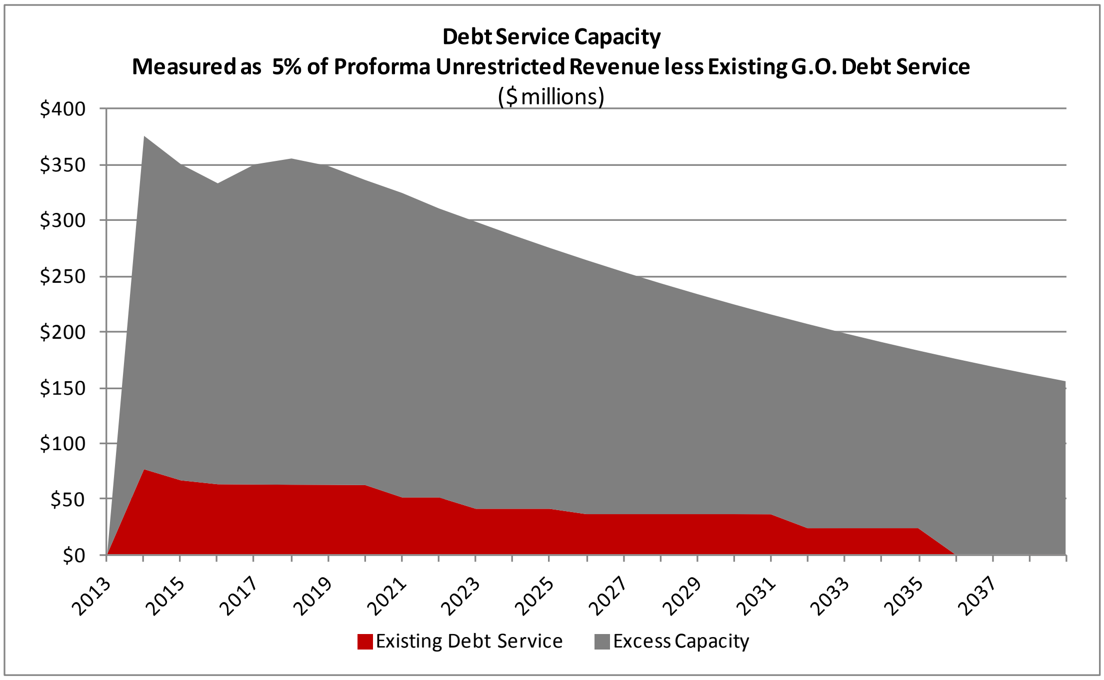
Affordable Level of Additional Debt or Obligations

FirstSouthwest has developed a debt capacity model which will enable the State to calculate its available borrowing capacity to meet its future capital needs. The model results are based on the following constraints:

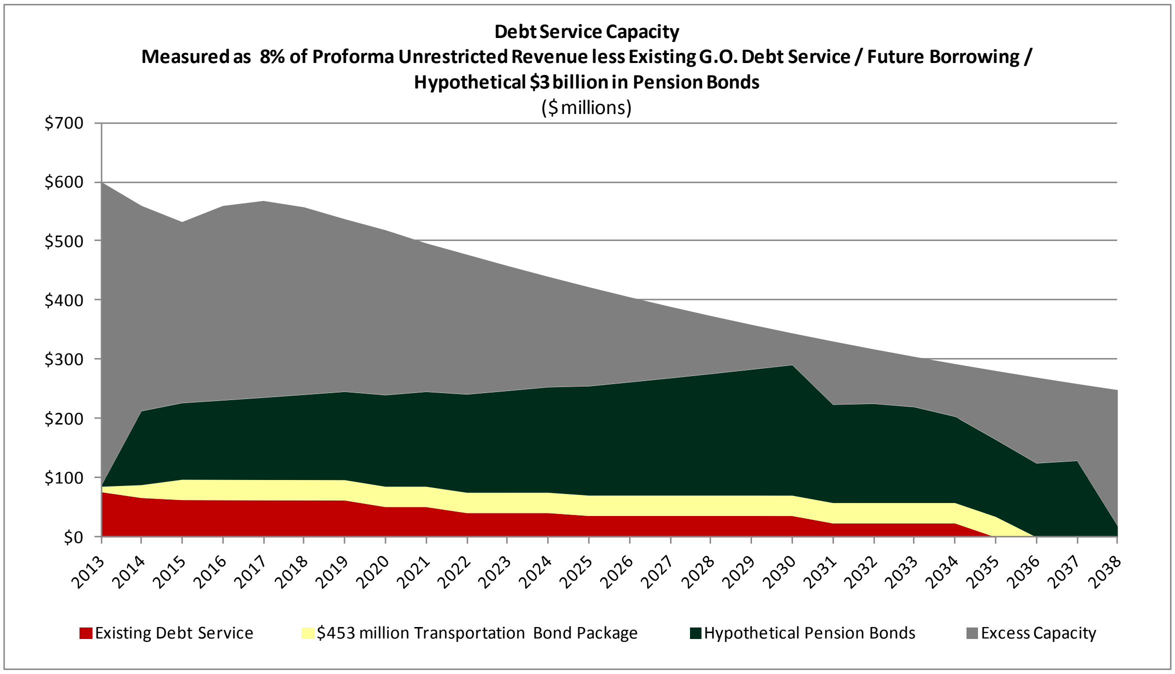
- Debt service in any year cannot exceed the targeted level of 5% of the prior year's revenues;
- All future debt issuances are amortized over 20 years, with level debt service payments;
- All bonds are issued at an assumed interest rate of 5%; and
- Annual unrestricted revenues available to pay debt service through 2022 are set at amounts stipulated in the Fall 2012 Revenue Sources Book of the Department of Revenue's Tax Division.

Based on these assumptions, FirstSouthwest has determined the State has the capacity to issue up to $3.4 billion in debt over the next 10 years and still meet its 5% debt service ratio. As previously noted, the term "debt" includes all the State's outstanding general obligation and state-supported debt. Lowering the ratio limit below 5% will necessarily reduce the amount of debt that can be borrowed over this time period. Conversely, raising the ratio limit to 8% will produce an additional $2.2 billion of debt capacity over this time period.

The graph below depicts the State's debt service capacity while maintaining the 5.0% debt service ratio. The red area on the graph shows the State's existing annual general obligation debt service, while the remaining amount, depicted in the graph as the grey shaded area, displays the excess capacity available to the State to accommodate the issuance of up to $3.4 billion in additional debt while still maintaining the 5.0% debt service ratio.



The graph below depicts the State's debt service capacity with all current authorized debt issuances completed. The red area on the graph shows the State's existing annual general obligation debt service, while the yellow represent the issuance of the remaining authorized but unissued debt ($453 million issuance of general obligation bonds for the purpose of design and construction of state transportation projects), and the green represents the authorized $3 billion pension obligation bond ("POB") issue (i.e., $3.0 billion maximum par, 25-year debt with increasing annual debt service payments, principal amortizations in years 3 through 25). The remaining amount, depicted in the graph as the grey shaded area, displays the excess capacity available to the State. To facilitate the issuance of all $3 billion in Pension Obligation Bonds the State's debt service ratio would exceed the target of 5.0% of general fund expenditures, but remain relatively conservative at below 8% of general fund expenditures.



Model results for this and any future capacity analyses based on changes to the constraints can be provided.

School Debt Reimbursement Program

Municipal school districts may apply for school debt reimbursement for construction or major maintenance projects anytime during the year while the program has statutory authority to accept new participants. The program's authority may be restricted or terminated at the Legislature's discretion. Applications are reviewed by Department of Education & Early Development ("DEED") staff to determine the level of reimbursement for the project. Currently there are tiered levels of reimbursement available. Projects qualify for up to 70 percent debt service reimbursement when the project meets the Department's eligibility guidelines. Projects that exceed the Department's eligibility guidelines are reimbursed at 60 percent of debt service or lower percentages based on a projects educational value as determined by the DEED.

Municipalities must issue general obligation bonds to participate in the program requiring securing voter approval of the project. After the municipality has both Department and voter approval, it may issue bonds for the project and the State reimburses the approved percentage of the bond payments. School districts must notify the DEED of their anticipated debt reimbursement for the upcoming fiscal year by October 15th for state budgeting purposes.

The State Bond Committee is not part of the School Debt Reimbursement Program. No records are kept by the Department of Revenue on the amount of debt outstanding that is subject to reimbursement other than the annual reporting found in the Alaska Public Debt Book. FirstSouthwest recommends the Department of Education submit their current outstanding reimbursement schedules to the State annually by October 15th for a refinancing analysis by the State. While State law doesn't require that municipalities pursue refinancing opportunities on bonds subject to reimbursement from the State, the State Bond Committee will continue to monitor opportunities and encourage municipalities to refinance and reduce the State's appropriation requirements.

Level and Impact of Moral Obligations

Certain debt issued by several State agencies, such as Alaska Aerospace Development Corporation, Alaska Housing Finance Corporation, Alaska Industrial Development and Export Authority, Alaska Student Loan Corporation, Alaska Municipal Bond Bank, Alaska Energy Authority and Knik Arm Bridge & Toll Authority have been provided a statutory framework that allows some level of Moral Obligations of the State of Alaska to be issued. There is no direct obligation of the State to pay any debt service associated with these bonds, however there is a perception that the State would appropriate funds (at the Legislature's discretion) to cover any shortfall by these issuers due to the statutory framework that the State provided the agencies that requires a debt service reserve, reporting the sufficiency of that reserve to the State, and requires requesting replenishment in the case of a draw upon the reserve. As there is no obligation of the State to appropriate such funds, and there has not been an instance previously in which the State has had to honor the moral obligation pledge, rating agencies do not include these Moral Obligation bonds when calculating the State's financial ratios. However, in the event that the State did appropriate funds to one of these agencies to cover a shortfall, the rating agencies would likely consider all of that agency's debt as part of the State's general obligation debt in its future ratio calculations. To account for this, it is recommended that the State consider a percentage of each agency's debt as State general obligation debt when determining capacity for debt issuances. Since each agency may have a different credit profile, it is recommended that the State adopt a tiered approach to incorporating these agencies' debt into its ratios, where the strongest agencies count the least towards the State's debt. To implement this tiered approach, the State can look to the underlying rating of each issuer (which provides, among other things, an indication of the relative strength of the pledged sources of repayment) without taking into consideration the Moral Obligation backstop and then apply a ratio to that agencies' debt. The table below is a potential implementation of this strategy:

Percentage of Moral Obligation Debt included in General Obligation Debt by Underlying Rating	
Aaa Underlying	0%
Aa Underlying	5%
A Underlying	20%
Lower than A Underlying	35%
After State Payment on any moral obligation	100%

To clarify, let's assume the State of Alaska established a borrowing program for a specific state agency, authority, etc. rated below the "A" category to which it will provide its moral obligation backing to any future debt issuance. If the agency issues bonds with a par amount of $1 billion, then – for debt ratio calculation purposes – the State would necessarily have to include 35% of this amount and 100% of this amount if the State had to appropriate when determining "state-supported debt" outstanding.

Consideration of Debt Structuring Elements

Structuring

As a matter of practice, in the late 1970's and 1980's the State issued bonds with 10 year amortizations to match the "Prudhoe Curve", in the 1990's and early 2000's the State began issuing more 15 and 20 year amortizations, and in issues since 2009 the State has issued bonds to amortize levelly in 20 years with principal paid annually and interest paid semiannually. This practice is consistent with other highly-rated states and local governments. Both serial and term bonds can be considered in the structuring depending on market conditions to generate the most cost effective structure of the bonds. Debt will be structured to obtain the lowest possible net cost to the State or State Issuer with consideration of market conditions, the nature of the project, and the nature and type of security provided.

Working within these guidelines, the State will take into account a number of factors in structuring any individual debt issue, including project feasibility, the source of funds to be used for debt service, the impact on the State's overall debt amortization profile and the fair allocation of costs to current and future beneficiaries or users.

In general, and consistent with the useful life of the asset to be financed, the State will utilize a 20-25 year final maturity structure with annual principal payments. Except in the case of a refunding transaction, the maximum principal payment shall be no greater than 4 times the minimum principal payment for the financing, it's a preference for equal annual principal payments. Principal repayments should not be delayed unless debt repayment is dependent upon revenues derived from the project being financed, the transaction is a refund deferring the refunding principal schedule is consistent with the refunded bonds, or there are other benefits to be achieved. Similarly, structures utilizing term bonds (without sinking fund requirements/redemptions) or other structures that result in significant "back loading" of debt are discouraged. Issues with a debt service reserve fund should use the fund to make the final payment.

Fixed and Variable Rate Debt

The optimal combination of fixed-rate and variable-rate is considered in order to manage the risk of the State's debt portfolio. The State will consider variable-rate debt to provide for asset-liability matching and lower cost of funding while maintaining a conservative portfolio of fixed-rate and variable-rate debt. As such, the State will not have outstanding variable rate debt in excess of its unrestricted cash balances. Additionally, the State's variable rate debt shall comprise no more than 25 percent of the State's overall direct debt obligations. This will allow the State to benefit from historically the least expensive cost of financing to offset cash investment returns while providing protection against market disruptions.

Call Provisions

A call provision gives the issuer the right to redeem or "call" all or a portion of an outstanding issue of bonds prior to their stated dates of maturity and provides an opportunity to potentially reduce debt service costs in the future. The cost of any such feature is dependent on market conditions, overall transaction structure, and such cost shall be taken into consideration when evaluating the flexibility this feature affords. Various call options may be evaluated in terms of their provisions and market acceptance.

Unless market conditions prove prohibitively expensive, the State's bonds shall be callable no later than 10 years from the date of sale and non-callable bonds shall only be considered for refundings or other transactions with a final maturity less than or equal to 15 years from the date of sale.

Bond Anticipation Notes (BAN's) & Revenue Anticipation Notes (RAN's)

Short-term State borrowing in anticipation of revenues is permitted under AS 43.08.010. RAN's may be issued and renewed from time to time, but must be structured to mature and paid off before fiscal year end. The full faith, credit, resources, and taxing power of the State are pledged to the payment of RAN's. There are no State RAN's currently issued or outstanding. The use of RANs should be undertaken only if the transaction costs plus interest on the debt are less than the cost of internal financing, or available cash is insufficient to meet working capital requirements.

Capital Appreciation Bonds

Capital Appreciation Bonds are structured as term bonds that do not pay interest until maturity. Interest is not paid to the investor until maturity, at an amount equal to the principal amount plus interest earned, compounded semiannually, at the stated yield. Their use is discouraged except for special circumstances.

Certificates of Participation

Certificates of Participation (COPs) constitute a fractionalization of a lease that the State has entered into with a trustee for the acquisition and/or improvement of real property. COPs are the only way that a lease transaction that is securitized to provide for a needed project can have the State of Alaska listed as the issuer. This is a considerable strength in the current market with the improvement in the State's credit position during an era of general negative movement in state ratings. While the State can allow political subdivisions to securitize its lease payments and credit through lease revenue bonds, the loss of control of the State's credit, the reliance on a political subdivisions governing body to implement the terms and conditions of the financing, and the markets general reluctance to accept a disclosure document of potentially a small village as the State of Alaska all lead the State to focus on COPs for lease financing.

Credit Enhancements

Credit enhancement (letters of credit, bond insurance, sureties) should be used only when the net debt service on the bonds would be reduced by more than the costs of the enhancements or when dictated by the financial markets for the type of project financed. Special consideration should be given to any additional covenants or restrictions the credit enhancement provider may require.

Liquidity

To address remarketing risk inherent in a variable rate debt issuance, the State will evaluate alternative forms of liquidity such as direct pay letters of credit, standby letters of credit, and lines of credit. Such evaluation will necessarily weigh the value of mitigating remarketing risk vs. the economic costs associated with each alternative.

Use of Derivatives

The State will consider the use of derivative products when such products meet the specific needs of a financing program or provide a demonstrated economic benefit to the State that outweighs the costs and risks of such transactions. The State will consider and monitor such derivative products strictly in accordance with its existing adopted State Swap Policy. Appropriate public finance professionals, including financial advisors and legal counsel, should be retained to ensure that any contemplated structure is appropriate for the State and its objectives and deliver opinions as to the fair pricing of any such transactions. Derivative products will not be used for speculation.

Competitive Sales

State Statute dictates that general obligation bonds are to be sold using a competitive method of sale. An exception to that requirement was provided for the 2010 authorization to better use structures authorized in the American Recovery and Reinvestment Act of 2009. Given the State's strong credit profile and traditional financing structures competitive sales will be utilized in issuing debt to provide the lowest cost of debt. Bids should be awarded on the lowest true interest cost basis (TIC) offered by bidders, provided other bidding requirements are satisfactory. The State reserves the right to negotiate certain terms and conditions with the lowest bidder.

Negotiated Sales

For State general obligation bonds negotiated sale can only be used if there is an exception to the statutory requirement for competitive sale or for refunding. When there is flexibility negotiated sales of debt will be considered in the following circumstances: (1) when the complexity of the issue requires specialized sales expertise; (2) when the negotiated sale would result in substantial savings in time or money; (3) when market conditions are unusually volatile or uncertain; or (4) if the State feels that a negotiated financing would promote extensive idea generation to the State's benefit by underwriting firms.

The negotiation of terms and conditions will include, but not be limited to, prices, interest rate, remarketing fees and commissions. Such terms will be based on prevailing terms and conditions for comparable issuers, including yields from secondary market trading of previously issued State debt. To ensure fair pricing on any bonds sold through a negotiated basis, it is preferable to engage a financial advisory firm which maintains an active trading or underwriting practice.

Post Issuance Policy
The State Bond Committee has approved a Post Issuance Policy that is intended to guide the State in meeting its obligations with federal tax law requirements, transcripts, ongoing disclosure, and other notice requirements. A detailed copy of this policy can be found in Appendix B.

Evaluation of Refunding Opportunities

Refunding Guidelines
The State will monitor the markets and its debt portfolio for opportunities to refund its existing debt for savings. For the State to consider a refunding transaction, a net present value (NPV) savings calculation will be done on a transaction or maturity-by-maturity basis.

The potential refunding of existing bonds for debt service savings must meet the following criteria for the State to approve the transactions:

- Total net present value savings of greater than 3% of the refunded debt service and each maturity being refunded has positive NPV savings.
- The refunding shall not extend the original bond structure's final maturity unless there are business or legal issues with maintaining the current final maturity date
- Outstanding debt may be current or advance refunded as long as tax law permits
- The State may refund outstanding debt if the proposed transaction is calculating a NPV savings of less than 3% as long as there is positive debt service in each fiscal year or if the NPV savings is less than 3-5% (depending on the original date of issuance of the bonds being refunded) due to a complete refunding of the contemplated series. If a maturity is likely to mature without any refinancing absent participating in a transaction that is underway.
- The State will consider refundings of individual maturities of targeted series without refunding the entire series of bonds to maximize debt service savings, however the preference is to refund not less than 30 million or 25% (whichever is less) of the callable refundable bonds of the evaluated series
- The State should take into consideration the efficiency of the refunding bond's escrow

The refunding of municipal debt obligations can take a number of forms, or combination of forms:

- Current Refunding
- Advance Refunding
- Forward Refunding
- Synthetic Refunding

The criteria used to evaluate the desirability of entering into a refunding transaction should be influenced by the form of the proposed transaction and should recognize the additional costs, risks, or uncertainties associated with the transaction. Refunding transactions should be at least $50 million in size unless issued in combination with a "new money" issue.

In general:

- Current refundings which produce a positive net present value savings should be considered. However the savings to be realized should meet certain size criteria to be considered worthwhile. In general, current refundings should achieve at least $1 million in net present value savings or $200,000 in average annual saving. If a refinancing opportunity will otherwise be unused savings thresholds may be diminished.

- Bonds issued after 1986 can only be advanced refunded one time. It is, therefore, of particular importance that the one opportunity be reserved for situations where the refunding is prudent and warranted. The following parameters are suggested for advanced refunding transactions:
  - 5% present value savings for bonds refunded within two years of their issuance date and generate net present value savings of at least $2 million or average annual savings of $350,000.
  - 4% present value savings for bonds refunded that have been outstanding at least two years but less than five, and generate net present value savings of at least $1.5 million or average annual savings of $300,000
  - 3% present value savings for bonds refunded more than five years from their issuance date and generate at least $1.5 million of present value savings or average annual savings of $250,000

- Forward refunding refer to a refunding in which bonds are sold with a delayed closing that is likely to coincide with a date 90 days prior to the call date of the bonds to be refunded. This technique allows the transaction to be characterized as a current, as opposed to an advanced, refunding. Forward refundings should achieve the same savings levels as advanced refundings. As part of the analysis, the cost of the forward premium and its impact on the savings to be achieved should B be evaluated.

- Synthetic refundings create present value savings by synthetically refunding, but not retiring, outstanding bonds by utilizing derivative structures. Synthetic refundings are often used to produce refundings-type savings for bonds that may not be otherwise refunded (bonds that have already been advance refunded once, for example). Synthetic refundings are used in connection with current, advance and forward refundings and should generate an additional 2% NPV savings above the advance refunding threshold unless a traditional financing is not possible because of tax or legal limitations. In that case, the advance refunding thresholds will apply.

Refunding Escrows

An advance refunding transaction requires the creation of an escrow that provides for the payment of debt service on the refunded bonds until the bonds are retired through the execution of the call feature (if any). Eligible securities for the escrow generally are limited to U.S. Treasury securities purchased in the open market ("open-markets") and U.S. Treasury securities that take the form of "SLGS" or State and Local Government Securities purchased directly from the U.S. Treasury. Although SLGs offer flexibility and the ability to create custom securities, they may not offer any yield advantage. In addition, there have been instances in the past where the U.S. Treasury was unable to offer SLGS because of the U.S. Debt Ceiling being reached. When refunding transactions are being structured, both open-markets and SLGS should be evaluated to determine the most advantageous escrow candidates.

In the event that it is determined that open-markets are the best choice for the escrow, the financial advisor to the transaction should conduct a competitive bidding process for the procurement of the securities and should ensure that the process will meet IRS requirements for safe harbor under then-current regulations. A minimum of three bids is required. The details of the process for bidding escrow securities should include the number and names of bids solicited and received and should be retained for the life of the bonds. If the refunding is to be accomplished through a negotiated underwriting, the underwriter should be prohibited from furnishing the escrow securities without participation in a third-party, competitive bidding process.

APPENDIX A
Alaska Public Debt Report Tables

TABLE 1.1
State and State Agency Debt by Type at 6/30/12
$ (millions)

	principal outstanding	interest to maturity	total debt service to maturity
State Debt			
State of Alaska General Obligation Bonds	575.8	288.2	864.0
State Supported Debt			
Lease-Purchase Financings	11.4	1.0	12.3
State Reimbursement of Municipal School Debt Service	872.6	286.7	1,159.3
State Reimbursement of capital projects	24.1	8.6	32.7
Capital Leases	282.2	182.0	464.2
Total State Supported Debt	1,190.3	478.3	1,668.5
State Guaranteed Debt			
Alaska Housing Finance Corporation State Guaranteed Bonds (Veterans' Mortgage Program)	180.1	135.6	315.7
State Moral Obligation Debt			
Alaska Municipal Bond Bank:			
1976, 2005, & 2010 General Resolution General Obligation Bonds	677.0	303.3	980.3
1998-2004 General Revenue Bonds	47.9	26.0	73.9
Alaska Energy Authority:			
Power Revenue Bonds #1 through #5	93.1	27.8	120.9
Alaska Student Loan Corporation			
Student Loan Revenue Bonds	218.9	33.9	252.8
Student Capital Project Revenue Bonds	43.2	4.1	47.3
Total State Moral Obligation Debt	1,080.1	395.1	1,475.2
State Revenue Debt			
Sportfish Revenue Bonds	45.5	18.3	63.7
International Airports Revenue Bonds	561.1	292.4	853.5
University of Alaska Debt			
University of Alaska Revenue Bonds	136.6	52.0	188.6
University Indebtedness to AK Housing Finance Corporation (5)	16.1	1.9	18.0
Installment Contracts	1.7	0.1	1.8
Total University of Alaska Debt	154.4	54.0	208.4
Total State Revenue and University Debt	760.9	346.4	1,107.3
State Agency Debt			
Alaska Housing Finance Corporation:			
Commercial Paper	68.7	N/A	68.7
Alaska Municipal Bond Bank Coastal Energy Loan Bonds	10.7	6.3	17.0
Alaska Railroad	162.4	38.6	201.0
Northern Tobacco Securitization Corporation			
2006 Tobacco Settlement Asset-Backed Bonds	368.6	504.1	872.7
Alaska Student Loan Corporation			
Loan with State of Alaska	67.5	2.4	69.9
Funding Note Purchase Greement	90.9	0.9	91.8
Total State Agency Debt	768.8	552.3	1,321.1
State Agency Collateralized or Insured Debt			
Alaska Housing Finance Corporation:			
Collateralized Home Mortgage Revenue Bonds & Mortgage Revenue Bonds:			
1998 Through 2011 (First Time Homebuyer Program)	1,164.8	739.7	1,904.5
General Mortgage Revenue Bonds 2002	110.3	86.1	196.4
Housing Development Bonds 2002 through 2004	225.8	181.0	406.8
General Housing Purpose Bonds 2005	274.5	201.1	475.6
Government Purpose Bonds 1997 & 2001	143.2	46.5	189.7
State Capital Project Bonds, 2002-2007	336.2	170.0	506.2
Alaska Industrial Development and Export Authority:			
Revolving Fund and Refunding Revolving Fund Bonds	88.5	34.0	122.5
Power Revenue Bonds, First Series (Snettisham Hydro Project)	75.9	54.3	130.2
Total State Agency Collateralized or Insured Debt	2,419.2	1,512.7	3,931.9
Total State and State Agency Debt	6,975.2		
Municipal Debt			
School G.O. Debt	1,292.9	N/A	N/A
Other G.O. Debt	1,131.4	N/A	N/A
Revenue Debt	714.3	N/A	N/A
Total Municipal Debt	3,138.6		
Less: State Reimbursable Debt and Capital Leases *	-1,178.9		
Less: Alaska Municipal Bond Bank debt included in municipal debt *	-735.6		
	1,224.1		
Total Alaska Public Debt	**$ 8,199.3**		

NOTES
1. University debt owed to AHFC is double counted in detail, but eliminated from Total Alaska Public Debt
***** Reimbursable school G.O. debt is included in "state supported debt"
Capital Leases are included in State Agency Collateralized or Insured Debt
State Reimbursement of Capital Projects is included in Unversity and Municipal Debt
Sources: Annual reports and financial statements of AHFC, AMBBA, AIDEA, AEA, U of A, AKRR, and directly from agencies.

TABLE 2.1
General Obligation Bonds Annual Debt Service
$ (thousands)

	payments due during year ending 6/30/12		
balance outstanding at 6/30/12	**principal**	**interest**	**total**
$575,825	$ 52,095	$ 32,088	$ 84,183

Source: Department of Revenue bond documents

TABLE 2.2
General Obligation Bonds Authorized, Issued, and Outstanding
$ (thousands)

fiscal year	authorized	issued	outstanding at 6/30
1957	$ 2,932	-	-
1958	-	$ 1,290	$ 1,290
1959	-	1,642	2,932
1960	-	-	2,902
1961	30,500	-	2,806
1962	-	13,975	23,405
1963	17,325	14,429	30,336
1964	-	7,865	37,614
1965	7,000	-	36,737
1966	-	-	35,535
1967	62,585	31,585	65,872
1968	13,185	26,000	90,094
1969	44,700	19,000	105,333
1970	-	32,231	133,834
1971	146,200	69,380	195,203
1972	-	53,445	238,943
1973	124,500	47,000	274,578
1974	-	31,000	293,114
1975	189,575	112,300	392,508
1976	-	82,915	462,923
1977	200,981	80,000	530,008
1978	-	85,000	596,213
1979	271,355	100,000	670,503
1980	-	-	631,723
1981	289,712	125,000	701,178
1982	-	200,000	842,413
1983	-	185,000	946,183
1984	-	78,000	924,008
1985	-	-	816,148
1986	(993)	-	706,883
1987	-	-	598,503
1988	-	-	489,818

TABLE 2.2 (Continued)
General Obligation Bonds Authorized, Issued, and Outstanding
$ (thousands)

fiscal year	authorized	issued	outstanding at 6/30
1989	(2,500)	-	386,091
1990	-	-	290,531
1991	-	-	213,032
1992	-	-	159,383
1993	-	-	108,020
1994	-	-	78,192
1995	-	-	57,971
1996	-	-	39,101
1997	-	-	24,206
1998	-	-	10,891
1999	-	-	2,376
2000	-	-	-
2001	-	-	-
2002	-	-	-
2003	463,525	461,935	461,935
2004	-	-	461,935
2005	-	-	438,370
2006	-	-	414,250
2007	-	-	389,505
2008	-	-	364,065
2009	315,050	165,000	502,845
2010	-	-	475,740
2011	397,200	200,000	643,770
2012	-	-	575,825
Total	$ 2,572,832	$ 2,223,992	

In FY 2012 the State Legislature appropriated $150,050,000 to fund the FY 2009 authorization, extinguishing this remaining bond issuance authority
Source: Department of Administration, Comprehensive Annual Reports and Department of Revenue bond documents.

TABLE 2.3
General Obligation Bond Sales Since 1973

date of bonds	average life in years	effective interest rate	underlying ratings Moody's, Standard & Poor's, & Fitch Ratings
Jan. 13, 1973	15.30	5.12%	Baa1/A
Jan. 13, 1973	14.80	5.10%	Baa1/A
Aug. 1, 1973	16.70	5.80%	Baa1/A
Sept. 1, 1974	15.60	6.85%	A1/A
Feb. 1, 1975	14.60	5.98%	A1/A+
May 1, 1975	15.10	6.52%	A1/A+
Oct. 1, 1975	12.50	6.85%	A1/A+
Mar. 1, 1976	9.50	5.86%	A1/A+
July 1, 1976	9.50	5.80%	A1/A+
Feb. 1, 1977	9.50	5.08%	A1/A+
Oct. 1, 1977	7.00	4.50%	A1/A+
Apr. 1, 1978	7.00	4.86%	A1/A+
Jan. 1, 1979	5.50	5.52%	A1/A+
May 1, 1979	5.50	5.59%	A1/A+
July 1, 1980	5.50	5.76%	Aa/AA-
Apr. 1, 1982	5.00	9.98%	Aa/AA-
Nov. 1, 1982	5.00	7.72%	Aa/AA-
Oct. 1, 1983	5.00	7.47%	Aa/AA-
May 1, 1994	2.30	4.88%*	Aa/AA/AA
April 1, 2003	9.09	3.84%*	Aa2/AA/AA
April 14, 2009	12.22	4.06%*	Aa2/AA+/AA
December 7, 2010	16.07	2.77%*	Aaa/AA+/AA+
Feb. 8, 2012	5.87	1.21%*	Aaa/AAA/AA+

Source: Department of Administration and Department of Revenue bond files
* True interest cost

TABLE 2.4

Original Issue General Obligation Bond Issues

$ (thousands)

date	purpose	amount issued	ANIC or TIC *
June 1, 1958 [2]	University of Alaska	$ 1,290	2.97%
Aug. 1, 1958 [2]	Military	65	3.09%
Dec. 1, 1958 [2]	University of Alaska	537	3.51%
Dec. 1, 1958 [2]	Military	1,040	3.25%
July 1, 1961	Transportation	12,500	3.56%
July 1, 1961	University of Alaska	1,200	3.54%
July 1, 1961	Airport	275	3.00%
July 1, 1962	Transportation	5,500	3.56%
July 1, 1962	University of Alaska	800	3.23%
July 1, 1962	Airport	275	2.94%
July 1, 1962	Hospital	354	2.94%

TABLE 2.4 (continued)
Original Issue General Obligation Bond Issues
$ (thousands)

date	purpose	amount issued	ANIC or TIC [1]
April 1, 1963	University of Alaska	2,650	3.33%
April 1, 1963	Education	2,700	3.33%
April 1, 1963	Airport	1,550	3.33%
April 1, 1963	Education	600	3.10%
Jan. 1, 1964	Various	7,865	3.56%
Oct. 1, 1966	Various	12,485	3.75%
Oct. 1, 1966	Various	2,600	3.75%
May 1, 1967	Various	16,500	4.50%
Sept. 1, 1967	Transportation	10,500	4.90%
April 1, 1968	Various	15,500	5.18%
Oct. 1, 1968	Various	10,500	5.24%
May 1, 1969	Transportation	8,500	5.73%
July 1, 1969	Various	10,500	5.69%
Sept. 1, 1969	Various	8,200	5.62%
Oct. 1, 1969	University	2,030	3.00%
Mar. 1, 1970	Various	11,501	5.49%
July 1, 1970	Various	12,900	5.91%
Sept. 1, 1970	Various	11,325	5.87%
Feb. 1, 1971	Various	21,325	5.07%
June 1, 1971	Various	18,880	6.03%
June 1, 1971	University	3,750	6.04%
June 1, 1971	University	1,200	6.00%
Feb. 1, 1972	Various	23,445	5.23%
May 1, 1972	Various	30,000	5.15%
Jan. 1, 1973	Transportation	20,000	5.12%
June 1, 1973	Various	27,000	5.10%
Aug. 1, 1973	Various	31,000	5.80%
Sept. 1, 1974	Various	30,000	6.85%
Feb. 1, 1975	Various	40,300	5.98%
May 1, 1975	Various	42,000	6.52%
Oct. 1, 1975	Various	42,915	6.85%
March 1, 1976	Various	40,000	5.86%
July 1, 1976	Various	40,000	5.80%
Feb. 1, 1977	Various	40,000	5.08%
Oct. 1, 1977	Various	40,000	4.50%
April 1, 1978	Various	45,000	4.86%
Jan. 1, 1979	Various	40,000	5.52%
May 1, 1979	Various	60,000	5.59%
July 1, 1980	Various	125,000	5.76%
April 1, 1982	Various	200,000	9.98%
Nov. 1, 1982	Various	185,000	7.72%
Oct. 1, 1983	Various	78,000	7.47%
April 1, 2003	Various	461,935	3.84%
April 14, 2009	Transportation	165,000	4.06%
Dec. 7, 2010	Education	200,000	2.77%
Total		$ 2,223,992	

[1] ANIC - Average Net Interest Cost until October 1, 1983
all subsequent sales are true interest cost.
[2] State assumed obligation of Territory.
Source: State Bond Committee records.

TABLE 2.5
General Obligation Debt
Issued by Purpose
$ (thousands)

purpose	amount issued	percentage
Transportation	$ 933,463	42.0%
Education	823,922	37.0%
Water and Sewer	135,640	6.1%
Fish, Game, and Recreation	93,099	4.2%
Public Safety (Fire and Corrections)	86,544	3.9%
Flood Control and Harbor Development	75,790	3.4%
Health and Housing	75,534	3.4%
Total	$ 2,223,992	100.0%

Source: Bonded Debt Service, State of Alaska.

TABLE 2.6

State of Alaska Lease-Purchase Financing
Outstanding $ (thousands)

Certificates of Participation (COP's)

	date	amount issued	6/30/2012	final maturity
Alaska Psychiatric Institute	4/15/2002	16,000	1,310	7/15/2012
Seafood and Food Safety Lab	8/1/2003	14,145	960	1/15/2013
Refunding Certifices of Participation 2005 A	1/15/2005	25,725	2,690	2/15/2013
State Virology Laboratory Facility 2005 B	10/1/2005	24,000	4,910	2/1/2017
Total Certificates of Participation		$ 79,870	$ 9,870	

[1] On November 23, 2011 $22.01 million of optionally redeemable COPs were defeased.

Source: Department of Revenue

TABLE 2.7
International Airports System
Debt Outstanding
$ (thousands)

revenue bonds	date	amount issued	outstanding at 6/30/12	interest rate (%)	final maturity
Series 1999 A	1/15/1999	162,500	11,290	5.00	10/1/2024
Series 1999 B	1/15/1999	16,675	735	4.60	10/1/2015*
Series 1999 C	10/1/1999	25,000	1,915	6.22	10/1/2024
Series 2003 A	12/3/2003	73,025	45,100	4.98	10/1/2022
Series 2003 B	12/3/2003	21,900	21,900	5.00	10/1/2028
Series 2006 A	12/3/2003	118,975	92,100	4.88	10/1/2022
Series 2006 B	12/3/2003	70,760	70,760	5.00	10/1/2027
Series 2006 D*	12/3/2003	104,860	104,160	4.93	10/1/2027
Series 2009 A	1/6/2009	50,000	50,000	variable	10/1/2030
Series 2010 A	9/29/2010	117,271	117,270	4.96	10/1/2027
Series 2010 B	9/29/2010	21,685	19,585	4.65	10/1/2018
Series 2010 C	9/29/2010	12,565	12,565	5.00	10/1/2033
Series 2010 D	9/29/2010	19,540	19,540	6.28	10/1/2035
Total Bonds		$ 814,756	$ 566,920		

The 2010 D bonds are Build America Bonds eligible for a 35% federal interest rate subsidy
Source: State of Alaska financial statements, International Airports.

TABLE 2.8
International Airports System Revenue Bonds

fiscal year	net revenue ($ millions)	debt service ($ millions)[1]	ratio net revenues to debt service [2]
1983	7.7	2.4	3.23
1984	9.1	1.5	6.16
1985	20.1	6.0	3.42
1986	22.4	5.5	4.10
1987	20.1	6.9	2.90
1988	28.9	8.3	3.47
1989	30.9	8.6	3.59
1990	21.4	8.6	2.49
1991	18.1	8.6	2.10
1992	12.0	8.6	1.41
1993	10.5	7.6	1.38
1994	10.6	2.8	3.79
1995	15.6	5.6	2.79
1996	17.9	5.7	3.14
1997	19.7	5.7	3.46
1998	20.7	5.7	3.63
1999	16.3	5.7	2.86
2000	18.9	4.8	3.94
2001	37.4	15.2	2.46
2002	30.5	15.2	2.01
2003	33.9	17.6	1.93
2004	33.0	22.1	1.49
2005	48.7	31.1	1.57
2006	43.7	32.4	1.35
2007	58.4	45.4	1.29
2008	62.7	49.1	1.28
2009	38.0	24.9	1.52
2010	51.3	24.6	2.09
2011	44.5	31.7	1.40
2012	41.2	31.2	1.32

1 Required coverage of 1.3 until 1999.
2 Since 1999 coverage of 1.25 is required.
Excludes debt service bonds which are defeased
Source: AIAS, Comprehensive Annual Report

TABLE 2.9
Alaska Energy Authority
Debt Issued and Outstanding
$ (thousands)

	date	amount issued	outstanding at 6/30/12	final maturity
Variable Rate Demand Note (Bradley Lake Hydroelectric Project)	9/7/1989	111,755	100	7/1/2021
Power Revenue Bonds, Second Series (Bradley Lake Hydroelectric Project)	8/28/1990	68,445	-	7/1/2010
Power Revenue Bonds, Third Series (Bradley Lake Hydroelectric Project)	4/6/1999	59,485	29,870	7/1/2017
Power Revenue Bonds, Fourth Series (Bradley Lake Hydroelectric Project)	4/4/2000	47,710	34,300	7/1/2021
Power Revenue Bonds, Fifth Series (Bradley Lake Hydroelectric Project)	4/13/1999	30,640	-	7/1/2021
Power Revenue Bonds, Fifth Series (Bradley Lake Hydroelectric Project)	7/1/2011	28,800	28,800	7/1/2021
Utility Revenue Bonds (City and Borough of Sitka)	5/14/1992	56,890	-	7/1/2015
Utility Revenue refunding Bonds (City and Borough of Sitka)	11/25/1997	22,080	-	7/1/2020
Total		$ 425,805	$ 93,070	

Source: Alaska Energy Authority financial statements.

TABLE 3.0
Alaska Housing Finance Corporation
Debt Issued by Fiscal Year Ending June 30
$ (thousands)

fiscal year	debt issued
1973-1980	$ 655,395
1981-1990	7,065,380
1991	806,104
1992	452,760
1993	200,000
1994	384,060
1995	365,000
1996	365,000
1997	599,836
1998	470,405
1999	92,365
2000	883,435
2001	409,670
2002	884,150
2003	382,710
2004	287,200
2005	412,730
2006	333,675
2007	1,192,873
2008	234,290
2009	287,640
2010	354,840
2011	248,345
2012	229,055
Total	$ 17,596,918 [1]

Source: Alaska Housing Finance Corporation

Includes AHFC sponsored conduit and subsidiary issued debt but not public housing (ASHA)

TABLE 3.1
ALASKA HOUSING FINANCE CORPORATION
Debt Issued and Outstanding by Type of Debt
$ (thousands)

	credit rating	Debt Issued In FY 2012	Total debt issued	debt outstanding at 6/30/12
Collateralized HMB & Mortgage Revenue Bonds	Aaa/AAA (see note below)	229,055	2,547,215	$ 1,164,780
Collateralized Bonds (Veterans Mortgage Program)	Aaa/AAA	-	1,900,385	180,090
General Mortgage Revenue Bonds 2002 Series A	Aaa/AAA/AAA	-	150,000	110,265
Housing Development Bonds 2002 Series A-D	Aaa,VMIG-1/AAA,A-1/AAA,F	-	125,000	65,075
Housing Development Bonds 2004 Series A-C	Aaa,AAA,A/AAA,	-	127,210	59,690
Housing Development Bonds 2004 Series D	Aaa,AAA,A/AAA,	-	105,000	101,060
General Housing Purpose Bonds 2005 Series A	Aaa/AAA/AAA	-	143,235	136,300
General Housing Purpose Bonds 2005 Series B&C	Aaa/AAA/AAA	-	164,495	138,185
Governmental Purpose Bonds 1997 Series A	Aaa/AAA/AAA	-	33,000	14,600
Governmental Purpose Bonds 2001 Series A-D	Aaa,VMIG-1/AAA,A-1+/AAA,F-1+	-	370,170	128,580
State Capital Project Bonds 2002 Series A-C	Aaa/AAA/AAA	-	107,710	60,250
State Capital Project Bonds 2006 Series A	Aaa/AAA/AAA	-	100,890	92,185
State Capital Project Bonds 2011 Series A	Aa2/AA/AA+	-	95,525	84,940
State Capital Project Bonds 2007 Series A-B	Aa2/AA+/AA+	-	105,185	98,865
NTSC, a subsidiary of AHFC:				
Tobacco Settlement Asset-Backed Bonds, Series 2006 A-C	Baa/ - /BBB (3)	-	411,988	368,573
Total		$ 229,055	$ 6,487,008	$ 2,803,438

TABLE 3.1 (Continued)
ALASKA HOUSING FINANCE CORPORATION
Debt Issued and Outstanding by Type of Debt
$ (thousands)

NOTES:
1 Ratings from Moody's, Standard & Poor's, & Fitch
2 Ratings for Collateralized Home Mortgage Revenue Bonds sold from 2007-2009 are Aa2/AA/AA+
3 Not rated by Standard & Poor's

Short-term debt outstanding	Credit rating as of 6/30/2010	Debt issued in FY 2011	Total Debt Issued	Debt outstanding at 6/30/12
Commercial Paper	P-1/A-1+/F-1+	N/A	N/A	68,700
Total				$ 68,700

TABLE 3.2
Alaska Housing Finance Corporation
Collateralized Debt Obligations
$ (thousands)

issue	Tax Status	debt issued	date of bonds	guarantor	06/30/12 debt outstanding
Collateralized Bonds (Veterans Mortgage Program)					
2005 First/Second Series	Exempt	160,000	12/29/2005	State of Alaska	3,220
2006 First Series	Exempt	190,000	9/19/2006	State of Alaska	138,055
2007 and 2008 First Series	Exempt	57,885	12/18/2007	State of Alaska	38,815
Total		407,885			180,090
Collateralized Home Mortgage Revenue Bonds & Mortgage Revenue Bonds					
2002 Series A	Exempt	170,000	5/16/2002	*	143,525
2006 Series A	Exempt	98,675	1/26/2006	*	42,895
2006 Series B	Exempt	75,000	3/23/2006	*	15,450
2006 Series C	Exempt	75,000	7/20/2006	*	12,085
2007 Series A	Exempt	75,000	5/31/2007	*	75,000
2007 Series B	Exempt	75,000	5/31/2007	*	75,000
2007 Series C	Exempt	89,370	5/31/2007	*	28,100
2007 Series D	Exempt	89,370	5/31/2007	*	89,370
2008 Series A	Exempt	80,880	2/28/2008	*	12,555
2008 Series B	Exempt	80,880	9/30/2008	*	26,145
2009 Series A (HMRB)	Exempt	80,880	5/28/2009	*	80,880
2009 Series B	Exempt	80,880	5/28/2009	*	80,880
2009 Series C	Exempt	80,870	8/26/2009	*	42,680
2009 Series D	Exempt	80,870	8/26/2009	*	80,870
2009 Series A-1	Exempt	64,350	9/30/2010	*	63,750
2010 Series A	Exempt	43,130	9/30/2010	*	39,750
2010 Series B	Exempt	35,680	9/30/2010	*	34,555
2009 Sereis A-2	Exempt	128,750	11/22/2011	*	124,150
2011 Series A	Taxable	28,945	11/22/2011	*	25,780
2011 Series B	Exempt	71,360	11/22/2011	*	71,360
Total		1,604,890			1,164,780
General Mortgage Revenue Bonds					
Series 2002	Exempt	150,000	10/15/2002	*	110,265
Total		150,000			110,265
Governmental Purpose Bonds					
Series 1997	Exempt	33,000	12/3/1997	*	14,600
Series 2001 A,B	Exempt	170,170	8/2/2001	*	128,580
Total		203,170			143,180
Total AHFC Collateralized Debt		$ 2,365,945			$ 1,598,315

TABLE 3.3
State Obligations on
Alaska Housing Finance Corporation Debt
$ (thousands)

		outstanding at 6/30/12
State General Obligation Guarantee		
Collateralized Bonds AAA/AAA	$	180,090
Total State Obligations On AHFC Debt		180,090

TABLE 3.4
Alaska Housing Finance Corporation
Debt Outstanding
$ (thousands)

bond program	Date Delivered	Amount Issued	Outstanding at 6/30/12	TIC (%)	final maturity
Home Mortgage Bonds					
2002 Series A Mortgage Revenue Bonds	5/16/2002	170,000	143,525	4.553	2036
2006 Series A Mortgage Revenue Bonds	1/26/2006	98,675	42,895	4.623	2036
2006 Series B Mortgage Revenue Bonds	3/23/2006	75,000	15,450	4.048	2036
2006 Series C Mortgage Revenue Bonds	7/20/2006	75,000	12,085	4.210	2037
2007 Series A Mortgage Revenue Bonds	5/31/2007	75,000	75,000	4.048	2041
2007 Series B Mortgage Revenue Bonds	5/31/2007	75,000	75,000	4.048	2041
2007 Series C Mortgage Revenue Bonds	5/31/2007	89,370	28,100	4.048	2041
2007 Series D Mortgage Revenue Bonds	5/31/2007	89,370	89,370	4.090	2041
2008 Series A Mortgage Revenue Bonds	2/28/2008	80,880	12,555	4.365	2038
2008 Series B Home Mortgage Revenue Bonds	9/30/2008	80,880	26,145	4.375	2038
2009 Series A Home Mortgage Revenue Bonds	5/28/2009	80,880	80,880	4.375	2040
2009 Series B Home Mortgage Revenue Bonds	5/28/2009	80,880	80,880	4.375	2040
2009 Series C Home Mortgage Revenue Bonds	8/26/2009	80,870	42,680	4.893	2039
2009 Series D Home Mortgage Revenue Bonds	8/26/2009	80,870	80,870	4.893	2040
2009 Series A-1 Home Mortgage Revenue Bonds (Taxable)	9/30/2011	64,350	63,750	3.362	2041
2009 Series A Home Mortgage Revenue Bonds (Taxable)	9/30/2011	43,130	39,750	3.362	2027
2009 Series A Home Mortgage Revenue Bonds (Taxable)	9/30/2011	35,680	34,555	3.362	2040
2009 Series A-2 Mortgage Revenue Bonds	11/22/2011	128,750	124,150	2.532	2041
2011 Series A Mortgage Revenue Bonds	11/23/2011	28,945	25,780	N/A	2026
2012 Series B Mortgage Revenue Bonds	11/23/2011	71,360	71,360	2.532	2026
Total		1,604,890	1,164,780		
State Guaranteed Bonds					
2005 First & Second Series, Collateralized	12/29/2005	160,000	3,220	4.215	2035
2006 First Series, Collateralized	9/19/2006	190,000	138,055	4.700	2037
2007 and 2008 First Series, Collateralized	12/18/2007	57,885	38,815	5.023	2038
Total		407,885	180,090		
General Mortgage Revenue Bonds					
2002 Series A	10/15/2002	150,000	110,265	4.798	2040
Total		150,000	110,265		
Housing Development Bonds					
2002 Series A (AMT)(2)	9/5/2002	8,440	2,335	5.075	2033
2002 Series B (Non-AMT)(2)	9/5/2002	8,690	5,490	5.075	2022
2002 Series C (Non-AMT)(2)	9/5/2002	70,000	57,250	5.075	2032
2004 Series A (AMT)(2)	3/4/2004	33,060	20,210	4.541	2030
2004 Series (B)(2)	3/4/2004 #	52,025	39,480	4.541	2032
2004 Series D (Federally Taxable)(2)	12/16/2004	105,000	101,060	N/A	2043
Total		277,215	225,825		
Government Purpose Bonds					
1997 Series A	12/3/1997	33,000	14,600	N/A	2027
2001 Series A	8/2/2001	76,580	57,865	N/A	2030
2001 Series B	8/2/2001	93,590	70,715	N/A	2030
Total		203,170	143,180		
State Capital Project Bonds					
2002 Series C	12/5/2002	60,250	60,250	N/A	2022
2006 Series A	10/25/2006	100,890	92,185	4.435	2040
2007 Series A	10/3/2007	42,415	36,315	4.139	2027
2007 Series B	10/3/2007	53,110	48,625	4.139	2029
2011 Sereis A	2/16/2011	105,185	98,865	4.333	2027
Total		361,850	336,240		
General Housing Purpose Bonds					
2005 Series A	1/27/2005	143,235	136,300	4.780	2041
2005 Series B	5/18/2005	147,610	122,905	4.474	2030
2005 Series C	5/18/2005	16,885	15,280	4.474	2017
Total		307,730	274,485		
Total Long Term Debt		$3,312,740	$2,434,865		
Short-term Debt Outstanding					
Commercial Paper	Various	N/A	68,700	NA	VAR
Total Short-term Debt		$ -	$ 68,700		

Notes:
1 Multifamily bond issues.
* Stated interest rate.
^ Weighted Average Interest Rate

TABLE 3.5
Alaska Industrial Development and Export Authority
Type of Debt Issued
$ (thousands)

calendar year	economic development bonds	consolidated bonds	umbrella bonds	taxable umbrella bonds	development bonds	revolving fund bonds
1981-2000	$ 141,425	60,475	83,000	14,540	203,250	434,545
2001	-	-	-	-	-	-
2002	-	-	-	-	-	20,475
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	-	-	-	-	-	-
2006	-	-	-	-	-	-
2007	-	-	-	-	-	113,095
2008	-	-	-	-	-	107,385
2009	-	-	-	-	-	-
2010	-	-	-	-	-	87,105
2011	-	-	-	-	-	14,470
2012	-	-	-	-	-	-
Total	$ 141,425	$ 60,475	$ 83,000	$ 14,540	$ 203,250	$ 777,075

TABLE 3.6
Alaska Industrial Development and Export Authority
Debt Issued and Outstanding
$ (thousands)

	Date	Amount Issued	Outstanding at 6/30/12
Development bonds			
Power Revenue Bonds, First Series			
(Snettisham Hydroelectric Project)	8/18/1998	100,000	75,915
Total		100,000	75,915
Revolving fund bonds			
Federal Express Maintenance Facility (Refunding)	6/20/2002	20,475	-
Red Dog Port Facility (Refunding)	2/24/2010	87,105	74,510
Loan Participation	12/22/2010	14,470	14,005
Total		122,050	88,515
Total Bonds		$ 222,050	$ 164,430

Source: Financial Statements, various years, AIDEA

TABLE 3.7
Alaska Municipal Bond Bank
Outstanding Loans to Municipalities
Funded with Bonds as of 6/30/2012
$ (thousands)

Governmental Unit	Outstanding Loan Amount	Percentage of Total
City & Borough of Sitka	91,240	12.82%
City & Borough of Juneau	80,990	11.38%
Kenai Peninsula Borough	79,865	11.22%
City of Ketchikan	59,750	8.40%
Northwest Arctic Borough	52,485	7.38%
Ketchikan Gateway Borough	51,105	7.18%
City of Seward	42,820	6.02%
City of Unalaska	40,335	5.67%
Kodiak Island Borough	35,155	4.94%
Aleutians East Borough	32,435	4.56%
City of Valdez	17,895	2.51%
City of Cordova	17,175	2.41%
City of Kodiak	14,100	1.98%
City of Petersburg	14,055	1.98%
Haines Borough	14,020	1.97%
City of Dillingham	13,075	1.84%
City of Nome	11,902	1.67%
St. Paul	6,006	0.84%
Municipality of Skagway	4,790	0.67%
Municipality of Anchorage	4,630	0.65%
Lake and Peninsula Borough	3,750	0.53%
City of Bethel	3,215	0.45%
City of Wasilla	2,510	0.35%

TABLE 3.7 (continued)
Alaska Municipal Bond Bank
Outstanding Loans to Municipalities
Funded with Bonds as of 6/30/2012
$ (thousands)

Governmental Unit	Outstanding Loan Amount	Percentage of Total
Municipality of Wrangell	2,455	0.34%
City of Soldotna	2,435	0.34%
City of Galena	2,153	0.30%
City of Kenai	1,850	0.26%
City of Fairbanks	1,685	0.24%
City of Palmer	1,500	0.21%
City of Hoonah	1,295	0.18%
City of King Cove	1,200	0.17%
City of Adak	1,115	0.16%
Inter-Island Ferry Authority	1,060	0.15%
City of North Pole	1,015	0.14%
City of Craig	345	0.05%
City & Borough of Yakutat	200	0.03%
Total	711,611	100.00%

Source: Alaska Municipal Bond Bank
Does not include reserve obligations but does include direct loans

TABLE 3.8
Alaska Municipal Bond Bank
Summary of Bond Types Issued and Outstanding
$ (thousands)

Type	Amount Issued	Outstanding at 6/30/12
General Obligation Bonds	$ 1,375,492	$ 677,075
Revenue Bonds	173,790	47,870
Coastal Energy Bonds	41,873	10,683
	$ 1,591,155	$ 735,628

TABLE 3.9
Alaska Municipal Bond Bank
Debt Issued and Outstanding
$ (thousands)

	Date	Amount Issued	Outstanding at 6/30/12
1976 General Resolution General Obligation Bonds			
2002 Series B	8/15/2002	11,590	555
2003 Series A	2/12/2003	9,305	425
2003 Series C	5/22/2003	8,250	1,125
2003 Series D	8/7/2003	14,520	700
2003 Series E	9/30/2003	32,020	1,395
2003 Series G	1/6/2004	24,110	2,170
2004 Series A	2/5/2004	20,270	1,685
2004 Series B	4/8/2004	17,425	2,445
2004 Series C	7/21/2004	14,575	1,935
2004 Series D	12/1/2004	13,925	2,645
2005 Series A	3/22/2005	32,655	25,510
2005 Series B	5/4/2005	27,625	7,240
2005 Series C	10/4/2005	32,060	25,545
2006 Series A	2/9/2006	19,255	11,270
Total		277,585	84,645
2005 General Resolution General Obligation Bonds			
2005 Series One	10/20/2005	18,700	11,060
2006 Series One	6/21/2006	7,390	5,870
2006 Series Two	7/26/2006	40,265	36,855
2007 Series One	1/31/2007	26,735	22,250
2007 Series Two	4/5/2007	24,860	24,245
2007 Series Three	6/25/2007	14,715	13,330
2007 Series Four	8/28/2007	15,625	13,640
2007 Series Five	11/20/2007	6,000	5,735
2008 Series One	4/15/2008	62,355	57,275
2008 Series Two	7/22/2008	19,700	17,700
2009 Series One	1/8/2009	26,730	26,055
2009 Series Two	3/18/2009	30,295	23,520
2009 Series Three	9/21/2009	13,390	11,200
2009 Series Four A	12/3/2009	8,695	5,960
2009 Series Four B	12/3/2009	20,425	20,425
2010 Series One A	2/23/2010	20,420	14,545
2010 Series One B	2/23/2010	7,415	7,415
2010 Series Two A	5/20/2010	3,385	2,825
2010 Series Two B	5/20/2010	11,405	11,405
2010 Series Three A	9/16/2010	4,530	4,135
2010 Series Three B	9/16/2010	6,900	6,900

TABLE 3.9 (continued)
Alaska Municipal Bond Bank
Debt Issued and Outstanding
$ (thousands)

	Date	Amount Issued	Outstanding at 6/30/12
2010 Series Four A	12/9/2010	26,725	24,750
2010 Series Four B	12/9/2010	51,940	51,940
2011 Series One	3/1/2011	8,635	8,340
2011 Series Two	5/10/2011	12,130	11,370
2011 Series Three	9/15/2011	78,115	77,695
2012 Series One	3/6/2012	18,495	18,495
2012 Series Two	5/24/2012	52,795	52,795
Total		638,770	587,730
2010 General Resolution General Obligation Bonds			
2010 Series A-1	12/21/2010	1,065	1,000
2010 Series A-2	12/21/2010	3,700	3,700
Total		4,765	4,700
Total General Obligation Bonds		921,120	677,075
Revenue Bonds			
2001 Series B Revenue Bonds	8/1/2001	2,525	1,340
2002 Series A Revenue Bonds	12/1/2002	6,250	1,830
2003 Series B Revenue Bonds	5/15/2003	19,000	14,500
2004 Series A Revenue Bonds	8/26/2004	28,845	25,570
2004 Series B Revenue Bonds	9/1/2004	5,365	4,630
		61,985	47,870
Total Revenue Bonds			
Coastal Energy Loan Fund			
City of Nome			
Port Authority	6/30/1996	5,000	4,677
City of St. Paul			
Fuel Tank Farm	6/30/1998	6,563	6,006
		11,563	10,683
Total Alaska Municipal Bond Bank Debt		$ 994,668	$ 735,628

Source: Alaska Municipal Bond Bank Authority

TABLE 4.0
Alaska Student Loan Corporation
Debt Issued and Outstanding
$ (thousands)

Student Loan Revenue Bonds	**Date**	**Amount Issued**	**Outstanding at 6/30/12**	**Final Maturity**
2003 Series A-1	6/5/2003	16,500	2,500	6/1/2016
2003 Series A-2	6/5/2003	30,500	30,300	6/1/2038
2004 Series A-1	5/19/2004	45,500	25,000	4/1/2044
2004 Series A-3	5/19/2004	22,015	8,710	6/1/2017
2005 Series A	7/28/2005	58,250	35,250	6/1/2018
2006 Series A-1	5/25/2006	30,000	19,700	6/1/2040
2006 Series A-2	5/25/2006	55,000	37,500	6/1/2018
2007 Series A-1	6/7/2007	41,500	28,500	6/1/2042
2007 Series A-2	6/7/2007	18,500	15,500	6/1/2019
2007 Series A-3	6/7/2007	49,000	16,000	6/1/2014
Capital Project Revenue Bonds				
2004 Series A	3/11/2004	75,140	24,680	7/1/2018
2005 Series A	3/30/2005	88,305	18,500	7/1/2014
Loan with State of Alaska				
	7/17/2009	63,000	67,500	7/17/2013
Funding Note Purchase Agreement				
	6/29/2010	115,250	90,856	
Total		$ 708,460	$ 420,496	

Source: Alaska Student Loan Corp.

TABLE 4.1
University of Alaska
Debt Issued and Outstanding
$ (thousands)

Revenue Bonds	**Date**	**Amount**	**Principal Outstanding at 6/30/12**	**Interest to maturity**	**Total debt service to maturity**	**Final maturity**
2002 Series K	7/31/2002	33,515	1,365	27	1,392	10/1/2028
2003 Sereis L	12/9/2003	9,970	860	54	914	10/1/2030
2004 Series M	1/8/2004	11,070	1,115	64	1,179	10/1/2028
2005 Series N	8/31/2005	24,355	19,725	7,811	27,536	10/1/2035
2008 Series O	1/31/2008	23,795	20,075	8,267	28,342	10/1/2033
2009 Series P	12/8/2009	14,045	11,780	2,393	14,173	10/1/2023
2011 Series Q	10/5/2011	48,870	48,870	20,565	69,435	10/1/2032
2011 Series R	3/5/2012	32,805	32,805	12,836	45,641	10/1/2030
Total		198,425	136,595	52,017	188,612	
Installment Contracts	varies	4,136	1,674	123	1,797	4/15/2017
Notes Payable						
Alaska Housing Corp	5/14/1997	30,000	16,100	1,902	18,002	2/1/2024
Total University Debt		$ 232,561	$ 154,369	$ 54,042	$ 208,411	

Source: University of Alaska

TABLE 4.2
Municipal General Obligation Bonds Outstanding
$ (millions)

June 30	Amount	June 30	Amount	June 30	Amount
1975	$ 351	1988	2,170.4	2001	1,850.4
1976	420.8	1989	1,966.9	2002	1,980.9
1977	519.5	1990	2,002.1	2003	1,932.6
1978	545.2	1991	1,854.8	2004	2,107.2
1979	768.5	1992	1,729.8	2005	2,345.8
1980	827.1	1993	1,814.0	2006	2,357.8
1981	1,091.0	1994	1,759.9	2007	2,402.1
1982	1,316.2	1995	1,901.6	2008	2,397.9
1983	1,619.1	1996	1,779.1	2009	2,423.0
1984	2,105.8	1997	1,777.5	2010	2,501.0
1985	2,084.0	1998	1,774.7	2011	2,499.9
1986	2,673.5	1999	1,832.0	2012	2,424.3
1987	2,463.9	2000	1,603.0		

Source: Alaska Taxable

TABLE 4.3
Per Capita Municipal and State
General Obligation Debt
1985-2012

Year	Population (thousands)	Municipal Debt $ (millions)	State of Alaska debt $ (millions)	Total G.O. Debt $ (millions)	Per Capita (dollars)
1985	547,475	2,084	924	3,029	5,534
1986	572,029	2,673	706	3,380	5,910
1987	574,200	2,463	598	3,062	5,333
1988	575,982	2,170	489	2,660	4,619
1989	540,563	1,966	386	2,353	4,353
1990	545,774	2,002	290	2,292	4,201
1991	579,659	1,854	213	2,067	3,567
1992	585,000	1,729	156	1,886	3,225
1993	599,200	1,813	108	1,921	3,208
1994	606,278	1,759	78	1,838	3,032
1995	615,900	1,901	58	1,959	3,182
1996	619,100	1,779	39	1,818	2,937
1997	611,300	1,778	24	1,802	2,947
1998	621,400	1,775	11	1,786	2,874
1999	622,000	1,832	2	1,834	2,949
2000	622,000	1,603	0	1,603	2,577
2001	628,800	1,850	0	1,850	2,942
2002	634,892	1,981	0	1,981	3,120
2003	643,786	1,933	0	1,933	3,003
2004	643,786	2,107	462	2,569	3,991
2005	655,435	2,346	438	2,784	4,248
2006	663,661	2,358	414	2,772	4,177
2007	670,053	2,402	390	2,792	4,166
2008	676,987	2,398	364	2,762	4,080
2009	679,720	2,424	503	2,927	4,306
2010	692,314	2,501	476	2,977	4,300
2011	710,231	2,500	644	3,144	4,426
2012	722,190	2,424	576	3,000	4,154

Source: Alaska Taxable

TABLE 4.4
Municipal G.O. Debt, Population and Valuation
6/30/2012

Boroughs and Cities within Boroughs	Population	Full Value Determination (thousands)	Per Cap Full Value	Municipal G.O. Debt (thousands)	Per Capita G.O. Debt
Aleutians East Borough	3,181	$232,270	$ 73,018	$35,785	$ 11,250
Municipality of Anchorage	296,197	$35,784,452	$ 120,813	$1,104,935	3,730
Fairbanks North Star Borough	97,615	$10,166,371	$ 104,148	$126,040	1,291
City of Fairbanks	30,547	$3,415,724	$ 111,819	$1,685	55
City of North Pole	2,115	$384,008	$ 181,564	$969	458
Haines Borough	2,620	$342,406	$ 130,689	$13,864	5,292
City & Borough of Juneau	32,290	$4,703,548	$ 145,666	$134,623	4,169
Kenai Peninsula Borough	56,369	$8,562,626	$ 151,903	$84,215	1,494
City of Kenai	7,110	$868,920	$ 122,211	$1,850	260
City of Seward	2,733	$378,178	$ 138,375	$4,190	1,533
City of Soldotna	4,284	$664,470	$ 155,105	$2,435	568
Ketchikan Gateway Borough	13,686	$1,584,425	$ 115,770	$44,430	3,246
City of Ketchikan	8,142	$941,544	$ 115,640	$20,390	2,504
Kodiak Island Borough	13,870	$1,436,478	$ 103,567	$31,851	2,296
City of Kodiak	6,312	$699,500	$ 110,821	$8,000	1,267
Lake and Peninsula Borough	1,710	$147,897	$ 86,489	$4,125	2,412
Matanuska-Susitna Borough	91,697	$9,568,003	$ 104,344	$260,410	2,840
City of Palmer	6,087	$649,019	$ 106,624	$1,535	252
City of Wasilla	8,064	$1,455,295	$ 180,468	$2,510	311
North Slope Borough	7,481	$17,867,248	$ 2,388,350	$377,825	50,505
Northwest Arctic Borough	7,651	$836,228	$ 109,297	$53,580	7,003
City & Borough of Sitka	8,985	$1,151,377	$ 128,144	$33,420	3,720
Municipality of Skagway	965	$344,044	$ 356,523	$5,752	5,961
City & Borough of Wrangell	2,411	$177,680	$ 73,696	$2,455	1,018
Municipalities Outside Boroughs					
City of Adak	331	$0	$ -	$1,115	3,369
City of Cordova	2,289	$267,600	$ 116,907	$17,350	7,580
City of Craig	1,240	$127,813	$ 103,075	$345	278
City of Dillingham	2,376	$198,819	$ 83,678	$13,075	5,503
City of Hoonah	753	$73,747	$ 97,937	$1,743	2,315
City of Klawock	813	$55,776	$ 68,605	$1,225	1,507
City of Nome	3,695	$314,826	$ 85,203	$4,951	1,340
City of Petersburg	3,030	$340,046	$ 112,226	$14,125	4,662
City of Unalaska	7,364	$551,884	$ 74,943	$10,775	1,463
City of Valdez	3,992	$2,269,392	$ 568,485	$2,740	686
Total	662,611.0	$97,104,954	146,549	$2,424,318	3,659
Statewide					
State of Alaska G.O. Debt	722,190	$ 101,328,087	$ 140,307	$ 575,825	$ 797
Statewide Total	722,190	$ 101,328,087	$ 140,307	$ 3,000,143	$ 4,154

Source: Alaska Taxable

TABLE 4.5
Alaska Municipal Debt Issued and Outstanding
$ (millions)

Fiscal Year	Amount Outstanding G.O.	Amount Outstanding Revenue	Revenue Debt Outstanding as % of total
1972	297.2	63.0	17.5%
1973	319.9	70.3	18.0%
1974	395.1	77.6	16.4%
1975	416.8	93.9	18.4%
1976	452.5	99.4	18.0%
1977	514.1	288.6	36.0%
1978	449.5	281.8	38.5%
1979	731.6	286.3	28.1%
1980	809.4	347.0	30.0%
1981	1,030.2	441.3	30.0%
1982	1,214.9	512.4	29.7%
1983	1,591.3	592.1	27.1%
1984	1,951.7	630.1	24.4%
1985	2,131.0	720.0	25.3%
1986	2,420.0	817.0	25.2%
1987	2,332.0	1,006.0	30.1%
1988	2,157.5	1,007.5	31.8%
1989	2,327.7	1,000.7	30.1%
1990	2,201.5	1,137.0	34.1%
1991	2,116.8	1,241.1	37.0%
1992	1,720.5	640.6	27.1%
1993	1,809.9	537.2	22.9%
1994	1,759.9	587.9	25.0%
1995	1,901.6	552.1	22.5%
1996	1,779.1	580.8	24.6%
1997	1,777.5	682.0	27.7%
1998	1,705.0	664.0	28.0%
1999	1,832.0	471.0	20.5%
2000	1,602.9	541.3	25.2%
2001	1,850.4	590.3	24.2%
2002	1,980.8	550.2	21.7%
2003	1,932.6	544.5	22.0%
2004	2,107.2	513.8	19.6%
2005	2,345.5	603.8	20.5%
2006	2,357.8	606.0	20.4%
2007	2,402.1	503.3	17.3%
2008	2,391.9	721.4	23.2%
2009	2,423.6	874.4	26.5%
2010	2,500.4	778.2	23.7%
2011	2,499.9	761.0	23.3%
2012	2,424.3	714.3	22.8%

Source: Alaska Taxable

TABLE 4.6
Alaska Municipal Debt Outstanding by Issuer
June 30, 2012
$ (thousands)

Cities And Boroughs	G.O. Debt	Revenue Debt	Total Debt	School G.O. Total	State's % of Debt
Aleutians East	$ 35,785	-	$ 35,785	$ 12,915	60%
City of Adak	1,115	-	1,115	-	-
Anchorage	1,104,935	448,470	1,553,405	579,893	66%
Bethel	-	3,215	3,215	-	-
Cordova	17,350	-	17,350	16,365	66%
Craig	345	-	345	-	-
Dillingham	13,075	-	13,075	13,617	70%
Fairbanks	1,685	-	1,685	-	-
Fairbanks NSB	126,040	-	126,040	139,618	70%
Haines Borough	13,864	1,305	15,169	14,380	70%
City of Hoonah	1,743	-	1,743	640	70%
City of Galena	-	2,153	2,153	-	
Juneau	134,623	35,965	170,588	127,164	69%
Kenai	1,850	-	1,850	-	
Kenai Borough	84,215	-	84,215	27,325	70%
Ketchikan	20,390	54,260	74,650	-	-
Ketchikan Bor.	44,430	1,340	45,770	24,751	68%
King Cove	-	1,200	1,200	-	-
Klawock	1,225	-	1,225	-	-
Kodiak	8,000	7,000	15,000	-	-
Kodiak Bor.	31,851	3,275	35,126	25,121	63%
Lake Peninsula	4,125	-	4,125	4,460	90%
Mat-Su	260,410	6,390	266,800	182,839	67%
Nome	4,951	7,627	12,577	3,337	66%
North Pole	969	635	1,604	-	-
North Slope	377,825	-	377,825	9,088	65%
Northwest Arctic	53,580	-	53,580	56,006	71%
Palmer	1,535	2,653	4,188	-	-
Petersburg	14,125	-	14,125	8,567	63%
St. Paul	-	7,172	7,172	-	-
Seward	4,190	38,630	42,820	-	-
Sitka	33,420	47,570	80,990	36,300	68%
Skagway	5,752	-	5,752	-	-
Soldotna	2,435	-	2,435	-	-
Unalaska	10,775	29,560	40,335	6,835	70%
Valdez	2,740	14,500	17,240	1,510	66%
Wasilla	2,510	-	2,510		-
Wrangell	2,455	1,165	3,620	2,260	70%
Yakutat	-	200	200	-	-
Total	$ 2,424,318	$ 714,284	$ 3,138,602	$ 1,292,991	

Source: Alaska Dept. of Community & Economic Development and
Dept. of Education and Early Development

TABLE 4.7
Proration of State Reimbursement of Municipal School Debt

$ (thousands)

Fiscal Year	Payments (1983-2012) or Appropriation (2013)	Percent of Entitlement
1983	$ 36,203	83%
1984	90,600	100%
1985	93,161	100%
1986	106,315	97%
1987	115,845	91%
1988	109,472	92%
1989	109,472	96%
1990	107,831	89%
1991	116,668	94%
1992	128,986	100%
1993	127,603	100%
1994	99,146	100%
1995	103,345	100%
1996	79,700	100%
1997	62,476	100%
1998	61,640	100%
1999	61,991	100%

TABLE 4.7 (continued)
Proration of State Reimbursement of Municipal School Debt

$ (thousands)

Fiscal Year	Payments (1983-2012 or Appropriation (2013)	Percent of Entitlement
2000	64,350	100%
2001	52,099	100%
2002	54,057	100%
2003	51,973	100%
2004	60,593	100%
2005	72,025	100%
2006	81,095	100%
2007	93,335	100%
2008	91,103	100%
2009	93,319	100%
2010	95,789	100%
2011	99,594	100%
2012	100,908	100%
2013	113,902	100%

Source: State of Alaska, Department of Education & Early Development

TABLE 4.8
State of Alaska
Ratio of General Obligation Bond Debt Service
To Expenditures and Unrestricted Revenues
$ (millions)

Fiscal Year	Debt Service	General Fund Expenditures*	unrestricted Revenues**	Total Revenues	Ratio of Debt Service to Expenditures	Ratio of Debt Service to Unrestricted Revenues
1980	75.1	$1,477	$3,718		5.1%	2.0%
1981	97.6	4,613	4,108		2.1%	2.4%
1982	97.5	4,006	3,631		2.4%	2.7%
1983	143.6	3,846	3,588		3.7%	4.0%
1984	166.3	3,389	3,390		4.9%	4.9%
1985	169.5	3,698	3,260		4.6%	5.2%
1986	163.2	3,653	3,076		4.5%	5.3%
1987	154.9	3,026	1,799		5.1%	8.6%
1988	147.9	3,055	2,305		4.8%	6.4%
1989	135.5	3,186	2,186		4.3%	6.2%
1990	120.3	2,843	2,507		4.2%	4.8%
1991	95.5	2,805	2,987		3.4%	3.2%
1992	68.2	3,024	2,463		2.3%	2.8%
1993	59.7	3,145	2,352		1.9%	2.5%
1994	33.8	3,339	1,653		1.0%	2.0%
1995	22.9	3,312	2,083		0.7%	1.1%
1996	21.3	3,386	2,133		0.6%	1.0%
1997	16.5	3,350	2,495	3,727	0.5%	0.7%
1998	14.2	3,296	1,826	3,018	0.4%	0.8%
1999	8.8	3,425	1,348	2,556	0.3%	0.7%
2000	0.0	3,554	2,082	3,725	0.0%	0.0%
2001	0.0	3,758	2,282	4,187	0.0%	0.0%
2002	0.0	5,406	1,660	3,710	0.0%	0.0%
2003	0.0	5,582	1,948	4,194	0.0%	0.0%
2004	19.4	5,419	2,346	4,680	0.4%	0.8%
2005	46.4	5,903	3,189	5,648	0.8%	1.5%
2006	45.7	6,216	4,200	6,730	0.7%	1.1%
2007	45.0	6,777	5,159	7,914	0.7%	0.9%
2008	44.4	7,836	10,749	13,546	0.6%	0.4%
2009	43.9	9,549	5,831	8,185	0.5%	0.8%
2010	48.9	8,419	5,513	8,803	0.6%	0.9%
2011	53.8	9,307	7,673	11,187	0.6%	0.7%
2012	84.2	9,052	9,485	13,564	0.9%	0.9%

Source: State of Alaska, CAFR, and Revenue Sources Book
* Federal income, Permanent Fund income and Constitutional Budget Reserve Draws included from 2002 forward
* Forward funding of future fiscal year expenditures included from 2007 forward
** Federal Revenue, Permanent Fund income and restricted revenues are not included in unrestricted revenue

TABLE 4.9
State of Alaska
Debt Service on State Supported Debt
$ (millions)

fiscal year	state G.O.	university	lease / purchase	(1) Capital Leases	(2) school debt reimbursement	Capital Project Reimbursements	total debt service
1979	$ 60.0	$ 1.7	$ 10.1	-	$ 22.3	-	$ 94.1
1980	75.1	1.8	10.1	-	24.1	-	111.1
1981	97.6	2.2	10.0	-	38.4	-	148.2
1982	97.5	2.3	10.0	-	38.3	-	148.1
1983	143.6	2.3	9.9	-	36.2	-	192.0
1984	166.3	2.0	9.9	-	90.6	-	268.8
1985	169.5	2.0	10.7	-	93.2	-	275.4
1986	163.2	1.8	10.4	-	106.3	-	281.7
1987	154.9	1.8	11.2	-	115.8	-	283.7
1988	147.9	1.5	11.2	-	109.5	-	270.1
1989	135.5	2.2	11.7	-	109.5	-	258.9
1990	120.3	2.2	12.0	-	107.8	-	242.3
1991	95.5	2.7	12.0	-	116.7	-	226.9
1992	68.2	2.7	11.8	-	129.0	-	211.7
1993	59.7	3.7	11.2	-	127.6	-	202.2
1994	33.8	0.2	8.5	-	99.1	-	141.6
1995	22.9	0.2	10.2	-	103.3	-	136.6
1996	21.3	0.2	9.6	-	79.7	-	110.8
1997	16.5	0.2	9.5	-	62.5	-	88.7
1998	14.2	0.2	10.3	-	61.6	-	86.3
1999	8.8	0.2	15.5	-	62.0	-	86.5
2000	2.4	-	15.0	3.5	64.4	-	85.3
2001	-	-	12.8	3.5	52.1	-	68.4
2002	-	-	12.4	8.8	54.1	-	75.3
2003	-	-	11.9	8.8	52.0	-	72.7
2004	19.4	-	12.1	8.8	60.6	0.3	101.2
2005	46.4	-	13.8	8.8	71.4	0.2	140.6
2006	45.7	-	13.2	8.6	81.1	2.2	150.8
2007	45.0	-	13.2	9.1	86.9	3.6	157.8
2008	44.4	-	11.1	11.8	91.1	4.2	162.7
2009	43.9	-	8.0	20.4	93.3	3.9	169.5
2010	48.9	-	8.0	29.6	95.8	5.2	187.5
2011	53.8	-	8.0	29.7	99.6	5.3	196.4
2012	78.8	-	7.5	29.1	100.9	5.3	221.6
2013	76.3	-	7.0	28.7	107.5	5.2	224.6
2014	59.1	-	1.8	28.7	103.0	5.1	197.7
2015	46.6	-	1.8	28.7	100.0	5.0	182.1
2016	46.4	-	1.8	26.4	95.3	4.2	174.1
2017	46.2	-	0.0	25.5	92.2	4.2	168.1
2018	46.1	-	-	21.8	85.5	4.1	157.5

TABLE 4.9
State of Alaska
Debt Service on State Supported Debt
$ (millions)

fiscal year	state G.O.	university	lease / purchase	(1) Capital Leases	(2) school debt reimbursement	Capital Project Reimbursements	total debt service

TABLE 4.9 (Continued)
State of Alaska
Debt Service on State Supported Debt
$ (millions)

fiscal year	state G.O.	university	lease / purchase	(1) Capital Leases	(2) school debt reimbursement	Capital Project Reimbursements	total debt service
2019	45.9	-	-	21.1	78.6	4.1	149.7
2020	34.8	-	-	21.3	72.3	2.8	131.1
2021	34.8	-	-	21.1	69.4	2.8	128.0
2022	24.6	-	-	21.1	57.6	2.8	106.1
2023	24.6	-	-	21.1	53.2	2.8	101.7
2024	24.6	-	-	21.1	41.6	2.8	90.1
2025	17.0	-	-	21.1	32.5	2.8	73.3
2026	17.0	-	-	21.1	21.0	2.6	61.7
2027	36.0	-	-	21.1	17.1	-	74.2
2028	36.0	-	-	17.8	14.1	-	67.9
2029	36.0	-	-	17.8	8.8	-	62.6
2030	35.9	-	-	17.8	5.6	-	59.3
2031	23.4	-	-	17.8	2.9	-	44.1
2032	23.4	-	-	17.8	-	-	41.2
2033	23.4	-	-	17.8	-	-	41.2
2034	23.4	-	-	-	-	-	23.4
2035	$ -	$ -	$ -	$ -	$ -	$ -	$ -

1 - There are two prisons, a building and a parking garage financed with capital leases
2 - FY2012 - 2031 payments rely on the Department of Education & Early Developments files as of 6/30/2011
3 - State G.O. debt service includes 12/2010 sale net of federal subsidies on interest expense through 2034
4 - On September 28, 2011 $20.615 million of optionally redeemable Capital Leases Obligations were refeased
5 - On Novemberr 23, 2011 $20.1 million of optionally redeemable COPs were refeased

TABLE 5.0
State of Alaska Debt Service to Unrestricted Revenues
Fall 2012 Revenue Forecast of the Department of Revenue

Fiscal Year	Unrestricted Revenues	State G.O. Debt Service	State Supported Debt Service	Total State Debt Service	School Debt Transfers	Total Debt Service to Revenues
	($Millions)	%	%	%	%	%
1980	3,718.0	2.0	0.3	2.3	0.6	3.0
1981	4,108.4	2.4	0.3	2.7	0.9	3.6
1982	3,631.0	2.7	0.3	3.0	1.1	4.1
1983	3,587.8	4.0	0.3	4.3	1.0	5.4
1984	3,390.1	4.9	0.4	5.3	2.7	7.9
1985	3,260.0	5.2	0.4	5.6	2.9	8.4

TABLE 5.0 (Continued)
State of Alaska Debt Service to Unrestricted Revenues
Fall 2012 Revenue Forecast of the Department of Revenue

Fiscal Year	Unrestricted Revenues	State G.O. Debt Service	State Supported Debt Service	Total State Debt Service	School Debt Transfers	Total Debt Service to Revenues
	($Millions)	%	%	%	%	%
1986	3,075.5	5.3	0.4	5.7	3.5	9.2
1987	1,799.4	8.6	0.7	9.3	6.4	15.8
1988	2,305.8	6.4	0.6	7.0	4.7	11.7
1989	2,186.2	6.2	0.6	6.8	5.0	11.8
1990	2,507.2	4.8	0.6	5.4	4.3	9.7
1991	2,986.6	3.2	0.5	3.7	3.9	7.6
1992	2,462.6	2.8	0.6	3.4	5.2	8.6
1993	2,352.0	2.5	0.6	3.2	5.4	8.6
1994	1,652.5	2.0	0.5	2.6	6.0	8.6
1995	2,082.9	1.1	0.5	1.6	5.0	6.6
1996	2,133.3	1.0	0.5	1.5	3.7	5.2
1997	2,494.9	0.7	0.4	1.1	2.5	3.6
1998	1,825.5	0.8	0.6	1.4	3.4	4.7
1999	1,348.4	0.7	1.2	1.8	4.6	6.3
2000	2,081.7	0.1	0.9	1.0	3.1	4.1
2001	2,281.9	0.0	0.7	0.7	2.3	3.0
2002	1,660.3	0.0	1.3	1.3	3.3	4.5
2003	1,947.6	0.0	1.1	1.1	2.7	3.7
2004	2,345.6	0.8	0.9	1.7	2.6	4.3
2005	3,188.8	1.5	0.7	2.2	2.2	4.4
2006	4,200.4	1.1	0.6	1.7	1.9	3.6
2007	5,158.6	0.9	0.5	1.4	1.7	3.1
2008	10,749.1	0.4	0.3	0.6	0.8	1.4
2009	5,831.2	0.8	0.6	1.3	1.6	2.9
2010	5,513.3	0.9	0.8	1.7	1.7	3.4
2011	7,673.0	0.7	0.6	1.3	1.3	2.6
2012	9,485.2	0.8	0.4	1.3	1.1	2.3
projected						
2013	7,511.7	1.0	0.5	1.6	1.4	3.0
2014	7,001.9	0.8	0.5	1.4	1.5	2.8
2015	6,959.5	0.7	0.5	1.2	1.4	2.6
2016	6,999.5	0.7	0.5	1.1	1.4	2.5
2017	7,105.5	0.7	0.4	1.1	1.3	2.4
2018	6,970.1	0.7	0.4	1.0	1.2	2.3
2019	6,719.2	0.7	0.4	1.1	1.2	2.2
2020	6,486.6	0.5	0.4	0.9	1.1	2.0
2021	6,208.6	0.6	0.4	0.9	1.1	2.1
2022	5,969.5	0.4	0.4	0.8	1.0	1.8

TABLE 5.1
State of Alaska
Ratio of State General Obligation Debt to Property Values

Year	Full Value: Cities, Boroughs & Unincorporated Areas at 1/1 $(millions)	G.O. Bonds Outstanding at 6/30 $(millions)	Ratio of Debt to Full Value %
1974	4,853	293	6.0%
1975	6,673	392	5.9%
1976	11,679	462	4.0%
1977	17,102	530	3.1%
1978	21,344	596	2.8%
1979	25,003	670	2.7%
1980	26,927	631	2.3%
1981	29,780	701	2.4%
1982	35,226	842	2.4%
1983	39,090	946	2.4%
1984	45,009	924	2.1%
1985	48,915	816	1.7%
1986	55,026	706	1.3%
1987	47,905	598	1.2%
1988	42,250	489	1.2%
1989	39,563	386	1.0%
1990	39,668	290	0.7%
1991	40,933	213	0.5%
1992	42,167	159	0.4%
1993	42,357	108	0.3%
1994	42,829	78	0.2%
1995	44,394	58	0.1%
1996	45,232	39	0.1%
1997	47,013	24	0.1%
1998	47,541	11	0.0%
1999	49,158	2	0.0%
2000	50,773	0	0.0%

TABLE 5.1 (Continued)
State of Alaska
Ratio of State General Obligation Debt to Property Values

Year	Full Value: Cities, Boroughs & Unincorporated Areas at 1/1 $(millions)	G.O. Bonds Outstanding at 6/30 $(millions)	Ratio of Debt to Full Value %
2001	53,230	0	0.0%
2002	55,247	0	0.0%
2003	58,361	462	0.8%
2004	59,230	462	0.8%
2005	66,308	438	0.7%
2006	66,847	414	0.6%
2007	84,253	390	0.5%
2008	86,717	364	0.4%
2009	90,428	503	0.6%
2010	93,138	476	0.5%
2011	98,969	628	0.6%
2012	101,328	576	0.6%

Source: Alaska Taxable Alaska Department of Commerce, Community, and Economic Developement.

TABLE 5.2
State of Alaska
Retirement System's Financial Status
$ (millions)

Public Employees' Retirement System (PERS)

	6/30/2006	6/30/2007	6/30/2008	6/30/2009	6/30/2010	6/30/2011
Present Value of Accrued Benefits	$ 14,388	$ 14,570	$ 15,888	$ 16,579	$ 18,132	$ 18,741
Value of Assets	$ 9,041	$ 9,901	$ 11,040	$ 10,243	$ 11,157	$ 11,814
Funding Level for Accrued Benefits	$ (5,347)	$ (4,669)	$ (4,848)	$ (6,336)	$ (6,975)	$ (6,927)
Funding Ratio	62.8%	68.0%	69.5%	61.8%	61.5%	63.0%

Teachers' Retirement System (TRS)

	6/30/2006	6/30/2007	6/30/2008	6/30/2009	6/30/2010	6/30/2011
Present Value of Accrued Benefits	$ 6,499	$ 7,189	$ 7,619	$ 7,848	$ 8,848	$ 9,129
Value of Assets	3,959	4,424	4,937	4,473	4,739	4,938
Funding Level for Accrued Benefits	$ (2,540)	$ (2,765)	$ (2,682)	$ (3,375)	$ (4,109)	$ (4,191)
Funding Ratio	60.9%	61.5%	64.8%	57.0%	53.6%	54.1%

Source: State of Alasa PERS and TRS valuation reports

TABLE 5.3
State of Alaska Credit Rating History
ratings as of date shown

Moody's Investor Service		Standard and Poor's Corp.		Fitch Investors Service	
July 13, 1961	Baa	June 4, 1971	A	May 3, 1994	AA
September 12, 1969	Baa1	January 23, 1975	A+	March 25, 2010	AA+
August 29, 1974	A1	June 14, 1980	AA-	January 7, 2013	AAA
June 13, 1980	Aa	August 5, 1992	AA		
November 26, 1998	Aa2	March 27, 2008	AA+		
November 22, 2010	Aaa	January 5, 2012	AAA		

TABLE 5.4
Alaska Private Activity Bond Ceiling Allocations
Use and Carryforwards - Last Five Years
$ (thousands)

Calendar Year	Annual Cap	Allocations	Recipient
2008	262,500	131,048	to ASLC
		131,048	to AHFC
2009	273,270	123,270	to ASLC
		150,000	to AHFC
2010	273,775	257,601	to AHFC
		14,911	to AIDEA
		1,263	to AEA
2011	277,820	277,820	to AHFC
2012	284,560	284,560	to AHFC

APPENDIX B

State's Post Issuance Policy

STATE OF ALASKA
POST ISSUANCE COMPLIANCE POLICY

This policy is intended to guide the State of Alaska (the "State") in meeting its obligations under applicable statutes, regulations and documentation associated with publicly offered and privately placed securities of the State. This policy addresses obligations of the State that arise and will continue following the issuance of securities. The State maintains a separate Debt Policy with respect to matters related to the issuance of security obligations, including compliance with the State's disclosure obligations related to securities issuance. These obligations may arise as a result of federal tax law (with respect to tax-exempt securities) and securities laws (with respect to ongoing disclosure) or as a result of contractual commitments made by the State. This policy outlines obligations that may be applicable to each issue of securities and identifies the party to be responsible for monitoring compliance. In the State, the Debt Manager will be responsible for ensuring that the policy is followed and checklists and records maintained. The Debt Manager may delegate responsibility to employees and outside agents for developing records, maintaining records and checklists. The State will provide educational opportunities (opportunities to attend educational programs/seminars on the topic) for the parties identified in this policy with responsibilities for post-issuance compliance in order to facilitate their performance of these obligations.

A. Transcripts.

1. The State's bond counsel shall provide the State with three copies of a full transcript related to the issuance of securities (for each issue). The transcript shall be delivered in the following forms: one 3-ring binder, one soft cover and one CD-ROM and transcripts shall be delivered to the State within six months following the date of issuance of securities. It is expected that the transcript will include a full record of the proceedings related to the issuance of securities, including proof of filing an 8038-G or 8038-GC, if applicable.

2. Bond transcripts will be retained by the following parties and in the following locations within the State: Debt Manager's office at State of Alaska Department of Revenue and State of Alaska Attorney General's office.

B. Federal Tax Law Requirements (Applicable only if the securities are issued as "tax-exempt" securities).

1. *Use of Proceeds*.

a. If the project(s) to be financed with the proceeds of the securities will be funded with multiple sources of funds, the State will adopt an accounting methodology that:

___ maintains each source of funding separately and monitors the actual expenditure of proceeds of the securities;

___ commingles the proceeds and monitors the expenditures on a first in, first out basis; or

___ provides for the expenditure of funds received from multiple sources on a proportionate basis.

b. Records of expenditures (timing of expenditure and object code) of the proceeds of securities will be maintained by the Debt Manager.

c. Records of investments and interest earnings on the proceeds of securities will be maintained by the Debt Manager. Such records should include the amount of each investment, the date each investment is made, the date each investment matures and if sold prior to maturity, its sale date, and its interest rate and/or yield. Interest earnings on proceeds will be deposited in the fund in which the proceeds of the securities were deposited (if not, then the plan for use of interest earnings will be discussed with the State's bond counsel).

d. Records of interest earnings on reserve funds maintained for the securities.

2. *Arbitrage Rebate*. The Debt Manager of the State ("Rebate Monitor") will monitor compliance with the arbitrage rebate obligations of the State for each issue ("issue") of securities which are described in further detail in the tax certificate if any, executed by the State for each issue and included in the transcript for the issue. If the State did not execute a tax certificate in connection with an issue, the Rebate Monitor should consult with the State's bond counsel regarding arbitrage rebate requirements. The State will provide educational opportunities (opportunities to attend educational programs/seminars on the topic) for the Debt Manager in order to facilitate his/her performance of these obligations.

a. If the Rebate Monitor determines that the total principal amount of tax-exempt governmental obligations (including all tax-exempt leases, etc.) of the State issued by or on behalf of the State and subordinate entities during the calendar year, including the issue, will not be greater than $5,000,000, plus such additional amount not in excess of $10,000,000 as is to be spent for the construction of public school facilities, the Rebate Monitor will not be required to monitor arbitrage rebate compliance for the issue, <u>except</u> to monitor expenditures and the use of proceeds after completion of the project (see #3 below). For purposes of this paragraph, tax-exempt governmental obligations issued to currently refund a prior tax-exempt governmental obligation will only be taken into account to the extent they exceed the outstanding amount of the refunded bonds.

b. If the Rebate Monitor determines that the total principal amount of tax-exempt governmental obligations (including all tax-exempt leases, etc.) of the State issued or incurred any calendar year is greater than $5,000,000, plus such additional amount not in excess of $10,000,000 as is to be spent for the construction of public facilities, the Rebate Monitor will monitor rebate compliance for each issue of tax-exempt governmental obligations issued during that calendar year.

i. *Rebate Exceptions.* The Rebate Monitor will review the tax certificate, if any, in the transcript in order to determine whether the State is expected to comply with a spending exception that would permit the State to avoid having to pay arbitrage rebate. If the tax certificate identifies this spending exception (referred to as the six-month exception, the 18 month exception or the 2-year exception), then the Rebate Monitor will monitor the records of expenditures (see B.1 above) to determine whether the State met the spending exception (and thereby avoid having to pay any arbitrage rebate to the federal government). If the State did not execute a tax certificate in connection with an issue, the Rebate Monitor should consult with bond counsel regarding the potential applicability of spending exceptions.

ii. *Rebate Compliance.* If the State does not meet or does not expect to meet any of the spending exceptions described in (i) above, the State will:

x. review the investment earnings records retained as described in B.1 above. If the investment earnings records clearly and definitively demonstrate that the rate of return on investments of all proceeds of the issue were lower than the yield on the issue (see the tax certificate in the transcript), then the State may opt no to follow the steps described in the following paragraph.

y. retain the services of an arbitrage rebate consultant in order to calculate any potential arbitrage rebate liability. The rebate consultant shall be selected no later than the completion of the project to be financed with the proceeds of the issue. A rebate consultant may be selected on an issue by issue basis or for all securities issues of the State. The Rebate Monitor will obtain the names of at least three qualified consultants and request that the consultants submit proposals for consideration prior to being selected as the State's rebate consultant. The selected rebate consultant shall provide a written report to the State with respect to the issue and with respect to any arbitrage rebate owed if any.

z. based on the report of the rebate consultant, file reports with and make any required payments to the Internal Revenue Service, no later than the fifth anniversary of the date of each issue (plus 60 days), and every five years thereafter, with the final installment due no later than 60 days following the retirement of the last obligation of the issue.

c. *Yield Reduction Payments.* If the State fails to expend all amounts required to be spent as of the close of any temporary period specified in the Tax Certificate (generally 3 years for proceeds of a new money issue and 13 months for amounts held in a debt service fund), the State will follow the procedures described in B.2.b.ii above to determine and pay any required yield reduction payment.

3. *Unused Proceeds Following Completion of the Project.* Following completion of the project(s) financed with the issue proceeds, the Debt Manager will:

a. review the expenditure records to determine whether the proceeds have been allocated to the project(s) intended (and if any questions arise, consult with bond counsel in order to determine the method of re-allocation of proceeds); and

b. direct the use of remaining unspent proceeds (in accordance with the limitations set forth in the authorizing proceedings (i.e., bond ordinance) and if no provision is otherwise made for the use of unspent proceeds, to the redemption or defeasance of outstanding securities of the issue.

4. *Use of the Facilities Financed with Proceeds*. In order to maintain tax-exemption of securities issued on a tax-exempt basis, the financed facilities (projects) are required to be

used for governmental purposes during the life of the issue. The Debt Manager of the State will monitor and maintain records regarding any private use of the projects financed with tax-exempt proceeds. The IRS Treasury Regulations prohibit private business use (use by private parties (including nonprofit organizations and the federal government)) of tax-exempt financed facilities beyond permitted *de minimus* amounts unless cured by a prescribed remedial action. Private use may arise as a result of:

a. Sale of the facilities;

b. Lease of the facilities (including leases, easements or use arrangements for areas outside the four walls, e.g., hosting of cell phone towers);

c. Management contracts (in which the State authorizes a third party to operate a facility (e.g., cafeteria);

d. Preference arrangements (in which the State grants a third party preference of the facilities, e.g., preference parking in a public parking lot).

If the Debt Manager identifies private use of tax-exempt debt financed facilities, the Debt Manager will consult with the State's bond counsel to determine whether private use will adversely affect the tax-exempt status of the issue and if so, what remedial action is appropriate.

5. *Records Retention.*

a. Records with respect to matters described in this Subsection B will be retained by the State for the life of the securities issue (and any issue that refunds the securities issue) and for a period of three years thereafter.

b. Records to be retained:

(i) The transcript;

(ii) Arbitrage rebate reports prepared by outside consultants;

(iii) Work papers that were provided to the rebate consultants;

(iv) Records of expenditures and investment receipts (showing timing of expenditure and the object code of the expenditure and in the case of investment, timing of receipt of interest earnings). (Maintenance of underlying invoices should not be required provided the records include the date of the expenditure, payee name, payment amount and object code; however, if those documents are maintained as a matter of policy in electronic form, then the State should continue to maintain those records in accordance with this policy);

(v) Copies of all certificates and returns filed with the IRS (e.g., for payment of arbitrage rebate); and

(vi) Copies of all leases, user agreements for use of the financed property (agreements that provide for use of the property for periods longer than 30 days), whether or not the use was within the four walls (e.g., use of the roof of the facility for a cell phone tower).

C. Ongoing Disclosure. Under the provisions of SEC Rule 15c2-12 (the "Rule"), underwriters are required to obtain an agreement for ongoing disclosure in connection with the public offering of securities. Unless the State is exempt from compliance with the Rule as a result of certain permitted exemptions, the transcript for each issue will include an undertaking by the State to comply with the Rule. The Debt Manager of the State will monitor compliance by the State with its undertakings. These undertakings may include the requirement for an annual filing of operating and financial information and will include a requirement to file notices of listed "material events." For some types of material events (early bond calls), the State's fiscal agent has undertaken the responsibility of filing notice of the applicable material event.

D. Other Notice Requirements. In some instances, the proceedings authorizing the issuance of securities will require the State to file information periodically with other parties, e.g., bond insurers, banks, rating agencies. The types of information required to be filed may include (1) budgets, (2) annual financial reports, (3) issuance of additional debt obligations, and (4) amendments to financing documents. The Debt Manager of the State will maintain a listing of those requirements and monitor compliance by the State.

APPENDIX C

"U.S. State Government Tax-Supported Rating Criteria"

U.S. State Government Tax-Supported Rating Criteria

Sector-Specific Criteria

This report replaces the report of the same title published on Aug. 15, 2011 and fully incorporates and expands upon Fitch Ratings' tax-supported rating criteria, with a focus on U.S. state government debt.

Related Criteria

Tax-Supported Rating Criteria, Aug. 14, 2012

Rating Guidelines for State Credit Enhancement Programs, June 19, 2012

Rating Guidelines for Moral Obligations, April 20, 2012

Guidelines for Rating Assessment-Secured Debt Issued by State-Sponsored Property Insurers, Feb. 17, 2012

Rating U.S. Municipal Short-Term Debt, Dec. 8, 2011

Related Research

Improving Comparability of State Liabilities, March 28, 2012

Enhancing the Analysis of U.S. State and Local Government Pension Obligations, Feb. 17, 2011

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Four Interactive Key Rating Factors: Fitch Ratings evaluates four major factors (debt, economy, finances, and management) to establish the credit quality of a U.S. state government bond. The rating process analyzes trends in these areas and seeks to identify actual and potential future obligations and exposures. The major rating factors are interactive. For example, while a state may have a vibrant and wealthy economy, weak fiscal management may offset positive credit factors. In turn, a weak economy may be offset by other strengths, such as proactive management or a very low debt burden. The emphasis on specific factors is influenced by the nature of the rated security, with the analysis of bonds backed by a specific revenue stream focusing more on economic drivers of that revenue and less on management and administrative factors.

Debt and Other Long-Term Liabilities: In evaluating debt and other long-term liabilities, Fitch seeks to determine the extent and nature of the issuer's outstanding liabilities and evaluates the outlook for the future, with a focus on affordability and flexibility.

Economy: Fitch's economic analysis considers the capacity of the issuer's economic base to support balanced ongoing operations and repayment of debt and provides insight into potential future financial and debt resources or challenges.

Finances: Fitch's analysis of finances is focused on the issuer's financial resources and flexibility to support its obligations over the near and long terms.

Management and Administration: Management practices and actions can positively or negatively influence the other major credit factor. Fitch's analysis of management encompasses both elected officials and appointed staff members.

Strong Legal and Institutional Framework: Fitch's analysis of U.S. state governments incorporates the extraordinary autonomy that states possess in the U.S. government framework. U.S. states have substantial control over revenue-raising and spending. In addition, the states' primary role is funding rather than providing services (primarily education and social services), allowing additional flexibility to control expenditures by downloading fiscal challenges to service providers. The majority of U.S. states are required to craft balanced budgets, and states cannot file under Chapter 9 of the U.S. Bankruptcy Code.

Very High Credit Quality: Fitch's ratings for states' GO debt generally fall within the two highest rating categories of 'AAA' or 'AA', with a few outliers. The GO full faith and credit pledge is the broadest security a U.S. state government can provide and, therefore, is the best indicator of its overall credit quality. The top-tier ratings reflect states' inherent strengths. U.S. states generally have broad economic and tax base resources and strong powers to manage their budgets. Given these inherent strengths, in only a few instances have the inability or unwillingness to address large financial challenges led to ratings below the 'AA' category. Due to their high degree of autonomy, Fitch does not cap U.S. states' ratings at the federal government's rating.

Scope and Limitations

This report represents a sector-specific extension to Fitch's global criteria "Tax-Supported Rating Criteria," dated Aug. 14, 2012 and available on Fitch's Web site at www.fitchratings.com. It identifies factors considered by Fitch in assigning ratings to a particular entity or debt instrument within the scope of the criteria. This criteria report covers Fitch's analysis of bonds supported by the issuer's GO pledge as well as special tax bonds (which Fitch defines as bonds secured by tax revenues but not a GO pledge) and state appropriation-backed debt.

Ratings are assigned to individual borrowings where criteria requirements are met. Not all rating factors outlined in this report may apply to each individual rating or rating action. Each specific rating action commentary or rating report will discuss those factors most relevant to the individual rating action.

Rated Security

Prior to an analysis of a state government's general credit quality, Fitch details the nature of the security being rated and evaluates the relationship between the credit quality of the security and the general credit quality of the state.

Legal Pledge

A security's rating takes into account the strength of the legal pledge. If a debt obligation carries both primary and back-up pledges, such as a special tax pledge backed by a GO, Fitch takes note of the "double-barreled" feature but does not consider the two pledges to be additive. Instead, Fitch will rate the issue based on the stronger of the two pledges.

As noted above, the GO full faith and credit pledge is the broadest security a U.S. state government can provide to the repayment of its long-term debt, and the rating on this type of obligation reflects the general credit quality of the issuer.

In cases where bond payment requires annual or biennial legislative appropriation, this lesser long-term commitment to repayment generally is reflected in a lower rating than the GO rating. Such debt is typically rated one notch below the GO rating. If concerns about non-appropriation are heightened as, for example, in cases where there is no clear essentiality for the project being funded (e.g. sports stadium financing), such debt can be rated two or more notches below the GO rating.

Similarly, if there are concerns about the adequacy of funds from which appropriation may be made, the mechanism for or timing of the appropriation and debt service payments, or the issuer's commitment to the obligation, the debt may be rated more than one notch below the GO rating. Conversely, if the risk of non-appropriation is judged to be effectively eliminated, for example, through a mechanism that traps substantial operating funds if appropriation is not made, the appropriation debt can be rated on par with the GO credit. Fitch considers the issuer's recognition and treatment of the obligation in its legislative, administrative, and budget processes a significant indicator of its commitment to the debt.

The rating for a special tax security, where payment is derived from a specific tax revenue source, while still informed by the analysis of the state's general credit, also reflects structural factors, such as lien status, indenture requirements, and debt service coverage, and places more emphasis on analysis of the breadth and stability of the revenue stream used to secure the bonds.

The rating of special tax bonds issued by states may be higher than that of the GO credit, although this is rare because state GO bond ratings tend to be at or above the level that any special tax bond would support due to the broad nature of the GO pledge and states' inherent credit strengths. To achieve a rating higher than the GO rating, the special tax security must be structured to provide bondholders a statutory lien and an irrevocable priority security interest in the special tax, and the flow of the pledged revenue must be structurally protected from the state's general financial operations. The amount of credit Fitch will give to such a structure is tempered by the risk that a state, faced with extreme financial stress, could exercise its sovereign powers to the detriment of bondholders.

Lien Status

In state tax-supported ratings, the lien status is generally only a rating consideration for special tax bonds, which normally provide a first lien on pledged revenue. Rating distinctions between senior and subordinate lien debt generally are based on notably weaker legal protections for subordinate bonds provided by the indenture. Fitch only makes such distinctions in cases where there are no cross-default provisions between the liens and, when made, the distinctions are generally small (one to two notches).

Indenture Requirements and Relevant Statutes

Similar to lien status, indenture requirements are most relevant to special tax bonds. Important indenture provisions include the issuer's covenants, the flow of funds, any requirements that enhance or hinder bondholders' ability to be repaid, recourse available to bondholders that could prevent a default, and, in particular, the additional bonds test (ABT). Bondholder protections incorporated into statute are particularly strong.

Since special taxes are almost always levied at a fixed rate, bondholder protections for debt obligations supported by such revenues generally do not include rate covenants. Consequently, restricting future debt service coverage dilution through limits on additional bond issuance is a critical rating factor. In analyzing projected debt service coverage, Fitch considers the ABT and practical limits to additional issuance. Regardless of current issuance plans, Fitch considers the impact of leveraging the pledged revenue to the full extent permitted by the test.

ABTs for special tax bonds cover a broad range but are generally based on historical collections and require coverage by pledged revenue in a recent 12-month period of MADS. Narrower taxes require higher coverage thresholds for additional issuance to achieve high ratings, although greater coverage can only partially offset an inherently weak tax base. Fitch views ABTs based solely on projected revenue unfavorably. If variable-rate debt is permitted, Fitch views most favorably a calculation of MADS utilizing a significantly higher long-term interest rate than the prevailing rate at the time of issuance.

For special tax bonds, a debt service reserve fund (DSRF) can provide a buffer against low tax-collection periods. Fitch believes this protection is more important for structures with relatively weak coverage or revenue streams with significant volatility and has little impact on the credit quality of bonds whose coverage and ABTs are already strong. However, if coverage begins to erode, an issuer's rating may decline more quickly in the absence of a DSRF. The credit given to a DSRF funded with a surety bond will be determined in accordance with the criteria for enhancement providers, found in Fitch's "Counterparty Criteria for Structured Finance Transactions," dated May 30, 2012.

Bank Bond Ratings

In conjunction with or subsequent to a borrower's issuance of variable-rate demand bonds, Fitch may be asked to assign a long-term rating to the borrower's corresponding bank bonds, i.e. variable-rate demand bonds that have been tendered and not remarketed and then purchased by the liquidity provider in accordance with the liquidity support agreement. Fitch bases this rating on its analysis of the underlying credit strength of the issue, taking into consideration the potential negative effects of a purchase of the bonds by the bank, which may include a ramp-up in interest rates and an accelerated repayment of principal. Since these factors are considered in Fitch's analysis of the underlying rating of all parity debt, including any variable-rate demand obligations (VRDOs), bank bonds whose security is on parity with their corresponding VRDOs carry the same underlying long-term rating as those VRDOs.

Similarly, an obligation arising from commercial paper being purchased by a liquidity provider would be assigned the same rating as the issuer's parity obligations.

Debt and Other Long-Term Liabilities

In evaluating debt and other long-term liabilities, Fitch seeks to determine the extent and nature of the issuer's outstanding liabilities and evaluates the outlook for the future, with a focus on affordability and flexibility.

Debt Ratios and Trends

Debt analysis includes a review of trends in the amount of debt issued and outstanding, and in debt in relation to resources. Sustained increases in debt at a rate in excess of economic growth may ultimately overburden a tax base and strain budget resources. State debt measures are reviewed in the context of factors that affect the magnitude of borrowing, such as the allocation of functions between the state and other levels of government.

State debt analysis focuses on net tax-supported debt, which includes all long-term, fixed obligations of the issuer, excluding debt fully supported by user charges, tobacco settlement bonds, and unfunded pension and other post-employment benefit (OPEB) liabilities, which are considered separately in the context of an issuer's overall long-term liabilities. Fitch includes grant anticipation revenue vehicles (GARVEEs), which are special obligations supported by the state's share of federal transportation funds, in the calculation of net tax-supported debt because, by dedicating this portion of a state's transportation resources, a GARVEE bond is effectively committing state resources. Bond anticipation notes and commercial paper are included in debt calculations if it is expected that such instruments will be replaced with long-term debt. Fitch also includes bonds issued to fund a pension obligation (POB) in net tax-supported debt calculations.

In general, a low debt burden is a positive credit factor. Fitch considers net tax-supported debt measured against a state's personal income the best indicator of debt burden, because a state typically derives its financial resources directly or indirectly from this wealth base. Generally, Fitch considers a ratio of net tax-supported debt to personal income of less than 2% to be a low burden on resources. Debt to personal income ranging from 2%–7% is considered moderate. A debt to personal income ratio greater than 10% is generally considered very high, a point at which servicing debt may pose a significant ongoing constraint on resources. Fitch also reviews debt per capita. Although not a wealth measure, debt per capita links outstanding obligations to the population benefiting from the debt and allows for ready comparability among states.

Another measure of affordability is debt service as a percentage of general government spending. The ratio reveals the relative burden of debt against other budgetary needs and, under stress scenarios, may indicate the extent to which debt service could crowd out other needs.

For special tax bonds, debt ratio analysis includes the calculation of historical, current, and projected future coverage of debt service by the pledged revenue source.

Debt Structure

Fitch reviews the types and proportions of debt utilized (e.g. GO, appropriation-backed, or special tax). A change over time in the composition of debt, such as a shift to appropriation debt from GO, may indicate a change in public support for debt issuance. The amount of short-term debt is also reviewed in relation to prior-period short-term borrowing. The presence of short-term borrowing may indicate uneven timing of revenue receipts or expenditures that is part of the state's normal operations; however, it also could indicate financial stress and could present a financial pressure in and of itself.

Fitch views the disclosure of all debt obligations of the entity, including direct bank placements and other obligations that may not carry ratings, to be a management best practice. Fitch will include all such obligations, including the impact of any covenants they may contain, into its analysis.

Fitch also analyzes the rate at which debt is repaid. The pace of debt amortization is a general indicator of the level of conservatism of a state's debt management. Fitch considers a 65% or more rate of amortization over 10 years to be rapid. A state that maintains rapid debt amortization, even considering a higher-than-average debt burden, benefits from greater financial flexibility and the fiscal capacity to continuously finance its capital requirements, as debt rolling off makes room for new issuance. Fitch's analysis also notes changes to the pace of amortization over time.

The review of outstanding debt includes an assessment of the uses of borrowed funds. The use of bonding for noncapital purposes is considered a credit weakness, and deficit borrowing is a clear negative credit factor, although this can be mitigated to some extent if issuance is limited and in the context of a larger plan to address an overall state financial shortfall.

Another consideration is the percentage of variable-rate obligations in the state's debt portfolio. Fitch views high levels of short-term debt, variable-rate debt, debt with put features, and the use of derivative products, such as swaps and swaptions, with concern to the extent that they expose the entity to the possibility of unexpected and, in extreme cases, unaffordable financial demands in the future. Fitch looks for the issuer to have a clear understanding of the benefits and risks associated with these types of transactions and products, and the financial and legal flexibility to adjust its debt structure as appropriate. Generally, Fitch considers a level of 15%–20% of variable-rate debt a prudent maximum for states.

Future Capital and Debt Needs

Debt factors are considered within the context of the issuer's infrastructure needs and capital plans. Current debt levels may be low; however, future capital projects may significantly increase debt ratios, weakening the issuer's debt profile. Fitch evaluates the impact of expected future debt on the issuer's debt ratios and views favorably a comprehensive and realistic approach to capital planning. The issuer's ability to meet its capital needs where there are restrictions on debt issuance is also a consideration.

In rating special tax bonds, Fitch reviews the issuer's stated plans for issuance in light of existing capital needs, expected economic growth levels or deferred maintenance, and alternative funding sources, recognizing the possibility that there may be future issuance not currently foreseen that would dilute coverage.

Pension and Other Post-Employment Benefit Funding

Fitch reviews defined benefit pension plan and OPEB funding as part of the analysis of debt and long-term liabilities. Defined contribution plans are not subject to Fitch's pension analysis, as they are a predictable annual commitment and considered as part of the issuer's operating budget.

The analysis of pension obligations focuses on whether there has been stabilization or progress in the funded ratio over time and a commitment to funding actuarially calculated annual required contributions (ARCs). Key considerations are the magnitude of the liability, the funded ratio, the size of the resource base from which funding is derived and the liability as a percentage of this base, the amount of the state's budget needed to make pension contributions, and the state's historical commitment (or lack thereof) to system funding, as well as actuarial and other assumptions influencing the burden.

For each rated entity, Fitch closely evaluates all significant pension plans in which the government participates. This generally excludes the smallest systems, such as the pension plans for judges and legislators that exist in many states but do not place a meaningful burden on resources. Fitch does not attribute to the state all the obligations of the state-run, cost-sharing, multi-employer (CSME) pension systems through which many state and local governments provide pensions to their employees. In many cases, the state is not the majority employer or contributor in a state-run system.

When available, Fitch relies on states' explicit allocations of CSME plan liabilities. If no such data are available, Fitch makes an estimate using other disclosed pension data. Recognizing states' responsibility for multi-employer plans; however, Fitch considers all of a state-sponsored multiemployer plan's unfunded actuarial accrued liability (UAAL) as a contingent liability of the state.

To improve comparability among plans, Fitch creates standardized investment return scenarios. Fitch considers the funded ratio with a 7% investment return assumption adjustment, rather than the funded ratio as reported by the system. Fitch generally considers pensions with funded ratios 80% and above to be well-funded. Achieving sufficient funding from a relatively low funded ratio will inevitably pose more of a burden over time than doing so from a relatively high funded ratio.

Fitch views favorably states that have well-funded pension plans and consistently fund the ARC. In cases where a pension or OPEB unfunded liability is sizable, Fitch views positively actions or plans to reduce it over time. Concerns arise if the liability level is high or increasing, or if the actual contribution is consistently below the ARC.

Although pension and OPEB liabilities are not included in the calculation of an issuer's net tax-supported debt ratio, Fitch does calculate an additional long-term liability metric for use in the credit analysis of states. This metric measures each state's net tax-supported debt combined with the portion of the UAALs of its major pension systems that are the responsibility of the state as a percentage of personal income. Fitch calculates the debt plus pension metric using the adjusted UAALs to reflect a 7% investment return assumption.

The pension component of the combined metric aggregates the UAALs for which the state takes direct responsibility for all major state-sponsored systems. The share of state multiemployer systems' UAALs that is attributable to other (generally local) government employers is excluded from the calculation.

Fitch believes that OPEB is a legally softer obligation than debt or pensions, perhaps more aptly considered a service obligation, that, in most cases, is subject to modification by the government. As such, Fitch does not calculate a metric that includes a state's OPEB liability.

Indirect Risks and Contingent Liabilities

In looking at a state's debt obligations, Fitch examines not only liabilities directly incurred and payable by the issuer, but also outstanding debt for which the issuer may in the future have an obligation. Examples include moral obligations, where the issuer may support — but is not legally obligated to support — the debt upon failure of the primary security. Such obligations are monitored but typically excluded from direct debt calculations, unless the issuer's resources have been relied on to cover the obligation during the past three years.

Attributes: Debt and Other Long-Term Liabilities

Above Average	• Low overall debt burden as measured by debt to personal income (less than 2%). • Low debt service burden. • Modest future capital and debt needs. • Debt amortization greater than 65% within 10 years. • Consistent full funding of pension ARC. • Low combined debt and unfunded pension liability (using a 7% discount rate) as percent of personal income (less than 6%). • Limited OPEB liability.
Average	• Moderate overall debt levels as measured by debt to personal income (2%–7%). • Manageable debt service burden. • Manageable future capital and debt needs. • Average debt amortization. • Commitment to funding of pension ARC. • Moderate combined debt and unfunded pension liability (using a 7% discount rate) as percent of personal income (less than 10%). • Moderate OPEB liability and/or some efforts to prefund OPEB obligations or reduce the liability.
Below Average	• High overall debt levels as measured by debt to personal income (more than 7%). • High debt service burden. • Large future capital and debt needs without identified funding sources. • Slow debt amortization (less than 40% within 10 years). • Failure to fully fund pension ARC on a consistent basis. • Elevated combined debt and unfunded pension liability (using a 7% discount rate) as percent of personal income (more than 10%). • Large OPEB liability with limited options to reduce.

ARC – Annual required contribution. OPEB – Other post-employment benefits.

Economy

Fitch's economic analysis considers the capacity of the issuer's economic base to support balanced ongoing operations and repayment of debt and provides insight into potential future financial and debt resources or challenges.

Major Economic Drivers

The evaluation of the economy begins with a determination of the types of economic activity that dominate in the state. Although most states benefit from broad economic and tax bases, some economies may be overweighted in an industry like automobile manufacturing or natural resource mining. Fitch identifies the major economic drivers for a state and their direction and considers factors that will either enhance or inhibit growth. Fitch also reviews a state's own forecast of economic trends against both recent experience and other published forecasts. A broad, diverse, and stable economy is a credit strength, and undue concentration in one or a small group of industry sectors or a high level of cyclicality may be cause for concern. For special tax bonds, the analysis includes a determination of the particular economic drivers of the pledged tax revenue.

Employment

Fitch reviews trends in employment and seeks an understanding of why a given sector has expanded or contracted. Historical and recent gains or losses in overall state nonfarm employment are evaluated not only to gauge general expansion, but also to track cyclicality and sensitivity to broader national and regional trends. Trends in unemployment are reviewed in the context of labor force changes and other factors that may have an impact, such as cyclicality. Gross state product trends complement the employment data in cases where the state economy has a large natural resources or agricultural component.

Income and Wealth

Income levels are evaluated on both an absolute basis and relative to regional and national averages. Reviewing trends in the issuer's income and wealth, compared with those of the region and nation, provides an indication of the rate of economic value being created, which has implications for future revenue performance.

Fitch analyzes a state's personal income per capita and its relation to national averages. Total personal income growth is tracked against national and regional averages, which is indicative of the robustness of overall economic growth. The components of personal income are also a valuable analytical tool for understanding which sectors are most influential in the economy, both in their importance to the state and performance over time. Similar to employment, broad growth and balanced sources of income serve as credit positives.

Other Demographic Factors

Fitch reviews key demographic metrics, particularly population trends. Fitch considers the reasons why a particular area attracts or loses population. Demographic structure and projections are important for assessing future expenditure pressures, particularly in healthcare and education.

Among the other demographic factors that Fitch considers are age profile, educational attainment, and poverty level. Each measure serves as an important indicator of current or future demand for state infrastructure and governmental services and as a gauge of economic potential. Internal and international migration data, as well as birth and death rates, further inform the analysis of population growth figures and testify to dynamics of the populace. The age of a state's population is considered not only as a median for comparative purposes, but is also evaluated by age cohort to generally capture school, workforce, and retirement ages. Educational attainment — percentages holding a high school or equivalent degree or at least a bachelor's degree — is reviewed to assess the competitiveness of a state's workforce.

Tax Burden

Comparing the level of taxation, regionally and nationally, can provide an indication of competitiveness, financial flexibility, and/or tax relief pressures. Fitch reviews tax rates in comparison to those of other states nationally and in the region. The analysis of tax rate levels considers the state's role in funding public services versus the role of local governments and the relative breadth or narrowness of tax bases.

Attributes: Economy

Above Average	• Broad, diverse, and stable economic base. • Consistent population and employment growth levels. • Stability and diversity among major employers. • Robust wealth indicators, including personal income per capita. • Solid demographic factors, including average age and education levels.
Average	• Fairly diverse economic base. • Population and employment performance in line with national averages. • Sound wealth indicators, including personal income per capita. • Demographic factors in line with national averages, including average age and education levels.
Below Average	• Limited or concentrated economic base. • Declining population and employment levels. • Dominance of one or a handful of industries or employers. • Below-average wealth indicators. • Weak demographic factors, such as elevated average age or low educational attainment.

Finances

The analysis of a state's finances is focused on evaluating its financial resources and flexibility to support its obligations over the near and long terms. Fitch focuses on the general fund and any other large funds that are responsible for major functions or receive substantial tax revenues, such as education funds or property tax relief funds. State financial recordkeeping and reporting vary considerably. As such, Fitch reviews both budgetary and GAAP-based financial reports; budgetary reports are more timely, while GAAP reports allow for more comparability among the states.

Revenue Analysis

Fitch reviews revenue sources for volatility and diversity. In general, a diverse revenue system with a foundation of broad-based taxes is more stable and better able to capture the issuer's economic wealth, resulting in a stronger financial profile. Reliance on economically sensitive revenues, such as real estate transaction taxes, may expose the issuer to financial volatility and lead to a credit concern.

Fitch also considers the amount of the state's operating revenues that are not under its control, specifically the percentage of revenues coming from the federal government. Fitch evaluates the consistency of federal funding and how potential adjustments would affect the finances of the state.

To determine the stability of a state's revenue structure, Fitch analyzes the historical performance of revenues throughout economic cycles, focusing on base growth (e.g. growth removing the impact of tax rate increases or cuts, or base broadening or narrowing) to fully capture baseline trends. The underlying causes of volatility, such as above-average exposure to capital gains or commodity prices, are evaluated. Fitch's analysis also considers changes to tax rates or bases over time.

The dilution of the general fund through the dedication of major revenue sources to specified purposes, whether by policy decision or voter mandate, generally is viewed negatively as an inhibitor to financial flexibility. However, the motivation for the revenue diversion can mitigate this concern if, for instance, the diversion addresses a long-standing funding pressure for the state.

To evaluate the state's current financial position monthly, or as frequently as possible, budgetary-basis revenue results are compared with budget forecasts for the current year, as well as prior-year results. This provides an early indication of possible financial pressure.

For special tax bonds, the revenue analysis considers the nature of the tax and the historical performance of the pledged revenue stream, including its average rate of growth and year-to-year volatility. If a tax has been recently imposed, historical estimates based on the most similar existing tax are considered. If no similar tax exists, Fitch will look at relevant economic variables to gauge past economic activity.

Expenditure Analysis

Fitch reviews trends in expenditures, the expected stability in each major spending item, and the issuer's flexibility to make adjustments in spending, both as part of the annual budget process and during the course of the fiscal year. The centralized ability, or mandate, to implement timely spending cuts to maintain balance is a credit strength. As states' primary role is funding rather than providing services (primarily education and social services), Fitch considers the state's practical and legal flexibility to reduce funding to service providers, particularly lower levels of government.

The analysis also considers potential funding pressures, including outstanding litigation and unfunded mandates from the federal government. The level of state spending does not necessarily correlate to credit strength; comparatively high-spending states can achieve higher ratings, whereas states with much more limited spending can be financially strained. However, Fitch's analysis considers the state's expenditure profile as an indicator of burdens being placed on the state.

Operating Margin Trends

Fitch evaluates recurring revenues, compared with recurring expenditures. Concerns arise when operating expenditures consistently exceed operating revenues, as the use of nonrecurring revenue is unsustainable and usually leads to depletion of reserves and deeper financial imbalances. Similarly, an increase in accounts payable or deferred payments to service providers can provide an indication of financial strain.

Fund Balance and Reserve Levels

Fitch views a satisfactory fund balance and reserve position as an important cushion against potential revenue and expenditure volatility. The amount Fitch considers satisfactory varies based on such factors as economic concentration, revenue and/or expenditure volatility, and flexibility to adjust revenues and spending. More volatile financial profiles dictate larger financial cushions that will give the state time to react in a downturn. Established reserves that benefit from automatic funding mechanisms and clear restrictions on use are the strongest credit features, but fund balances that have been maintained consistently over time also are beneficial.

Similarly, segregated funds that are available, or could be made available, for general expenditures can contribute to financial flexibility. Annual surpluses in and of themselves are not considered significant financial cushions, as they can be, and often are, appropriated for operations or special purposes.

Fitch reviews trends in reserves and fund balance, with the key metric being reserves and balance levels as a percentage of general government spending. Fitch believes that a general target for prudent reserve levels is 5%–10% of general government spending, although the appropriate level ranges widely by state. GAAP financial statement analyses focus on the unrestricted fund balance as a percentage of revenues, since fund balance designations are discretionary and vary among states.

Liquidity

Fitch analyzes a state's cash position with a focus on the timing of tax collections and disbursements and the availability of internal borrowable funds, if necessary. Those in the strongest position do not depend on external cash flow borrowing. The liquidity analysis is particularly important in periods of financial stress. Balance sheet analyses look at trends in the state's cash position.

Attributes: Financial Profile

Above Average	• Diverse and broad-based sources of operating revenue. • Ample ability and demonstrated willingness to make structural budget adjustments as needed, either as part of the budget process or during the fiscal year. • Consistently positive operating margins. • Consistently sound reserve levels, with clear restrictions on their use and automatic funding mechanisms. • Substantial available liquidity, without requiring external short-term borrowing.
Average	• Broad-based sources of operating revenue, with possibility of some concentration in a relatively broad-based tax source. • Ability and willingness to make budget adjustments to maintain balance as needed, with some use of nonrecurring measures in downturns. • General trend of positive operating margins. • Satisfactory reserve levels maintained over time, with some year-to-year fluctuation. • Sound available liquidity without requiring external short-term borrowing.
Below Average	• Concentrated sources of operating revenue. • Historical inability or unwillingness to make structural budget adjustments as need to maintain balance; reliance on one-time measures to resolve budget shortfalls. • Trend of negative operating margins. • Low or nonexistent reserve levels, without a clear path to replenishment. • Low liquidity levels; external short-term borrowing required to meet routine obligations.

Management and Administration

Management practices and actions can positively or negatively influence the other major credit factors, affording strong ratings to entities with comparatively limited economic or financial resources or weaker ratings to more diverse or affluent entities.

Institutionalized Policies and Budgeting Practices

Fitch views positively implementation of and consistent adherence to sound processes and policies for financial operations and debt. Strong, notable practices include established rainy-day reserve funds (particularly those with automatic funding sources and limits on use), multiyear revenue and expenditure forecasts, restricting use of nonrecurring revenue to nonrecurring expenses, and sound capital planning. Concerning debt policy, affordability guidelines, careful consideration of future needs and the requisite effects on debt levels, and centralized debt management are signs of credit strength.

Fitch reviews an issuer's budgeting practices, particularly revenue and expenditure estimations, and compares the key assumptions included in an issuer's budgets with actual revenues and expenditures over time. Fitch views conservative estimates favorably and is concerned if an issuer does not appear to be fully incorporating current economic, political, or financial conditions. Forecasts developed on a consensus basis among multiple entities, generally the executive branch and the legislature together, are also viewed favorably by Fitch due to the diversity of constituencies employed in their development.

Regular intrayear budget reviews, which can allow an issuer to identify underperforming revenues or overspending in time to make necessary adjustments to eliminate or lessen budget gaps, are also a positive credit factor. Most states are required to pass balanced budgets, and budgetary policies that conservatively limit appropriations to a level below that of estimated revenues (e.g. 98%) are viewed favorably. An ongoing constitutional or statutory authorization or mandate to order expenditure cuts to maintain budgetary balance is a credit positive.

Financial Reporting and Accounting

Fitch assumes compliance with GAAP and relevant Government Accounting Standards Board policies; failure to comply creates significant concerns. Fitch views negatively late releases of audited financial statements. Additional financial reporting, such as interim financial results through the year, is viewed positively.

Political, Taxpayer, and Labor Environment

A key credit factor for states is the efficiency with which an elected government can make service and spending decisions, as well as its ability to adjust and react to changing economic and financial conditions. Fitch evaluates management's willingness and ability to make necessary budget modifications in a timely fashion in lean years and prudently allocate surplus moneys in strong revenue environments.

Evidence of taxpayer dissatisfaction, with either the level of taxation or service provision, is a credit concern, as it may reduce an issuer's flexibility to address budget shortfalls. A negative taxpayer environment could include voter or legislative attempts to contain the government's legal ability to raise revenues or build reserves. This concern increases in environments with easy access to the voter initiative process. As state government spending is more programmatic in nature and not as labor-intensive as that of local governments in most cases, labor relations is a less significant state credit factor.

Fitch's ratings for state credits do not assume a federal government backstop, nor do they assume that the federal government would step in to remedy a state's financial problems.

Revenue and Spending Limitations

Establishing and adhering to policy guidelines are considered a credit positive. However, onerous statutory or constitutional operating limitations are potential credit risks. Additionally, Fitch recognizes that, in some instances, practical limitations are just as restrictive. An inability to generate sufficient revenue to fund needed services due to political or other practical concerns can have long-term implications for an issuer's financial and economic health.

Attributes: Management and Administration

Above Average	• Highly efficient decision-making process, focused on financial prudence. • Strong evidence of consistent cooperation among elected officials. • Institutionalized, prudent financial and debt management policies that are consistently followed • Conservative and thorough budgeting process with regular interim reviews, contingency planning, and the ability to make adjustments as needed during the fiscal year. • Long-term financial planning process. • Monthly detailed budget reports and timely financial reporting on a GAAP basis (comprehensive annual financial reports produced less than six months after the fiscal year end).
Average	• Efficient decision-making process. • Evidence of generally cooperative relationship among elected officials. • Financial and debt management policies that may be somewhat less conservative but still reasonable and, if not followed, a process is in place to regain compliance. • Realistic budgeting process and ability to make adjustments during the fiscal year. • Regular intrayear budget reports and timely financial reporting on a GAAP basis.
Below Average	• Often cumbersome decision-making process; resolution of key issues often problematic. • Difficulty in gaining consensus among elected officials. • Taxpayer initiatives limiting management flexibility. • Financial and debt management policies not present or not consistently followed. • Optimistic budget assumptions and impediments to midyear adjustments. • No intrayear budget reports; financial reporting delayed, not in compliance with GAAP, and/or not audited.

APPENDIX D
Risk Management Policy

1. Authority

By recommendation of the State Bond Committee of the State of Alaska (the "Committee"), approval to execute an interest rate swap on behalf of the State of Alaska (the "State") shall be authorized by a resolution passed by the Committee on a case-by-case basis. For the purposes of this risk management policy, any such transaction is referred to hereinafter as an interest rate management transaction.

Each resolution to authorize entry into an interest rate management transaction (each a "Resolution") shall set forth, where applicable, among other things: the notional amount; security; payment; and other financial terms of the interest rate management transaction between the State and qualified counterparties ("Counterparties"). The Resolution shall also approve, as to form, the operative agreements, contracts, and other documents to be used in the interest rate management transaction. Counterparties shall satisfy the requirements of Section 6.1 of this interest rate management policy. Each Resolution shall specify the appropriate State officials authorized, within the parameters established by the Resolution, to make modifications to or finalize the terms of the interest rate management transaction contemplated. In the event of a conflict between a Resolution and the Risk Management Policy, the terms and conditions of the Resolution shall control.

Each Resolution shall set forth a finding that it is, or upon certain circumstances, prudent and advisable for the State to enter into the related interest rate management transaction and that entry into such interest rate management transaction is consistent with this Risk Management Policy.

2. Purpose

Interest rate management transactions can be an integral part of the State's asset/liability and debt management strategy. It is anticipated that any interest rate management transaction agreed to by the State shall result in, but is not limited to, one of the following:

2.1 a reduction in exposure to changes in interest rates on a particular financial transaction or in the context of the management of interest rate risk derived from the State's overall asset/liability balance.

2.2 the achievement of a lower net cost of borrowing with respect to the State's debt or a higher net rate of return on investments made in connection with, or incidental to the issuance, incurring, or carrying of the State's obligations or other State investments.

2.3 management of variable interest rate exposure consistent with prudent debt practices.

2.4 enhancement of expected investment returns within prudent risk guidelines (as established from time to time by the Deputy Commissioner for Treasury).

2.5 management of exposure to changing market conditions in advance of anticipated bond issues (through the use of anticipatory hedging instruments).

2.6 achievement of greater flexibility in meeting overall financial objectives than can be achieved in conventional markets; for example, entering into a swaption with an upfront payment.

The State shall not enter into interest rate management transactions:

2.7 that are speculative or create extraordinary leverage or risk based on a reasonably prudent investor standard;

2.8 for which the State lacks adequate liquidity to terminate without incurring a significant bid/ask spread; or

2.9 that, at the time of execution, do not provide sufficient price transparency to allow reasonable valuation.

3. General Guidelines for Interest Rate Management Transactions

The following non-exclusive list provides certain guidelines that the State may follow in the evaluation and recommendation of interest rate management transactions:

3.1 Legality

Any proposed contract shall fit within the legal constraints imposed by state laws, State resolutions, and existing covenants, indentures and other contracts.

3.2 Tax Considerations

The State understands that, (1) if payments on and receipts from an interest rate management agreement are to be taken into account in computing the yield on the related bonds, the agreement must meet the requirements for a "qualified hedge" under the applicable provisions of federal tax law (sometimes referred to as an "integrated swap"); and (2) if one of the goals of entering into an agreement is to convert variable yield bonds into fixed yield bonds (sometimes referred to as a "super integrated swap"), then certain additional requirements must be met. In both of these situations, the terms of such agreement and the process for entering into the agreement must be reviewed and approved in advance by swap advisors and tax counselors.

In other circumstances, it may be to the State's benefit for payments and receipts from an interest rate management agreement not to be taken into account when computing the yield on the related bonds. In connection with the analysis and of any derivative opportunity, the State will explore the benefits and considerations of integration with its counsels and advisors.

3.3 Goals

The Resolution shall clearly state the goals to be achieved through the interest rate management transaction and the interest rate management transaction execution parameters shall be consistent with the State's stated goals.

3.4 Explanation of Risks & Benefits

Analysis necessary for the State staff, in consultation with its financial advisor, to explain the costs, benefits, risks and other considerations regarding each interest rate management transaction to the Committee may be included as a part of the approval process for the related Resolution.

3.5 Rating Agencies

Without the express consent of the Committee, the contemplated interest rate management transaction shall not have an adverse impact on any existing credit rating of the State. In addition to the legal constraints as noted above, the interest rate management transaction shall conform to any and all outstanding covenants made to credit enhancers, liquidity providers, surety providers, bondholders and other creditors. Prior to execution, all interest rate management transactions shall be, but are not required to be discussed with the rating agencies then maintaining ratings on the State's debt.

3.6 Tenor

The State shall determine the appropriate term for an interest rate management transaction on a case-by-case basis. However, the term of an interest rate management transaction entered into between the State and a Counterparty shall not extend beyond the final maturity date of the underlying debt or the maturity date of the referenced investments.

3.7 Debt Constraints

The interest rate management transaction shall not contain terms that conflict with financial covenants and / or restrict the ability of the State to comply with additional bonds tests or anti-dilution tests and shall not create cross defaults to State debt below prescribed threshold amounts.

3.8 Impact on Variable Rate Capacity

The impact of any interest rate management transaction on the State's variable rate debt exposure and the impact on its ability to continue the issuance of traditional variable rate products shall be assessed in advance of execution of the agreement.

3.9 Enhancements

The State may utilize swap enhancement products such as forward starting swaps, swap options, basis swaps, caps, floors, collars, cancellation options, etc. provided their use is approved in accordance with Section 7 – Form of Interest Rate Management Transactions and Other Documentation. The costs, benefits, and other matters regarding the enhancement shall be considered during the approval process. Execution of swap option agreements in which the State would receive an up-front cash payment shall require Committee approval.

3.10 Accounting Compliance

Compliance with FASB or GASB standards, or other prevailing accounting principles, shall be disclosed in the State's annual financial reports. Effectiveness testing, as required under certain FASB or GASB statements, shall be performed on a regular basis for all interest rate management transactions that are accounted for using hedge accounting treatment.

3.11 Exit Strategy

The mechanics for determining termination values at various times and upon various occurrences shall be explicit in the interest rate management transaction. The State's swap advisor and/or the Counterparty should provide estimates under various economic scenarios of the potential costs, if any, of termination. Estimated termination costs and a plan for funding any such costs shall be considered during the approval process.

3.12 Procurement

The Committee shall determine the procurement method for each interest rate management transaction contemplated. The Committee may select from, but not be limited to, one of the following methods for award:

3.12.1 Competitive Bid

Competitive procurements shall include solicitation of not fewer than three potential counterparties. The solicitation process shall include only those parties who are qualified under the terms of this policy.

3.12.2 Limited Bid

Quasi competitive procurement shall follow the same procurement process outlined in the Competitive Bid section 3.12.1; however, participation in the bid may be limited to two or more parties who are qualified under the terms of this policy.

3.12.3 Negotiated Procurement

In the case of a negotiated transaction, the Committee (i) shall set parameters for execution; (ii) may delegate to the Committee or to staff, in consultation with the swap advisor, authority to negotiate the price; and (iii) shall arrange with the swap advisor for delivery of a "fair market value". The Counterparty shall disclose to the Board any payments to third parties regarding the execution of any swap or derivative contract.

The State shall hire a major financial advisory firm to serve as Swap Advisor on all transactions to ensure suitability and opine as to fairness of pricing. The Swap Advisor must maintain an active swap and municipal trading desk to ensure the independence of the market data provided.

4. <u>Transaction Risks</u>

Certain risks can be created as the State enters into various interest rate management transactions with numerous swap counterparties. In order to manage the associated risks, guidelines and parameters for each risk category are as follows:

4.1 Counterparty Risk

The risk of Counterparty default can be reduced by limiting interest rate management transactions between the State and any single swap Counterparty. In addition, the State may mitigate Counterparty Risk by requiring Counterparties to post collateral on a mark-to-market basis, in accordance with the guidelines described in Section 6.3 – Collateral Requirements.

4.2 Termination Risk

4.2.1 Optional Termination

The State may retain the right to terminate an interest rate management transaction at anytime over the term of the agreement at the then-prevailing market value of the swap. In general, exercising the right to optionally terminate an agreement shall produce a benefit to the State, either through receipt of a payment from a termination, or if a termination payment is made by the State, in connection with a conversion to a more beneficial financial arrangement for the State. Termination value shall be readily determinable by one or more independent swap counterparties, who may assume the swap obligations of the State in the event of assignment.

The State shall, but is not required to, explore the economic viability of a unilateral termination provision without being exposed to a termination payment.

The State shall, but is not required to, explore the economic viability of a unilateral termination provision that allows termination without the necessity of a termination payment.

4.2.2 Credit Related Termination

Upon the occurrence of a Counterparty default, the State may be required to make a termination payment to the Counterparty. It is the intent of the State not to make a termination payment to a Counterparty failing to meet its contractual obligations unless the State is contractually obligated to do so. When a swap dealer is the Affected Party (the defaulting party), as defined in the ISDA Master Agreement, the interest rate management transaction may set forth a suitable time period during which the State may evaluate whether it is financially advantageous for the State to obtain a replacement Counterparty to avoid making a termination payment.

4.2.3 Mandatory Termination

A termination payment may be required in the event of termination of an interest rate management transaction due to a Counterparty default or following a decrease in the credit rating of the State. It is the intent of the State to review all available options prior to affecting a termination or making any termination payment. At a minimum, prior to making any termination payment, the State shall have sufficient time to determine whether it is financially advantageous to obtain a replacement Counterparty.

4.3 Amortization Risk (Term)

Any interest rate management transaction designated as a hedge shall reflect as closely as possible the amortization of the underlying debt or shall be in place for no longer than the period of time that matching assets are available to hedge the transaction.

4.4 Liquidity Risk

The State shall consider if the swap market is sufficiently liquid (i.e., if enough potential qualified counterparties participate actively in the market to assure fair pricing) for the type of swap being considered and the potential ramifications of an illiquid market for such types of swaps. There may not be another appropriate party available to act as an offsetting Counterparty. The State may enter into liquidity or credit agreements with liquidity providers and/or credit enhancers to protect against this risk

4.5 Basis Risk (including Tax Risk)

Any index chosen as part of an interest rate management transaction shall be a recognized market index, including but not limited to The Securities Industry and Financial Markets Association (SIFMA) or London Interbank Offering Rate (LIBOR).

The State shall not enter into interest rate management transactions that do not have a direct (one to one) correlation with the movement of an index, without thoroughly analyzing the risk associated with such transactions.

The State shall not enter into leveraged interest rate management transactions, without thoroughly analyzing the risks associated with such transactions.

The tax risk and impact to the State of each interest rate management transaction may be detailed through the Counterparty disclosure requirements outlined in Section 7 – Form of Interest Rate Management Transactions and Other Documentation.

4.6 Bankruptcy Risk

Bond or swap counsel shall disclose to the State the bankruptcy risks and issues associated with the Counterparty and type of swap chosen. Additionally, bond or swap counsel shall disclose to the State the bankruptcy issues associated with the method of collateral required to be posted.

4.7 Accounting Risk

With the introduction of FASB 133 and GASB 53, most interest rate management agreements (including interest rate swaps) must now be reported directly on periodic financial statements. Those interest rate management agreements that are deemed to be "effective" hedges are reported by fair value on the balance sheet. However, rate management agreements that are not found to be effective hedges are considered "investment derivatives", and they must be reported as a current period gain or loss on the income statement. The State, in consultation with its swap advisor, shall assess the accounting implications associated with realizing a deferred loss unexpectedly into the incomes statement.

5. Counterparty Approval Guidelines

5.1 Eligibility

The State shall enter into interest rate management transactions only with Counterparties. To qualify as a Counterparty under this policy, at the time of entry into an interest rate management transaction, the selected swap provider(s) (i) shall be rated at least AA-/Aa3/AA- by at least two of the three nationally recognized credit rating agencies (Standard & Poor's, Moody's, and Fitch Ratings, respectively) and shall have a minimum capitalization of $50 million, or (ii) shall be rated at least BBB-/Baa3/BBB- by two of the three nationally recognized credit rating agencies and shall provide a credit support annex ("CSA") to the schedule to the ISDA master agreement that may require such party to deliver collateral for the benefit of the State (a) that is of a kind and in such amounts as are specified therein and which relate to various rating threshold levels of the Counterparty or its guarantor, from AA-/Aa3/AA- through BBB-/Baa3/BBB- and (b) that, in the judgment of the State, is reasonable and customary for similar transactions, taking into account all aspects of such transaction including without limitation the economic terms of such transaction and the creditworthiness of the Counterparty or, if applicable, its guarantor; or shall post suitable and adequate collateral (separate from any collateral requirements of Section 6.3) at a third party for the benefit of the State, or (iii) shall obtain credit enhancement from a provider with respect to its obligations under the transaction that satisfies the requirements of clause (i) of this paragraph, given the undertaking involved with the particular transaction. The State shall not enter into an interest rate management transaction with a firm that does not qualify as a Counterparty consistent with the foregoing guidelines.

The Counterparty shall make available audited financial statements and rating reports of the Counterparty (and any guarantor or credit enhancer, as the case may be) at the time of entering into a swap and annually thereafter. If at any time the Counterparty or credit enhancer undergoes a credit or regulatory review, then audited financial statements and rating reports of the Counterparty (and any guarantor or credit enhancer, as the case may be) shall be made immediately to the State by the Counterparty.

All transactions executed with the same parent company shall be executed with the same counterparty entity so as to consolidate counterparty risk under on ISDA agreement and to allow for netting of transactions in the event of a default by the State or the Counterparty. The State shall not utilize a separate subsidiary of the same parent company to avoid swap counterparty exposure limits as set forth below.

5.2 Swap Counterparty Exposure Limits and Transfer

In order to limit and diversify the State's Counterparty risk and to monitor credit exposure to each Counterparty, the State shall not enter into an interest rate management transaction with a Counterparty if the following exposure limits are reached per Counterparty:

5.2.1 As a percent of total outstanding debt, the maximum notional amount of interest rate swaps between a particular Counterparty (and its unconditional guarantor, if applicable) and the State shall not exceed rating agency guidelines. The net exposure total of all notional amounts between each Counterparty and the State shall include the total amount of debt outstanding and authorized. As such, notional amounts for fixed to floating swaps may be used to "offset" the notional amounts for floating to fixed swaps, or vice-versa. Exposure limit calculations shall be made net of insured termination payments. The State's Swap Advisor shall provide a memorandum setting forth this exposure limit calculation, which shall become a part of the official transcript for the transaction. Exposure limits shall be reviewed by the Committee at least annually.

5.2.2 Limitations on transfers of swaps with a particular Counterparty shall be carefully analyzed. If the Counterparty unilaterally restricts transfer, then the State shall have the ability to terminate the swap without penalty if the swap is transferred or the Counterparty is merged with another entity that changes the credit profile of the swap Counterparty, unless the State gives its prior written consent.

5.2.3 If the maximum notional limit for a particular Counterparty is exceeded solely by reason of merger or acquisition involving two or more counterparties, the State shall expeditiously analyze the exposure, but shall not be required to "unwind" existing interest rate management transactions unless the State determines such action is in its best interest, given all the facts and circumstances.

5.2.4 If the exposure limit is breached by a Counterparty, then the State shall:

5.2.4.1 conduct a review of the exposure limit calculation of the Counterparty; and
5.2.4.2 determine if collateral may be posted to satisfy the exposure limits; and
5.2.4.3 enter into an offsetting interest rate management transaction, if necessary.

5.2.5 Entering into agreements with derivative product companies ("DPCs") that are classified as "terminating" or "Sub-T" DPC's by the rating agencies shall require special review by the State and may require additional approval by the Committee.

5.3 Collateral Requirements

Collateral posting requirements between the State and each swap Counterparty shall not be unilateral in favor of the Counterparty. As part of the interest rate management transaction, the State or the swap Counterparty may require that collateralization to secure any or all swap payment obligations be posted. Collateral requirements shall be subject to the following guidelines:

5.3.1 Collateral requirements imposed on the State shall not be accepted to the extent they would impair the State's existing operational flow of funds.

5.3.2 Each Counterparty shall be required to provide a form of a Credit Support Annex should the credit rating of the Counterparty fall below the "A-/A3/A-" category by at least two of the nationally recognized agencies.

5.3.3 A list of acceptable securities that may be posted as collateral and the valuation of such collateral shall be determined and mutually agreed upon during negotiation of the interest rate management transaction with each swap Counterparty.

5.3.4 The market value of the collateral shall be determined on either a daily, weekly, or monthly basis by an independent third party, as provided in the swap documentation.

5.3.5 Failure to meet collateral requirements shall be a default pursuant to the terms of the interest rate management transaction.

5.3.6 The State and each swap Counterparty may provide in the supporting documents to the interest rate management transaction for reasonable threshold limits for the initial deposit and for increments of collateral posting thereafter.

5.3.7 The interest rate management transaction may provide for the right of assignment by one of the parties in the event of certain credit rating events affecting the other party. The State (or the Counterparty) shall first request that the Counterparty (or the State) post credit support or provide a credit support facility. If the Counterparty (or the State) does not provide the required credit support, then the State (or the Counterparty) shall have the right to assign the agreement to a third party acceptable to both parties and based on terms mutually acceptable to both parties. The credit rating thresholds to trigger an assignment shall be included in the supporting documents.

6. Form of Interest Rate Management Transactions and Other Documentation

Each interest rate management transaction shall contain terms and conditions as set forth in the International Swap & Derivatives Association, Inc. (“ISDA”) Master Agreement and such other terms and conditions included in any schedules, confirmations, and credit support annexes as approved in accordance with the State’s Resolution pertaining to that transaction. The Swap Advisor upon the request of the State shall provide a disclosure memorandum to the State that shall include an analysis by the Swap Advisor of the risks and benefits of the transactions. This analysis may include, among other things, a matrix of maximum termination values over the life of the swap. The disclosure memorandum shall become a part of the official transcript for the transaction. The Swap Advisor upon the request of the State shall affirm receipt and understanding of the State’s statement of swap policies and shall further affirm that the contemplated transactions fit within the swap policies as described.

6.1 Modification of Swaps

Each Resolution shall provide specific approval guidelines for the interest rate management transactions to which it pertains. These guidelines shall provide for modifications to the approved interest rate management transactions, provided such modifications, unless considered and recommended by the Board, do not extend the average life of the term of the swap, increase the overall risk to the State resulting from the swap, or increase the notional amount of the swap. The Resolution shall further designate which State officers are authorized to cause such modifications.

6.2 Aggregation of Swaps

Unless the Resolution states otherwise, the approval requirements set forth in each Resolution are applicable for the total notional amount of transactions executed over a consecutive three-month period for a given security or credit. Therefore, the notional amount of interest rate management transactions including the average life of the interest rate management transactions over a consecutive three-month period are considered in total (net of the notional amount of a swap reversal) to determine what approval is required pursuant to a particular Resolution.

7. Reporting Requirements

State Administration shall review the Risk Management Policy and report the status of all interest rate management transactions, including mark-to-market valuations, to the Committee on an annual basis.

7.1 On a semi-annual basis, or as required by the Committee, State Staff shall be required to report in writing the status of all swap or derivative transactions to the State Committee. Any such report shall include, but not be limited to, the following information:

7.1.1 All changes to interest rate management transactions or new interest rate management transactions entered into by the State since the last report to the Committee shall be noted.

7.1.2 Status reports shall provide the marked to market value of each of the State's interest rate management transactions.

7.1.3 Status reports shall describe the net impact to the State of 50 and 100 basis point movements (up or down) with the appropriate swap index or curve.

7.1.4 For each Counterparty, the State staff shall provide the total notional amount of each interest rate management transaction, the remaining average life of each interest rate management transaction, the term of each interest rate management transaction, the authority to enter into each interest rate management transaction, and the remaining term of each interest rate management transaction.

7.1.5 The report shall include the credit ratings of each Counterparty, and those of any credit enhancer insuring or guaranteeing swap payments.

7.1.6 The report shall list collateral posted by a Counterparty, if any, and by the State, if any, detailed by an interest rate management transaction and in total by a Counterparty. All collateral information shall be accompanied by the swap advisor's collateral verification report.

7.1.7 The report shall include the market movement or rating change required to trigger a collateral posting requirement.

7.1.8 The report shall include a summary of each interest rate management transaction including but not limited to the type of swap, the rates and dollar amounts paid by the State and received by the State, specific terms, and other information of interest to the Committee.

7.1.9 The report shall indicate any default or rating change by a Counterparty to the State, and the results of the default including the financial impact to the State, if any.

7.1.10 The report shall include a summary of any planned interest rate management transactions and the impact of such interest rate management transactions on the State's asset / liability management program.

7.2 In order to keep the Committee informed, the governing body of the State shall appoint an officer of the State to provide an annual written report to the Committee which discusses the following items:

7.2.1 The terms of the outstanding interest rate management transactions.

7.2.2 The fair value of each interest rate management transaction,

7.2.3 The value of any collateral posted to or by the State under the interest rate management transactions with each counterparty at year's end, and the cash flows of each interest rate management transaction.

7.2.4 Identify the counterparties to each interest rate management transaction, any guarantor of such counterparties, and the credit ratings of each counterparty and guarantor.

7.2.5 Determine whether the continuation of any swap transactions under the agreement would comply with the State's interest rate management agreement policy

APPENDIX E

"U.S. State Debt Service Ratios"

MOODY'S
INVESTORS SERVICE

SPECIAL COMMENT

U.S. State Debt Service Ratios

50-State Ratios Provide Comparison on Fiscal Flexibility

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Summary

A key component of our credit analysis of U.S. states is the degree of flexibility they possess to balance their operating budgets. Ratios of debt service to operating revenues are an important measure to compare the budgetary impact of the fixed costs of states' debt. We are publishing for all 50 states and Puerto Rico debt service ratios that support our existing analysis of state debt burdens.

The purpose of this publication is:

» To publish ratios that enhance comparability across states;

» To improve the transparency of Moody's adjustments to reported financial data; and,

» To provide clarity regarding our use of these ratios in formulating our opinions about state credit quality.

Key Observations

The primary ratio discussed in this report compares debt service due on each state's net tax-supported debt to operating revenues and pledged revenues. Overall, the results show that debt service is affordable for states, despite the counterbalancing effects in recent years of steady but slow growth in debt and declines in revenues resulting from the economic downturn.

Key observations are:

» **Despite increased debt in recent years, debt service remains relatively affordable for states**, with a median debt service ratio of 4.9%, compared to 6.3% for investment grade Industrialized Sub-Sovereigns and 5.6% for industrialized sovereign nations.[1] We note, however, that most sovereign nations and some international sub-sovereigns do not amortize principal, therefore debt service may comprise interest only.

» **The five states with the highest debt service as a percentage of revenue ratios include:** Connecticut, Illinois, Massachusetts, New York, and Oregon. Puerto Rico's debt service also ranks very high as a share of its revenues relative to most states. While they all have high debt service ratios, each entity has a variety of unique credit strengths and challenges that are included in our analysis that may offset or amplify the impact of this one factor. As is true for all 50 states, debt burden is just one of several key credit considerations, therefore the ratings of these five entities, which range from Aa1 to Baa1, do not correlate directly to their debt service ratio rankings.

[1] Moody's Investors Service

» **Debt burden and debt service ratio rankings are relatively consistent.** Generally, the top ten states with the highest debt ratios on a per-capita basis or relative to state personal income (as described in Moody's annual State Debt Medians) are consistent with the top ten states with the highest debt service ratios. The state of Oregon, which is ranked fifth on the debt service ratios, is eleventh in both debt burden metrics (see Exhibit 1).

» **The debt service ratios of some states are relatively high because they issue debt for purposes that in other states would be financed at the local level**, while in others it is due to conservative debt management practices, such as rapid debt amortization. Conversely, some states rank relatively lower due to the use of capital appreciation bonds or long maturity schedules, or simply because they are more debt adverse.

» **Debt service ratios in 2010 are influenced by the prolonged economic recovery.** Due to the prolonged recovery from the recession, states 2010 revenues remained below recent peaks and, with a smaller denominator, ratios were generally influenced up. On the other hand, some states elected to restructure outstanding debt for savings in 2010, which influenced some ratios downwards by lower debt service costs. As a result of these factors, future debt service ratios may not follow a smooth trend line when compared to the 2010 base year.

EXHIBIT 1

Debt per Capita				Debt as a % of Personal Income			Debt Service Ratio		
1	Connecticut	$5,236	Aa3	1	Hawaii	10.1%	1	Connecticut	16.1%
2	Massachusetts	$4,711	Aa1	2	Massachusetts	9.5%	2	Massachusetts	11.6%
3	Hawaii	$4,236	Aa2	3	Connecticut	9.5%	3	New York	10.8%
4	New Jersey	$3,940	Aa3	4	New Jersey	7.9%	4	Illinois	10.0%
5	New York	$3,149	Aa2	5	Delaware	6.8%	5	Oregon (Aa1/Stable)	9.7%
6	Delaware	$2,676	Aaa	6	New York	6.8%	6	Hawaii	9.6%
7	Washington	$2,626	Aa1	7	Washington	6.2%	7	New Jersey	9.5%
8	California	$2,542	A1	8	Kentucky (Aa2/Neg)	6.1%	8	Washington	9.0%
9	Illinois	$2,383	A2	9	California	6.0%	9	Rhode Island	8.6%
10	Rhode Island	$2,191	Aa2/Neg	10	Illinois	5.7%	10	California	8.4%

Source: Moody's 2011 State Debt Medians Report and Appendix A below

Debt service ratio measures states' fiscal flexibility

Moody's incorporates the debt service ratio in our assessment of fiscal flexibility, which measures the extent to which a state's operating budget is burdened by fixed costs. The larger the fixed costs, the less flexibility a state has to structurally balance its budget in response to discretionary cost growth and revenue volatility. If structural balance is achieved with budget cuts, they must be made on a smaller base of discretionary expenditures, and are therefore deeper and potentially more politically unpalatable. Given these constraints, states with high fixed costs have lower budgetary flexibility and are more likely to rely on one-time budget solutions, creating structural budget imbalances that are difficult to reverse. Those actions could be particularly challenging to a state's credit given the uncertainty of economic recovery and future federal funding levels, as well as the expectation that certain fixed costs—pension and other post-employment benefits (OPEB)—will continue to grow significantly for most states. The Debt Service Ratio (defined below) highlights how current structural challenges will pressure states' ability to balance future budgets, and how those challenges compare across states.

The **Debt Service Ratio** is defined as Moody's calculation of aggregate debt service for all state net tax-supported debt as a percentage of pledged revenues. Revenues include all Moody's-defined operating fund revenues (primarily the General Fund for most states) and revenues pledged to any special tax bonds that are not included in our calculation of operating revenue.

$$\textbf{Debt Service Ratio} = \frac{\textbf{Debt Service on Net Tax Supported Debt}}{\textbf{Operating Fund Revenues + Pledged Revenues}}$$

The Debt Service Ratio is a component of our broader fixed cost analysis that also considers the impact of pension and OPEB costs. The ratio includes scheduled principal and interest payments and mandatory sinking fund payments associated with all outstanding net tax-supported debt. We include interest costs associated with bond anticipation notes and cash flow notes, but exclude the associated note principal, which generally is expected to be refinanced at note maturity. We have indicated whether debt service on Build America Bonds is reported on a net or gross basis relative to the federal interest subsidy (if applicable), however we note that this adjustment does not materially change the ratios or the rankings.

Net Tax-Supported Debt is defined as debt secured by state operating resources which could otherwise be used for state operations. Any debt to which state resources are pledged for repayment is considered to be net tax-supported debt.

The revenue component of the Debt Service Ratio includes Moody's-defined total operating fund revenues plus special tax bond pledged revenues that are excluded from operating revenues. Moody's-defined total operating fund revenues is primarily comprised of General Fund revenues reported in the audited financial statements, and may also include revenues from other funds that account for typical governmental taxes and operations and debt service funds. Revenues that are available for, but not pledged to, special tax bonds were not included in the ratios. Federal grant revenues pledged to grant anticipation revenue bonds (GARVEEs) are included in an amount equivalent to annual GARVEE debt service, due to the restricted nature of the excess grant revenues.

The debt service and revenue figures have been compiled from publicly available documents, including fiscal 2010 annual financial reports, continuing disclosure documents, recent official statements, and published debt reports. We note that different sources may use different accounting methods (such as cash basis compared to accrual basis) or be based on different time periods (fiscal year compared to calendar year) leading to some minor discrepancies between states, although these do not materially change the ratios.

These ratios have been calculated based on Moody's definition of debt service and operating revenues and in most cases will differ from a state's own published calculations of debt limits or debt affordability. There is no correlation between our ratios and a state's compliance with their internal policies.

Going forward we will include the Debt Service Ratios in our annual Debt Medians report.

Appendix A: 2010 U.S. State Debt Service Ratios

		Moody's Calculated Debt Service ($000)	Moody's Revenue Available for Debt Service ($000)	Debt Service Ratio	Net or Gross BABs, or Not Reported?
1	Connecticut	2,073,538	12,859,989	16.1%	Gross
2	Massachusetts	3,114,610	26,803,932	11.6%	NR
3	New York	5,850,429	54,091,000	10.8%	Gross
4	Illinois	2,169,774	21,737,095	10.0%	Net
5	Oregon	674,151	6,934,720	9.7%	Net
6	Hawaii	449,008	4,669,844	9.6%	NR
7	New Jersey	2,846,358	30,005,610	9.5%	Net
8	Washington	1,429,740	15,887,405	9.0%	Gross
9	Rhode Island	271,300	3,157,558	8.6%	Gross
10	California	7,261,651	86,546,224	8.4%	Net
11	Kentucky	749,502	9,478,641	7.9%	Net
12	Florida	2,046,846	26,519,600	7.7%	Gross
13	Georgia	1,365,416	17,888,588	7.6%	Gross
14	Delaware	347,276	4,673,015	7.4%	Gross
15	Nevada	271,692	3,933,497	6.9%	Gross
16	Mississippi	483,286	7,501,220	6.4%	NR
17	Utah	310,890	5,075,370	6.1%	Gross
18	Maine	180,692	2,997,408	6.0%	Gross
19	Ohio	1,140,379	21,410,095	5.3%	Gross
20	Maryland	1,100,158	19,304,264	5.7%	Gross
21	New Mexico	348,146	6,334,923	5.5%	Gross
22	South Carolina	330,160	6,012,387	5.5%	No BABs
23	Virginia	882,673	16,896,231	5.2%	Gross
24	New Hampshire	119,312	2,327,194	5.1%	Gross
25	Arizona	473,582	9,649,851	4.9%	Gross
26	Alabama	316,654	6,605,748	4.8%	NR
27	Kansas	322,229	6,786,822	4.7%	Gross
28	Pennsylvania	1,249,508	26,351,516	4.7%	Net
29	Louisiana	518,012	10,991,502	4.7%	Gross
30	Missouri	431,327	9,748,082	4.4%	Net
31	Wisconsin	691,694	15,984,256	4.3%	NR
32	West Virginia	251,600	6,440,077	3.9%	Gross
33	North Carolina	826,523	22,949,969	3.6%	NR
34	Texas	1,526,399	45,641,625	3.3%	Gross
35	Vermont	70,747	2,322,598	3.0%	Net
36	Montana	45,730	1,582,839	2.9%	No BABs
37	Michigan	742,188	25,921,982	2.9%	NR
38	Minnesota	448,872	15,858,701	2.8%	Gross

		Moody's Calculated Debt Service ($000)	Moody's Revenue Available for Debt Service ($000)	Debt Service Ratio	Net or Gross BABs, or Not Reported?
39	Oklahoma	221,021	7,984,379	2.8%	Net
40	Colorado	197,526	7,619,679	2.6%	NR
41	Idaho	68,894	2,663,094	2.6%	NR
42	Indiana	263,882	12,189,846	2.2%	Net
43	North Dakota	25,213	1,435,292	1.8%	No BABs
44	Arkansas	134,559	7,660,888	1.8%	Gross
45	Tennessee	204,664	12,548,174	1.6%	No BABs
46	South Dakota	15,237	1,166,547	1.3%	NR
47	Alaska	91,746	7,299,975	1.3%	Net
48	Iowa	58,705	8,663,391	0.7%	Gross
49	Wyoming	6,891	2,683,771	0.3%	No BABs
50	Nebraska	5,858	3,245,869	0.2%	No BABs
	Puerto Rico	2,164,152	12,837,425	16.9%	Net
	Median	**389,737**	**8,323,885**	**4.9%**	

NR = Not reported

Report Number: 138877

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MOODY'S
INVESTORS SERVICE

APPENDIX F

“2012 State Debt Medians Report”

MOODY'S
INVESTORS SERVICE

MEDIAN REPORT

2012 State Debt Medians Report

Growth in 2011 State Debt Slows Substantially, but Debt Service Costs Continue to Rise

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Growth in outstanding state debt slowed dramatically in calendar year 2011 compared to the rapid growth of the prior two years. After 10% and 8% growth in outstanding net tax-supported debt (NTSD) in 2009 and 2010, NTSD was relatively flat in 2011 with only 2.5% growth. The combined 2011 NTSD for all 50 states increased to $510 billion from $497 billion in 2010. In this year's report, we present both the 2011 data and ratios measuring state NTSD, as well as the associated debt service costs and ratios for the fiscal year. Among our findings:

» **States slowed their borrowing in 2011, despite the low interest rate environment.** New money issuance was constrained both by legal debt limitations and anti-debt sentiment that arose during the recession and the U.S. debt ceiling debate. Additionally, during 2010 many states accelerated their borrowing calendars to participate in Build America Bonds (BABs) which reduced their capital borrowing needs in 2011.

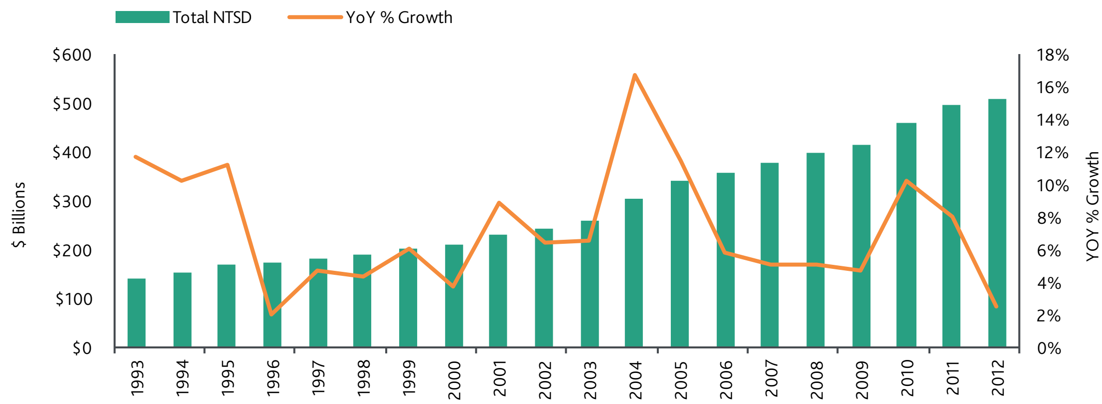
» **Although overall borrowing in 2011 was lower, measures of state leverage were mixed.** Median NTSD per capita increased by 7% amid the weakest population growth in more than 70 years, while NTSD as a percentage of personal income was flat at 2.8%. NTSD as a percentage of gross state product also remained flat at 2.4%.

» **State's total debt service costs increased by 8.6% in 2011** as repayments began on the substantial amount of debt issued during the downturn. Favorably, total revenue available for debt service also grew a healthy 8.9% in fiscal 2011, and the median debt service ratio remained flat at 4.9%.

» **Growth in state NTSD is expected to remain subdued in 2012**, amid policy and legal constraints to new issuance, and a move in some high debt states toward more pay-go capital funding. The 2012 growth in NTSD will be comparable or slightly higher than 2011 levels, but well below the large increases of 2009 and 2010.

FIGURE 1

Growth of State Net Tax-Supported Debt Drops



Source: Moody's Investors Service

Analysts commonly use three measures of debt to compare state debt burdens: debt per capita, debt as a percentage of personal income, and debt as a percentage of gross state product. In considering debt burden, the focus is largely on net tax-supported debt, which we characterize as debt secured by state taxes and other operating resources, net of obligations that are self-supporting from pledged sources other than state taxes or operating resources—such as utility or local government revenues. We also examine gross debt, which includes contingent debt liabilities that may not have direct tax support but represent commitments to make debt service payments under certain conditions (e.g. state guarantees and bonds backed by state moral obligation pledges that have never been tapped).

Net Tax-Supported Debt is defined as debt secured by state taxes or other operating resources which could otherwise be used for state operations, net of obligations that are self-supporting from pledged sources other than state taxes or operating resources.

This report examines states' net state tax-supported debt as of calendar year-end 2011. As in prior years' reports, the presentation of debt trend data (Figures 1, 2, 3 and Table 6) incorporates a one-year lag (i.e. the data labeled 2012 reflect debt as of calendar year-end 2011).

Growth in Net Tax-Supported Debt Slows Significantly in 2011

Total state net tax-supported debt growth slowed to 2.5% in 2011, following 10% and 8% growth in 2009 and 2010, respectively. The slowdown in growth in part reflects states' reduced capital funding needs after a significant surge of borrowing in late 2010 as they took advantage of the low borrowing costs of BABs. Many states accelerated parts of their 2011 borrowing plans into 2010, and as a result needed less new money borrowing during the past year.

Some 2011 borrowing plans were also deferred as formal or informal debt policies constrained states' ability to issue new debt. Many states set debt limits relative to revenue or personal income, and as these measures declined or stagnated during the recession, so did states' debt issuing capacity. Additionally, ongoing budgetary pressures that include rising costs for pension and other post-employment benefit (OPEB) obligations have led to increased anti-debt sentiment in some states recently, discouraging them from adding to their long-term liabilities.

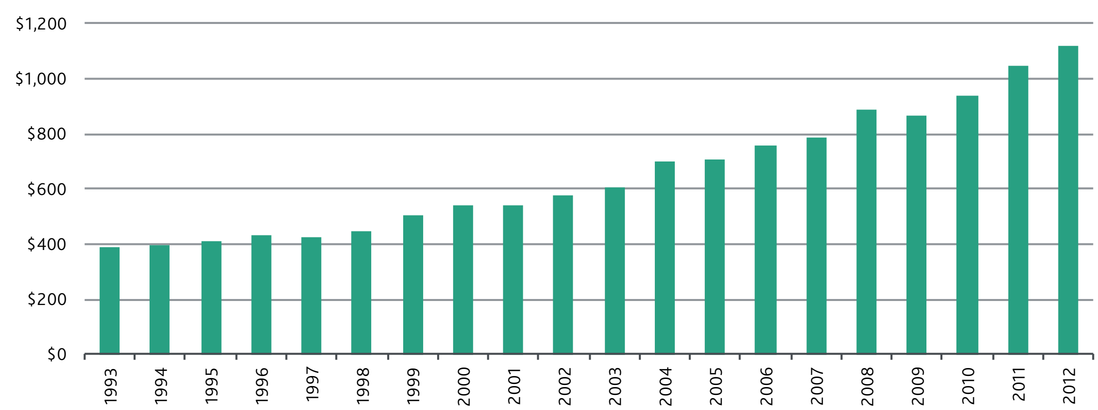
As is typical when interest rates are low, during 2011 state governments refunded existing debt to achieve interest rate savings. As we have observed over the past two years, a significant portion of the savings achieved through refunding transactions in 2011 was used to balance budget gaps. Although their revenue performance overall was positive in 2011, some states were challenged to balance growing fixed costs with slow-to-recover revenues. Some of these states continued to use debt restructuring, in the form of issuing new bonds to defer debt service costs to later years, to solve budgetary problems. While this trend does not materially increase total NTSD outstanding, it may add volatility to some states' debt service ratios during the next few years. In addition to restructuring debt, several states issued long-term debt to fund operations. Notably, the State of Illinois issued deficit bonds for the second consecutive year to relieve budget pressures, using the proceeds of approximately $3.7 billion of general obligation bonds to help fund its annual pension contribution.

The largest contributors to growth in NTSD in 2011 were California, Illinois, and Massachusetts, which added $1.7 billion, $2.2 billion, and $1.6 billion of NTSD, respectively, net of principal repayments. New Jersey, New York and Virginia also increased NTSD by about $1 billion each. Of these states, Virginia saw the largest percentage growth in NTSD, at 13% increase, primarily due to issuance through the Virginia Commonwealth Transportation Board, and its increased focus on transportation capital spending needs. These increases were partially offset by notable NTSD declines (on a dollar basis) in ten states including Texas, Nevada and Rhode Island. On a percentage basis, Nevada and Rhode Island's declines were among the highest, at 10% and 9%, respectively.

The modest growth in NTSD caused mixed results in states' leverage ratios. Median NTSD per capita increased 6.9% to $1,117 as total debt grew faster than the population. According to Census data, the aggregate population of the 50 states grew only 0.8% in 2011 to 312 million, the slowest growth in more than 70 years. Median NTSD as a percent of personal income, however, remained flat at 2.8%, reflecting the positive impact of early economic recovery. According to Bureau of Economic Analysis data, 2011 U.S. personal income grew to $13 trillion, 3.6% higher than estimated 2010 personal income at the time of last year's report. Median NTSD as a percent of gross state product also remained flat at 2.4% in 2011.

FIGURE 2

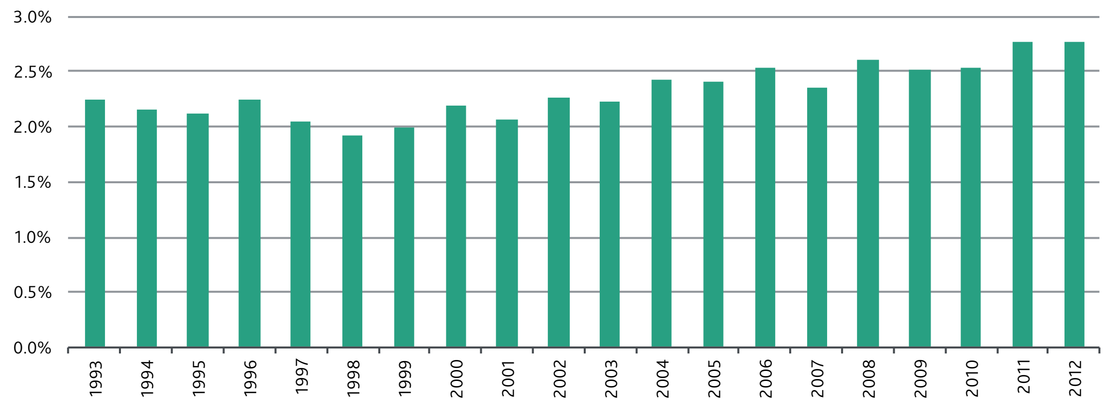
Median Net Tax-Supported Debt Per Capita Increases 6.9% in 2011



Source: Moody's Investors Service

FIGURE 3

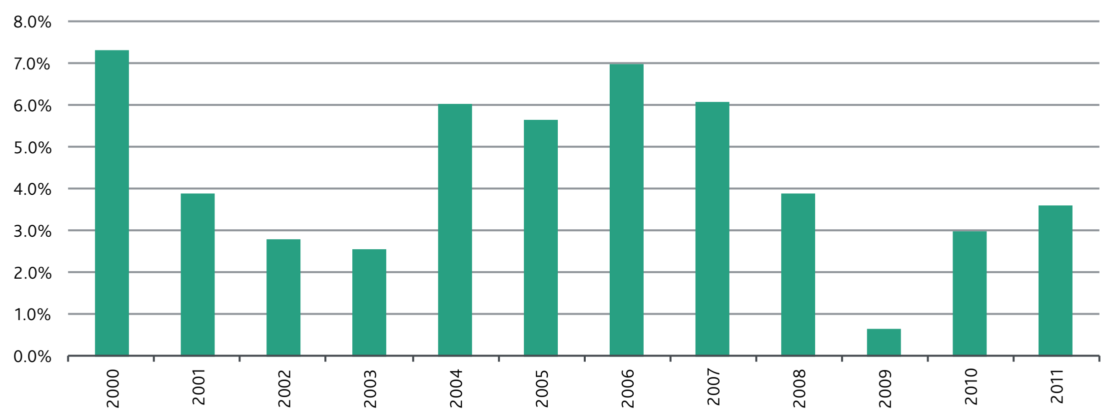
Median Net Tax-Supported Debt as a Percent of Personal Income Remains Flat



Source: Moody's Investors Service

FIGURE 4

Year-Over-Year % Change in Personal Income at Time of Medians Report



Source: Bureau of Economic Analysis; Moody's Investors Service

State Debt Service Costs Rise but Remain Stable Relative to Revenues

State debt service costs increased by 8.6% in 2011 due to the continued phased-in of debt service on bonds issued in the previous two years. Despite this increase, states' debt service costs remain relatively affordable due to a return to growth in operating revenues, which contributed to 8.9% growth in revenues available to pay debt service. The median 2011 debt service ratio remained flat at 4.9%. We define the debt service ratio as our calculation of aggregate debt service for all state net tax-supported debt as a percentage of pledged revenues. Revenues include all Moody's-defined operating fund revenues (primarily the General Fund for most states) and revenues pledged to any special tax bonds or other bonds that are not included in our calculation of operating revenue.

$$Debt\ Service\ Ratio = \frac{Debt\ Service\ on\ Net\ Tax\ Supported\ Debt}{Operating\ Fund\ Revenues\ +\ Pledged\ Revenues}$$

For a more detailed description of our debt service ratio calculation, please refer to "U.S. State Debt Service Ratios" published January 26, 2012.

2012 State Debt Outlook: Slowdown in Debt Issuance to Continue

State new money debt issuance is expected to remain subdued in 2012 due to anti-debt political sentiment and continued revenue and debt limit constraints. Budgetary imbalances and expanding fixed cost obligations have forced many states to severely cut services or raise revenues, which in part has helped to increase anti-debt sentiment in some states. Uncertainty regarding U.S. federal debt levels and the Euro zone debt situation have also contributed to a generally debt averse attitude, and some states are trying to reduce their long-term debt burden. Favorably, the debt burden of U.S. states is substantially lower than that of the federal government and European sovereigns. Even so, fiscal stress and anti-debt sentiment is having a direct impact on the debt issuance plans of many states, including some that are typically high-volume issuers such as California, Florida and New Jersey. These states are moving to reducing new borrowing and increasing pay-go capital funding, which may keep NTSD growth subdued for several years.

We also expect states' 2012 new money borrowing to be constrained by debt policies and greater fiscal conservatism. A major component of states' management practices includes active monitoring of state debt affordability. The majority of states employ some form of a debt affordability/capacity measure to monitor their debt burdens. Debt as a percentage of personal income and debt as a percentage of operating revenues are the most common metrics used to determine debt limits. Some states, like North Carolina and Oregon, have specifically reduced their borrowing plans in response to revenue declines and reduced debt capacity. Although both state revenues and personal income generally will grow in the next year, low debt capacity and heightened fiscal management concerns will result in less new borrowing than experienced in the past several years.

Generally, growth in next year's debt service expenditures will subside in conjunction with this year's slowdown in new borrowing. However, the debt service ratio trend over the next few years may be variable as states manage through the economic recovery. States that have issued or restructured debt for budgetary relief in the near term will experience spikes in their debt service ratios, while states with rapid revenue recovery will see larger declines in their ratios. Market volatility stemming from bank rating changes could further affect debt service costs in the next year. Some states have interest rate swap agreements and letters of credit supporting variable rate debt with banks that are currently on review for possible downgrade. If bank ratings change, state's interest costs may increase as they restructure variable rate debt to fixed rates, pay higher interest rates on unremarketed variable rate bonds, or enter into more expensive replacement liquidity facilities. This activity should primarily impact debt service costs; however, to the extent that states issue debt to terminate swap agreements, there would be some marginal increase in net tax supported debt as well.

Debt Tables and Comparative Measures

The following tables summarize our calculation of key debt metrics and rank the states accordingly. Debt burden—both on a state's balance sheet and in the context of budgetary flexibility—is one of many factors that we use to determine state credit quality. Therefore these metrics and rankings do not correlate directly to their ratings. The 50 state-medians exclude Puerto Rico, which is shown for comparison purposes only. Debt ratios are generally calculated using calendar year 2011 data, while the debt service ratio uses fiscal year figures.

The debt and debt service ratios of some states are relatively high because they issue debt for purposes that in other states would be financed at the local level. In addition, states that have issued pension obligation bonds have increased their debt ratios but offset this with slightly lower pension liabilities—a trade-off which is not fully captured in this report. Some states' debt service ratios rank higher than their debt ratios due to conservative debt management practices, such as rapid debt amortization. Conversely, some states' debt service ratios rank relatively lower due to the use of capital appreciation bonds or long maturity schedules.

These ratios have been calculated based on our definition of net tax supported debt, debt service and operating revenues, and in most cases will differ from a state's own published calculations of debt limits or debt affordability. There is no correlation between our ratios and a state's compliance with their internal policies.

TABLE 1

Net Tax-Supported Debt Per Capita

			Rating
1	Connecticut	$5,096	Aa3
2	Massachusetts	$4,814	Aa1
3	New Jersey	$3,964	Aa3
4	Hawaii	$3,899	Aa2
5	New York	$3,208	Aa2
6	Delaware	$2,674	Aaa
7	Washington	$2,588	Aa1
8	Illinois	$2,564	A2
9	California	$2,559	A1
10	Kentucky	$2,035	Aa2*
11	Oregon	$2,015	Aa1
12	Rhode Island	$1,997	Aa2
13	Wisconsin	$1,827	Aa2
14	Maryland	$1,742	Aaa
15	Mississippi	$1,734	Aa2
16	Alaska	$1,454	Aaa
17	New Mexico	$1,406	Aaa
18	Louisiana	$1,398	Aa2
19	Utah	$1,393	Aaa
20	Kansas	$1,215	Aa1*
21	Virginia	$1,169	Aaa
22	West Virginia	$1,168	Aa1
23	Florida	$1,167	Aa1
24	Minnesota	$1,148	Aa1
25	Pennsylvania	$1,134	Aa1
26	Georgia	$1,099	Aaa
27	Ohio	$1,012	Aa1
28	Arizona	$966	Aa3
29	Maine	$845	Aa2
30	Alabama	$839	Aa1
31	South Carolina	$827	Aaa
32	North Carolina	$815	Aaa
33	Nevada	$793	Aa2
34	Vermont	$792	Aaa
35	Michigan	$785	Aa2
36	New Hampshire	$776	Aa1
37	Missouri	$741	Aaa
38	Oklahoma	$615	Aa2
39	Texas	$588	Aaa
40	Idaho	$558	Aa1*
41	Colorado	$529	Aa1*
42	Indiana	$446	Aaa*
43	South Dakota	$358	NGO**
44	Montana	$348	Aa1
45	Tennessee	$343	Aaa
46	Arkansas	$333	Aa1
47	Iowa	$310	Aaa*
48	North Dakota	$255	Aa1*
49	Wyoming	$64	NGO**
50	Nebraska	$15	NGO**
	MEAN:	**$1,408**	
	MEDIAN:	**$1,117**	
	Puerto Rico	$14,004	Baa1***

* Issuer Rating (No G.O. Debt)

** No General Obligation Debt

*** This figure is not included in any totals, means, or median calculations but is provided for comparison purposes only.

TABLE 2

Net Tax-Supported Debt as a % of 2011 Personal Income

1	Hawaii	9.6%
2	Massachusetts	9.4%
3	Connecticut	9.1%
4	New Jersey	7.8%
5	Delaware	6.8%
6	New York	6.6%
7	Kentucky	6.1%
8	California	6.0%
9	Illinois	6.0%
10	Washington	6.0%
11	Mississippi	5.6%
12	Oregon	5.5%
13	Wisconsin	4.8%
14	Rhode Island	4.7%
15	Utah	4.4%
16	New Mexico	4.2%
17	Louisiana	3.7%
18	Maryland	3.6%
19	West Virginia	3.6%
20	Alaska	3.3%
21	Georgia	3.1%
22	Kansas	3.1%
23	Florida	3.0%
24	Arizona	2.8%
25	Ohio	2.8%
26	Pennsylvania	2.8%
27	Minnesota	2.7%
28	Virginia	2.6%
29	Alabama	2.5%
30	South Carolina	2.5%
31	Maine	2.3%
32	North Carolina	2.3%
33	Michigan	2.2%
34	Nevada	2.2%
35	Missouri	2.0%
36	Vermont	2.0%
37	New Hampshire	1.8%
38	Idaho	1.7%
39	Oklahoma	1.7%
40	Texas	1.5%
41	Colorado	1.3%
42	Indiana	1.3%
43	Arkansas	1.0%
44	Montana	1.0%
45	Tennessee	1.0%
46	South Dakota	0.9%
47	Iowa	0.8%
48	North Dakota	0.6%
49	Wyoming	0.1%
50	Nebraska	0.0%
	MEAN:	**3.4%**
	MEDIAN:	**2.8%**
	Puerto Rico	88.6%

** This figure is based on 2010 Personal Income. It is not included in any totals, means, or median calculations but is provided for comparison purposes only.

TABLE 3

Total Net Tax-Supported Debt ($000's)

			Rating
1	California	$96,436,000	A1
2	New York	$62,441,000	Aa2
3	New Jersey	$34,970,970	Aa3
4	Illinois	$32,999,133	A2
5	Massachusetts	$31,714,847	Aa1
6	Florida	$22,241,600	Aa1
7	Connecticut	$18,247,554	Aa3
8	Washington	$17,677,697	Aa1
9	Texas	$15,104,282	Aaa
10	Pennsylvania	$14,452,460	Aa1
11	Ohio	$11,680,586	Aa1
12	Georgia	$10,788,109	Aaa
13	Wisconsin	$10,433,142	Aa2
14	Maryland	$10,150,628	Aaa
15	Virginia	$9,465,659	Aaa
16	Kentucky	$8,890,275	Aa2*
17	North Carolina	$7,866,993	Aaa
18	Oregon	$7,801,979	Aa1
19	Michigan	$7,754,300	Aa2
20	Louisiana	$6,393,977	Aa2
21	Arizona	$6,260,047	Aa3
22	Minnesota	$6,135,991	Aa1
23	Hawaii	$5,360,242	Aa2
24	Mississippi	$5,166,121	Aa2
25	Missouri	$4,455,406	Aaa
26	Alabama	$4,030,210	Aa1
27	Utah	$3,924,092	Aaa
28	South Carolina	$3,867,416	Aaa
29	Kansas	$3,487,289	Aa1*
30	New Mexico	$2,927,952	Aaa
31	Indiana	$2,905,401	Aaa*
32	Colorado	$2,708,806	Aa1*
33	Delaware	$2,425,352	Aaa
34	Oklahoma	$2,331,057	Aa2
35	Tennessee	$2,195,780	Aaa
36	West Virginia	$2,166,591	Aa1
37	Nevada	$2,160,035	Aa2
38	Rhode Island	$2,099,618	Aa2
39	Maine	$1,122,509	Aa2
40	Alaska	$1,050,800	Aaa
41	New Hampshire	$1,022,304	Aa1
42	Arkansas	$977,007	Aa1
43	Iowa	$947,959	Aaa*
44	Idaho	$883,967	Aa1*
45	Vermont	$496,088	Aaa
46	Montana	$347,637	Aa1
47	South Dakota	$295,107	NGO**
48	North Dakota	$174,572	Aa1*
49	Wyoming	$36,115	NGO**
50	Nebraska	$27,308	NGO**
	Totals:	**$509,499,970**	
	MEAN:	**$10,189,999**	
	MEDIAN:	**$4,242,808**	
	Puerto Rico	$51,907,000	Baa1***

* Issuer Rating (No G.O. Debt)

** No General Obligation Debt

*** Includes restated figures. See "Revised Calculations Show Higher Puerto Rico Debt" published May 18, 2012 for more info.

TABLE 4

Gross Tax-Supported Debt ($000's)

			Gross to Net Ratio
1	California	$102,297,000	1.06
2	New York	$62,563,000	1.00
3	New Jersey	$40,492,148	1.16
4	Illinois	$34,672,633	1.05
5	Massachusetts	$33,627,342	1.06
6	Florida	$32,251,200	1.45
7	Washington	$26,518,198	1.50
8	Connecticut	$25,627,069	1.40
9	Texas	$23,895,512	1.58
10	Michigan	$22,842,400	2.95
11	Minnesota	$20,560,766	3.35
12	Pennsylvania	$19,285,195	1.33
13	Ohio	$17,050,350	1.46
14	Oregon	$16,675,974	2.14
15	Virginia	$13,578,371	1.43
16	Wisconsin	$12,929,029	1.24
17	Kentucky	$11,911,177	1.34
18	Colorado	$11,178,806	4.13
19	Georgia	$10,788,109	1.00
20	Maryland	$10,150,628	1.00
21	Alabama	$8,641,178	2.14
22	Utah	$8,308,456	2.12
23	Hawaii	$7,896,900	1.47
24	North Carolina	$7,866,993	1.00
25	Louisiana	$7,634,214	1.19
26	Arizona	$6,397,917	1.02
27	Tennessee	$6,118,900	2.79
28	Maine	$5,226,762	4.66
29	Mississippi	$5,166,121	1.00
30	Indiana	$4,677,354	1.61
31	Missouri	$4,509,731	1.01
32	South Carolina	$4,284,944	1.11
33	West Virginia	$4,007,914	1.85
34	Kansas	$3,877,939	1.11
35	Delaware	$3,864,558	1.59
36	Arkansas	$3,829,269	3.92
37	Alaska	$3,767,100	3.58
38	Rhode Island	$3,304,175	1.57
39	New Mexico	$2,927,952	1.00
40	Nevada	$2,858,255	1.32
41	New Hampshire	$2,480,779	2.43
42	Iowa	$2,427,454	2.56
43	Oklahoma	$2,354,499	1.01
44	Idaho	$1,697,454	1.92
45	Vermont	$1,479,423	2.98
46	North Dakota	$1,229,971	7.05
47	Montana	$654,272	1.88
48	South Dakota	$493,605	1.67
49	Nebraska	$43,528	1.59
50	Wyoming	$36,115	1.00
	Totals:	**$666,958,639**	
	MEAN:	**$13,339,173**	**1.88**
	MEDIAN:	**$7,016,066**	**1.47**
	Puerto Rico**	$58,072,000	1.12

** This figure is not included in any totals, means, or median calculations but is provided for comparison purposes only.

TABLE 5

Net Tax-Supported Debt as % of Gross State Domestic Product

	2011	2010 NTSD as % of 2009 State GDP
1	Connecticut	8.38%
2	Hawaii	8.38%
3	Massachusetts	8.30%
4	New Jersey	7.09%
5	New York	5.64%
6	Kentucky	5.51%
7	Washington	5.27%
8	California	5.03%
9	New Mexico	5.00%
10	Illinois	4.97%
11	Rhode Island	4.86%
12	Mississippi	4.78%
13	Oregon	4.68%
14	Wisconsin	4.26%
15	Delaware	4.02%
16	West Virginia	3.58%
17	Maryland	3.23%
18	Utah	3.18%
19	Florida	2.94%
20	Kansas	2.85%
21	Louisiana	2.84%
22	Georgia	2.78%
23	South Carolina	2.58%
24	Pennsylvania	2.54%
25	Ohio	2.49%
26	Alabama	2.40%
27	Arizona	2.39%
28	Minnesota	2.38%
29	Maine	2.24%
30	Michigan	2.10%
31	Virginia	2.07%
32	Missouri	1.97%
33	Alaska	1.91%
34	Nevada	1.91%
35	North Carolina	1.85%
36	Vermont	1.85%
37	New Hampshire	1.82%
38	Oklahoma	1.53%
39	Idaho	1.51%
40	Texas	1.35%
41	Indiana	1.18%
42	Colorado	1.07%
43	Arkansas	1.04%
44	Montana	1.02%
45	Tennessee	0.90%
46	South Dakota	0.69%
47	North Dakota	0.65%
48	Iowa	0.60%
49	Wyoming	0.10%
50	Nebraska	0.03%
	MEAN:	**3.03%**
	MEDIAN:	**2.45%**

	2012	2011 NTSD as % of 2010 State GDP
1	Massachusetts	8.37%
2	Hawaii	8.03%
3	Connecticut	7.69%
4	New Jersey	7.18%
5	Kentucky	5.45%
6	New York	5.38%
7	Mississippi	5.30%
8	Washington	5.19%
9	California	5.07%
10	Illinois	5.06%
11	Oregon	4.48%
12	Rhode Island	4.26%
13	Wisconsin	4.20%
14	Delaware	3.89%
15	New Mexico	3.67%
16	Maryland	3.44%
17	Utah	3.43%
18	West Virginia	3.35%
19	Florida	2.97%
20	Louisiana	2.92%
21	Kansas	2.74%
22	Georgia	2.68%
23	Pennsylvania	2.54%
24	Arizona	2.47%
25	Ohio	2.45%
26	South Carolina	2.35%
27	Alabama	2.34%
28	Minnesota	2.27%
29	Virginia	2.23%
30	Maine	2.17%
31	Alaska	2.14%
32	Michigan	2.02%
33	Vermont	1.94%
34	North Carolina	1.85%
35	Missouri	1.83%
36	Nevada	1.72%
37	New Hampshire	1.70%
38	Idaho	1.59%
39	Oklahoma	1.58%
40	Texas	1.25%
41	Colorado	1.05%
42	Indiana	1.05%
43	Montana	0.96%
44	Arkansas	0.95%
45	Tennessee	0.86%
46	South Dakota	0.74%
47	Iowa	0.66%
48	North Dakota	0.50%
49	Wyoming	0.09%
50	Nebraska	0.03%
	MEAN:	**2.96%**
	MEDIAN:	**2.40%**

* State GDP numbers have a 1-year lag

TABLE 6

Net Tax-Supported Debt as a Percentage of Personal Income

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Alabama	2.2	2.0	2.0	2.2	2.0	2.8	2.6	2.4	2.6	2.5
Alaska	0.3	3.0	2.8	2.6	2.7	2.4	2.2	3.2	3.0	3.3
Arizona	2.1	2.3	2.6	2.2	2.0	2.0	2.5	2.3	2.8	2.8
Arkansas	1.4	1.8	1.6	1.6	1.4	1.7	1.3	1.0	1.1	1.0
California	2.5	3.2	4.7	4.6	4.4	4.3	4.4	5.6	6.0	6.0
Colorado	0.9	0.9	1.0	0.9	0.9	0.8	0.8	1.0	1.3	1.3
Connecticut	8.2	8.4	8.5	8.0	7.8	7.3	8.2	8.7	9.5	9.1
Delaware	5.0	5.6	5.5	5.3	5.5	5.2	5.4	6.2	6.8	6.8
Florida	3.5	3.5	3.4	3.2	3.1	2.8	2.9	2.9	3.0	3.0
Georgia	2.9	2.9	2.8	2.7	3.0	3.0	3.0	3.3	3.3	3.1
Hawaii	10.9	10.4	11.1	12.1	10.6	9.9	9.4	9.9	10.1	9.6
Idaho	0.3	0.5	0.6	0.6	0.6	1.2	1.6	1.7	1.6	1.7
Illinois	3.2	5.8	6.2	5.9	5.5	5.2	4.6	4.4	5.7	6.0
Indiana	1.1	1.3	1.4	1.6	2.1	1.5	1.5	1.5	1.4	1.3
Iowa	0.6	0.5	0.5	0.4	0.3	0.3	0.2	0.2	0.7	0.8
Kansas	3.0	3.3	4.0	3.8	3.7	3.5	3.2	3.0	3.2	3.1
Kentucky	4.4	4.4	4.0	4.5	4.3	4.7	4.8	5.4	6.1	6.1
Louisiana	2.7	2.6	2.4	3.1	4.9	4.3	3.3	3.6	3.5	3.7
Maine	1.8	1.8	2.2	2.0	1.9	1.9	2.2	2.2	2.4	2.3
Maryland	2.8	3.0	2.9	3.0	2.8	3.0	3.3	3.4	3.3	3.6
Massachusetts	8.5	8.5	8.5	9.8	9.4	9.8	8.9	9.2	9.2	9.4
Michigan	1.8	2.2	2.2	2.1	2.2	2.2	2.2	2.1	2.2	2.2
Minnesota	1.9	2.0	2.0	2.1	2.2	2.3	2.1	2.4	2.5	2.7
Mississippi	5.6	5.2	4.8	4.8	4.9	4.8	5.2	5.0	5.1	5.6
Missouri	1.3	1.6	1.5	1.6	1.9	2.1	2.0	2.2	2.2	2.0
Montana	1.4	1.3	1.1	1.4	1.5	1.2	1.2	1.1	1.1	1.0
Nebraska	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Nevada	1.4	2.0	2.0	2.2	1.7	2.0	2.2	2.3	2.4	2.2
New Hampshire	1.4	1.5	1.3	1.4	1.3	1.3	1.3	1.6	1.9	1.8
New Jersey	5.5	5.9	7.4	7.9	7.6	7.5	7.3	7.2	7.8	7.8
New Mexico	3.7	4.1	5.3	4.7	5.3	4.8	4.6	4.4	5.6	4.2
New York	5.9	6.7	7.2	6.7	6.7	6.3	6.3	6.5	6.7	6.6
North Carolina	1.6	2.0	2.5	2.8	2.4	2.8	2.5	2.3	2.3	2.3
North Dakota	0.9	0.9	0.6	1.2	1.0	1.1	1.0	0.8	0.8	0.6
Ohio	2.6	2.7	2.9	2.9	3.0	2.9	2.8	2.6	2.8	2.8
Oklahoma	1.2	1.2	1.2	1.4	1.5	1.5	1.5	1.6	1.8	1.7
Oregon	1.6	4.5	4.7	4.5	4.6	5.0	4.6	5.2	5.6	5.5
Pennsylvania	2.3	2.2	2.3	2.3	2.4	2.4	2.5	2.4	2.7	2.8
Rhode Island	5.0	4.4	4.3	4.1	4.6	4.7	4.5	5.2	5.3	4.7
South Carolina	2.4	2.4	2.2	2.5	2.3	3.3	2.9	2.9	2.7	2.5
South Dakota	0.7	0.9	0.9	0.7	0.8	0.9	0.8	0.4	0.9	0.9
Tennessee	0.8	0.8	0.7	0.8	0.7	0.7	0.7	0.9	1.0	1.0
Texas	0.9	0.8	1.0	1.0	1.3	1.4	1.4	1.4	1.6	1.5
Utah	2.9	3.5	3.2	2.7	2.3	1.9	1.5	3.2	4.1	4.4
Vermont	3.0	2.5	2.3	2.2	2.1	2.0	1.8	1.8	1.9	2.0
Virginia	1.7	1.7	1.8	1.7	1.8	1.9	1.9	2.1	2.4	2.6
Washington	4.8	4.9	4.9	4.9	5.1	5.1	5.1	5.3	6.2	6.0
West Virginia	4.1	3.6	4.6	4.4	3.9	3.9	3.6	3.5	3.8	3.6
Wisconsin	3.3	4.5	4.7	4.3	4.2	4.1	4.0	4.6	4.8	4.8
Wyoming	0.9	0.8	0.7	0.3	0.3	0.2	0.2	0.2	0.1	0.1
MEDIAN:	**2.2**	**2.5**	**2.5**	**2.5**	**2.4**	**2.6**	**2.5**	**2.5**	**2.8**	**2.8**

TABLE 7

Debt Service Ratio

		FY2010
1	Connecticut	16.1%
2	Massachusetts	11.6%
3	New York	10.8%
4	Illinois	10.0%
5	Oregon	9.7%
6	Hawaii	9.6%
7	New Jersey	9.5%
8	Washington	9.0%
9	Rhode Island	8.6%
10	California	8.4%
11	Kentucky	7.9%
12	Florida	7.7%
13	Georgia	7.6%
14	Delaware	7.4%
15	Mississippi	7.4%
16	Nevada	6.9%
17	Utah	6.1%
18	Maine	6.0%
19	Maryland	5.7%
20	New Mexico	5.5%
21	South Carolina	5.5%
22	Ohio	5.3%
23	Virginia	5.2%
24	New Hampshire	5.1%
25	Arizona	4.9%
26	Alabama	4.8%
27	Kansas	4.7%
28	Louisiana	4.7%
29	Pennsylvania	4.7%
30	Missouri	4.4%
31	Wisconsin	4.3%
32	West Virginia	3.9%
33	North Carolina	3.6%
34	Texas	3.3%
35	Vermont	3.0%
36	Michigan	2.9%
37	Montana	2.9%
38	Minnesota	2.8%
39	Oklahoma	2.8%
40	Colorado	2.6%
41	Idaho	2.6%
42	Indiana	2.2%
43	Arkansas	1.9%
44	North Dakota	1.9%
45	Tennessee	1.6%
46	Alaska	1.3%
47	South Dakota	1.3%
48	Iowa	0.7%
49	Wyoming	0.3%
50	Nebraska	0.2%
	MEAN:	**5.3%**
	MEDIAN:	**4.9%**
	Puerto Rico	16.9%

		FY2011
1	Connecticut	14.8%
2	Illinois*	12.4%
3	New York	11.3%
4	Massachusetts	10.9%
5	Oregon	9.3%
6	Washington	8.8%
7	Hawaii	8.7%
8	New Jersey	8.7%
9	California	8.5%
10	Delaware	8.2%
11	Rhode Island	8.1%
12	Florida	7.9%
13	Kentucky	7.8%
14	Mississippi	7.4%
15	Georgia	7.2%
16	Utah	6.8%
17	Nevada	6.4%
18	New Hampshire	6.0%
19	Maine	5.9%
20	Maryland	5.7%
21	Arizona	5.6%
22	New Mexico*	5.5%
23	Virginia	5.3%
24	Kansas	5.0%
25	South Carolina	5.0%
26	Pennsylvania	4.9%
27	Louisiana	4.6%
28	Missouri	4.5%
29	Alabama	4.4%
30	Ohio	4.4%
31	West Virginia	4.4%
32	Wisconsin	4.2%
33	North Carolina	3.6%
34	Arkansas	3.2%
35	Texas	3.2%
36	Idaho	3.1%
37	Minnesota	3.1%
38	Vermont	2.9%
39	Colorado	2.7%
40	Michigan	2.7%
41	Montana	2.4%
42	Oklahoma	2.4%
43	Indiana	2.0%
44	Tennessee	1.5%
45	Alaska	1.2%
46	North Dakota	1.2%
47	South Dakota*	1.2%
48	Iowa	0.9%
49	Nebraska	0.2%
50	Wyoming	0.2%
	MEAN:	**5.3%**
	MEDIAN:	**4.9%**
	Puerto Rico*	18.7%

* Fiscal 2011 Comprehensive Annual Report not available at the time of publication. Available revenues calculated using a combination of fiscal 2010 revenues and Moody's-adjusted projections for fiscal 2011 revenues.

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