

STATE OF ALASKA

STATE BOND COMMITTEE

TO BE HELD AT:
TELEPHONIC MEETING
For Participation: 1-907-202-7104
Code: 702 737 017#
Juneau, Alaska 99811
June 1, 2023
2:00 PM Alaska Time



STATE BOND COMMITTEE AGENDA FOR MEETING

Meeting Place:
TELEPHONIC MEETING
Call-in: (907) 202-7104,
Conference ID: 702 737 017#

June 1, 2023, at 2:00 P.M. Alaska Time

- I. Call to Order
- II. Roll Call
- III. Public Meeting Notice
- IV. Approval of Agenda
- V. Minutes of the January 11, 2023, State Bond Committee Meeting
- VI. Public Participation and Comment
- VII. New Business
 - A. Resolution 2023-03 –AHFC Collateralized Veterans Mortgage Bonds Guaranteed by the State of Alaska
- VIII. Debt Manager's Report
- IX. Committee Member Comments
- X. Schedule Next Meeting
- XI. Adjournment

STATUS: **Active**

NOTICE OF PUBLIC MEETING: STATE OF ALASKA - STATE BOND COMMITTEE

NOTICE OF PUBLIC MEETING: STATE OF ALASKA - STATE BOND COMMITTEE ('SBC')

Notice is hereby given that the State of Alaska - SBC will hold a meeting on June 1, 2023 at 2:00 p.m. AK. This will be a telephonic meeting, with participation at (907) 202-7104, with code 702 737 017#.

The public is invited to attend and will be given the opportunity for public comment and participation. The SBC complies with Title II of the Americans with Disabilities Act of 1990 and the Rehabilitation Act of 1973. Individuals who may need special modifications to participate should call (907) 465-2893 prior to the meeting.

AGENDA FOR SBC MEETING:

- I. Call to Order
- II. Roll Call
- III. Public Meeting Notice
- IV. Approval of Agenda
- V. Minutes of the January 11, 2023, SBC Meeting
- VI. Public Participation and Comment
- VII. New Business:
 - A. Resolution 2023-03 - AHFC Collateralized Veterans Mortgage Bonds Guaranteed by the State of Alaska
- VIII. Debt Manager's Report
- IX. Committee Member Comments
- X. Schedule Next Meeting
- XI. Adjournment

Dated May 22, 2023
(907) 465-2893

[Attachments, History, Details](#)

Attachments

[SBC Agenda 6-1-2023.pdf](#)

Revision History

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Details

Department: Revenue
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Sub-Category:
Location(s): Statewide
Project/Regulation #:

Publish Date: 5/22/2023
Archive Date: 6/2/2023

Events/Deadlines:

**MINUTES of the
STATE BOND COMMITTEE
January 11, 2023**

A meeting of the State Bond Committee (SBC) was held at 10:02 a.m. Alaska Time on January 11, 2023. The meeting was held telephonically at 1-907-202-7104, with code 710997454#.

SBC Members present were:

Brian Fechter, Deputy Commissioner, Delegate for the Department of Revenue ("DOR")
Micaela Fowler, Deputy Commissioner, Delegate for the Department of Commerce, Community and Economic Development ("DCCED")
Dave Donley, Deputy Commissioner, Delegate for the Department of Administration ("DOA")

Also present were:

Ryan Williams, Debt Manager, Department of Revenue
Gerard Deta, Senior Finance Officer, AHFC
Derrick Chan, Finance Officer, AHFC
Les Krusen, Orrick, Herrington & Sutcliffe, LLP, Bond Counsel to the SBC
John Stanley, Orrick, Herrington & Sutcliffe, LLP
Nina Bronx, Orrick, Herrington & Sutcliffe, LLP
Pete Nissen, Acacia Financial Group, FA to the SBC
Amanda Lee, Senior Vice President, Jefferies
Jack Kingston, Investment Banking Associate, Jefferies

I. Call to Order

Committee members Micaela Fowler, Brian Fechter, and Dave Donely were present. Ms. Fowler called the meeting to order at 10:02 a.m. Alaska Time on January 11, 2023.

II. Roll Call

Mr. Williams took roll call. Mr. Fechter, Ms. Fowler, and Mr. Donley were present. There was a quorum.

III. Public Meeting Notice

A copy of the Affidavit of Publication concerning the date, location, and purpose of the meeting was reviewed and made a part of the minutes of the meeting. Mr. Williams stated the meeting was properly noticed, advertised on the State's Online Public Notice site. The notice was officially published on January 3, 2023, for the January 11, 2023, meeting date.

IV. Approval of Agenda

The Agenda was reviewed by the committee. Mr. Fechter moved to approve the agenda as written, and Mr. Donley seconded. Mr. Donley stated that he would like future agendas to reference page numbers of the Resolutions. The agenda was approved and adopted unanimously by the committee as written with no modifications and no objections.

V. Minutes of the September 15, 2022, SBC Meeting

The Minutes of the September 15, 2022, SBC Meeting were reviewed by the committee. The Minutes needed no modifications. Mr. Fechter moved to adopt those minutes as written, and approval was seconded by Ms. Fowler. The September 15, 2022, SBC meeting minutes were unanimously approved and adopted by the committee as written with no modifications and no objections.

VI. Public Comment

Ms. Fowler asked for public participation and comment. There was none. The Public Comment period was closed.

VII. New Business

Resolution No. 2023-01 – Providing for the issuance and sale of general obligation refunding bonds of the State of Alaska, Series 2023A

Mr. Williams introduced Resolution 2023-01 relating to the issuance and sale of State of Alaska general obligation refunding bonds, Series 2023A. Resolution 2023-01 would authorize GO refunding bonds to be issued to refund all or a portion of the State's 2012A and 2013B GO bonds, with the 2012A currently callable and the 2013B callable at the beginning of November 2022. Mr. Williams noted that the SBC approved a similar resolution at the September 15, 2022, meeting, but the savings threshold was not met, and the similar resolution would sunset at the end of the week of January 9, 2023. Mr. Krusen, Orrick, noted that Resolution 2023-01 completely replaces the prior resolution that Mr. Williams discussed, and provides authorization in an aggregate principal amount of not to exceed \$60,000,000, sets the Designated Representative and allows this individual to confirm those maturities of the 2012A and 2013B to be refunded, expires 120 days after adoption, and contains the forms of escrow agreements referencing the refunding. Mr. Fechter asked Mr. Williams if the first debt service payment date lies in fiscal year 2024. Ms. Lee, Jefferies, referenced the most recent set of preliminary numbers surrounding the transaction, with first debt service payment date occurring in fiscal year 2024. Mr. Fechter tasked Mr. Williams with submitting to the Office of Management and Budget any updated language for the amended budget release as a result of the transaction. Mr. Fechter moved to adopt Resolution 2023-01 as written. Ms. Fowler seconded the motion. Mr. Williams took a roll call vote, and the State Bond Committee then approved Resolution 2023-01 with three yes votes. Resolution 2023-01 was approved unanimously by committee members.

Resolution No. 2023-02 – Providing for the allocation of Private Activity Bond Volume Limit of the State of Alaska for Calendar Year 2022

Mr. Williams noted that Resolution 2023-02 before the committee relates to the State of Alaska's allocation of the Private Activity Bond Volume Limit for calendar year 2022. Mr. Williams noted that the code limits the amount of private activity bonds that may be issued, and every year Alaska, through the State Bond Committee, allocates the limit of volume cap among issuers in the State. Mr. Williams noted that the State of Alaska's calendar year 2022 volume cap available is \$335,115,000, which is the minimum amount per the IRS, as Alaska does not use the population calculation due to our low population size. Mr. Williams mentioned that AHFC has been the main issuer and recipient of the cap and over the last seven to eight years, or more, and there has been low competitiveness for this allocation. Mr. Williams mentioned that AIDEA has been allocated a portion of volume cap in the past, but there have been no requests this year, and AHFC is the most likely candidate to roll forward cap for potential use as identified and rolled forward by AHFC. Mr. Williams then mentioned that AHFC would have to file the roll forward with the IRS no later than February 15th of the following calendar year (carryforward date - February 15, 2023). Mr. Williams noted that Gerard Deta, AHFC, is in attendance if there were any questions from the committee on use through AHFC. Mr. Fechter moved to adopt Resolution 2023-02, and Ms. Fowler seconded. Mr. Williams conducted a roll-call vote and there were three 'yes' votes and Resolution 2023-02 authorizing the allocation of Private Activity Bond Volume Limit of the State of Alaska for Calendar Year 2022 in the amount of \$335,115,000 to AHFC, was approved unanimously by committee members.

VIII. Debt Manager's Report

Mr. Williams provided information to OMB to identify the FY 2024 debt service needs of the state, and will work on updating OMB after the conclusion of the transaction through Resolution 2023-01, approved earlier in the meeting.

Mr. Williams noted the overnight borrowing transaction was completed for the Clean Water and Drinking Water funds in FY23, with assistance from DEC, DOR, DOA, Orrick, and KeyBank. The transaction occurred on October 25 / 26. This transaction did not rely upon the General Fund, and interest income on principal held in the Funds and the interest income on loans made by the Funds were used to repay debt service. This overnight borrowing transaction was for approximately \$2.796 million, and cost less than \$10,000 to accomplish, resulting in additional State match through Federal grant funding.

In late December 2022, Mr. Williams mentioned he was involved in discussions with credit review of the State's AIAS by Moody's. I have attached the final report affirming "A1" with positive outlook. Among many discussion topics, there was a conversation on current operations and the execution of an updated airline agreement.

In conjunction with the anticipated GO refunding transaction and the most recent revenue forecast and fiscal summary release as of 12/15/2022, Mr. Williams noted he

would update rating agencies.

Mr. Williams is currently preparing the 2022-2023 Alaska Public Debt Book, compiling information from Departments and Agencies across the State. This will be used for required disclosure prior to 1/31/2023 as well as publicly posted on the State's website. This, along with other public disclosures, will be monitored to meet continuing disclosure requirements. The Fall 2022 RSB and Forecast has been posted on the MSRB-EMMA website under associated CUSIPs.

Mr. Fechter moved to approve the debt manager's report and Ms. Fowler seconded. Mr. Williams conducted a roll-call vote and there were three 'yes' votes and the Debt Manager's report was approved unanimously by committee members.

IX. Committee Member Comments

There were no additional comments.

X. Schedule Next Meeting

Ms. Fowler stated that the next meeting shall occur at the call of the Chair with input from the Debt Manager.

XI. Adjournment

Adjournment of the meeting was moved by Mr. Fechter and seconded by Ms. Fowler. The meeting was adjourned at 10:25 a.m. Alaska Time.

Julie Sande, Commissioner, Department of Commerce, Community,
and Economic Development

ATTEST:

Adam Crum, Commissioner, Department of Revenue

STATE BOND COMMITTEE

RESOLUTION NO. 2023-03

A Resolution of the State Bond Committee of the State of Alaska relating to and approving the issuance and sale by the Alaska Housing Finance Corporation of not to exceed \$50,000,000 aggregate principal amount of Alaska Housing Finance Corporation Collateralized Bonds (Veterans Mortgage Program).

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

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

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

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

WHEREAS, as provided in AS 18.56.110, the Corporation has requested the State Bond Committee to approve the issuance by the Corporation of not to exceed \$50,000,000 aggregate principal amount of Alaska Housing Finance Corporation Collateralized Bonds (Veterans Mortgage Program), in one or more series, for the purpose of purchasing mortgages made for qualifying veterans (the “2023 Bonds”); and

WHEREAS, AS 18.56.110(d) requires the Corporation to sell State guaranteed bonds, including the 2023 Bonds, at public sale in amounts and at times approved by the State Bond Committee, on terms fixed under a notice of sale (the “Notice of Sale”); and

WHEREAS, the Corporation will prepare a preliminary official statement and a notice of sale (together, the “Preliminary Official Statement”) with respect to the 2023 Bonds in connection with the public sale of the 2023 Bonds and will prepare a final official statement (the “Official Statement”) for delivery to initial purchasers of the 2023 Bonds, which Preliminary Official Statement and Official Statement will include information about the State; and

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

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

Section 1. Authorization of the 2023 Bonds. The issuance by the Corporation of not to exceed \$50,000,000 aggregate principal amount of 2023 Bonds to purchase mortgages made for qualifying veterans is hereby approved. The 2023 Bonds when issued by the Corporation in accordance herewith will be guaranteed as to principal and interest by the State, and the full faith, credit and resources of the State will be pledged to the payment thereof. The 2023 Bonds shall be sold by the Corporation at public sale no later than September 29, 2023, and with the terms to be fixed under the Notice of Sale.

Section 2. Disclosure. The State Bond Committee hereby authorizes the Designated Representative to review and approve, on behalf of the State, the information about the State to be included in the Preliminary Official Statement and the Official Statement for the 2023 Bonds. The Designated Representative is hereby further authorized to execute and deliver certificates to appropriate parties regarding such disclosure information.

The State Bond Committee hereby authorizes the Designated Representative and all other appropriate State officials to execute a continuing disclosure certificate and any and all other documents required to be executed on behalf of the State in connection with the sale and issuance of the 2023 Bonds.

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

ADOPTED AND APPROVED by the State Bond Committee of the State of Alaska, this
1st day of June, 2023.

STATE OF ALASKA
STATE BOND COMMITTEE

JULIE SANDE

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

ADAM CRUM

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

PAULA VRANA

Commissioner, Department of Administration
Member
Alaska State Bond Committee

Approved as to form:

Alaska Department of Law
State of Alaska

CERTIFICATE

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

1. That the attached resolution is a true and correct copy of Resolution No. 2023-03 of the Committee (the “Resolution”), duly passed at a meeting thereof held on June 1, 2023.

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

IN WITNESS WHEREOF, I have hereunto set my hand this 1st day of June, 2023.

Secretary

CERTIFICATE

I, RYAN WILLIAMS, on behalf of the State of Alaska (the “State”) Bond Committee and keeper of the records of the State Bond Committee (the “Committee”), DO HEREBY CERTIFY:

1. The attached resolution is a true and correct copy of Resolution No. 2023-03 of the Committee (the “Resolution”), duly adopted and executed at a meeting thereof held on the 1st day of June, 2023.

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

3. The Resolution remains in full force and effect and has not been amended, modified, superseded or repealed since June 1, 2023.

Dated: ____ __, 2023

Ryan Williams
Designated Representative,
Department of Revenue,
on behalf of the
State Bond Committee

FORM OF
CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Agreement”) is executed and delivered by the State of Alaska, acting by and through its State Bond Committee (the “State”) in connection with the issuance of \$ _____ aggregate principal amount of Collateralized Bonds (Veterans Mortgage Program) 2023 First Series (the “Bonds”). The Bonds are being issued pursuant to an Indenture by and between the Corporation and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), dated as of October 1, 1999, as amended, and a 2023 First Series Supplemental Indenture thereto, by and between the Corporation and the Trustee, dated as of July 1, 2023 (collectively referred to herein as the “Indenture”). The State guarantees payment of principal of and interest on the Bonds. The State and the Trustee covenant and agree with the registered owners and beneficial owners of the Bonds as follows:

SECTION 1. Purpose of the Agreement. This Agreement is being executed and delivered by the State for the sole and exclusive benefit of the registered owners and beneficial owners of the Bonds.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the State pursuant to, and as described in, Sections 3 and 4 of this Agreement.

“Disclosure State Representative” shall mean the Chairman of the State Bond Committee of the State or his or her designee.

“Fiscal Year” shall mean the fiscal year of the State (currently the 12-month period ending June 30, as such fiscal year may be changed from time to time as required by State law).

“Listed Events” shall mean any of the events listed in Section 5 of this Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

“Official Statement” shall mean the Corporation’s final Official Statement with respect to the Bonds, dated _____, 2023.

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

“SEC” shall mean the United States Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports.

(a) The State shall provide to the MSRB an Annual Report for the preceding Fiscal Year (commencing with the Fiscal Year ending June 30, 2024) which is consistent with the requirements of Section 4 of this Agreement. The Annual Report shall be provided not later than January 31 of each year the Bonds are outstanding, commencing January 31, 2024. The State may adjust the Report Date if the State changes its Fiscal Year, by providing written notice of the change

of Fiscal Year and the new Report Date to the MSRB; provided that the new Report Date shall be seven months after the end of the new Fiscal Year, and provided further that the period between the final Report Date relating to the former Fiscal Year and the initial Report Date relating to the new Fiscal Year shall not exceed one year in duration. At the same time the Annual Report is provided to the MSRB, the State shall provide the Annual Report to the Trustee. The Annual Report may be submitted as a single document or as separate documents constituting a package, and may cross-reference other information as provided in Section 4 of this Agreement; provided that the audited financial statements of the State may be submitted separately from the balance of the Annual Report, and later than the date required for the filing of the Annual Report if not available by that date.

(b) If, within 15 Business Days after the date specified in subsection (a) for providing the Annual Report to the MSRB, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the State to determine if the State is in compliance with subsection (a).

(c) If the Trustee is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Trustee shall send a notice to the MSRB in substantially the form attached as Exhibit A to this Agreement, subject to Section 9 of this Agreement.

SECTION 4. Content of Annual Reports. The State's Annual Report shall be substantially in the form of the Annual Comprehensive Financial Report for the Fiscal Year ending June 30, 2022, and the Alaska Public Debt 2022 - 2023 report (together, the "Annual Report"). The Annual Report shall contain historical operating data and financial information of the type contained in Appendix A to the Official Statement. The financial statements of the State contained in the Annual Report will be prepared in conformity with generally accepted accounting principles established by the Governmental Accounting Standards Board, if available, or unaudited financial statements for such year as in effect from time to time.

If not provided as part of the Annual Report by the date required (as described under "Provisions of Annual Reports"), the State shall provide audited financial statements, when and if available, to the MSRB.

Any or all of the items listed above may be incorporated by specific reference to other documents (i) available to the public on the MSRB Internet Web Site or (ii) filed with the SEC.

SECTION 5. Reporting of Significant Events.

This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

1. Principal and interest payment delinquencies on the Bonds or any other bonds of the State;
2. Non-payment related defaults under the Indenture and any supplemental indenture, if material;
3. Unscheduled draws on debt service reserve reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

7. Modifications to rights of Bondholders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances of Bonds;

10. Release, substitution or sale of property securing repayment of the Bonds, if material;

11. Rating changes for the Bonds;

12. Bankruptcy, insolvency, receivership or similar event[†] of the State;

13. The consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

15. Incurrence of a financial obligation[‡] of the State, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the State, any of which affect Bondholders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the State, any of which reflect financial difficulties.

Upon the occurrence of a Listed Event, the State shall as soon as possible file notice of such occurrence with the MSRB and the Trustee in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event. Each notice of a Listed Event hereunder shall indicate that it is a notice of a Listed Event.

[†] Note to Paragraph 12: For the purposes of the event identified in Paragraph 12 above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the State in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the State, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the State.

[‡] For the purposes of the events identified in Paragraphs (15) and (16) above, the term “financial obligation” means: (A) a debt obligation; (B) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) a guarantee of (A) or (B). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Notwithstanding the foregoing, no notice of a Listed Event need be given by the State if notice has theretofore been given by the Corporation.

SECTION 6. Termination of Reporting Obligation. The State's obligations under this Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Dissemination Agent. The State may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the State under this Agreement, and revoke or modify any such designation.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the State may amend this Agreement if the following conditions are met:

(a) The amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof or a change in the identity, nature or status of the State or the type of business conducted thereby;

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

(c) The amendment does not materially impair the interests of the beneficial owners of the Bonds as determined either by a party unaffiliated with the State (such as Bond Counsel) or by approving vote of the registered owners of a majority in principal amount of the Bonds pursuant to the terms of the Indenture.

The State shall deliver a copy of any such amendment to the MSRB.

To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first annual financial information provided thereafter will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 9. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 10. Default. Except as described in this paragraph, the provisions of this Agreement will create no rights in any other person or entity. The obligation of the State to comply with the provisions of this Agreement are enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data, and notices, by any beneficial owner of Outstanding Bonds, or by the Trustee on behalf of the registered owners of Outstanding Bonds, or (ii) in the case of challenges to the adequacy of the financial statements, financial information, and operating data so provided, by the Trustee on behalf of the registered owners of Outstanding Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the registered owners of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. A default under this Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Agreement in the event

of any failure of the State or the Trustee to comply with this Agreement shall be an action to compel performance.

SECTION 11. Governing Law. This Agreement shall be construed and interpreted in accordance with the laws of the State of Alaska, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State, provided that, to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

SECTION 12. Beneficiaries. This Agreement shall inure solely to the benefit of the Corporation, the State, and the registered owners and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: _____

STATE OF ALASKA

By: _____

Deputy Commissioner
Department of Revenue

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION
as Trustee

By _____

Vice President

APPENDIX G

INFORMATION CONCERNING THE STATE OF ALASKA

The information concerning the State of Alaska (“Alaska” or the “State”) set forth in this Appendix is dated as of the date of the Official Statement. The information contained herein is subject in all respects to the complete text of the financial reports referenced. The information contained herein has been obtained from sources that the State believes to be reliable but is not guaranteed as to accuracy.

General

Alaska is a sovereign state of the United States of America, located in the far northwest of North America to the west of Canada, with its southeastern border approximately 500 miles north of the State of Washington. Alaska became a state in 1959. The State’s population grew each year and increased approximately 7.7 percent between fiscal year 2008 and fiscal year 2016; however, since 2016 the population has contracted by approximately 0.4 percent with a population estimate of 736,556 (2022 estimate) (Alaska Department of Labor and Workforce Development, Research & Analysis Section). The State’s fiscal year is July 1 to June 30.

Alaska includes approximately 586,412 square miles (approximately 365 million acres) of land and is the largest state of the United States (roughly equivalent in size to one-fifth of all of the other 49 states combined). Unlike the other 49 states, where significant portions of the land may be owned by individuals or entities in the private sector, less than one percent of the land in Alaska is owned by private, non-Alaska Native owners. As described below, most of the State’s revenue is derived from resources owned by the State itself, including petroleum and minerals extracted from State-owned lands and investment income on securities in funds owned by the State.

State Government

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

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

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

There are 19 organized boroughs in Alaska and 145 cities, 49 of which are located within an organized borough and 96 of which are located within the unorganized borough. Of these, 15 boroughs and 21 cities impose property taxes and 9 boroughs and 94 cities impose general sales taxes.

State Revenues

The State does not currently impose personal income taxes and has never imposed statewide general sales taxes. The State does, however, impose a number of business-related taxes that, together with rents and royalties and fines and fees, represented nearly 100 percent of designated and unrestricted non-investment General Fund revenue in fiscal year 2022. Grants, contributions, and other revenue from the federal government and interest and investment income represent the remaining portions of State revenue.

The key drivers of the Alaska economy include natural resource development, federal (including national defense) and State government, seafood, and tourism. Approximately 24.2 percent of the State's total nonfarm employment is derived from government (including federal, state, and local). Other major industries in Alaska include the educational (private) and health services industry, making up 15.7 percent, trade, transportation, and utilities, making up 20.0 percent and the leisure and hospitality industry, making up 10.8 percent of total nonfarm employment. The State's major exports are oil, seafood (primarily salmon, halibut, cod, pollock, and crab), coal, gold, silver, zinc, and other minerals (Alaska Department of Labor and Workforce Development, Research & Analysis, Employment Statistics; 2022 Annual Average).

The Department of Revenue – Tax Division (the “Tax Division”) produces a semi-annual revenue sources book. The revenue sources book published each fall is the comprehensive annual forecast released in December, and the revenue forecast published in the spring is an annual, partial update of the revenue sources book published in the preceding fall. The most recent revenue forecast comes from the Spring 2023 Revenue Sources Book and Forecast, released by the Tax Division on March 21, 2023 (the “Spring 2023 Revenue Forecast”). The Department of Revenue (“DOR”) currently develops a monthly Outlook Update that is used internally to review near-term revenue projections. While this update does not incorporate the level of rigor and detail put into the official spring and fall revenue forecasts, it does give an indication of how revenues are anticipated to perform based on the most currently available information each month. The next forecast update, the Fall 2023 Revenue Sources Book and Forecast (the “Fall 2023 Revenue Forecast”), is anticipated to be released in December 2023.

The Spring 2023 Revenue Forecast reflects a decrease in expected unrestricted General Fund revenue compared to the Fall 2022 Revenue Sources Book and Forecast, released by the Tax Division on December 15, 2022. Decreases in petroleum-related revenue are largely a function of lower oil price forecasts related to global market supply/demand fluctuations. The Spring 2023 Revenue Forecast for federal revenue is based on the most recent available information as of March 21, 2023, and federal receipts that include COVID-19 relief funding is included in the Fall 2022 Revenue Sources Book with the most recent available information as of November 30, 2022..

The Infrastructure Investment and Jobs Act (“IIJA”), passed by Congress in November 2021, included \$550 billion in investments for transportation, water, power and energy, environmental remediation, public lands, broadband, and resilience. It is anticipated that the State, local governments, tribes and other organizations in the State could receive a total of nearly \$5 billion in funding over fiscal years 2023-2027 as a result of the legislation, some of which would represent overall increases to state revenue from federal funding. For the Fall 2022 Revenue Forecast, federal projections developed in consultation with the OMB include anticipated program increases from IIJA based primarily on federal program estimates by the State. These include \$100 million for a new Broadband Equity, Access, and Deployment Program; \$40 million for the Village Safe Water Program; and \$7 million for the Alaska Energy Authority's State Energy Program, Energy Efficiency and Revolving Loan Fund, and Energy Auditor Training Grant Program.

As of November 30, 2022, the State has received \$624 million in grants and contracts from IIJA. Of this, State agencies have received \$372 million. Most of this funding, \$317 million, has been for

transportation programs and, more specifically, highway planning and construction (\$308 million). The State also received funding for the State Energy Program, Pacific Coast Salmon Recovery, the National Dam Safety Program, Weatherization Assistance for Low-Income Persons, the Energy Community Revitalization Program, United States Geological Survey (“USGS”) Research and Data Collection, Low-Income Home Energy Assistance and Cooperative Research and Training Programs. While the State has applied for considerably more in IJIA funding, award announcements for other funding opportunities are still pending.

The COVID-19 outbreak is a significant event that has had and will continue to have ongoing, material effects on the State. Although the continuing effects of COVID-19 cannot be predicted with certainty, and notwithstanding the expiration or rescission of certain State, local and federal government COVID-19 and related social distancing measures implemented in response to COVID-19, the COVID-19 pandemic and any future social distancing orders are expected to continue to have a material adverse effect on the global economy and financial markets; economic activity within the State, including the oil and gas, tourism, and healthcare industries, among others; revenues collected by the State; and the value of the Alaska Permanent Fund and Earnings Reserve. Historic information in this Official Statement about the finances and operations of the State that predates the outbreak of COVID-19 should be considered in light of the possible or probable negative effects the COVID-19 outbreak may have on the current and future finances and operations thereof. Any budgets or projections that have been updated since the outbreak of COVID-19 should be considered in light of the possible or probable further negative impact from the COVID-19 outbreak. The Spring 2023 Revenue Forecast and any other budget, outlook, and projection information and all other forward-looking statements in this Official Statement are based on current expectations and are not intended as representations of fact or guarantees of results. Any such forward-looking statements are inherently subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated, or projected.

Historically, petroleum-related revenue has been the largest source of unrestricted revenue for the General Fund. In fiscal year 2018 approximately 80 percent of total unrestricted General Fund revenue was generated from oil production. In 2018, the Legislature enacted Senate Bill 26 (“SB 26”), which directs the State to appropriate amounts from the earnings reserve of the Alaska Permanent Fund to the General Fund as unrestricted General Fund revenue, diminishing the percentage of unrestricted General Fund revenue that petroleum-related revenue represents to approximately 38 percent in fiscal year 2019, 24 percent in fiscal year 2020, 25 percent in fiscal year 2021, and 50 percent in fiscal year 2022. In the Spring 2023 Revenue Forecast, the State forecasts the percentage of unrestricted General Fund revenue that petroleum-related revenue represents to be approximately 44 percent in fiscal year 2023 and 35 percent in fiscal year 2024.

In fiscal year 2019, pursuant to SB 26, the State began appropriating amounts from the Permanent Fund Earnings Reserve to the General Fund as unrestricted General Fund revenue. SB 26 adjusted the transfers from the Permanent Fund Earnings Reserve to an amount determined by taking 5.25 percent of the average market value of the Permanent Fund for the first five of the preceding six fiscal years, including the fiscal year just ended. Effective July 1, 2021, the amount determined for transfers from the Permanent Fund Earnings Reserve was reduced to 5.00 percent of the average market value of the Permanent Fund for the first five of the preceding six fiscal years, including the fiscal year just ended. As described below in “Government Funds – The Alaska Permanent Fund,” this calculation does not include the principal attributable to the settlement of State v. Amerada Hess. The Alaska Permanent Fund Corporation (“APFC”), which manages the Permanent Fund, projects these annual transfers to the General Fund as unrestricted revenue in their monthly history and projections report, as reflected in Table 2. The Permanent Fund Earnings Reserve transferred approximately \$3.1 billion to General Fund revenue in fiscal year 2022 and is expected to transfer approximately \$3.4 billion and \$3.5 billion to General Revenue in fiscal years 2023

and 2024, respectively. The Permanent Fund Dividend may be paid out of these transfers, and any residual revenue is available for other appropriation. The Permanent Fund Dividend amount, paid in calendar year 2021, was \$1,114 per qualified resident, and the Permanent Fund Dividend amount, paid in calendar year 2022, was \$3,284 per qualified resident, including amounts designated for energy relief to Alaskans.

The Alaska Permanent Fund was established by a voter-approved constitutional amendment that took effect in February 1977. Pursuant to legislation enacted in 1982, annual appropriations are made from the Permanent Fund Earnings Reserve, first for dividends to qualified Alaska residents and then for inflation-proofing. The principal portion of the Permanent Fund, which was approximately \$62.1 billion as of March 31, 2023, unaudited, may not be spent without amending the State Constitution. The earnings reserve, approximately \$14.3 billion as of March 31, 2023, unaudited (subsequent to June 30, 2022, this amount includes approximately \$3.5 billion committed to the State's General Fund pursuant to SB 26 for the succeeding fiscal year, and an estimated \$4.1 billion for current fiscal year inflation proofing), may be appropriated by a majority vote of the Legislature. See “– Government Funds – The Alaska Permanent Fund” below.

In the Spring 2023 Revenue Forecast, the State forecasted general purpose unrestricted revenue to be approximately \$6,979.5 million in fiscal year 2023 and \$6,257.3 million in fiscal year 2024, compared to \$6,939.2 million in fiscal year 2022 and \$4,782.8 million in fiscal year 2021.

In the Spring 2023 Revenue Forecast, the State forecasts that Alaska North Slope (“ANS”) oil prices will average \$85.25 in fiscal year 2023 and \$73.00 in fiscal year 2024, compared to actual prices averaging \$91.41 in fiscal year 2022, \$54.14 in fiscal year 2021 and \$52.12 in fiscal year 2020. The State forecasts that ANS production will average approximately 485.2 thousand barrels of oil per day in fiscal year 2023 and 496.4 thousand barrels of oil per day in fiscal year 2024, compared to 476.5 thousand barrels of oil per day in fiscal year 2022, 486.1 thousand barrels of oil per day in fiscal year 2021 and 471.8 thousand barrels of oil per day in fiscal year 2020. In the Spring 2023 Revenue Forecast, the State forecasts ANS oil prices and production and general purpose unrestricted revenue through fiscal year 2033. See Table 4.

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

Oil and Gas Property Tax. The State levies an oil and gas property tax on the value of taxable oil and gas exploration, production and pipeline transportation property in the State at a rate of 20 mills (two percent) of the assessed value of the property. This is the only centrally assessed statewide property tax program in Alaska. Oil and gas reserves, oil or gas leases, the rights to explore or produce oil or gas, and intangible drilling expenses are not considered taxable property under the statute. The most notable properties that are subject to this tax are the Trans-Alaska Pipeline System, including the terminal at Valdez (“TAPS”) and the field production systems at Prudhoe Bay. The assessed value of all existing properties subject to this tax was approximately \$28.6 billion as of January 1, 2022, \$28.2 billion as of January 1, 2021, \$29.0 billion as of January 1, 2020, and \$28.5 billion as of January 1, 2019.

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

reserves of gas or unrefined oil expected to be transported by the pipeline and replacement cost, less depreciation based on the economic life of the reserves.

When the oil and gas property is located within the jurisdiction of a municipality, the municipality may also levy a tax on the property at the same rate the municipality taxes all other non-oil and gas property. The tax paid to a municipality on oil and gas property acts as a credit toward the payment to the State. Of the \$571.4 million of gross tax levied in fiscal year 2022 on oil and gas property in the State, the State's share was \$123.0 million; \$122.4 million of gross tax was actually collected due to a combination of credits and late payments. In the Spring 2023 Revenue Forecast, the State forecasts income from the oil and gas property tax to be approximately \$127.3 million in fiscal year 2023 and \$125.4 million in fiscal year 2024.

Revenue from oil and gas property taxes is deposited in the General Fund; however, the State Constitution requires that settlement payments received by the State after a property tax assessment dispute be deposited in the Constitutional Budget Reserve Fund (the "CBRF"). In fiscal years 2021 and 2022, \$22.5 million and \$21.1 million, respectively, in total settlements were deposited into the CBRF, and in the Spring 2023 Revenue Forecast, the State forecasts settlements to be \$145.0 million in fiscal year 2023 and \$20.0 million in fiscal year 2024. See "– Government Funds – The Constitutional Budget Reserve Fund" below.

Oil and Gas Production Taxes. The State levies a tax on oil and gas production income generated from production activities in the State. The tax on production is levied on sales of all onshore oil and gas production, except for federal and State royalty shares and on offshore developments within three miles of shore.

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

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

Several tax credits and other mechanisms are available for North Slope oil production to provide incentives for additional investment. A per-taxable-barrel credit is available, which is reduced progressively from \$8 per barrel to \$0 per barrel as wellhead value increases from \$80 per barrel to \$150 per barrel. A company that chooses to take this credit may not use any other credits to reduce tax paid to below the gross minimum tax. An additional incentive applies for qualifying new production areas on the North Slope. The so-called "Gross Value Reduction" ("GVR") allows a company to exclude 20 percent or 30 percent of the gross value for that production from the tax calculation. Qualifying production includes areas surrounding a currently producing area that may not be commercial to develop, as well as new oil pools. Oil that qualifies for this GVR receives a flat \$5 per-taxable-barrel credit rather than the sliding-scale credit available for most other North Slope production. As a further incentive, this \$5 per-taxable-barrel credit can be applied to reduce tax liability below the minimum tax. The GVR is available only for the first seven years of production and ends early if ANS prices exceed \$70 per barrel for any three years.

Effective January 1, 2022, for North Slope export gas, the tax rate is 13 percent of gross value at the point of production. Currently, only a very small amount of gas is technically export gas, which is sold

for field operations in federal offshore leases. However, this tax rate would apply to any major gas export project developed in the future.

For the North Slope, a Net Operating Loss (“NOL”) credit in the amount of 35 percent of losses was available until December 31, 2017. It allowed a credit to be carried forward to offset a future tax liability or, in some cases, to be transferred or repurchased by the State. Effective January 1, 2018, the NOL credit was replaced with a new carried-forward annual loss provision. In lieu of credits, a company may carry forward 100 percent of lease expenditures not applied against the tax and may apply all or part of lease expenditures in a future year. A carried-forward annual loss may not reduce tax below the minimum tax and may only be used after the start of regular production from the area in which the expenditures were incurred. An unused carried-forward annual loss declines in value by one-tenth each year beginning in the eighth or eleventh year after it is earned, depending on whether the carried-forward annual loss was earned from a producing or non-producing area.

Cook Inlet oil production is officially subject to the same tax rate of 35 percent of PTV. However, the tax is limited by statute to a maximum of \$1 per barrel.

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

Taxpayers are required to make monthly estimated payments, based upon activities of the preceding month. These payments are due on the last day of the following month, and taxpayers are required to file an annual tax return to “true up” any tax liabilities or overpayments made during the year. From fiscal year 2007 through fiscal year 2017, as an incentive for new exploration, companies without tax liability against which to apply credits could apply for a refund of the value of most of the credits, subject to appropriation. In fiscal year 2016, the State credited for potential purchase \$498 million from companies claiming such credits. For fiscal year 2017, the State appropriated the minimum provided for in the statutorily based formula of \$30 million for payments of such credits. In fiscal year 2018, the State purchased \$78 million in tax credits through the Oil and Gas Tax Credit Fund and purchased an additional \$100 million in fiscal year 2019. No funds were appropriated for the purchase of tax credit certificates for fiscal year 2020 or fiscal year 2021, and \$54 million of general funds were appropriated in the fiscal year 2022 budget. In the enacted fiscal year 2023 budget, \$60 million of general funds were appropriated to the Oil and Gas Tax Credit Fund. Additionally, an amount equal to 10 percent of all revenues from taxes levied by AS 43.55.011 that is not required to be deposited in the budget reserve fund, not to exceed \$330 million, is appropriated from the General Fund to the Oil and Gas Tax Credit Fund. As of the date of the Spring 2023 Revenue Forecast, an estimated \$368 million in tax credits are projected to be available for State repurchase, with the majority of those being credits earned in prior years. Payments of these credits are subject to future fiscal year appropriation.

In 2017, House Bill 111 (“HB 111”) was enacted, making multiple changes to the State’s oil and gas production tax and tax credit statutes. Following passage of HB 111, new credits will no longer be eligible for cash repurchase. Instead, companies will retain their credits until such time as they owe a tax liability to the State, at which time the credits could be used to offset the company’s oil and gas production taxes.

In 2018, House Bill 331 (“HB 331”) was enacted, creating a tax credit bonding program that would allow the State to purchase outstanding oil and gas tax credits at a discount to face value, and spread the funding out over several years through the issuance of subject-to-appropriation bonds. The fiscal year 2020 operating budget appropriated \$700 million of bond proceeds to the Oil and Gas Tax Credit Fund for expenditure in fiscal year 2020 or 2021. A legal challenge delayed the tax credit bonding program, and in

September 2020, the Alaska Supreme Court (the “Supreme Court”) held that the tax credit bonding program under HB 331 was unconstitutional, prohibiting the Alaska Tax Credit Certificate Bond Corporation (“ATCCBC”) from issuing bonds to finance the purchase of approximately \$700 million in outstanding tax credit certificates.

All unrestricted revenue generated by the oil and gas production taxes (approximately \$750 million in fiscal year 2018, \$596 million in fiscal year 2019, \$285 million in fiscal year 2020, \$389 million in fiscal year 2021, \$1,802 million in fiscal year 2022, and forecasted in the Spring 2023 Revenue Forecast to be \$1,468 million in fiscal year 2023 and \$733.7 million in fiscal year 2024) is deposited in the General Fund, except that any payments received as a result of an audit assessment under the oil and gas production tax or as a result of litigation with respect to the tax are deposited into the CBRF. See Table 1.

Oil and Gas Royalties, Rents and Bonuses. In Alaska, the State retains ownership of all subsurface minerals on lands in the State, with the exception of some federal and Alaska Native Corporation lands. As the land owner, through the Alaska Department of Natural Resources (“DNR”), the State earns revenue from leasing as (i) upfront bonuses, (ii) annual rent charges and (iii) retained royalty interests in the oil and gas production. State land historically has been leased largely based on a competitive bonus bid system. Under this system, the State retains a statutorily prescribed minimum royalty interest of at least 12.5 percent on oil and gas production from land leased from the State, although some leases contain royalty rates of 16.67 percent and some also include a net profit-share or sliding scale component. Under all lease contracts the State has ever written, the State reserves the right to switch between taking its royalty in-kind or in cash (in cash royalty is valued according to a formula based upon the contract prices received by the producers, net of transportation charges). When the State elects to take its royalty share in-kind, the State becomes responsible for selling and transporting that royalty share, which means establishing complex contracts to accomplish these tasks. The State regularly negotiates these contracts and has historically sold roughly 95 percent of North Slope oil royalties in this way. State royalty revenue from production on State land that is not obligated to the Permanent Fund or Public School Trust Fund is unrestricted revenue that is available for general appropriations.

In addition to royalties from production on State land, the State receives 50 percent of royalties and lease bonuses and rents received by the federal government from leases of federal lands in the National Petroleum Reserve Alaska (the “NPR-A”). The State is required to deposit its entire share of lease bonuses, rents, and royalties from oil activity in the NPR-A in the NPR-A Special Revenue Fund, from which a portion is used to make grants to municipalities that demonstrate present or future impact from oil development in the NPR-A. Of the revenue in the NPR-A Special Revenue Fund that is not appropriated to municipalities, 50 percent is to be deposited to the Permanent Fund, with up to 0.5 percent to the Public School Trust Fund and then to the Power Cost Equalization Fund. Any remaining amount is then available for General Fund appropriations. The State also receives a portion of revenues from federal royalties and bonuses on all other federal lands located within State borders and from certain federal waters.

Table 1 summarizes the sources and initial applications of oil and other petroleum-related revenue for fiscal years 2013 through 2022.

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Table 1
Sources and Initial Applications of Oil and Other Petroleum-Related Revenue
Fiscal Years Ended June 30, 2013 – 2022

	(\$ millions)									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Oil Revenue to the General Fund										
Property Tax.....	\$ 99.3	\$ 128.1	\$ 125.2	\$ 111.7	\$ 120.4	\$ 121.6	\$ 119.5	\$ 122.9	\$ 119.2	\$ 122.4
Corporate Income Tax ⁽¹⁾ .	434.6	307.6	94.8	(58.8)	(59.4)	66.4	217.7	(0.2)	(19.4)	297.5
Production Tax.	4,050.3	2,614.7	389.7	186.0	134.4	749.9	595.5	285.1	389.0	1,801.6
Royalties (including bonuses, rents and interest) ⁽²⁾⁽³⁾	1,767.8	1,712.4	1,078.2	870.6	681.5	1,002.3	1,111.1	675.3	728.8	1,259.3
Subtotal	\$6,352.0	\$4,762.8	\$1,687.9	\$1,109.5	\$ 876.9	\$ 1,940.2	\$ 2,043.8	\$ 1,083.1	\$ 1,217.6	\$ 3,480.8
Oil Revenue to Other Funds										
Royalties to the Permanent Fund and School Fund ⁽²⁾⁽³⁾	\$ 855.9	\$ 786.2	\$ 518.3	\$ 396.9	\$ 340.0	\$ 363.1	\$ 382.3	\$ 323.9	\$ 337.7	\$ 458.1
Tax settlements to CBRF	357.4	177.4	149.9	119.1	481.9	121.3	181.2	281.2	22.5	21.1
NPR-A royalties, rents and bonuses ⁽⁴⁾	3.6	6.8	3.2	1.8	1.4	23.7	12.3	16.4	15.8	16.7
Subtotal	1,216.9	970.4	671.4	517.8	823.2	508.0	575.8	621.5	376.0	495.9
Total Oil Revenue	\$7,568.9	\$5,733.2	\$2,359.3	\$1,627.3	\$1,700.1	\$2,448.2	\$2,619.6	\$1,704.6	\$1,593.6	\$3,976.7

(1) Corporate income tax collections for fiscal years 2016-2017 and 2020-2021 were negative due to large refunds of prior-year estimated taxes and low estimated taxes for those fiscal years.

(2) Net of Permanent Fund, Public School Trust Fund, and CBRF deposits. The State Constitution requires the State to deposit at least 25 percent in the Permanent Fund, and between 1980 and 2003, State statutes required the State to deposit at least 50 percent in the Permanent Fund. The statutory minimum was changed to 25 percent beginning July 1, 2003, and changed back to 50 percent as of October 1, 2008. In fiscal years 2018 and 2019, only the constitutionally required 25 percent of royalties were deposited into the Permanent Fund. See “Government Funds – The Alaska Permanent Fund” below.

(3) Includes both Designated General Fund Royalties and Other Restricted Royalties.

(4) By federal statute, the State receives 50 percent of federal revenues from oil and gas lease sales located in the NPR-A.

Source: 2013 through 2022 Revenue Sources Books and Forecast, Tax Division.

Corporate Income Tax. The State levies a corporate income tax on Alaska taxable net income of corporations doing business in Alaska (other than certain qualified small businesses and income received by certain corporations from the sale of salmon or salmon eggs). Corporate income tax rates are graduated and range from zero percent to 9.4 percent of income earned in Alaska. Taxable income generally is calculated using the provisions of the federal Internal Revenue Code, and the calculation of Alaska taxable income varies, depending upon whether the corporation does business solely in Alaska, does business both inside and outside Alaska, or is part of a group of corporations that operate as a unit in the conduct of a single business (a “unitary” or “combined” group). Oil and gas companies are combined on a world-wide basis, although for other industries only the companies doing business in the United States are combined. Taxpayers may claim all federal incentive credits, but federal credits that refund other federal taxes are not allowed as credits against State corporate income taxes. In addition to the federal incentive credits, the State

provides additional incentives, including an education credit for contributions made to accredited State universities or colleges for education purposes, a minerals exploration incentive, an oil and gas exploration incentive, and a gas exploration and development tax credit.

Most corporate net income tax collections are deposited in the General Fund, although collections from corporate income tax audit assessments of oil and gas corporations are deposited in the CBRF.

Non-Oil Revenues. The State also receives unrestricted and restricted General Fund revenues from activities unrelated to petroleum. The State receives revenues from corporate income taxes paid by corporations other than petroleum producers, cigarette/tobacco/marijuana excise taxes, motor fuel taxes, alcoholic beverage taxes, fishery business taxes, electric and telephone cooperative taxes, insurance premium taxes, commercial passenger vessel excise taxes and service charges, permit fees, fines and forfeitures, mining license taxes, and miscellaneous revenues. See “– Government Budgets and Appropriations – *General Appropriations*” below. A number of these non-oil tax, license, and fee revenues (but not investment income and federal revenue) are shared with municipalities. In fiscal year 2022, unrestricted revenues unrelated to petroleum production (excluding investment income and federal revenues) was \$448.1 million, and in the Spring 2023 Revenue Forecast, the State forecasts the value to be \$458.8 million in fiscal year 2023 and \$465.4 million in fiscal year 2024. Contained in the non-oil figures is the minerals industry, which contributes State revenue in the form of corporate income tax, mining license tax, and mining rents and royalties. For additional information, see “– Government Budgets and Appropriations – *General Appropriations*” below.

Federal Revenue. The federal government is a significant employer in Alaska, directly and indirectly, in connection with its military bases and as a result of procurement contracts, grants, and other spending. In addition to expenditures in connection with federal military bases and other activities in Alaska, the State receives funding from the federal government, approximately \$3.1 billion in fiscal year 2018, \$3.4 billion in fiscal year 2019, \$4.2 billion in fiscal year 2020, \$7.6 billion in fiscal year 2021, and \$6.9 billion in fiscal year 2022. In the Spring 2023 Revenue Forecast, the State forecasts restricted federal revenue to be approximately \$6.1 billion in fiscal year 2023 and \$5.4 billion in fiscal year 2024. The forecasts represent total budgeted spending authority for federal receipts, and actual federal receipts are subject to change. The federal funds are used primarily for road and airport improvements, aid to schools, and Medicaid payments, all of which are restricted by legislative appropriation to specific uses. Federal funds are most often transferred to the State on a reimbursement basis, and all transfers are subject to federal and State audit. Most federal funding requires State matching. The unrestricted General Fund State match for federal spending in fiscal year 2022 was estimated at approximately \$750 million for the operating budget and \$130 million for the capital budget.

Investment Revenues. The State earns unrestricted and restricted by custom investment earnings from a number of internal funds. Two primary sources of investment income for the State are the two constitutionally-mandated funds, the Permanent Fund and the CBRF. The Permanent Fund had a fund balance (principal and earnings reserve) of approximately \$76.4 billion as of March 31, 2023, unaudited, which includes approximately \$3.5 billion committed to the State’s General Fund pursuant to SB 26 for the succeeding fiscal year and an estimated \$4.1 billion for current year inflation proofing. The Permanent Fund had a total fund balance of \$76.3 billion as of June 30, 2022, \$81.9 billion as of June 30, 2021, \$65.3 billion as of June 30, 2020, \$66.3 billion as of June 30, 2019, and \$64.9 billion as of June 30, 2018. The CBRF had an asset balance of approximately \$2.6 billion, unaudited, as of March 31, 2023. The CBRF had an asset balance of approximately \$0.9 billion as of June 30, 2022, \$1.1 billion as of June 30, 2021, \$2.0 billion as of June 30, 2020, \$1.8 billion as of June 30, 2019, and \$2.4 billion as of June 30, 2018. Restricted investment revenue from the CBRF was approximately \$1.2 million in fiscal year 2022. CBRF earnings for fiscal year 2022 were adjusted by approximately \$52.0 million for investment losses that were realized in the Higher Education Investment Fund and allocated to the CBRF for a total net loss of \$50.8 million. In

the Spring 2023 Revenue Forecast, the State forecasts restricted investment revenue from the CBRF to be \$33.8 million in fiscal year 2023 and \$57.5 million in fiscal year 2024. The Permanent Fund Earnings Reserve balance is available for appropriation with a majority vote of the Legislature, while appropriation of the Permanent Fund's principal balance requires amendment of the State Constitution. The balance of the CBRF is available for appropriation with a three-fourths vote of each house of the Legislature, and as described below, the State has historically borrowed from the CBRF when needed to address mismatches between revenue receipts and expenditures in the General Fund and/or to balance the budget at the end of the fiscal year.

As previously described, SB 26, relating to the earnings of the Permanent Fund, was enacted in 2018. The APFC projects these annual transfers of unrestricted General Fund revenue from the Permanent Fund Earnings Reserve to the General Fund in their monthly history and projections report, as reflected in Table 2.

Table 2
State of Alaska
Transfers from the Permanent Fund Earnings Reserve
to the General Fund for the Fiscal Years Ended June 30, 2019-2022
APFC Forecast for Fiscal Years Ending June 30, 2023– 2032

(\$ millions)

Fiscal Year	Transfer Amount
2019	\$2,723
2020	2,933
2021	3,091
2022	3,069
Projected ⁽¹⁾	
2023	3,361
2024	3,526
2025	3,618
2026	3,715
2027	3,841
2028	3,819
2029	3,871
2030	3,967
2031	4,067
2032	4,170

(1) APFC transfer projections as of the unaudited March 31, 2023 report, and subject to change.

Source: APFC Fund Financial History & Projections as of March 31, 2023.

General Fund asset balances listed as of June 30 may include borrowings from the CBRF for future fiscal year operating requirements. All CBRF values stated above are asset values. See “– Government Funds – *The Constitutional Budget Reserve Fund*” and “– *The Alaska Permanent Fund*” below.

In the past, the State has also received earnings on the Statutory Budget Reserve Fund (the “SBRF”). Earnings on the SBRF are considered General Fund unrestricted revenue unless otherwise appropriated back to the SBRF. Article IX, Section 17(d) of the Alaska Constitution provides that the amount of money in the General Fund available for appropriation at the end of each succeeding fiscal year is to be deposited in the CBRF until the amount appropriated from the CBRF is repaid. The available fund balance of the SBRF diminished to zero during fiscal year 2016. The SBRF unassigned fund balance for fiscal year 2022, reported in the State’s Annual Comprehensive Financial Report (“ACFR”), was \$371.8 million as of June 30, 2022. The Office of Management and Budget Fiscal Summary as of March 22, 2023, projects a SBRF balance of approximately \$370.3 million as of June 30, 2022, and \$0 as of June 30, 2023. See “– Government Funds – *The Statutory Budget Reserve Fund*” below.

Major Components of State Revenues. Table 3 summarizes the sources of unrestricted and restricted revenues available to the State in fiscal years 2016 through 2022, with a forecast for fiscal years 2023 and 2024 from the Spring 2023 Revenue Forecast.

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Table 3
Total State Government Revenue by Major Component
Fiscal Years Ended June 30, 2017 – 2022
Forecast for Fiscal Years Ending June 30, 2023 – 2024

(\$ millions)

	2017	2018	2019	2020	2021	2022	2023 ⁽²⁾	2024 ⁽²⁾
Revenue Source								
<u>Unrestricted</u>								
Oil Revenue	\$ 876.9	\$ 1,940.2	\$ 2,043.8	\$ 1,083.1	\$ 1,217.6	\$ 3,480.9	\$ 3,085.0	\$ 2,204.3
Non-Oil Revenue	460.3	457.0	490.1	454.8	444.3	448.1	458.8	465.4
Investment Earnings	17.3	16.3	2,815.9	2,991.2	3,120.9	3,010.2	3,435.7	3,587.5
Subtotal	\$ 1,354.6	\$ 2,413.5	\$ 5,349.8	\$ 4,529.1	\$ 4,782.8	\$ 6,939.2	\$ 6,979.5	\$ 6,257.2
<u>Restricted</u>								
Oil Revenue ⁽¹⁾	\$ 823.8	\$ 508.1	\$ 575.8	\$ 621.5	\$ 376.0	\$ 576.7	\$ 683.4	\$ 472.7
Non-Oil Revenue	656.3	697.4	631.2	558.6	590.9	655.0	745.6	777.4
Investment Earnings ⁽³⁾	6,832.2	5,616.4	1,188.0	(1,208.5)	16,460.9	(6,422.1)	1,891.6	1,916.0
Federal Revenue	3,198.2	3,124.6	3,434.5	4,173.0	7,555.0	6,911.8	6,144.7	5,480.6
Subtotal	11,510.5	9,446.5	5,829.6	4,144.6	24,982.8	1,721.4	9,465.3	8,646.7
Total	\$12,865.1	\$12,360.0	\$11,179.4	\$ 8,673.7	\$29,765.6	\$ 8,660.6	\$ 16,444.8	\$ 14,903.9

Totals may not foot due to rounding.

- (1) "Restricted Oil Revenue" includes oil revenue for the State's share of rents, royalties, and bonuses from the NPR–A, shared by the federal government. Starting in fiscal year 2022, hazardous release surcharge and refined fuel surcharge are included in Restricted Oil Revenue. Prior to 2021, these surcharges were included in "Unrestricted Oil Revenue."
- (2) Forecasts for fiscal years 2023 and 2024 include projections for the transfers from the Permanent Fund Earnings Reserve to the General Fund for unrestricted General Fund expenditures, including the Permanent Fund Dividend, based on SB 26. All values for fiscal years 2023 and 2024 are based on projections as of the release of the Spring 2023 Revenue Forecast and are subject to change.
- (3) A portion of the Restricted investment earnings starting in fiscal year 2019 consist of Permanent Fund unrealized gains and realized gains, less the transfers to the General Fund classified as unrestricted revenue pursuant to SB 26.

Source: 2017 through 2023 Revenue Sources Books and Forecast, Tax Division.

Government Budgets and Appropriations

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

Budgets. The State's fiscal year begins on July 1 and ends on the following June 30, and the Legislature meets in regular session beginning on the fourth Monday of January in each year. The Governor

is required by AS 37.07.020(a) to prepare: (1) a statutorily conforming budget for the succeeding fiscal year, including capital, operating, and mental health budgets, setting forth all proposed expenditures (including expenditures of federal and other funds not generated by the State) and anticipated income of all departments, offices, and agencies of the State; (2) a general appropriation bill to authorize proposed expenditures; and (3) in the case of proposed new or additional revenues, one or more bills containing recommendations for such new or additional revenues. In accordance with AS 37.07.020(b), the Governor is also required to prepare a six-year capital budget covering the succeeding six fiscal years and a 10-year fiscal plan. To assist the Governor in preparing budgets, proposed appropriation bills, and fiscal plans, the Tax Division prepares forecasts of annual revenues in December and March or April of each year. See “– State Revenues” above and “– *General Appropriations*,” Table 4, “– Government Funds,” and “– Revenue Forecasts” below.

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

General Appropriations. The Governor is required by State law to submit the three budgets—an operating budget, a mental health budget, and a capital budget—by December 15 and to introduce the budgets and appropriation bills formally to the Legislature in January by the fourth day of the regular Legislative session. These three budgets then go to the House Finance Committee and are voted upon by the House of Representatives. The three budgets then go to the Senate Finance Committee, are voted upon by the full Senate, and may go to a conference committee to work out differences between the House and Senate versions (and then be submitted to both houses for final votes). Bills passed by both houses are delivered to the Governor for signature. The Governor may veto one or more of the appropriations made by the Legislature in an appropriations bill (a “line-item veto”) or may sign the bill or permit the bill to become law without a signature or veto. The Legislature may override a veto by the Governor (by a vote of three-fourths of the members of each house of the Legislature in the case of appropriation bills and by a vote of two-thirds of the members of each house in the case of other bills). Either the Governor or the Legislature may initiate supplemental appropriations during the fiscal year to deal with new or changed revenue receipts, to correct errors, or for any other reason. An appropriation is an authorization to spend, not a requirement to spend. Enacted budget appropriations may be expended beginning July 1.

The Governor is permitted to prioritize or restrict expenditures, to redirect funds within an operating appropriation to fund core services, and to expend unanticipated federal funds or program receipts. Historically, Alaskan Governors have placed restrictions on authorized operating and capital expenditures during years in which actual revenues were less than forecast and budgeted. Such expenditure restrictions have included deferring capital expenditures, State employment hiring and compensation freezes, lay-offs and furloughs, and restrictions on non-core operating expenses. Operating and capital expenditures have generally declined over the same time period through, among other actions, use of administrative restrictions on spending. See “– Public Debt and Other Obligations of the State” below.

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

Governor Michael J. Dunleavy was reelected in November 2022, originally taking office in December 2018. In his fiscal year 2020 budget, the Governor declared that significant adjustments to the

State budget were needed to allow for a Permanent Fund Dividend distribution to State residents based on a historical statutory formula. This proposal was not approved by the Legislature. In his fiscal year 2021 and 2022 budgets the Governor again requested a Permanent Fund Dividend distribution to eligible State residents based on the historical statutory formula. Again, the Legislature did not approve these proposals. The enacted fiscal year 2023 budget included an appropriation of approximately \$2.1 billion for Permanent Fund Dividend distributions to all eligible Alaskans, of which approximately \$420.1 million was designated as a special appropriation for energy relief. The Governor's fiscal year 2024 budget proposal includes approximately \$2.2 billion for Permanent Fund Dividend distributions to all eligible Alaskans based on the statutory formula.

The State's enacted budget for fiscal year 2023, including forecasted supplemental appropriations, increased spending from fiscal year 2022 from \$14.1 billion to \$16.0 billion. The fiscal year 2023 estimated expenditure value is inclusive of the permanent fund dividend distribution of \$2.1 billion.

In May 2021, Governor Dunleavy revised his proposed constitutional amendment relating to the Alaska Permanent Fund, appropriations from the Permanent Fund, and the Permanent Fund Dividend. The revised amendment provides that 50 percent of the annual POMV transfer from the Permanent Fund Earnings Reserve Account would be dedicated to the Permanent Fund Dividend distribution. This proposal has received limited consideration by the Legislature to date and to be implemented, must receive a two-thirds vote of approval from both the House of Representatives and the Senate followed by approval in a statewide election.

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

The Governor's appropriation bills also include separate subsections for appropriations for subject-to-appropriation obligations, such as outstanding capital leases and lease-purchase financings authorized by law, and for State appropriations to replenish debt service reserves in the event of a deficiency. Such appropriations are made from the General Fund or from appropriations transferring to the General Fund money available in other funds such as the CBRF, SBRF, the Power Cost Equalization Fund, unencumbered funds of the State's public corporations, and the Permanent Fund Earnings Reserve.

Appropriation Limits. The State Constitution does not limit expenditures but does provide for an appropriation limit and reserves one-third of the amount within the limit for capital projects and loan appropriations. Because State appropriations have never approached the limit, the reservation for capital projects and loan appropriations has not been a constraint. The appropriation limit does not include appropriations for Permanent Fund Dividends described below, appropriations of revenue bond proceeds, appropriations to pay general obligation bonds, or appropriations of funds received in trust from a non-State source for a specific purpose, including revenues of a public enterprise or public corporation of the State that issues revenue bonds. In general, under the State Constitution, appropriations that do not qualify for an exception may not exceed \$2.5 billion by more than the cumulative change, derived from federal indices, in population and inflation since July 1, 1981. For fiscal year 2022, the Office of Management and Budget estimated the appropriation limit to be approximately \$11.1 billion. The fiscal year 2022 budget, not counting the excluded appropriations, was \$7.3 billion, or \$3.8 billion less than the constitutional limit.

As shown in Table 4, unrestricted General Fund revenue decreased to \$4.5 billion in fiscal year 2020 and increased to approximately \$4.8 billion in fiscal year 2021. In fiscal year 2019, the State began appropriating amounts from the Permanent Fund Earnings Reserve to the General Fund as unrestricted General Fund revenue, which significantly diminishes the percentage of unrestricted revenue that petroleum-related revenue represents. The enacted fiscal year 2023 budget included approximately \$3.4 billion in transfers from the Permanent Fund Earnings Reserve to the General Fund as unrestricted revenue. This shift of classification of revenue of the Permanent Fund from restricted to unrestricted was incorporated into the State's revenue projections in Table 4.

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Table 4
State of Alaska
Total Unrestricted General Fund Revenue, ANS West Coast Oil Price, and ANS Oil Production
Fiscal Years Ended June 30, 2013 – 2022 and
Forecast for Fiscal Years Ending June 30, 2023 – 2033

Fiscal Year	Total Unrestricted General Fund Revenue (\$ millions)	ANS West Coast Oil Price (\$/barrel)	ANS Oil Production (thousands of barrels per day)
2013	6,929	107.57	531.6
2014	5,390	107.57	530.4
2015	2,256	72.58	501.0
2016	1,533	43.18	514.7
2017	1,355	49.43	526.4
2018	2,414	63.61	518.5
2019	5,350	69.46	496.9
2020	4,529	52.12	471.8
2021	4,783	54.14	486.1
2022	6,939	91.41	476.5
Projected ⁽¹⁾			
2023	6,980	85.25	485.2
2024	6,257	73.00	496.4
2025	6,229	70.00	497.9
2026	6,285	69.00	494.5
2027	6,395	67.00	510.3
2028	6,499	66.00	547.0
2029	6,572	65.00	534.9
2030	6,651	66.00	512.4
2031	6,806	68.00	513.5
2032	7,022	70.00	542.9
2033	7,268	72.00	577.8

⁽¹⁾ The values for fiscal years 2023 through 2033 use the projections included in the Spring 2023 Revenue Forecast, and are subject to change. Fiscal year 2023 includes approximately \$3.4 billion in transfers from the Permanent Fund Earnings Reserve to the General Fund as unrestricted revenue. The forecast period includes projections for the transfers from the Permanent Fund Earnings Reserve to the General Fund for unrestricted General Fund expenditures, including the Permanent Fund Dividend, based on SB 26.

Source: 2013 through 2023 Revenue Sources Books and Forecast, Tax Division.

The State has historically provided fiscal stability by forward funding or endowing programs, including the methods used by the State to fund K-12 education. The State's constitutionally based obligation for K-12 education has been one of the largest single recurring budget line items in the State's budget. In the enacted fiscal year 2023 budget, \$1.2 billion is appropriated from the General Fund to the public education fund. If unrestricted State revenue available for appropriation in fiscal year 2023 is insufficient to cover the appropriations made from the General Fund for this amount, this appropriation will be reduced by the amount of the shortfall. Current Spring 2023 projections do not estimate a K-12 forward

funding deposit (Source: Office of Management and Budget, Fiscal Summary as of March 22, 2023). See “– Public Debt and Other Obligations of the State – *State-Supported Debt – State-Supported Municipal Debt Eligible for State Reimbursement*” below.

The Spring 2023 Revenue Forecast projects approximately \$7.0 billion in unrestricted General Fund revenue in fiscal year 2023 prior to any carryforwards and adjustments from fiscal year 2022, and the enacted fiscal year 2023 budget included approximately \$5.6 billion in unrestricted General Fund operating and capital budget appropriations prior to any carryforwards and adjustments from fiscal year 2022. The enacted fiscal year 2023 budget included approximately \$3.1 billion in transfers from the Permanent Fund Earnings Reserve to the General Fund as unrestricted revenue. In addition, the fiscal year 2023 expenditure value for the permanent fund dividend distribution is \$2.1 billion.

In fiscal year 2023, projections for unrestricted General Fund capital budget appropriations increased to approximately \$734.1 million after seven consecutive fiscal years that unrestricted General Fund capital budget appropriations had been under \$250 million, compared to \$608 million in fiscal year 2015. The State’s fiscal year 2022 total capital budget appropriations, including designated general funds, other funds and federal funds was approximately \$2.6 billion (Source: Office of Management and Budget, Fiscal Summary as of March 22, 2023).

Government Funds

Because the State is dependent upon taxes, royalties, fees, and other revenues that can be volatile, the State has developed a framework of constitutionally and statutorily restricted revenue that is held in a variety of reserve funds to provide long-term and short-term options to address cash flow mismatches and budgetary deficits. The State Constitution provides that with three exceptions, the proceeds of State taxes or licenses “shall not be dedicated to any special purpose.” The three exceptions are when required by the federal government for State participation in federal programs, any dedication existing before statehood, and when provided by the State Constitution, such as restricted for savings in the Permanent Fund or the CBRF.

Current State funding options available on a statutory basis include General Fund unrestricted revenue (which pursuant to SB 26 includes an annual transfer from the Permanent Fund Earnings Reserve), use of the earnings or the principal balance of the SBRF, borrowing restricted earnings revenue or principal balance from the CBRF, use of the statutorily restricted oil revenue currently flowing to the Permanent Fund, and use of the unrestricted earnings revenue of the Permanent Fund. To balance revenues and expenditures in a time of financial stress, each of these funds can be drawn upon, following various protocols. The CBRF may be accessed with a majority vote of the Legislature following a year-over-year total decline in total revenue available for appropriation, or in any year by a three-quarters vote of both houses of the Legislature. A majority vote of the Legislature is needed to appropriate from the SBRF and from the Permanent Fund Earnings Reserve.

The General Fund. Unrestricted State revenue is annually deposited in the General Fund, which serves as the State’s primary operating fund and accounts for most of the State’s unrestricted financial resources. The State has, however, created more than approximately 55 subfunds and “cash pools” within the General Fund to account for funds allocated to particular purposes or reserves, including the CBRF, the SBRF, an Alaska Capital Income Fund, and a debt retirement fund. In terms of long-term and short-term financial flexibility, the CBRF and the SBRF (subfunds within the General Fund) have been of particular importance to the State.

The Constitutional Budget Reserve Fund. The State Constitution requires that oil and gas and mineral dispute-related revenue be deposited in the CBRF. The State Constitution provides that other than

money required to be deposited in the Permanent Fund and the Public School Trust Fund, all money received by the State after July 1, 1990 as a result of the termination, through settlement or otherwise, of an administrative proceeding or of litigation involving mineral lease bonuses, rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments or bonuses, or involving taxes imposed on mineral income, production, or property, are required to be deposited in the CBRF. Money in the CBRF may be appropriated (1) for any public purpose, upon the affirmative vote of three-fourths of each house of the Legislature; or (2) by majority vote if the amount available to the State for appropriation for a fiscal year is less than the amount appropriated for the previous fiscal year; however, the amount appropriated may not exceed the amount necessary, when added to other funds available for appropriation, to provide for total appropriations equal to the amount of appropriations made in the previous calendar year for the previous fiscal year. The State Constitution also provides that until the amount appropriated from the CBRF is repaid, excess money in the General Fund at the end of each fiscal year must be deposited in the CBRF.

The State historically has borrowed from the CBRF as part of its cash management plan to address timing mismatches between revenues and disbursements within a fiscal year and also to balance the budget, when necessary, at the end of the fiscal year. The State has drawn on the CBRF in each year since fiscal year 2014, although in some years dedicated earnings and deposits into the CBRF were greater than the draws. Historical borrowing from the CBRF in the 1990's through 2005 was completely repaid in fiscal year 2010 and no borrowing activity from the CBRF occurred during fiscal years 2011, 2012, or 2013.

The fiscal year 2015 capital budget approved by the Legislature included a \$3 billion transfer from the CBRF to the Public Employees Retirement System ("PERS") and Teachers Retirement System ("TRS"). PERS received \$1 billion and TRS received \$2 billion. This transfer resulted in a liability of the General Fund. Additional amounts were appropriated from the CBRF to the General Fund annually in fiscal years 2016 through 2021 to fund shortfalls between State revenue and General Fund appropriations. The total net amount appropriated from the CBRF since fiscal year 2015 as of June 30, 2022, was approximately \$11.2 billion. Pursuant to the State's fiscal year 2022 ACFR, the June 30, 2022, unassigned fund balance of the CBRF was approximately \$2.4 million.

The asset balance in the CBRF as of June 30, 2022, was approximately \$0.9 billion, including earnings of approximately \$1.2 million. CBRF earnings as of June 30, 2022, were adjusted by approximately \$52.0 million for investment losses that were realized in the Higher Education Investment Fund and allocated to the CBRF for a total net loss of \$50.8 million. General Fund asset balances listed as of June 30 may include borrowings from the CBRF for future fiscal year operating requirements. As of June 30, 2021, the asset balance was approximately \$1.1 billion, including earnings of approximately \$2.2 million; as of June 30, 2020, the asset balance was approximately \$2.0 billion, with investment earnings of \$62.8 million; as of June 30, 2019, the asset balance was \$1.8 billion, with investment earnings of \$74.8 million; and as of June 30, 2018, the asset balance was \$2.4 billion, with earnings of \$47.2 million.

The Statutory Budget Reserve Fund. The SBRF has existed in the State's accounting structure since 1986. The SBRF is available for use for legal purposes by majority vote of the Legislature and with approval by the Governor. If the unrestricted amount available for appropriation in the fiscal year was insufficient to cover General Fund appropriations, the amount necessary to balance revenue and General Fund appropriations or to prevent a cash deficiency in the General Fund may be appropriated from the SBRF to the General Fund. For fiscal year 2015, this resulted in a year-end transfer from the SBRF to the General Fund of approximately \$2.5 billion. As of June 30, 2015, the SBRF held approximately \$288 million. Article IX, Section 17(d) of the Alaska Constitution provides that the amount of money in the General Fund available for appropriation at the end of each succeeding fiscal year is to be deposited in the CBRF until the amount appropriated from the CBRF is repaid. For fiscal year 2016, this resulted in a year-end sweep from the SBRF to the General Fund for transfer to the CBRF in the amount of \$288 million, and the available fund balance of the SBRF diminished to zero. The SBRF unassigned fund balance for

fiscal year 2022, reported in the State's ACFR, was \$371.8 million as of June 30, 2022. The most recent Office of Management and Budget Fiscal Summary as of March 22, 2023, projects a SBRF balance of approximately \$370.3 million as of June 30, 2022, and \$0 as of June 30, 2023. Any earnings on the SBRF are considered unrestricted investment revenue and flow to the General Fund, unless otherwise appropriated back to the fund.

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

In 1980, legislation was enacted that provided for the management of the Permanent Fund by the APFC, a public corporation within the DOR managed by a board of trustees. The same legislation modified the contribution rate to the Permanent Fund from 25 percent (the minimum constitutionally mandated contribution) to 50 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares, federal mineral revenue sharing payments, and bonuses received by the State from mineral leases issued after December 1, 1979 or, in the case of bonuses, after May 1, 1980. The statutory contribution rate was changed back to 25 percent by legislation as of July 1, 2003 but then returned to 50 percent as of October 1, 2008. For fiscal year 2022, State oil and mineral revenues deposited in the Permanent Fund were \$549 million, compared to \$320 million in fiscal year 2021, \$319 million in fiscal year 2020, \$385 million in fiscal year 2019, and \$353 million in fiscal year 2018. Since inception, as of June 30, 2022, contributions to the principal account of the Permanent Fund, both constitutionally and statutorily mandated, include \$18.0 billion for inflation proofing, \$18.5 billion in royalty contributions, and \$15.0 billion in special appropriations.

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

Pursuant to legislation enacted in 1982, annual appropriations are made from the Permanent Fund Earnings Reserve, first for dividends to qualified Alaska residents and then for inflation proofing. Between 1982 and 2022, \$28.8 billion of dividends were paid to Alaska residents and \$18.0 billion of Permanent Fund income has been added to principal for inflation proofing. For fiscal years 2016, 2017, and 2018, there were no appropriations and therefore no transfers from the earnings reserve to principal for inflation proofing. The amount calculated under statute for fiscal year 2019 inflation proofing, \$989 million, provided for in the enacted fiscal year 2019 operating budget, was appropriated from the earnings reserve to the principal of the Permanent Fund to offset the effect of inflation on the principal for fiscal year 2019. The State's fiscal year 2020 budget included an appropriation of approximately \$4.8 billion from the earnings reserve to the principal of the Permanent Fund. The State's fiscal year 2021 budget did not include an appropriation for additions to principal for inflation proofing. The Legislature made a \$4 billion special appropriation to principal in the fiscal year 2022 budget. In the enacted fiscal year 2023 budget, approximately \$1 billion is appropriated from the earnings reserve to the principal of the Permanent Fund. The Permanent Fund Dividend amount, paid in calendar year 2021, was \$1,114 per qualified resident, and

the Permanent Fund Dividend amount, paid in calendar year 2022, was \$3,284 per qualified resident, inclusive of amounts designated as energy relief to Alaskans.

If any income remains after these transfers (except the portion transferred to the Alaska Capital Income Fund as described below), it remains in the Permanent Fund Earnings Reserve as undistributed income. The Legislature may appropriate funds from the earnings reserve at any time for any other lawful purpose. The principal portion of the Permanent Fund, approximately \$76.3 billion as of June 30, 2022, down from approximately \$81.9 billion as of June 30, 2021, may not be spent without amending the State Constitution. The earnings reserve, approximately \$16.1 billion as of June 30, 2022, down from approximately \$21.1 billion as of June 30, 2021, may be appropriated by a majority vote of the Legislature.

During fiscal years 1990 through 1999, the Permanent Fund received dedicated State revenues from settlements of a number of North Slope royalty cases (known collectively as *State v. Amerada Hess*). The total of the settlements and retained income thereon, as of June 30, 2022, was approximately \$424.4 million. Earnings on the settlements are excluded from the dividend calculation and are not subject to inflation proofing in accordance with State law, and beginning in 2005, the settlement earnings have been appropriated to the Alaska Capital Income Fund, a subfund within the General Fund. The Alaska Capital Income Fund realized earnings on settlement principal of approximately \$24.0 million in during fiscal year 2022 and \$50.1 million during fiscal year 2021.

As previously discussed, SB 26 created a percent of market value to provide a sustainable draw on the earnings reserve for transfer to the General Fund as unrestricted revenue.

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Table 5
State of Alaska
Available Funds and Recurring and Discretionary General Fund Expenditures
Fiscal Years Ended June 30, 2013 – 2022

Fiscal Year	General Purpose Unrestricted Revenue (\$ mil)	Recurring & Discretionary General Fund Expenditures (\$ mil)	Unrestricted Revenue Surplus/ (Deficit) (\$ mil)	Ending SBRF Reserves Available Balance (\$ mil)	Ending CBRF Reserves Available Balance (\$ mil) ⁽¹⁾	Permanent Fund Earnings Reserve Balance (\$ mil)	Oil Price (\$/barrel)	ANS Oil Production (thousands of barrels per day)
2013	6,929	7,455	(526)	4,711 ⁽²⁾	11,564	4,054	107.57	531.6
2014	5,394	7,314	(1,920)	2,791 ⁽²⁾	12,780	6,211	107.57	530.4
2015	2,257	4,760	(2,503) ⁽³⁾	288 ⁽²⁾	10,101	7,162	72.58	501.0
2016	1,533	5,213	(3,680) ⁽³⁾	– ⁽²⁾	7,331	8,570	43.18	514.7
2017	1,354	4,498	(3,144) ⁽³⁾	– ⁽²⁾	3,896	12,816	49.43	526.4
2018	2,414	4,489	(2,075) ⁽³⁾	– ⁽²⁾	2,360	18,864 ⁽⁴⁾	63.61	518.5
2019	5,350 ⁽⁵⁾	4,889	461 ⁽³⁾	– ⁽²⁾	1,832	18,481 ⁽⁴⁾	69.46	495.0
2020	4,529 ⁽⁵⁾	4,805	(276) ⁽³⁾	– ⁽²⁾	1,983	12,894 ⁽⁴⁾	52.12	471.8
2021	4,783 ⁽⁵⁾	5,031 ⁽³⁾	(248) ⁽³⁾	481 ⁽²⁾	1,076	21,148 ⁽⁴⁾	54.14	486.1
2022	6,939 ⁽⁵⁾	5,362 ⁽³⁾	1,577 ⁽³⁾	372 ⁽²⁾	915	16,150 ⁽⁴⁾	91.41	476.5

(1) The CBRF available balance represents the historical asset values.

(2) Includes unassigned fund balance through net transfer from the SBRF to the General Fund reconciled at the release of the State's ACFR.

(3) The SBRF was used to balance the fiscal year 2015 deficit, with \$288 million remaining as of June 30, 2015. Article IX, Section 17(d) of the Alaska Constitution provides that the amount of money in the General Fund available for appropriation at the end of each succeeding fiscal year is to be deposited in the CBRF until the amount appropriated is repaid. The available fund balance of the SBRF as of June 30, 2016, was zero. Fiscal year 2021 includes a \$325 million appropriation to the SBRF from the Unrestricted General Fund, and fiscal year 2022 includes an estimated \$109 million draw from the SBRF.

(4) Includes amount committed for General Fund transfers pursuant to SB 26, as well as any special appropriations and/or inflation proofing transfers.

(5) Includes Permanent Fund Earnings Reserve transfer prior to dividend payments.

Source: Alaska Department of Revenue, and Office of Management and Budget.

Revenue Forecasts

The State regularly prepares revenue forecasts for planning and budgetary purposes. Of necessity, such forecasts include assumptions about events that are not within the State's control. The forecast oil production volumes include only production expected from projects currently under development or evaluation. The forecast does not include any revenues that could be received if a natural gas pipeline is constructed. In making its forecasts, the State makes assumptions about, among other things, the demand for oil and national and international economic factors and assumes that the Legislature will not amend current laws to change materially the sources and uses of State revenue and that no major calamities such as earthquakes or catastrophic damage to TAPS will occur. Portions of TAPS are located in areas that have experienced and may in the future again experience major earthquakes. Actual revenues and expenditures will vary, perhaps materially, from year to year, particularly if any one or more of the assumptions upon which the State's forecasts are based proves to be incorrect or if other unexpected events occur. The State's most recent forecast is set forth in the Spring 2023 Revenue Forecast. The State will next update its forecast in the Fall 2023 Revenue Forecast, which is anticipated to be released in December 2023. The State has provided certain estimates for fiscal years 2023 and 2024 based on information available as of the Spring 2023 Revenue Forecast, as well as certain audited results for fiscal year 2022 for the CBRF and the APFC.

See “– Government Funds” above for a description of some of the actions the State can take when revenues prove to be lower than expected.

The State has customarily restricted certain revenue sources each fiscal year by practice. Such revenue is nonetheless available for appropriation. Table 6 provides a summary of the State’s most recent forecast for revenues subject to appropriation in fiscal years 2023 through 2028.

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Table 6
State of Alaska Projection of Revenues Subject to Appropriation
Forecast Summary for Fiscal Years 2023 through 2028 ⁽¹⁾
(\$ millions)

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
<u>Petroleum Revenue</u>						
Unrestricted General Fund	\$ 3,085.0	\$ 2,204.3	\$ 2,006.8	\$ 1,904.9	\$ 1,826.7	\$ 1,876.5
Production Tax – Hazardous Release Surcharge	7.9	8.0	8.0	8.0	8.3	8.8
Royalties, Bonuses, Rents, and Interest to Alaska Permanent Fund	84.2	64.7	63.5	66.1	82.7	120.3
Tax and Royalty Settlements to CBRF	145.0	20.0	20.0	20.0	20.0	20.0
Subtotal Petroleum Revenue⁽³⁾	<u>\$ 3,322.1</u>	<u>\$ 2,297.1</u>	<u>\$ 2,098.3</u>	<u>\$ 1,999.0</u>	<u>\$ 1,937.6</u>	<u>\$ 2,025.7</u>
<u>Non-Petroleum Revenue</u>						
Unrestricted General Fund	\$ 458.8	\$ 465.4	\$ 496.2	\$ 508.1	\$ 518.1	\$ 538.0
Designated General Fund	473.3	498.6	499.8	501.5	503.2	504.9
Royalties to Alaska Permanent Fund beyond 25% dedication	3.4	3.6	3.7	3.8	3.8	3.9
Subtotal Non-Petroleum Revenue⁽³⁾	<u>\$ 935.5</u>	<u>\$ 967.6</u>	<u>\$ 999.6</u>	<u>\$ 1,013.4</u>	<u>\$ 1,025.2</u>	<u>\$ 1,046.7</u>
<u>Investment Revenue</u>						
Unrestricted General Fund	\$ 3,435.7	\$ 3,587.5	\$ 3,726.4	\$ 3,872.4	\$ 4,050.4	\$ 4,084.4
Designated General Fund	46.6	44.8	44.8	44.8	44.8	44.8
CBRF ⁽²⁾	33.8	57.5	59.4	61.3	63.3	65.3
Subtotal Investment Revenue⁽³⁾	<u>\$ 3,516.1</u>	<u>\$ 3,689.8</u>	<u>\$ 3,830.6</u>	<u>\$ 3,978.5</u>	<u>\$ 4,158.5</u>	<u>\$ 4,194.5</u>
Total Revenue Subject to Appropriation⁽³⁾	<u>\$ 7,773.7</u>	<u>\$ 6,954.5</u>	<u>\$ 6,928.5</u>	<u>\$ 6,990.9</u>	<u>\$ 7,121.3</u>	<u>\$ 7,266.9</u>

(1) This table presents only the largest known categories of current year funds subject to appropriation. A comprehensive review of all accounts in the State accounting system would likely reveal additional revenues subject to appropriation beyond those identified here. Totals may not foot due to rounding.

(2) CBRF earnings projections on balances reflect estimates that do not incorporate potential amounts swept to the CBRF under Alaska Constitution Article IX Sec. 17(d).

(3) Subtotals and totals may not foot due to rounding.

Source: Spring 2023 Revenue Forecast, Tax Division.

Public Debt and Other Obligations of the State

State debt includes general obligation bonds and revenue anticipation notes, and State-supported debt includes lease-purchase financings and revenue bonds. The State also provides guarantees and other support for certain debt and operates the SDRP and the Transportation and Infrastructure Debt Service Reimbursement Program (the “TIDSRP”). Other than the Veterans’ Mortgage Program, these programs do not constitute indebtedness of the State but do provide, annually on a subject-to-appropriation basis, financial support for certain bonds of local governments and obligations of State agencies.

Outstanding State Debt. State debt includes general obligation bonds and revenue anticipation notes. The State Constitution provides that general obligation bonds must be authorized by law and be ratified by the voters and permits authorization of general obligation bonds only for capital improvements. The amount and timing of a bond sale must be approved by the State Bond Committee. For both general obligation bonds and revenue anticipation notes, the full faith, credit, and resources of the State are pledged to the payment of principal and interest. If future State revenues are insufficient to make the required principal and interest payments, the State is legally required to raise taxes to provide sufficient funds for this purpose. Approximately \$622 million of general obligation bonds were outstanding as of June 30, 2022. See “Summary of Outstanding Debt” and Tables 7 and 8 below.

Most recently, in November 2012, voters approved \$453,499,200 in general obligation bonds for the purpose of design and construction of State transportation projects (the “2012 Transportation Bond Act”). During fiscal year 2021, the State issued its General Obligation Bonds Series 2020A, which used the remaining authority under the 2012 Transportation Bond Act.

The following other debt and debt programs of the State were outstanding as of June 30, 2022, except as otherwise noted.

State Guaranteed Debt. The only purpose for which State guaranteed debt may be issued is for payment of principal and interest on revenue bonds issued for the Veterans Mortgage Program by the Alaska Housing Finance Corporation (“AHFC”) for the purpose of purchasing mortgage loans made for residences of qualifying veterans. These bonds are also general obligation bonds of the State, and they must be authorized by law, ratified by the voters, and approved by the State Bond Committee. In November 2010, voters approved \$600 million of State guaranteed veterans’ mortgage bonds, and the total unissued authorization was \$584.6 million as of June 30, 2022. As of June 30, 2022, \$46.0 million of State guaranteed debt was outstanding.

State-Supported Debt. State-supported debt is debt for which the ultimate source of payment is, or may include, appropriations from the General Fund. The State does not pledge its full faith and credit to State-supported debt, but another public issuer may have pledged its full faith and credit to it. State-supported debt is not considered “debt” under the State Constitution, because the State’s payments on this debt are subject to annual appropriation by the Legislature, recourse is limited to the financed property, and this debt does not create a long-term obligation of the State binding future legislatures. Voter approval of such debt is not required. State-supported debt includes lease-purchase financing obligations (structured as certificates of participation (“COPs”)) and capital leases the State has entered into with respect to the Linny Pacillo Parking Garage (with AHFC) and the Goose Creek Correctional Center (with the Matanuska-Susitna Borough). Approximately \$177.7 million of State-supported debt was outstanding as of June 30, 2022.

On September 4, 2020, the Supreme Court issued a decision in *Eric Forrer v. State of Alaska* (“Forrer”) related to the ATCCBC that clarified the circumstances under which financial obligations of the State constitute debt within the meaning of Article IX Section 8 (State Debt) and Article IX Section 11

(Exceptions) of the State constitution. While the decision reaffirmed prior Supreme Court decisions allowing the use of State-Supported Debt for lease-purchase of real property arrangements and clarified the scope of the revenue bond exception in Article IX Section 11 of the State constitution, it specifically disallowed the structure contemplated for the ATCCBC which is described further below. Due to similarity of structure, the decision also rendered the Pension Obligation Bond Corporation (“POBC”) (created in AS 37.16) and the Toll Bridge Revenue Bonds for the Knik Arm Bridge (created in AS 37.15, Article 2) illegal. On September 28, 2020, the State of Alaska Department of Law filed a Petition for Rehearing with the Supreme Court in an attempt to obtain clarity on the scope of the Supreme Court’s intent in their decision. The Supreme Court declined to respond to the Petition for Rehearing without any further ruling on the merits of the case. Certain broad references in Forrer may be read to effect the constitutionality of certain debt service reserve or other debt service funding structures by the State in connection with current or future State agency or local government programs with legal structures that, while fundamentally different from the ATCCBC in both public purpose and bond structure, share certain statutory frameworks with the ATCCBC. Bonds issued pursuant to the 2005 Master Resolution are not affected by Forrer because they meet the requirements to constitute valid revenue debt contained in Article IX Section 11 of the State constitution and as interpreted by Forrer.

State-Supported Unfunded Actuarially Assumed Liability (UAAL). In 2008, Senate Bill 125 became law, requiring that the State fund any actuarially determined employer contribution rate above 22 percent for PERS or 12.56 percent for the TRS out of the General Fund, to the extent the actuarially determined employer contribution rate exceeds payment of (1) the employer normal cost and (2) required employer contributions for retiree major medical insurance, health reimbursement arrangement plans, and occupational death and disability benefits. This change was designed to address stress municipal employers were experiencing due to high actuarially determined percentage of payroll amounts to pay for actuarially assumed unfunded liabilities of the retirement systems. In 2015, GASB Statement No. 68 (“GASB 68”) was enacted, updating reporting and disclosure requirements related to pension-related liabilities. One of the key changes was requiring a government that is committed to making payments on a pension system’s unfunded actuarially assumed liability (“UAAL”) on behalf of another entity to record the liability as a debt of the government making the payment. As a result of GASB 68, \$5.8 billion of long-term debt was reflected in the State’s ACFR for fiscal year 2015 for a total of \$6.0 billion of UAAL.

Annual payments are determined based on a variety of actuarial assumptions and the evolving experience as it occurs. The assumption with perhaps the greatest impact on future payments is the assumed rate of return on invested assets. As of January 11, 2019, the Alaska Retirement Management Board changed the actuarially assumed rate of investment return from 8% to 7.38%.

The ARM Board completed an experience analysis of the actuarial assumptions underlying the PERS and TRS actuarial valuation reports covering the timeframe July 1, 2017, to June 30, 2021. There have been no changes in the actuarial methods or changes in benefit provisions since the June 30, 2021, valuation. Healthcare claims costs are updated annually. However, as a result of the experience analysis, updated demographic and economic assumptions were adopted by the ARM Board in June 2022, and are being used in the June 30, 2022, actuarial valuation reports. One significant item that was changed is the actuarial assumption for investment rate of return. This rate was revised from 7.38 percent down to 7.25 percent, and will be included within the forthcoming June 30, 2022, actuarial valuation reports.

As of the June 30, 2021, PERS and TRS Actuarial Valuation Reports, the Public Employees' Retirement System's actuarial accrued liabilities were funded at 85.5 percent and the Teachers' System's actuarial accrued liabilities were funded at 92.6 percent.

According to the PERS and TRS ACFR as of June 30, 2022, if the actual earnings rate experience is 6.25%, the 1% reduction in the rate of return on investments increases the net PERS pension liability by approximately \$1,764,606,000 and the net TRS pension liability by approximately \$826,297,000.

State-Supported Municipal Debt Eligible for State Reimbursement. The State administers two programs that reimburse municipalities for municipal debt: the SDRP and the TIDSRP. These programs provide for State reimbursement of annual debt service on general obligation bonds of municipalities for the SDRP and a combination of general obligation and revenue bonds of authorized participants in the TIDSRP. The State may choose not to fund these programs in part or whole.

DEED administers the SDRP, which was created by law in 1970. The SDRP allows municipalities to apply, and if structured correctly, be eligible for reimbursement on up to 100 percent of the debt service on general obligation bonds issued for school construction. All municipal bonds are required to be authorized as general obligation bonds of the municipality, providing the ultimate source of payment commitment. The SDRP has been partially funded in a number of years. Access to the SDRP was restricted during the 1990s due to State budgetary pressure. Beginning in the early 2000s, and through 2014, the program was generally available for any qualified municipal project at reimbursement rates of 60 to 70 percent of debt service. In 2015, the Legislature passed a moratorium on the SDRP and eliminated DEED's authority to issue agreements to reimburse debt from school bonds that voters approved after January 1, 2015, and before July 1, 2020. Since 1983, the SDRP has been partially funded ten times, most recently in fiscal year 2017 at approximately 79 percent of the authorized amount, in fiscal year 2020 at 50 percent of the authorized amount, in fiscal year 2021 at zero percent of the authorized amount, and in fiscal year 2022 at approximately 42 percent of the authorized amount. The SDRP was fully funded in the enacted fiscal year 2023 budget and includes appropriations to offset prior fiscal year reductions in 2017, 2020, 2021, and 2022. As of June 30, 2022, the State-supported portion of SDRP debt was approximately \$440.2 million.

The Department of Transportation and Public Facilities and the Alaska Energy Authority administer TIDSRP. The program currently includes University of Alaska revenue bonds, seven municipalities' general obligation bonds, and two electric associations' revenue bonds. There are no additional authorized participants in TIDSRP and no efforts have been made to add participants to the program since its creation in 2002. Other than certain reimbursements for the University of Alaska, no funding was provided in the budgets for fiscal years 2020 through 2022. As of June 30, 2022, State-supported TIDSRP debt was approximately \$16.8 million.

While the SDRP and the TIDSRP have been only partially funded or not funded at all in fiscal years 2020-2022, the statutorily allowed reimbursements are still reflected as State subject-to-appropriation obligations in current year balances and future year payment commitments within certain sections of the State's Public Debt publication.

State-Supported Toll Revenue Bonds. In April 2014, AS 37 Chapter 16 was enacted creating the Knik Arm Crossing project in the Alaska Department of Transportation and Public Facilities. The Legislation provides for the Department of Transportation to enter into a Transportation Infrastructure Finance and Innovation Act ("TIFIA") loan and for the DOR to issue up to \$300 million of state-supported subordinate lien toll bridge revenue bonds. Given the green field nature of this project there is a 100 percent expectation of insufficient toll revenue to cover debt service and the State's General Fund having to make debt payments for at least 7 to 10 years, and longer if traffic forecasts are not realized. Based on the September 4, 2020, decision of the Supreme Court this statutory construct is invalid.

State Moral Obligation Debt. State moral obligation debt consists of bonds issued by certain State agencies or authorities that are secured, in part, by a debt service reserve fund that is benefited by a discretionary replenishment provision that requires the applicable State agency or authority to report any

deficiencies to the debt service reserve fund, and permits, but does not legally obligate, the Legislature to appropriate, on an annual basis, to the particular State agency or authority the amount necessary to replenish the debt service reserve fund up to its funding requirement (generally the maximum amount of debt service required in any year). Such State agency or authority debt is payable in the first instance by revenues generated from loan repayments or by the respective projects financed from bond proceeds. Among those State agencies that have the ability to issue such debt are: Alaska Aerospace Development Corporation, which has not issued any debt; Alaska Energy Authority (“AEA”); AHFC; Alaska Industrial Development and Export Authority (“AIDEA”); Alaska Municipal Bond Bank Authority (“AMBBA”); and Alaska Student Loan Corporation (“ASLC”). Approximately \$1,039.0 million of such State agency or authority revenue bond debt was outstanding as of June 30, 2022.

State and University Revenue Debt. This type of debt is issued by the State or by the University of Alaska but is secured only by revenues derived from projects financed from bond proceeds. Revenue debt is not a general obligation of the State nor of the University and does not require voter approval. Such debt is authorized by law and issued by the State Bond Committee or the University of Alaska for projects approved by the Commissioner of Transportation and Public Facilities or by the University of Alaska. This type of debt includes International Airport System Revenue Bonds, various University Revenue Bonds, Notes, and Contracts, Clean Water and Drinking Water Fund Bonds, and Toll Facilities Revenue Bonds. As of June 30, 2022, there was \$497.6 million of State and University revenue debt outstanding, consisting of \$253.8 million of University of Alaska Revenue Bonds and Notes and \$243.8 million of Alaska International Airport System Revenue Bonds.

State Agency Debt. State agency debt is secured by revenues generated from the use of bond proceeds or the assets financed by bond proceeds or otherwise of assets of the agency issuing the bonds. This debt is not a general obligation of the State nor does the State provide security for the debt in any other manner, i.e., by appropriations, guarantees or moral obligation pledges. As of June 30, 2022, there was \$1,537.9 million aggregate principal amount of State agency debt outstanding, consisting of \$1,222.0 million of AHFC obligations, \$9.5 million of Bond Bank Coastal Energy Impact Program Bonds payable to the National Oceanic and Atmospheric Administration, \$33.8 million of Alaska Railroad Notes, and \$272.6 million of obligations of the Northern Tobacco Securitization Corporation.

State Agency Collateralized or Insured Debt. As security for State agency collateralized or insured debt, the particular State agency pledges mortgage loans or other securities as primary security which, in turn, may be 100 percent insured or guaranteed by another party with a superior credit standing. This upgrades the credit rating on the debt and lowers the interest cost and makes it less likely that the State will assume responsibility for the debt. As of June 30, 2022, the total principal amount outstanding of State agency collateralized or insured debt was approximately \$1,124.4 million, consisting of approximately \$1,075.6 million issued by AHFC and \$48.8 million issued by AIDEA.

State-Supported Pension Obligation Bonds. In 2008, AS.37 Chapter 16 was enacted creating the POBC for the purpose of issuing bonds for up to \$5 billion for the prepayment of UAAL of the retirement systems. The POBC bonds would have been considered State-Supported debt as they would be secured by agreements with other state agencies that are subject to annual appropriation. In 2018, the POBC bond limit was reduced to \$1.5 billion. Based on the September 4, 2020, decision of the Supreme Court this statutory construct is invalid.

State-Supported Tax Credit Certificate Bonds. In 2018, AS 37 Chapter 18 was enacted creating the ATCCBC for the purpose of selling bonds for up to \$1 billion to provide for the purchase of certain State tax credits. The ATCCBC bonds would be considered State-Supported debt as they would be secured by agreements entered into by other state agencies that are subject to annual appropriation. A legal challenge

on the State Constitutionality of the ATCCBC was filed and delayed the potential for bond issuance. Based on the September 4, 2020, decision of the Supreme Court this statutory construct is invalid.

Summary of Outstanding Debt. Table 7 lists, by type, the outstanding State-related debt as of June 30, 2022, except as otherwise noted.

Table 7
State of Alaska Debt and State-Related Debt by Type as of June 30, 2022
(\$ millions)

	Principal outstanding	Interest to maturity	Total debt service to maturity
State Debt			
State of Alaska General Obligation Bonds	\$ 621.9	\$ 229.6	\$ 851.5
State Guaranteed Debt			
Alaska Housing Finance Corporation Collateralized Bonds (Veterans' Mortgage Program)	46.0	14.3	60.3
State-Supported Debt			
Certificates of Participation	16.7	3.5	20.2
Lease Revenue Bonds with State Credit Pledge and Payment	161.0	46.8	207.8
Total State-Supported Debt	177.7	50.3	228.0
State-Supported Municipal Debt			
State Reimbursement of Municipal School Debt Service	440.2	66.5	506.7
State Reimbursement of Capital Projects	16.8	3.8	20.6
Total State Supported Municipal Debt	457.0	70.3	527.3
Pension System Unfunded Actuarial Accrued Liability (UAAL) ⁽¹⁾			
Public Employees' Retirement System UAAL	3,228.0	N/A	3,228.0
Teachers' Retirement System UAAL	733.0	N/A	733.0
Total UAAL	3,961.0	N/A	3,961.0
State Moral Obligation Debt			
Alaska Municipal Bond Bank:			
2005 & 2016 General Resolution General Obligation Bonds	993.1	387.3	1,380.4
Alaska Energy Authority:			
Power Revenue Bonds #1 through #10	45.9	26.7	72.6
Total State Moral Obligation Debt	1,039.0	414.0	1,453.0
State Revenue Debt			
International Airport System Revenue Bonds	243.8	97.3	341.1
University of Alaska Debt			
University of Alaska Revenue Bonds	240.5	110.3	350.8
University Lease Liability and Notes Payable	13.3	3.2	16.5
Total University of Alaska Debt	253.8	113.5	367.3
Total State Revenue and University Debt	497.6	210.8	708.4

[Table 7 continues on next page]

	Principal outstanding	Interest to maturity	Total debt service to maturity
State Agency Debt			
Alaska Housing Finance Corporation:			
Commercial Paper	\$ 149.8	N/A	\$ 149.8
State Capital Project Bonds I	3.5	0.0	3.5
State Capital Project Bonds II	1,068.7	362.0	1,430.7
Alaska Municipal Bond Bank Coastal Energy Loan Bonds	9.5	1.6	11.1
Alaska Railroad	33.8	1.7	35.5
Northern Tobacco Securitization Corporation			
2006 Tobacco Settlement Asset-Backed Bonds ⁽²⁾	272.6	458.7	731.3
Total State Agency Debt	1,537.9	824.0	2,361.9
State Agency Collateralized or Insured Debt			
Alaska Housing Finance Corporation:			
Home Mortgage Revenue Bonds	462.5	190.3	652.8
General Mortgage Revenue Bonds II	542.3	203.5	745.8
Government Purpose Bonds	70.8	11.3	82.1
Alaska Industrial Development and Export Authority:			
Power Revenue Bonds, 2015 Series (Snettisham Hydro Project)	48.8	16.7	65.5
Total State Agency Collateralized or Insured Debt	1,124.4	421.8	1,546.2
Total State and State Agency Debt	9,462.5		
Municipal Debt			
School G.O. Debt	657.4	N/A	N/A
Other G.O. Debt ⁽³⁾	1,657.4	N/A	N/A
Revenue Debt	716.6	N/A	N/A
Total Municipal Debt	3,031.4		
Debt Reported in More than One Category			
Less: State Reimbursable Municipal Debt and Capital Leases	(177.8)		
Less: State Reimbursable Municipal School G.O. Debt	(440.2)		
Less: Alaska Municipal Bond Bank debt included in University debt	(79.4)		
Less: Alaska Municipal Bond Bank debt included in Municipal debt	(802.0)		
Total Deductions Due to Reporting in More than One Category	(1,499.4)		
Total Alaska Public Debt	\$10,994.5		

(1) From most recent 6/30/2021 actuarial valuation.

(2) "Interest to Maturity" and "Total Debt Service to Maturity" includes accreted interest due at maturity of \$335.7 million.

(3) Other G.O. Debt includes certain information sourced directly from municipal ACFRs.

Source: 2022-2023 Alaska Public Debt Book, published in January 2023.

General Fund Supported Obligations. General Fund support is pledged and required for only a portion of the total outstanding public debt. General obligation bonds are unconditionally supported, and COPs and capital leases are subject-to-appropriation commitments with associated obligations. The SDRP and TIDSRP provide discretionary annual payments to municipal issuers for qualified bonds of the municipalities that are eligible by statute to participate in the programs. Table 8 sets forth existing debt service on outstanding State-supported debt the State has provided from the General Fund for these outstanding obligations and the forecasted support required to retire the outstanding obligations into the future. In the State's enacted fiscal year 2023 budget, the SDRP was funded at 100 percent, with appropriations for prior year reductions in fiscal year 2017, 2020, 2021, and 2022. The TIDSRP was funded at 100 percent in the enacted fiscal year 2023 budget.

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Table 8
State of Alaska
Payments on General Fund Paid Debt as of June 30, 2022
(\$ millions)

Fiscal Year	State G.O.*	Lease / Purchase	Capital Leases ⁽¹⁾	School Debt Reimbursement ^{(2),(3)}	Capital Project Reimbursement ⁽³⁾	Statutory Debt Payment to PERS/TRS ⁽⁴⁾	Total Debt Service
2022	73.7	2.9	19.5	80.4	3.6	240.4	420.4
2023	73.5	2.9	19.5	77.6	3.6	125.0	302.0
2024	73.3	2.9	19.5	65.9	3.6	134.8	300.1
2025	68.3	2.9	19.5	56.2	3.6	108.7	259.2
2026	68.1	2.9	19.5	46.3	2.8	78.9	218.5
2027	67.5	2.9	20.9	41.0	2.6	80.3	215.3
2028	66.5	2.9	20.9	39.0	2.2	81.8	213.3
2029	65.5	2.9	17.6	34.2	0.9	83.5	204.6
2030	64.8	—	17.6	31.8	0.9	85.8	200.9
2031	52.4	—	17.6	29.6	0.4	88.4	188.4
2032	51.9	—	17.6	26.3	—	91.1	186.9
2033	51.4	—	17.6	20.1	—	94.0	183.1
2034	50.9	—	—	17.8	—	97.1	165.9
2035	27.1	—	—	12.8	—	100.6	140.5
2036	27.0	—	—	5.8	—	104.2	137.1
2037	6.6	—	—	0.7	—	107.8	115.1
2038	18.3	—	—	0.6	—	111.8	130.7
2039	6.1	—	—	0.6	—	115.9	122.6
2040	6.1	—	—	0.2	—	—	6.3
2041	6.1	—	—	—	—	—	6.1

(1) A prison and a parking garage have been financed with capital leases.

(2) Fiscal years 2022–2040 payments are based on actual bond repayment schedules on file with the DEED as of June 30, 2022.

(3) In fiscal year 2022, School Debt and Capital Project Reimbursements were funded at 42%, and zero, respectively, other than certain reimbursements for the University of Alaska.

(4) Based on PERS and TRS Actuarial Valuation Reports as of June 30, 2021.

(*) State G.O. debt service is net of federal subsidies on interest expense through fiscal year 2038.

Source: 2022 – 2023 Alaska Public Debt Book, published in January 2023.

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

State Debt Capacity. The State has historically used the ratio of debt service to revenue as a guideline for determining debt capacity of the State. This policy was established due to the State’s relatively small population and high per capita revenue due to oil resource-generated revenue. Historically the State’s policy has been that debt service should not exceed five percent of unrestricted revenue when considering only general obligation bonds and COPs that are State-supported. More recently, the State has included more discretionary General Fund supported obligations and programs, including the SDRP, TIDSRP, and certain capital leases. With the more inclusive funding, the State’s policy allows the annual payments on these items to range up to seven percent of unrestricted revenue.

Table 9
State of Alaska
Debt Service on Outstanding Obligations to Unrestricted Revenues
Fiscal Years Ended June 30, 1996 – 2022
Forecast for Fiscal Years Ending June 30, 2023 – 2032

Fiscal Year	Unrestricted Revenues (\$ millions)	State G.O. Debt Service (%)	State Supported Debt Service (%)	Total State Debt Service (%)	School Debt Reimburse- ments (%)	Statutory Payment to PERS/TRS (%)	Total Payments to Revenues (%)
1996	\$2,133.3	1.0%	0.5%	1.4%	3.7%	—	5.2%
1997	2,494.9	0.7	0.4	1.0	2.5	—	3.5
1998	1,825.5	0.8	0.6	1.3	3.4	—	4.7
1999	1,348.4	0.7	1.1	1.8	4.6	—	6.3
2000	2,081.7	0.1	0.9	1.0	3.1	—	4.1
2001	2,281.9	0.0	0.7	0.7	2.3	—	3.0
2002	1,660.3	0.0	1.3	1.3	3.3	—	4.5
2003	1,947.6	0.0	1.1	1.1	2.7	—	3.7
2004	2,345.6	0.8	0.9	1.7	2.6	—	4.3
2005	3,188.8	1.5	0.7	2.2	2.2	—	4.4
2006	4,200.4	1.1	0.6	1.7	1.9	—	3.6
2007	5,158.6	0.9	0.5	1.4	1.7	—	3.1
2008	10,728.2	0.4	0.3	0.6	0.8	—	1.4
2009	5,838.0	0.8	0.6	1.3	1.6	—	2.9
2010	5,512.7	0.9	0.8	1.7	1.7	—	3.4
2011	7,673.0	0.7	0.6	1.3	1.3	—	2.6
2012	9,485.2	0.8	0.4	1.3	1.1	—	2.4
2013	6,928.5	1.1	0.6	1.7	1.6	—	3.3
2014	5,390.0	1.4	0.7	2.1	2.0	—	4.1
2015	2,256.0	3.3	1.6	4.9	5.2	—	10.1
2016	1,533.0	4.0	2.3	6.3	7.6	—	13.9
2017	1,355.0	6.1	2.3	8.3	6.7	—	15.0
2018	2,413.5	3.7	1.1	4.8	4.6	—	9.4
2019	5,349.8	1.7	0.4	2.1	2.0	—	4.1
2020	4,537.0	1.7	0.5	2.2	2.2	—	4.4
2021	4,782.8	1.7	0.5	2.1	2.0	—	4.1
2022	6,998.0	1.1	0.3	1.4	1.2	—	2.6
Projected*							
2023	7,225.8	1.0	0.3	1.3	1.1	1.7	4.2
2024	6,936.2	1.1	0.3	1.4	1.0	1.9	4.3
2025	6,787.4	1.0	0.3	1.3	0.9	1.6	3.8
2026	6,773.3	1.0	0.3	1.3	0.7	1.2	3.2
2027	6,769.4	1.0	0.4	1.3	0.6	1.2	3.2
2028	6,826.2	1.0	0.3	1.3	0.6	1.2	3.1
2029	6,809.7	1.0	0.3	1.3	0.5	1.2	3.0
2030	6,916.5	0.9	0.3	1.2	0.5	1.2	2.9
2031	7,120.8	0.7	0.2	1.0	0.4	1.2	2.6
2032	7,313.6	0.7	0.2	1.0	0.4	1.2	2.6

* The forecast for fiscal years 2023 through 2032 uses the projections included in the 2022 – 2023 Alaska Public Debt Book using information available as the Fall 2022 Revenue Sources Book.

Source: 2022 – 2023 Alaska Public Debt Book, published in January 2023.

Included in the above amounts are State Guaranteed veterans' bonds which were authorized by law and the voters in the following amounts (in millions):

<u>Authorization Calendar Year</u>	<u>Authorized</u>	<u>Issued as of June 30, 2022</u>
1982	400.0	400.0
1983	500.0	500.0
1984	700.0	700.0
1986	600.0	600.0
2002	500.0	500.0
2010	600.0	15.4
Total:	<u>3,300.0</u>	<u>2,715.4</u>

As of June 30, 2022, approximately \$584.6 million of state guaranteed bonds remain unissued.

d. Debt Issued and Outstanding

Table 3.3 summarizes AHFC debt issued and outstanding by type of debt.

TABLE 3.3
ALASKA HOUSING FINANCE CORPORATION
Debt Issued and Outstanding by Type of Debt
\$(Thousands)

		Debt Issued In FY 2022	Total Debt Issued	Debt Outstanding at 6/30/2022 ⁽²⁾
	Credit Rating ⁽¹⁾			
Home Mortgage Revenue Bonds	Aa2/AA+/AA+ ⁽³⁾	-	1,262,675	\$ 462,470
Collateralized Bonds (Veterans' Mortgage Program)	Aaa/AAA/NR	-	2,010,385	45,950
General Mortgage Revenue Bonds II	Aa1/AA+/NR ⁽⁴⁾	122,795	957,995	542,335
Governmental Purpose Bonds	Aaa/AA+/NR	-	973,170	70,770
State Capital Project Bonds I & II	Aa2/AA+/NR ⁽⁵⁾	200,000	2,619,805	1,072,210
Northern Tobacco Securitization Corporation, AHFC subsidiary				
Tobacco Settlement Asset-Backed Bonds	NR/Various ⁽⁶⁾ /NR	-	937,308	297,300
Total		<u>\$ 322,795</u>	<u>\$ 8,761,338</u>	<u>\$ 2,491,035</u>

NOTES:

1 Ratings from Moody's / Standard & Poor's / Fitch Ratings

2 Does not include defeased bonds

3 Fitch does not rate the Home Mortgage Revenue Bonds, 2002 Series A

4 Fitch does not rate the General Mortgage Revenue Bonds II other than the 2016A issue, which it currently rates AA+

5 Fitch does not rate the State Capital Project Bonds II issued after 2017. All pre-2017 issues currently outstanding are rated AA+

6 Standard & Poor's ratings on the Tobacco Settlement Asset-Backed Bonds, Series 2021, are "A (sf)" for the Series 2021A Bonds maturing June 1, 2022, through June 1, 2031; "A- (sf)" for the Series 2021A Bonds maturing June 1, 2032, through June 1, 2041; "BBB+ (sf)" for the Series 2021A Bonds maturing June 1, 2050; "BBB+ (sf)" for the Series 2021B-1 Bonds maturing June 1, 2031; and "BBB- (sf)" for the Series 2021B-1 Bonds maturing June 1, 2050. The Series 2021B-2 Bonds are not rated by Standard & Poor's.

	Credit rating as of 6/30/2022	Debt Issued In FY 2022	Total debt issued	Outstanding at 6/30/2022
Short-term debt outstanding				
Commercial Paper	P-1/A-1+/F-1+	N/A	N/A	149,810
Total				<u>\$ 149,810</u>

e. Collateralized and Insured Bonds

MEMORANDUM

STATE OF ALASKA
Department of Revenue

TO: State Bond Committee

DATE: May 24, 2023

FROM: Ryan Williams
Debt Manager
Treasury Division

TELEPHONE: 465-2893

SUBJECT: Report

Budget process – I provided updated information to OMB to identify the FY 2024 debt service needs of the Series 2023A Refunding GO Bond issuance. For post-issuance review, please turn with me to the attached summary page for the refunding, which closed in February 2023.

The 2022-2023 Alaska Public Debt Book, compiling information from Departments and Agencies across the State, was disclosed prior to 1/31/2023 deadline. I have attached the final 2022-2023 Alaska Public Debt Book.

In addition, the FY2022 ACFR late notice, and subsequent final FY2022 ACFR, was posted on the EMMA-MSRB disclosure site to meet all continuing disclosure requirements for underlying GO Bonds for FYE 2022.

The State of Alaska is updating all rating agencies the first full week of June. The presentations will cover any FY2024 budget enactments (pending), the Spring 2023 Revenue Forecast, and other current events. The State anticipates the engagement of Kroll Ratings and will provide them required materials for review and discussion.

The Federal debt ceiling debate is still ongoing. DOR - Treasury has assessed the general concept of associated risks, which are far reaching in the national economy related to equities, fixed income, federal reimbursements, etc. As of this writing, there is no clarity on how market participants would deal with this. It would be chaotic. Rating agencies may also take further action on the US credit rating. I am monitoring the ongoing debt ceiling discussions and potential US Treasury payment deficiencies related to bond project funds and implied borrowing rates.

State Debt - Recent Refunding Transaction

G.O. refunding transaction: 2012A and 2013B Bonds

Summary of refunding activity from pricing:

- The 2012A Bonds are subject to optional redemption (~\$7.4 million, 8/1/2023 maturity)
- The 2013B Bonds are subject to optional redemption (~\$50.2 million, 8/1/2023 – 8/1/2025 maturities)
- GO Refunding pricing analysis: \$1.7 million in NPV savings or approximately 3.04%
- The refunding transaction reduces debt service associated with these bond series in every year through 8/1/2025 and the final maturity date remains intact

State of Alaska
General Obligation Refunding Bonds
Series 2023A

Priced on 1/30/2023
Final Verified Cash Flows

Date	Prior Debt Service	Refunding Debt Service	Savings	Annual Savings	Present Value to 02/07/2023 @ 2.3992166%
08/01/2023	22,820,050.00	22,240,916.67	579,133.33		572,495.87
02/01/2024	899,075.00	875,250.00	23,825.00		23,272.76
06/30/2024				602,958.33	
08/01/2024	18,529,075.00	17,935,250.00	593,825.00		573,184.73
02/01/2025	461,475.00	448,750.00	12,725.00		12,137.10
06/30/2025				606,550.00	
08/01/2025	19,001,475.00	18,398,750.00	602,725.00		568,064.53
06/30/2026				602,725.00	
	61,711,150.00	59,898,916.67	1,812,233.33	1,812,233.33	1,749,154.99

Savings Summary

PV of savings from cash flow	1,749,154.99
Plus: Refunding funds on hand	3,074.99
Net PV Savings	1,752,229.98



ALASKA PUBLIC DEBT



STATE OF ALASKA

Michael J. Dunleavy, Governor

Nancy Dahlstrom, Lieutenant Governor

Department of Revenue

January 2023

ALASKA PUBLIC DEBT

2022-2023

State of Alaska
Michael J. Dunleavy, Governor

Department of Revenue
Adam Crum, Commissioner
Ryan Williams, State Debt Manager

This publication was prepared
by Treasury Division

January 2023

State of Alaska
ALASKA PUBLIC DEBT
2022-2023

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State of Alaska
ALASKA PUBLIC DEBT
2022-2023

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I. Types of Alaska Public Debt

The State has liability or potential exposure for repayment of principal and interest in nine categories. In descending order of the State's expectation of appropriating State general funds to pay:

- State Debt
- State Guaranteed Debt
- State Supported Debt
- Unfunded Actuarial Accrued Liability (UAAL)
- State Supported Municipal Debt - Eligible for State Reimbursement
- State Moral Obligation Debt
- State and University Revenue Debt
- State Agency Debt
- State Agency Collateralized or Insured Debt
- Municipal Debt

On the following pages, each type of State obligation is briefly discussed and defined. Table 1.1 summarizes Alaska's public debt by type of approximately \$11.0 billion.

In Section II, Alaska issuers of public debt are described, and statistical tables are provided for each issuer.

A. State Debt

State Debt is comprised of debt authorized, issued and payable by the State including revenue anticipation notes (RAN's) and general obligation bonds (GOB's). The full faith, credit and resources of the State are pledged to the payment of principal and interest on this debt. If future State revenues are insufficient to make the required principal and interest payments to bondholders and note holders, the State is legally required by its contract with bondholders and note holders to raise taxes in order to meet these obligations. AS 37 Chapter 15 creates and empowers the State Bond Committee to issue State debt obligations.

1. Revenue Anticipation Notes (RANs)

Short-term State borrowing in anticipation of revenues is permitted under AS 43.08.010. RANs may be issued and renewed from time to time, but all such notes, renewals and interest thereon shall be paid from revenues by the end of the fiscal year following the year in which the notes were issued. The full faith, credit, resources, and taxing power of the State are pledged to the payment of RANs and interest thereon. To further secure such payment, and if necessary to effect advantageous borrowing to the State, collateral may also be pledged. The State has not used RANs in over 40 years and there are no State RANs issued or outstanding as of June 30, 2022.

2. General Obligation Bonds (GOB's)

The State Constitution provides that GOB's must be authorized by law and ratified by the voters. Generally, the Constitution permits authorization of GOB's only for capital improvements. The legal provisions regarding GOB's are contained in Section 8, Article IX of the Alaska Constitution and AS 37.15, the State Bonding Act. The amount and timing of a bond sale must be approved by the State Bond Committee. There is no statutory limit on the amount of State GOB's that may be authorized.

As of June 30, 2022, the State had issued GOB's 67 times since statehood, raising approximately \$3 billion. In addition, the State assumed the outstanding debt of the Territory of Alaska as GOB's of the State. In 1959, the Territorial debt was \$2.9 million. Most recently, on August 5, 2020, the State issued the GOB Series 2020A which funded the remaining authorization under the 2012 Transportation Bond Act.

The interest cost on State bond issues is determined by several factors, the major variable being the general level of interest rates in the global economy. However, the credit rating assigned to an issuer and the related investor assessment of credit risk are important factors. The State's credit rating improved from Baa1/A in 1973 to AAA/AAA/Aaa in 2013, began a gradual deterioration beginning in 2015, and as of December 2022 ratings were AA-/A+/Aa3 from S&P Global Ratings, Fitch Ratings, and Moody's Investors Service, respectively.

At June 30, 2022, the State had approximately \$621.9 million in GOB's outstanding as shown in Table 1.1.

B. State Guaranteed Debt

In the 1982 general election, voters approved an amendment to Article IX, Section 8 of the Alaska Constitution that permits the State to guarantee unconditionally as a general obligation of the State, the payment of principal and interest on revenue bonds issued by AHFC for the purpose of purchasing mortgage loans made for residences of qualifying veterans. This is the only purpose for which State Guaranteed Bonds may be issued. Because the bonds are general obligations of the State, they must be authorized by law, ratified by the voters, and approved by the State Bond Committee. In six elections from 1982 through 2010 voters approved propositions authorizing \$3.3 billion of State Guaranteed Bonds for veterans' mortgages.

These bonds are known to investors as "double-barreled" because there are two distinct forms of security behind the bonds. Their first lien is on the revenue stream generated by payments on the mortgage loans made from bond sale proceeds. Additional security to bondholders is provided by the general obligation pledge of the State to make the required debt service payments in the event that revenues are insufficient. In recognition of the creditworthiness of the veterans' bonds, they have been rated AAA.

The constitutional amendment permitting the State general obligation pledge on veterans' mortgage bonds was necessary only to gain tax-exempt status for the bonds. The Mortgage Subsidy Bond Tax Act passed by Congress in 1980 restricted the ability of states or public corporations to sell tax-exempt housing bonds above specified ceilings unless they were also general obligations of the issuing state, and the proceeds were used for housing loans for veterans. After the 1980 legislation and before the 1982 constitutional amendment, AHFC had been issuing more expensive taxable bonds for veterans' as well as non-veterans' loans.

Because of the strong support behind the bonds, independent of the State's general obligation pledge, this debt is not counted by the rating agencies as general obligation debt. However, if problems in meeting debt service on veterans' bonds were to arise, the bonds would be treated as general obligation debt for credit rating purposes.

At June 30, 2022, State Guaranteed Debt was \$46.0 million, as shown in Table 1.1.

C. State Supported Debt

State Supported Debt is debt authorized by law of the State of Alaska for the acquisition or improvement of real property for which the source of payment is future appropriations from the State's General Fund. As the State's pledge of future appropriations is the basis of the credit, a failure to appropriate would impact the State's credit. State Supported Debt is not considered debt under the Alaska Constitution because the State's payments on the debt obligations, even if they are the subject of a contractual commitment, are subject to annual legislative appropriation. As a result, voter approval of such debt is not required.

State Supported Debt includes lease-purchase financing obligations (structured as certificates of participation "COP's"), and Capital Leases the State has entered into: Linny Pacillo Parking Garage with AHFC, and the Goose Creek Correctional Center with the Matanuska-Susitna Borough. When the State is not the issuer of the debt, it will be reported as debt at both the State and political subdivision level.

All State Supported Debt must be authorized by law and by resolution of the legally empowered issuance entity. The State Bond Committee has approved resolutions for State Supported debt issues as in the case of COP's or Lease Revenue bonds. Historically, State Supported debt was authorized by legislative resolution pursuant to AS

37.05.280 (now repealed) for the Alaska State Housing Authority as well as by law in the case of the University of Alaska.

On September 4, 2020, the Alaska Supreme Court issued a decision related to the Alaska Tax Credit Certificate Bond Corporation (ATCCBC) that created additional limitations on when the State can issue State Supported Debt. While the decision reaffirmed prior Supreme Court decisions allowing the use of State Supported Debt for lease-purchase of real property arrangements, it specifically disallowed the structure contemplated for the Alaska Tax Credit Certificate Bond Corporation created in 2018 in AS 37.18. Due to similarity of structure, the decision also rendered the Pension Obligation Bond Corporation (created in AS 37.16) and the Toll Bridge Revenue Bonds for the Knik Arm Bridge (created in AS 37.15, Article 2) illegal. On September 28, 2020, the State of Alaska Department of Law filed a Petition for Rehearing with the Supreme Court in an attempt to obtain clarity on the scope of the Court's intent in their decision. The Court declined to respond to the Petition for Rehearing.

At June 30, 2022, State Supported Debt was \$177.7 million as shown in Table 1.1.

D. State Supported Unfunded Actuarial Assumed Liability (UAAL)

In 2008, Senate Bill 125 became law, declaring that the State shall fund any actuarially determined employer contribution rate above 22% for the Public Employees' Retirement System (PERS) or 12.56% for the Teachers' Retirement System (TRS) out of the State's general fund. This change was designed to address the stress municipal employers were experiencing due to high actuarially determined percentage of payroll amounts to pay for actuarially assumed unfunded liabilities of the retirement systems. In 2015, the Governmental Accounting Standards Board Statement 68 (GASB 68) was enacted, updating reporting and disclosure requirements related to pension liabilities. One of the key changes was requiring a government that is committed to making payments on a pension system's unfunded actuarial assumed liability (UAAL) on behalf of another entity to record the liability as a debt of the government making the payment. As a result of GASB 68, \$5.8 billion of long-term debt was added to the State's fiscal year 2015 Annual Comprehensive Financial Report, for a total of \$6.0 billion of UAAL owed by the State at that time.

Annual payments are determined based on a variety of actuarial assumptions and the evolving experience as it occurs. The assumption with perhaps the greatest impact on future payments is the assumed rate of return on invested assets. As of January 11, 2019, the Alaska Retirement Management Board changed the actuarially assumed rate of investment return from 8% to 7.38%.

The ARM Board completed an experience analysis of the actuarial assumptions underlying the PERS and TRS actuarial valuation reports covering the timeframe July 1, 2017, to June 30, 2021. There have been no changes in the actuarial methods or changes in benefit provisions since the June 30, 2021, valuation. Healthcare claims costs are updated annually. However, as a result of the experience analysis, updated demographic and economic assumptions were adopted by the ARM Board in June 2022, and are being used in the June 30, 2022, actuarial valuation reports. One significant item that was changed is the actuarial assumption for investment rate of return. This rate was revised from 7.38 percent down to 7.25 percent, and will be included within the forthcoming June 30, 2022, actuarial valuation reports.

According to the PERS and TRS ACFR as of June 30, 2022, if the actual earnings rate experience is 6.25%, the 1% reduction in the rate of return on investments increases the net PERS pension liability by approximately \$1,764,606,000 and the net TRS pension liability by approximately \$826,297,000.

As long as the Senate Bill 125 statutory framework is in place, the State is statutorily obligated to obtain amounts required to meet all actuarially determined employer contribution rate for PERS' employers above 22% and TRS employers above 12.56%. While this payment is subject to annual appropriation, a failure to make the appropriation would be expected to have a negative impact on the State's credit ratings.

Senate Bill 55 (SB 55), an Act relating to employer contributions to the System, made changes to Alaska Statute (AS) 39.35.255 that indicated the State of Alaska, as a participating employer, shall contribute to the System every payroll period an amount sufficient to pay the full actuarially determined employer normal cost, all

contributions required under AS 39.30.370 (HRA) and AS 39.35.750 (all DCR costs – employer match, ODD, RMP), and past service costs for members at the contribution rate adopted by the Board under AS 37.10.220 for the fiscal year for that payroll period. The State of Alaska, as an employer, will pay the full actuarial determined employer contribution rate adopted by the Board for each fiscal year effective July 1, 2021.

As of June 30, 2022, State long-term debt for the combined PERS and TRS pension UAAL was approximately \$4.0 billion as shown in Table 1.1 and 5.3. Worth noting is that the Other Post Employment Benefit ('OPEB') asset levels are greater than the assumed liabilities for both PERS and TRS.

E. State Supported Municipal Debt - Eligible for State Reimbursement

The State administers two programs that reimburse municipalities for municipal G.O. bonds in the School Debt Reimbursement Program (SDRP) and the 2002 Transportation and Infrastructure Debt Service Reimbursement Authorization (TIDSRA). These are programs that provide for State reimbursement of annual debt service on general obligation or revenue pledges of municipalities. The State may choose not to fund these programs in part or whole without any impact on the State of Alaska's credit rating.

The Department of Education and Early Development (DEED) administers (SDRP) which was created by law in 1970. The SDRP allows municipalities to apply, and if structured correctly be eligible for reimbursement on up to 100% of the debt service on general obligation bonds issued for school construction. All underlying municipal bonds are required to be authorized as general obligation bonds of the municipality, providing the ultimate source of payment commitment. Since 1983, the SDRP has been partially funded ten times, most recently in fiscal year 2017 at approximately 79 percent of the authorized amount, in fiscal year 2020 at 50 percent of the authorized amount, in fiscal year 2021 at zero percent of the authorized amount, and then in fiscal year 2022 at approximately 42 percent of the authorized amount.

The Department of Transportation and Public Facilities (DOTPF) and the Alaska Energy Authority (AEA) administers the TIDSRA which was created by law in 2002. The program currently includes University of Alaska revenue bonds, seven municipalities' general obligation bonds, and two electric associations' revenue bonds. The program provides for 100% reimbursement of a limited number of municipal transportation and infrastructure related projects. The underlying municipal bonds are issued as either general obligation bonds or utility revenue bonds providing the ultimate source of payment commitment. This was a one-time authorization and no additional authorizations have been proposed. Other than certain reimbursements for the University of Alaska, no funding was provided in the fiscal year 2020 through 2022 budgets.

While the SDRP and the TIDSRA have been partially funded or not funded in fiscal years 2020-2022, the statutorily allowed reimbursements are still reflected as state subject to appropriation obligations in historical fiscal year balances and future year payment commitments within this publication. The fiscal year 2023 budget included a fully funded SDRP and TIDSRA, and in addition, appropriations to offset prior year reductions in the SDRP in fiscal year 2017 and in fiscal years 2020 through 2022.

At June 30, 2022, state supported municipal debt was approximately \$457.0 million as shown in Table 1.1.

F. State Moral Obligation Debt

This type of debt consists of bonds issued by State agencies which are secured, in part, by a reserve fund to which is attached a discretionary replenishment provision. Such a reserve fund is typically called a capital reserve fund. The discretionary replenishment provision typically reads:

The chairman of the authority (or corporation) shall annually, no later than January 1, certify in writing to the Governor and the Legislature the amount, if any, required to restore the capital reserve fund to the capital reserve fund requirement. The Legislature may appropriate to the authority (or corporation) the amount certified by the chairman of the authority (or corporation). Nothing in this section creates a debt or liability of the state.

A capital reserve fund is generally equal in size to the maximum amount of debt service required in any year. Alaska's discretionary replenishment provision means that if the reserve fund should fall below its required level, the State Legislature may, but is not legally required to, appropriate funds sufficient to restore the capital reserve fund to its required level. The most likely reason that such a reserve fund would fall short of the required level is if agency revenues were insufficient to meet a given debt service payment and the reserve fund had to be used to make the payment.

The authority to issue moral obligation bonds is provided in varying amounts and purpose in the enabling legislation of Alaska Aerospace Development Corporation, Alaska Housing Finance Corporation, Alaska Industrial Development and Export Authority, Alaska Student Loan Corporation, Alaska Municipal Bond Bank Authority, the Alaska Energy Authority, and the Interior Gas Utility. Current outstanding moral obligation debt is limited to the Alaska Municipal Bond Bank Authority, and the Alaska Energy Authority.

At June 30, 2022, State Moral Obligation Debt was \$1,039.0 million, as shown in Table 1.1.

G. State Revenue and University Debt

This type of debt issued by the State on behalf of political subdivisions of the State or by the University of Alaska is secured only by revenues derived from the issuing enterprise. Revenue Debt is not a general obligation of the State or the University and does not require voter approval. Such debt is authorized by law and issued by the University or by the State Bond Committee. This type of debt includes International Airports Revenue Bonds, Clean Water and Drinking Water Fund Bonds, various University Revenue Bonds and Notes, and Toll Facilities Revenue Bonds. While the State hasn't issued any long-term Clean Water or Drinking Water Fund Revenue Bonds, it does undertake an annual overnight borrowing to provide for operational goals of the Funds.

At June 30, 2022, State Revenue and University Debt was \$497.6 million, as shown in Table 1.1.

H. State Agency Debt

State Agency Debt is secured by revenues generated from the use of bond proceeds or the assets of the agency issuing the bonds. The debt is not a general obligation of the State nor does the State provide security for the debt in any other manner, i.e., by appropriations, guarantees, or moral obligation pledges. The State has, however, in the past appropriated funds to subsidize the interest rate to the underlying borrowers in the case of certain AHFC debt listed as State Agency Debt in Table 1.1.

Nevertheless, if default was threatened on any such State Agency Debt, there is some possibility the State would provide relief. The ties between these agencies and the State -- such as their statutory origin and authority, subjection to the executive budget act and State contracting procedures, cabinet membership on boards, legislative approval of bond issuance, and, most fundamentally, achievement of their missions as a political goal of the State -- may mean that the State would consider providing support for such debt even though it has no legal requirement to do so. A default on any State Agency Debt may affect interest costs on unrelated State and State Agency and certain municipal debt.

The exception to any expectation of State response in the event of a default is the Tobacco Settlement Asset Backed Bonds issued by the Northern Tobacco Securitization Corporation. These bonds were deliberately structured without any implication of State support to divest the State of a portion of its position with the settlement. Investors in these bonds have received a commensurately higher yield than for other types of State Agency Debt.

At June 30, 2022, State Agency Debt was \$1,537.9 million, as shown in Table 1.1.

I. State Agency Collateralized or Insured Debt

As security for this type of debt, the State agency pledges mortgage loans or other securities which may be 100% insured or guaranteed by another party of superior credit standing. This upgrades the credit rating on the debt and

lowers the interest cost. It also makes very remote any likelihood of the State having to consider assumption of responsibility for the debt. The details of such debt are explained in the section on AHFC.

At June 30, 2022, State Agency Collateralized or Insured Debt was \$1,124.4 million, as shown in Table 1.1.

J. Municipal Debt

There are five categories of municipality in Alaska including home rule city, general law city, home rule borough, general law borough, and unified municipality.

Using the most recent data available, Alaska municipalities had approximately \$2.3 billion in general obligation bonds outstanding as of June 30, 2022. Alaska municipalities' general obligation debt has remained relatively stable over the last ten years and remains below its peak of approximately \$2.7 billion reached in 1986.

In addition to general obligation debt that is supported by local taxes, cities and boroughs may issue debt that is supported by the revenues generated by the project financed through the issuance of debt. As of June 30, 2022, approximately \$716.6 million in municipal revenue bonds were outstanding.

TABLE 1.1
State and State Agency Debt by Type at 6/30/22
\$ (millions)

	Principal Outstanding	Interest to Maturity	Total Debt Service to Maturity
State Debt			
State of Alaska General Obligation Bonds	621.9	229.6	851.5
State Guaranteed Debt			
Alaska Housing Finance Corporation Collateralized Bonds (Veterans' Mortgage Program)	46.0	14.3	60.3
State Supported Debt			
Certificates of Participation	16.7	3.5	20.2
Lease Revenue Bonds with State Credit Pledge and Payment	161.0	46.8	207.8
Total State Supported Debt	177.7	50.3	228.0
State Supported Municipal Debt			
State Reimbursement of Municipal School Debt Service	440.2	66.5	506.7
State Reimbursement of capital projects	16.8	3.8	20.6
Total State Supported Municipal Debt	457.0	70.3	527.3
Pension System Unfunded Actuarial Accrued Liability (UAAL)¹			
Public Employees' Retirement System UAAL	3,228.0	N/A	3,228.0
Teachers' Retirement System UAAL	733.0	N/A	733.0
Total UAAL	3,961.0	N/A	3,961.0
State Moral Obligation Debt			
Alaska Municipal Bond Bank:			
2005 & 2016 General Resolution General Obligation Bonds	993.1	387.3	1,380.4
Alaska Energy Authority:			
Power Revenue Bonds #1 through #10	45.9	26.7	72.6
Total State Moral Obligation Debt	1,039.0	414.0	1,453.0
State Revenue Debt			
International Airports Revenue Bonds	243.8	97.3	341.1
University of Alaska Debt			
University of Alaska Revenue Bonds	240.5	110.3	350.8
University Lease Liability and Notes Payable	13.3	3.2	16.5
Total University of Alaska Debt	253.8	113.5	367.3
Total State Revenue and University Debt	497.6	210.8	708.4
State Agency Debt			
Alaska Housing Finance Corporation:			
Commercial Paper	149.8	N/A	149.8
State Capital Project Bonds I	3.5	0.0	3.5
State Capital Project Bonds II	1,068.7	362.0	1,430.7
Alaska Municipal Bond Bank Coastal Energy Loan Bonds	9.5	1.6	11.1
Alaska Railroad	33.8	1.7	35.5
Northern Tobacco Securitization Corporation			
2021 Tobacco Settlement Asset-Backed Bonds ²	272.6	458.7	731.3
Total State Agency Debt	1,537.9	824.0	2,361.9
State Agency Collateralized or Insured Debt			
Alaska Housing Finance Corporation:			
Home Mortgage Revenue Bonds	462.5	190.3	652.8
General Mortgage Revenue Bonds II	542.3	203.5	745.8
Governmental Purpose Bonds	70.8	11.3	82.1
Alaska Industrial Development and Export Authority:			
Power Revenue Bonds, 2015 Series (Snettisham Hydro Project)	48.8	16.7	65.5
Total State Agency Collateralized or Insured Debt	1,124.4	421.8	1,546.2
Total State and State Agency Debt	9,462.5		

TABLE 1.1 (Continued)
State and State Agency Debt by Type at 6/30/22
\$ (millions)

	principal outstanding	interest to maturity	total debt service to maturity
Municipal Debt			
<i>School G.O. Debt</i>	657.4	N/A	N/A
<i>Other G.O. Debt</i> ³	1,657.4	N/A	N/A
Revenue Debt	716.6	N/A	N/A
Total Municipal Debt	<u>3,031.4</u>		
Debt Reported in More than One Category			
Less: State Reimbursable Municipal Debt and Capital Leases	-177.8		
Less: State Reimbursable Municipal School G.O. Debt	-440.2		
Less: Alaska Municipal Bond Bank debt included in University debt	-79.4		
Less: Alaska Municipal Bond Bank debt included in Municipal debt	-802.0		
Total Deductions Due to Reporting in More than One Category	<u>-1,499.4</u>		
Total Alaska Public Debt	<u>\$ 10,994.5</u>		

NOTES

1. From most recent 6/30/2021 actuarial valuation. See table 5.3 for a summary of the Retirement System's Funding Levels

2. "Interest to Maturity" and "Total Debt Service to Maturity" includes accreted interest due at maturity of \$335.7 million

3. "Other G.O. Debt" includes information sourced from the Office of the State Assessor, and certain municipal ACFRs

Sources: Annual reports and financial statements of AHFC, AMBBA, AIDEA, AEA, UofA, AKRR, AIAS, and other State Agencies

II. Issuers of Alaska Public Debt

In Section I, the nine types of Alaska public debt are described. In this section, the issuers of Alaska public debt are described. Issuers include the State, State Agencies, the University, and Municipalities.

At June 30, 2022, total public debt of Alaska issuers stood at approximately \$11.0 billion, as follows:

	<u>\$ (millions)</u>
State of Alaska GO Debt	621.9
State Guaranteed Debt	46.0
State Supported Debt	177.7
State Supported Municipal Debt	457.0
State Supported Unfunded Pension Liability	3,961.0
State Moral Obligation Debt	1,039.0
State Revenue and University Debt	497.6
State Agency Debt	2,662.3
Municipal Debt	3,031.4
Less duplicate reporting *	(1,499.4)
Total Alaska Public Debt	<u>\$ 10,994.5</u>

* Approximately \$802.0 million of Alaska Municipal Bond Bank debt was issued to purchase municipal debt. In addition, \$79.4 million remains outstanding from the purchase of University of Alaska debt. This total also includes approximately \$440.2 million of State reimbursable debt, and approximately \$177.8 million in capital leases.

A. State of Alaska

State debt includes general obligation bonds, revenue anticipation notes, state supported debt, International Airport System revenue bonds, sport fish revenue bonds, and toll facility revenue bonds. AS 37 Chapter 15 creates and empowers the State Bond Committee to issue State debt obligations.

1. General Obligation Debt

Tables 2.1-2.5 below summarize the State's general obligation debt issued and outstanding.

TABLE 2.1
General Obligation Bonds Annual Debt Service

Balance Outstanding at 6/30/22	\$ (thousands)		
	Payments Made During Year Ending 6/30/22		
	Principal	Interest	Total
\$621,875	\$ 41,100	\$ 32,638	\$ 73,738

Source: Department of Revenue Bond Documents

TABLE 2.2
General Obligation Bonds Authorized, Issued, and Outstanding Since 1996
\$ (thousands)

Fiscal Year	Authorized	Authorization Issued	Remaining Authorization	Outstanding at 6/30
1996	-	-	-	39,101
1997	-	-	-	24,206
1998	-	-	-	10,891
1999	-	-	-	2,376
2000	-	-	-	-
2001	-	-	-	-
2002	-	-	-	-
2003	463,525	461,935	1,590	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	201,110	-	643,770
2012	-	-	-	575,825
2013	453,499	343,151	-	840,249
2014	-	28,878	-	803,790
2015	-	1,009	-	744,160
2016	-	161,157	-	823,235
2017	-	-	-	776,785
2018	-	-	-	724,415
2019	-	-	-	670,060
2020	-	-	-	624,905
2021**	-	110,352	-	662,975
2022	-	-	-	621,875
Total*	\$ 1,629,274	\$ 1,472,592		

* In FY 2012 the State Legislature appropriated \$150,050,000 to fund the FY 2009 authorization, extinguishing this remaining bond issuance authority

**During Fiscal Year 2021, the State issued GO Bonds (approx. \$110.3 million total funding) for the remaining authorization under the 2012 Transportation Bond Act

Source: Department of Revenue Bond Documents

TABLE 2.3
General Obligation Bond Sales Since 1996

Date of Bonds	Average Life (Years)	True Interest Rate	Underlying Ratings at Issuance; Moody's/Standard & Poor's/Fitch Ratings
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+
February 8, 2012	5.87	1.21%	Aaa/AAA/AA+
January 15, 2014	8.99	1.44%	Aaa/AAA/AAA
March 27, 2013	0.99	0.09%	MIG1/SP-1+/F1+
March 24, 2014	0.99	0.09%	MIG1/SP-1+/F1+
March 19, 2015	0.99	0.15%	MIG1/SP-1+/F1+
April 9, 2015	10.20	2.38%	Aaa/AAA/AAA
March 17, 2016	11.14	3.02%	Aa1/AA+/AAA
June 30, 2016	11.37	2.76%	Aa1/AA+/AA+
August 5, 2020*	11.60	1.97%	Aa3/AA-

*Ratings at issuance obtained from Moody's and Standard & Poor's
Source: Department of Revenue Bond Documents

TABLE 2.4
Original Issue General Obligation Bond Issues Since 1996
\$ (thousands)

Date of Bonds	Purpose	Issued Par	New Funding	TIC
April 1, 2003	Various	461,935	461,935	3.84%
April 14, 2009	Transportation	165,000	165,000	4.06%
Dec. 7, 2010	Education	200,000	200,000	2.77%
Jan. 23, 2013	Education	162,480	162,480	1.44%
March 27, 2013*	Transportation	149,645	152,107	0.09%
March 24, 2014*	Transportation	170,000	28,878	0.09%
March 19, 2015*	Transportation	155,215	1,009	0.15%
April 9, 2015***	Transportation	94,425	-	2.38%
March 17, 2016**	Transportation	134,790	5,887	3.02%
June 30, 2016	Transportation	128,300	155,637	2.75%
August 5, 2020	Transportation	84,560	110,352	1.97%
Total		<u>\$ 1,906,350</u>		

Source: Department of Revenue Bond Documents

* Bond Anticipation Notes

** Refinanced Bond Anticipation Note with Long-term Bonds

***Refunded a portion of the 2009A bonds

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

Purpose	Authorization Issued	Percentage
Transportation	\$ 1,386,973	48.2%
Education	1,021,122	35.5%
Water and Sewer	135,640	4.7%
Fish, Game, and Recreation	93,099	3.2%
Public Safety (Fire and Corrections)	86,544	3.0%
Flood Control and Harbor Development	75,790	2.6%
Health and Housing	75,534	2.6%
Total	\$ 2,874,702	100.0%

Source: Department of Revenue Bond Documents

2. Revenue Anticipation Notes (RAN's)

There are no RAN's outstanding.

3. State Supported Debt

State Supported Debts are obligations authorized by a specific stand-alone law of the State, passed for the purpose of obligating the State and payable by the State. These obligations may take the form of a Lease-purchase agreement. A September 4, 2020, decision of the Alaska Supreme Court impacted the ability to issue obligations secured by a State general fund funding commitment on a toll project, or a State general fund funding commitment on a contract.

The currently outstanding State Supported Debt is limited to certificates of participation and lease-purchase obligations facilitated through political subdivisions. The lease payments being subject to annual appropriations precludes the obligations from being considered State debt under the Constitution and thus requiring voter approval. However, because the debt obligations are paid from the State's General Fund, these obligations are counted by the rating agencies in measuring the State's debt burden.

a. Certificates of Participation (COPs)

Certificates of participation (COPs) are obligations based on fractional interests or shares in lease payments from lessees, in this case the State, and are sold to finance construction or purchase of the leased facilities. The State issues COPs by utilizing a trustee to hold a title position to the property and serve as lessor. COPs are payable solely from the annual lease payments made by the State.

b. Capital Leases

The State is a lessee in two facilities that qualify as capital leases and have associated lease financing, the Linny Pacillo parking garage is financed by general obligation bonds of the Alaska Housing Finance Corporation (AHFC) and the Goose Creek Correctional Facility is financed by lease revenue bonds of the Matanuska-Susitna Borough. In these financings, legislation authorized the leases to be pledged as security, and while AHFC chose to secure their issue by a general obligation pledge, the State is committed to funding the leases. The State will acquire the Linny Pacillo parking garage and the Goose Creek Correctional Facility at the term of the leases. Accordingly, the financings qualify as lease-purchase from an accounting, credit, or federal tax standpoint. In other state facility leases, the leases are not authorized by independent law, the state's credit is not pledged, and while they may be considered capital leases under accounting definitions, they do not qualify as lease-purchases, and are not included as State Supported Debt.

The following Table 2.6 summarizes issued and outstanding COPs.

TABLE 2.6
State of Alaska Lease-Purchase Financings
Outstanding \$(thousands)

<u>Certificates of Participation (COPs)</u>				
	Date of Bonds	Amount Issued	6/30/2022 Principal to Maturity	Final Maturity
ANTHC Housing Facility Project 2014	9/17/2014	30,895	16,725	6/1/2029
Total Certificates of Participation		<u>\$ 30,895</u>	<u>\$ 16,725</u>	

Source: Department of Revenue Bond Documents

c. State Support Funding Commitment to Toll Project

In April 2014, AS 37 Chapter 16 was enacted creating the Knik Arm Crossing project in the Alaska Department of Transportation and Public Facilities. The Legislation provides for the Department of Transportation to enter into a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan and for the Department of Revenue to issue up to \$300 million of state supported subordinate lien toll bridge revenue bonds. Given the green field nature of this project there is a 100% expectation of insufficient toll revenue to cover debt service and the State's general fund having to make debt payments for at least 7 to 10 years, and longer if traffic forecasts aren't realized. Based on the September 4, 2020, decision of the Alaska Supreme Court this statutory construct is invalid.

d. State Support Funding for Public Corporations

In 2008, AS.37 Chapter 16 was enacted creating the Pension Obligation Bond Corporation (POBC) for the purpose of issuing bonds for up to \$5 billion for the prepayment of UAAL of the retirement systems. The POBC bonds would be considered State Supported debt as they would be secured by agreements with other state agencies that are subject to annual appropriation. In 2018, the POBC bond limit was reduced to \$1.5 billion. Based on the September 4, 2020, decision of the Alaska Supreme Court this statutory construct is invalid.

In 2018, AS 37 Chapter 18 was enacted creating the Alaska Tax Credit Certificate Bond Corporation (ATCCBC) for the purpose of selling bonds for up to \$1 billion to provide for the purchase of certain State of Alaska tax credits. The ATCCBC bonds would be considered State Supported debt as they would be secured by agreements entered into by other state agencies that are subject to annual appropriation. A legal challenge on the State Constitutionality of the ATCCBC was filed and delayed the potential for bond issuance. Based on the September 4, 2020, decision of the Alaska Supreme Court this statutory construct is invalid.

4. State Supported Unfunded Actuarial Assumed Liability (UAAL)

The State's 2015 Comprehensive Annual Financial Report released on February 1, 2016, implemented the Governmental Accounting Standards Board Statement 68 (GASB 68) updating the reporting and disclosure requirements related to pension liabilities. One of the requirements of GASB 68 is that if a government is committed to making payments on an unfunded actuarially assumed liability (UAAL) on behalf of another entity, the amount of liability supported by those payments must be reported as a debt of the government making the payments. Senate Bill 125 passed in 2008 commits the State to funding the difference between specific employer contributions of 22% for the Public Employees Retirement System and 12.56% for the Teachers Retirement System and the actuarially determined employer contribution rate. Approximately 55% of the supplemental State payment required under this statute for PERS is attributable to employees of the State of Alaska, with the remaining approximate 45% stemming from other employers. While TRS funding is arguably a State responsibility, this debt would be found primarily on local school districts' balance sheets if SB 125 was not in

place. Under GASB 68 the State's payment commitment increased the State of Alaska's long-term debt by \$5,801 million to \$8,473 million as of June 30, 2015, compared to \$2,672 million as of June 30, 2014.

Projected annual payments, from the most recent June 30, 2021, actuarial valuation report, for the contribution of the State on behalf of the employers ranges from approximately \$78.9 million to \$240.4 million over the forecast period. These projections are reflected in Table 2.7.

Updated demographic and economic assumptions were adopted by the ARM Board in June 2022, and are being used in the June 30, 2022, actuarial valuation reports. One significant item that was changed is the actuarial assumption for investment rate of return. This rate was revised from 7.38 percent down to 7.25 percent, and will be included within the forthcoming June 30, 2022, actuarial valuation reports.

Additionally, Senate Bill 55 (SB 55), an Act relating to employer contributions to the System, made changes to Alaska Statute (AS) 39.35.255 that indicated the State of Alaska, as a participating employer, shall contribute to the System every payroll period an amount sufficient to pay the full actuarially determined employer normal cost, all contributions required under AS 39.30.370 (HRA) and AS 39.35.750 (all DCR costs – employer match, ODD, RMP), and past service costs for members at the contribution rate adopted by the Board under AS 37.10.220 for the fiscal year for that payroll period. The State of Alaska, as an employer, will pay the full actuarial determined employer contribution rate adopted by the Board for each fiscal year effective July 1, 2021.

According to the PERS and TRS ACFR as of June 30, 2022, the PERS net position decreased by approximately \$2.2 billion and the TRS net position decreased by approximately \$1.1 billion in fiscal year 2022. In comparison, according to the PERS and TRS ACFR as of June 30, 2021, the PERS net position improved by \$5.3 billion and the TRS net position improved by \$2.4 billion in fiscal year 2021.

The PERS and TRS OPEB trusts are reflected as being overfunded. The pension trusts still reflect an UAAL of approximately \$3.2 billion for PERS and \$733 million for TRS. If the actual earnings rate experience is 6.25%, the 1% reduction in the rate of return on investments increases the net PERS pension liability by approximately \$1,764,606,000 and the net TRS pension liability by approximately \$826,297,000 (PERS and TRS ACFR, as of June 30, 2022). The State Statutory Liability for retirement system UAAL provided in Table 2.7 is derived from the most recent PERS and TRS actuarial valuation reports, as of June 30, 2021.

TABLE 2.7
State of Alaska
State Statutory Liability for Retirement System UAAL
PERS and TRS Actuarial Valuation Reports
As of 6/30/2021 (\$thousands)

Fiscal Year	Assuming Invested Funds
	Earn 7.38%
2022	240,365
2023	124,962
2024	134,828
2025	108,699
2026	78,850
2027	80,330
2028	81,775
2029	83,462
2030	85,809
2031	88,444
2032	91,108
2033	94,003
2034	97,139
2035	100,553
2036	104,236
2037	107,778
2038	111,789
2039	115,938

Source: From most recent 6/30/2021 actuarial valuation. SB 55, relating to employer contributions to the Public Employees' Retirement System ('PERS'), revises the State Statutory liability, reflected in the 6/30/2021 actuarial valuation

5. Municipal Debt Eligible for State Reimbursement

Per Alaska Statute 29.60.700, "Reimbursement for costs of municipal capital projects," the state shall allocate payment to municipalities for the reimbursement of qualified debt service issued to fund authorized municipal capital projects. This program is administered by the Department of Transportation and Public Facilities and is commonly referred to as the Transportation and Infrastructure Debt Service Reimbursement Authorization (TIDSRA).

For these capital project reimbursements, funding is subject to appropriation, and other than certain reimbursements for the University of Alaska, no funding was provided in the fiscal year 2020 through 2022. As of June 30, 2022, approximately \$16.7 million of University and municipal general obligation bonds are eligible for the 100% reimbursement under the TIDSRA, with annual debt service of approximately \$3.6 million in fiscal year 2023, diminishing through final maturity in 2031.

Per Alaska Statute 14.11.100, "State aid for costs of school construction debt," the state shall allocate payment to municipalities for the reimbursement of qualified debt service issued to fund authorized school district capital projects. This program is administered by the State of Alaska's Department of Education and Early Development and is commonly referred to as the School Debt Reimbursement Program (SDRP).

The SDRP has existed since 1970 and provides varying levels of municipal reimbursement for qualified school construction projects' debt service from the general fund. For the SDRP, funding is also subject to annual appropriation and partial funding has been appropriated in fiscal years 1983, 1986 through 1991, 2017, 2020, and 2022. The budget for fiscal year 2021 reduced funding by 100%, and for fiscal year 2022 funding was approximately 42%. In fiscal years where partial or no reimbursements are appropriated, debt service is paid by municipal revenues. The fiscal year 2023 budget included a fully funded SDRP and TIDSRA, and in addition,

appropriations to offset prior year reductions in the SDRP in fiscal year 2017 and in fiscal years 2020 through 2022.

The State is not obligated to appropriate the full amount of the entitled under statute nor contractually obligated to consider doing so. When amounts are insufficient, such as in recent fiscal years 2017 (79% of entitlement), 2020 (approximately 50% of entitlement), 2021 (0% of entitlement), and 2022 (approximately 42% of entitlement) if there are available funds, they are allocated pro-rata among the eligible school districts. This does not jeopardize the security of the debt, because the full faith, credit and taxing power of the issuing community is behind it. The program has been funded at the percent of entitlement shown in Table 2.8. Offsets to prior fiscal year reductions were appropriated in the fiscal year 2023 budget.

TABLE 2.8
Proration of State Reimbursement of
Municipal School Debt

\$ (thousands) as of 6/30/2022

Fiscal Year	Payments (2000-2022) or Appropriations	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	86,924	100%
2008	91,103	100%
2009	93,319	100%
2010	95,789	100%
2011	99,594	100%
2012	100,908	100%
2013	112,300	100%
2014	109,801	100%
2015	118,026	100%
2016	116,739	100%
2017	90,677	79%*
2018	111,653	100%
2019	105,023	100%
2020	47,987	50%*
2021	-	0%*
2022	34,950	42%*
2023**	83,544	100%

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

* Last partially funded in 1991 at 94%

** The enacted FY2023 budget also included appropriations to fund
prior year entitlements up to approximately 100% for FY2017
and FY2020 through FY2022

Rating agencies analyze reimbursement of local school debt in different ways. All analysts recognize that the State's commitment to debt service reimbursements are subject to appropriation annually. Historically, the State has not always appropriated the amount eligible for reimbursement and there have been examples across the country where reimbursement of local debt has been reduced and eliminated. Further, the communities participating in the program are required to issue general obligation bonds which they are fully obligated to repay. To the extent that the state continues to appropriate, analysts recognize that in general, greater debt capacity does exist at the local level as a result of the reimbursement, and that less debt capacity exists at the State level for similar reasons.

6. International Airport System Revenue Bonds

Bonds have been issued to finance improvements to the State's Alaska International Airports System (AIAS) and are secured by a first lien on gross revenues derived from AIAS operations. The Commissioner of Transportation and Public Facilities is required by bond resolution to fix and collect fees, charges, and rentals for the use of facilities of the International Airports sufficient each year to provide adjusted net revenues at least equal to 125 percent of debt service requirements during that year. Table 3.0 indicates that over the reporting period, adjusted net revenues have exceeded the amount required to pay debt service. In 2013, the State entered into new rate and fee agreements with air carriers using the airports. The rents and fees calculated according to the agreements are airline terminal building rental rates, landing fees, international terminal docking fees, passenger loading bridge fees, and charges relating to federal inspection services. The agreements also establish procedures for review and adjustment of airline rents and fees for each fiscal year to ensure that revenues are sufficient to meet operations and maintenance expenses, debt service requirements of the revenue bonds and other funding requirements established by the resolution authorizing issuance of the revenue bonds.

In fiscal year 2022, the Airports System issued \$85.5 million of Series 2021 revenue refunding bonds which, along with a \$40 million cash contribution plus \$12.4 million in prepaid debt service, refunded and defeased a total of \$154.4 million of outstanding revenue bonds payable. The Series 2021ABC bonds, along with cash contributions and prepaid debt service, refunded the Series 1999A, 2006A, 2009A, 2010A, 2010C, 2010D bonds. The net transaction achieved an \$81.8 million reduction in scheduled debt service payments and provided net present value savings of approximately \$77.3 million, of which approximately \$24.9 million was attributable to the refunding portion of the transaction.

The Alaska International Airport System bonds carried ratings of A1 with a positive outlook by Moody's and A+ with a stable outlook by Fitch Ratings.

The following Tables 2.9 and 3.0 provide additional information on the Airport Revenue Bonds.

TABLE 2.9
International Airports System
Debt Issued and Outstanding
\$ (thousands)

revenue bonds	Issuance status	date	amount issued	outstanding at 6/30/22	interest rate (%)	final maturity
Series 1999 A	AMT	1/15/1999	162,500	-	5.00	10/1/2024
Series 1999 B ⁽¹⁾	Non-AMT	1/15/1999	16,675	-	4.60	10/1/2015 ⁽¹⁾
Series 1999 C	Non-AMT	10/1/1999	25,000	-	6.22	10/1/2024
Series 2003 A	AMT	12/3/2003	73,025	-	5.00	10/1/2024
Series 2003 B	Non-AMT	12/3/2003	21,900	-	5.00	10/1/2028
Series 2006 A	AMT	12/3/2003	118,975	-	5.00	10/1/2022
Series 2006 B	Non-AMT	12/3/2003	70,760	-	5.00	10/1/2027
Series 2006 D ⁽¹⁾	Non-AMT Refinance	12/3/2003	104,860	-	5.00	10/1/2027
Series 2009 A ⁽²⁾		1/6/2009	50,000	-	variable	10/1/2030
Series 2010 A	AMT	9/29/2010	117,270	-	5.00	10/1/2027
Series 2010 B	Non-AMT	9/29/2010	21,685	-	5.00	10/1/2018
Series 2010 C ⁽²⁾	Non-AMT	9/29/2010	12,565	-	5.00	10/1/2033
Series 2010 D	Taxable	9/29/2010	19,540	-	6.28	10/1/2035
Series 2016A	Non-AMT	2/10/2016	73,635	73,635	5.00	10/1/2031
Series 2016B	Non-AMT	7/6/2016	82,495	82,495	5.00	10/1/2035
Series 2016C	AMT	2/10/2016	11,220	5,165	5.00	10/1/2023
Series 2016D	AMT	7/6/2016	8,510	-	5.00	10/1/2020
Series 2021A	AMT	8/26/2021	11,710	11,710	5.00	10/1/2035
Series 2021B	AMT	8/26/2021	7,460	7,460	5.00	10/1/2032
Series 2021C ⁽³⁾	AMT	8/26/2021	66,340	63,340	5.00	10/1/2030
Total Bonds			<u>\$ 1,076,125</u>	<u>\$ 243,805</u>		

(1) The 2006 D bonds refunded portions of the 1999 B bonds shortening the final maturity

(2) The 2009A bonds, which refinanced the previous AMT 2006C bonds, and the 2010 C bonds, were issued as Non-AMT as allowed by the American Recovery and Reinvestment Act of 2009.

(3) The 2021ABC bonds refunded for savings, defeased, and optionally redeemed with available funds of the system the 1999A, 2006A, 2009A, 2010A, 2010C, and 2010D bonds.

Source: State of Alaska, International Airports System financial statements.

TABLE 3.0
International Airports System Revenue Bonds

fiscal year	net revenue (\$ millions)	debt service (\$ millions) ¹	ratio
			net revenues to debt service ²
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	17.9	2.12
2010	52.6	35.4	1.48
2009	38.0	24.9	1.52
2010	51.3	24.6	2.09
2011	44.5	31.7	1.40
2012	41.6	31.2	1.33
2013	41.6	31.2	1.33
2014	51.6	41.2	1.25
2015	59.9	40.2	1.49
2016	60.2	40.4	1.49
2017	65.9	40.4	1.63
2018	67.2	31.1	2.16
2019	63.1	30.5	2.07
2020	75.7	29.7	2.55
2021	50.6	28.3	1.79

(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: State of Alaska, International Airports System financial statements.

7. Toll Facilities' Revenue Bonds

Legislation enacted in 1984 authorizes the issuance of State revenue bonds for toll bridges, tunnels, highways, roads, crossings, and causeways. Under AS 37.15.610, the maximum amount of toll facilities bonds that may be issued is \$500 million. No bonds have been issued. Legislative approval of bonds to be issued and an appropriation of bond proceeds are required before any project proceeds.

B. State Agencies (Alphabetically)

1. Alaska Aerospace Development Corporation

The Alaska Aerospace Development Corporation was created in 1991 as a public corporation of the State. It is located for administrative purposes within the Department of Commerce and Economic Development and affiliated with the University of Alaska but with a separate and independent legal existence. The purpose of the Corporation is to allow the State to take a lead role in the exploration and development of space, to enhance human and economic development, to provide a unified direction for space-related economic growth, education, tourism, research development, and improve the entrepreneurial atmosphere in the State.

The Corporation may issue moral obligation bonds and otherwise incur indebtedness in order to pay the cost of a project or projects to construct or improve launch facilities or other space and aerospace projects or in order to provide money for the Corporation's purposes. Original bond issues in excess of \$1,000,000 each calendar year

must have legislative approval. In addition, legislative approval is required if the annual debt service on all outstanding bonds issued and bonds proposed to be issued exceeds \$1,000,000 in a fiscal year. The Corporation has not issued any bonds.

2. Alaska Energy Authority

The Alaska Energy Authority (AEA) was created by the Alaska State Legislature in 1976 to finance, construct, and operate power production and transmission facilities. In May of 1993, the Alaska Legislature passed a bill which set in motion a fundamental change in the State's role in energy programs and oversight of State-owned power projects.

In May of 1993, Governor Hickel signed legislation that substantially revised the duties and responsibilities of the independent corporate entity that was AEA and created a new Division of Energy within the Department of Community and Regional Affairs. Effective August 18, 1993, this new division took on the Authority's rural programs and planning as well as the responsibility and management for a number of small electrical and waste heat recovery systems located throughout Alaska. The Board of the Alaska Industrial Development and Export Authority (AIDEA) also became the Board of AEA and AEA's ability to have employees was eliminated. AEA continued to exist as a public corporation responsible for, among other things, its outstanding bonds, but its ability to construct and acquire projects was eliminated.

From 1993 through mid-1999, AEA existed for the purpose of owning and operating power production and transmission facilities with original costs in excess of \$1 billion. AEA's assets currently include the Bradley Lake hydroelectric project and the Alaska Intertie. The Four Dam Pool hydroelectric facilities (Swan Lake, Tyee Lake, Terror Lake and Solomon Gulch) were sold in January 2002. The Larsen Bay hydroelectric project was transferred to the City of Larsen Bay in September 2010.

Pursuant to legislation effective July 1, 1999, rural energy programs previously administered by the former Department of Community and Regional Affairs, Division of Energy, were transferred to AEA for administration as part of a larger reorganization of state agencies. Five general energy programs, including the rural energy programs originally part of AEA prior to the 1993 reorganization, comprising more than twenty smaller programs were moved to AEA. Effective July 14, 2011, the Legislature empowered AEA to acquire, construct, own and operate a hydroelectric project located on the Susitna River. Under this legislative authorization, AEA worked on planning, designing, and Federal Energy Regulatory Commission (FERC) licensing of the Susitna-Watana Hydroelectric Project. Pursuant to Administrative Order 271, AEA advanced the licensing process through the FERC's issuance of an updated Study Plan Determination on the environmental studies completed through 2015. The engineering feasibility study and economic analysis have been completed; FERC's updated Determination on the environmental work completed thus far was favorable to the State. The licensing effort is currently in abeyance. On February 21, 2019, Governor Michael Dunleavy issued Administrative Order (A) No. 309 which rescinded several AOs, including AO No. 271. However, AEA has not been directed to re-initiate the licensing process.

Debt Issued and Outstanding

Legislation that became effective in August 1981 established an Energy Program for Alaska administered by AEA. Under the Energy Program, AEA was able to acquire or construct power projects with money appropriated by the Legislature to the Power Development Fund. Debt issued under the Energy Program was secured by power sales contracts which provided that each project constructed under the program bore charges to service the debt based on its pro-rata share of the construction costs of all projects of the program.

In 1982, AEA assumed \$44,858,858 of 5% mortgage notes payable to the Rural Electrification Association (REA) in connection with the Solomon Gulch hydroelectric project, the fourth dam in the Four Dam Pool. At the same time that AEA assumed the REA debt, it deposited an amount with a trustee sufficient to defease the debt. At June 30, 2017, there was no unpaid principal balance on the note and the trust assets were depleted.

AEA issued short-term debt in the amount of \$200 million to finance construction of three hydroelectric projects known as the Four Dam Pool Hydroelectric Projects under the Energy Program for Alaska. In 1984, a State appropriation was enacted to the Department of Commerce and Economic Development for a loan to AEA to refinance the short-term debt. A loan agreement eventually totaling \$192,847,000 was executed on September 27, 1984 to meet the maturities of the short-term debt.

Legislation enacted into law in 1985 exempted Four Dam Pool wholesale power rates from provisions of the Energy Program for Alaska that tie rates to total debt issued under the program. As a result, power sales agreements effective October 28, 1985, were signed that provided the means for AEA to repay the State loans.

A new loan agreement for \$187,480,249 effective concurrently with the power sales agreements was executed providing for repayment of State loans at approximately 6 percent interest with a 45-year term. On September 22, 1986, the State lent AEA an additional \$1 million under the loan agreement to reimburse local communities for their costs in negotiating the power sales agreements. The loan was secured by the hydroelectric facilities of the Pool and any AEA revenues from power sales from the facilities.

In January 2002, pursuant to legislation enacted in 2000 and 2001, the Four Dam Pool projects were sold to The Four Dam Pool Power Agency, a joint action agency. At the time of sale, the Agency's membership was composed solely of the utilities that purchase power from the Four Dam Pool projects. Under the terms of the Sale, the Agency was assigned all of AEA's interest and assumed all of AEA's obligations in the Four Dam Pool projects and the Power Sales agreement. As part of the transaction, the remaining balance of debt owed to the State was forgiven.

In 1991, a power sales agreement was signed between AEA and the City of Larsen Bay. Bonds totaling \$855,000 were issued to provide funds to complete the financing and construction of an earth filled dam to generate power for Larsen Bay. The bonds were secured by a letter of credit. In June 2002, all remaining outstanding bonds were defeased and the bonds were called on October 1, 2002.

In May 1992, AEA issued \$56,890,000 of tax-exempt bonds that allowed the City and Borough of Sitka (Sitka) to refinance its 1979 municipal bonds, resulting in significant debt service savings to Sitka. In November 1997, AEA issued \$22,080,000 of tax-exempt bonds to advance refund and defease \$20,145,000 of the Series 1992 bonds (collectively with the Series 1992 bonds, the Sitka Bonds). In December 2010, the Alaska Municipal Bond Bank issued bonds, the proceeds of which were used to refund and defease the Sitka Bonds. The Series 1992 Bonds were defeased. None of the defeased bonds remain outstanding. The Series 1997 bonds were called and redeemed in January 2011.

On November 20, 1985, \$267,500,000 of AEA bonds were issued to provide interim financing for a fifth project under the Energy Program for Alaska, the Bradley Lake hydroelectric project. The bonds were general obligations of the Authority and were secured by bank letters of credit and a capital reserve fund. The bonds were retired in fiscal year 1991.

Power Revenue Bonds, First and Second Series, were issued in September 1989 and August 1990, respectively. They were used to refund AEA's Variable Rate Demand Bonds for the long-term financing of the construction costs of the Bradley Lake Hydroelectric Project.

On April 6, 1999, AEA issued \$59,485,000 of Power Revenue Refunding Bonds, Third Series, for the purpose of refunding \$59,110,000 of the First Series Bonds. The refunded First Series Bonds were called on July 1, 1999. The Third Series matured and was paid off on July 1, 2017.

On April 13, 1999, AEA issued \$30,640,000 of Power Revenue Refunding Bonds, Fifth Series, for the purpose of refunding \$28,910,000 of the First Series Bonds. The refunded First Series Bonds were called on July 1, 1999. The outstanding balance of the remaining First Series bonds was \$25,000 as of June 30, 2021, with a maturity date of July 1, 2021.

On April 4, 2000, AEA issued \$47,710,000 of Power Revenue Refunding Bonds, Fourth Series, for the purpose of refunding \$46,235,000 of the Second Series Bonds. The refunded Second Series Bonds were called on July 1, 2000. The Fourth Series Bonds are secured by bond insurance. The outstanding balance of the Fourth Series Bonds was \$4,395,000 as of June 30, 2021, with a maturity date of July 1, 2021.

In July 2010 AEA issued \$28,800,000 of Power Revenue Refunding Bonds, Sixth Series, to refund \$30,640,000 aggregate outstanding principal amount of the AEA Power Revenue Bonds, Fifth Series, and to pay costs of issuing the bonds. The refunded bonds were called on August 2, 2010. The outstanding balance of the Sixth Series Bonds was \$6,450,000 as of June 30, 2021, with a maturity date of July 1, 2021.

In December 2017 AEA issued, as a private placement, \$47,000,000 of taxable loans with National Cooperative Services Corporation for the purpose of financing costs and expenses of planning, designing, acquiring, and constructing the West Fork Upper Battle Creek Diversion Project. The project is optional project work under the Bradley Lake Power Revenue Bond Resolution and the loans are parity debt. AEA received a \$40,000,000 allocation of New Clean Renewable Energy Bond (NCREB) volume cap from the Internal Revenue Service for the project. AEA also used \$1,239,000 of Qualified Energy Conservation Bond (QECB) volume cap received from the State for the financing. The federal subsidies will be used to offset the interest expense relating to the financing. The financing consists of three loans as follows:

Alaska Energy Authority Power Revenue Bond, Seventh Series (NCREB): \$40,000,000

Alaska Energy Authority Power Revenue Bond, Eight Series (QECB): \$1,239,000

Alaska Energy Authority Power Revenue Bond, Ninth Series (Drawdown Bond): \$5,761,000

The Seventh and Eighth Series bonds were fully drawn on the date of issuance and the Ninth Series was not drawn. The draw period for the Ninth Series ended in December 2020.

The outstanding balances for the Seventh and Eight Series Bonds as of June 30, 2022, were \$38,666,666 and \$1,197,700, respectively. The outstanding bonds mature annually each July 1 starting in 2021 through the year 2050.

In December 2020, AEA issued, as a private placement, \$17,000,000 of Power Revenue Bonds, Tenth Series, for the purpose of financing costs and expenses of planning, designing, acquiring, and construction of the Transmission Line Projects; making a deposit to the capital reserve fund; and payment of costs of issuance. The project is required project work under the Bradley Lake Power Revenue Bond Resolution and the loan is parity debt. The Tenth Series bond was fully drawn on the date of issuance.

The outstanding balances for the Tenth Series Bond as of June 30, 2022, was \$6,060,000. Principal on the Bond is payable annually on each July 1, commencing on June 29, 2022. Interest on the Bond is payable on August 1, 2021, and semi-annually thereafter on January 1 and July 1. The final maturity date is July 1, 2040.

In December 2022, AEA issued, as a private placement, \$166,013,134 of Power Revenue Bonds, Eleventh Series, for the purpose of financing a series of projects to increase the energy available to benefit the Bradley Lake Hydroelectric Project; making a deposit to the capital reserve fund; and payment of cost of issuance. The funded projects are required work under the Bradley Lake Power Revenue Bond Resolution and the loan is parity debt. The Eleventh Series Bond was fully drawn on the date of issuance.

The bonds are direct and general obligations of AEA and the full faith and credit of AEA are pledged to pay principal and interest on the bonds. Payment of the bonds is secured by a pledge of revenues of the project, including all payments to be made by power purchasers under the Agreement for the Sale and Purchase of Electric Power by and among named powers purchasers and AEA (PSA). Under the PSA, the power purchasers are obligated to make payments to AEA in an aggregate amount sufficient to pay annual project costs, including debt service on all outstanding bonds.

Under the terms of the Bond Resolution, as additional security for repayment of the bonds, a capital reserve fund has been established in an amount equal to the capital reserve fund requirement. The capital reserve fund is

supported by the moral obligation of the State of Alaska. In the event amounts are drawn from the capital reserve fund to pay debt service on the bonds the Authority is to certify in writing to the Governor and the State Legislature the sum required to restore the capital reserve fund to the capital reserve requirement. The State Legislature may, but is not obligated to, appropriate to the Authority the sum certified by the Chair of the board of the Authority necessary to restore the capital reserve fund to the capital reserve fund requirement.

At June 30, 2022, AEA's outstanding debt was approximately \$45.9 million, as shown below in Table 3.1.

TABLE 3.1
Alaska Energy Authority
Debt Issued and Outstanding
\$ (thousands)

	date	amount issued	outstanding at 6/30/22	final maturity
Power Revenue Bonds, First Series (Bradley Lake Hydroelectric Project)	9/7/1989	111,755	-	7/1/2021
Power Revenue Bonds, Fourth Series (Bradley Lake Hydroelectric Project)	4/4/2000	47,710	-	7/1/2021
Power Revenue Bonds, Sixth Series (Bradley Lake Hydroelectric Project)	7/1/2011	28,800	-	7/1/2021
Power Revenue Bonds, Seventh Series (Battle Creek Diversion Project)	12/26/2017	40,000	38,667	7/1/2050
Power Revenue Bonds, Eighth Series (Battle Creek Diversion Project)	12/26/2017	1,239	1,197	7/1/2050
Power Revenue Bonds, Ninth Series (Battle Creek Diversion Project)	12/26/2017	5,761	-	7/1/2050
Power Revenue Bonds, Tenth Series (Transmission Line Projects)	12/17/2020	17,000	6,060	7/1/2040
Total		<u>\$ 252,265</u>	<u>\$ 45,924</u>	

Source: Alaska Energy Authority financial statements.

3. Alaska Housing Finance Corporation

The Alaska Housing Finance Corporation (AHFC) is a public corporation administratively located within the Department of Revenue but with a separate and independent legal existence. AHFC was chartered in 1971 to provide financing for low and moderate-income housing and housing located in remote, underdeveloped, or blighted areas of the State. Effective July 1, 1992, the Alaska State Housing Authority (ASHA) was abolished, and the duties assigned to it were transferred to the AHFC.

Since 1980, when AHFC's powers were expanded by removing borrower income restrictions, the Corporation has emerged as a major supplier of mortgage funds in the State, in addition to being the largest issuer of debt (taxable and tax-exempt).

The bonds issued by AHFC are secured by the general obligation pledge of the Corporation and mortgages purchased with bond proceeds or, in the case of collateralized debt, by mortgage-backed securities as more fully explained below. AHFC subsidiary issued debt is not secured by the general obligation of the corporation but rather by pledged receipts paid to the state under the Master Settlement Agreement.

Additional security features on various AHFC debt obligations may include federal or private mortgage insurance on individual mortgage loans, mortgage pool insurance, bank loan facility or letter of credit arrangements in the event mortgage prepayments are less than anticipated by the bond redemption schedule, bond insurance, and the full faith and credit guarantee of the State on veterans' mortgage bonds.

TABLE 3.2
Alaska Housing Finance Corporation
Debt Issued by Fiscal Year Ending June 30
 \$ (Thousands)

Fiscal Year	Debt Issued
1991-2000	4,618,965
2001	409,670
2002	884,150
2003	382,710
2004	287,300
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
2013	482,015
2014 ⁽¹⁾	129,400
2015 ⁽¹⁾	446,187
2016 ⁽¹⁾	59,620
2017 ⁽¹⁾	153,920
2018 ⁽¹⁾	471,580
2019 ⁽¹⁾	240,380
2020 ⁽¹⁾	365,185
2021 ⁽¹⁾	436,730
2022 ⁽¹⁾	329,695
Total	\$ 12,990,955

Source: Alaska Housing Finance Corporation

(1) Includes AHFC sponsored conduit and subsidiary issued debt

a. Federal Tax-Exemption and Ceilings

The Federal Tax Reform Act of 1984 established a ceiling of \$302.5 million, in the case of Alaska, for annual issuance of qualified veterans' mortgage bonds on a tax-exempt basis. The Act also makes more restrictive the definition of those who qualify as veterans.

Since 1980, when the Mortgage Subsidy Bond Tax Act was enacted, Alaska also had been subject to a \$200 million annual ceiling on tax-exemption for qualified mortgage revenue bonds (AHFC's various mortgage revenue bonds, also known as its first-time home-buyer bonds, along with multifamily and conduit bonds). AHFC's allocation and usage of PAB is presented in Table 5.4.

b. Bond Authorization

AS 18.56.110(g) which took effect in FY 1982 placed a statutory ceiling on AHFC annual bond issuance for the first time. The annual issuance amount currently authorized is \$1,500 million.

c. Security for Debt

Included in the above amounts are State Guaranteed veterans' bonds which were authorized by law and the voters in the following amounts (in millions):

<u>Authorization Calendar Year</u>	<u>Authorized</u>	<u>Issued as of June 30, 2022</u>
1982	400.0	400.0
1983	500.0	500.0
1984	700.0	700.0
1986	600.0	600.0
2002	500.0	500.0
2010	600.0	15.4
Total:	<u>3,300.0</u>	<u>2,715.4</u>

As of June 30, 2022, approximately \$584.6 million of state guaranteed bonds remain unissued.

d. Debt Issued and Outstanding

Table 3.3 summarizes AHFC debt issued and outstanding by type of debt.

TABLE 3.3
ALASKA HOUSING FINANCE CORPORATION
Debt Issued and Outstanding by Type of Debt
\$(Thousands)

		Debt Issued In FY 2022	Total Debt Issued	Debt Outstanding at 6/30/2022 ⁽²⁾
	Credit Rating ⁽¹⁾			
Home Mortgage Revenue Bonds	Aa2/AA+/AA+ ⁽³⁾	-	1,262,675	\$ 462,470
Collateralized Bonds (Veterans' Mortgage Program)	Aaa/AAA/NR	-	2,010,385	45,950
General Mortgage Revenue Bonds II	Aa1/AA+/NR ⁽⁴⁾	122,795	957,995	542,335
Governmental Purpose Bonds	Aaa/AA+/NR	-	973,170	70,770
State Capital Project Bonds I & II	Aa2/AA+/NR ⁽⁵⁾	200,000	2,619,805	1,072,210
Northern Tobacco Securitization Corporation, AHFC subsidiary				
Tobacco Settlement Asset-Backed Bonds	NR/Various ⁽⁶⁾ /NR	-	937,308	297,300
Total		<u>\$ 322,795</u>	<u>\$ 8,761,338</u>	<u>\$ 2,491,035</u>

NOTES:

1 Ratings from Moody's / Standard & Poor's / Fitch Ratings

2 Does not include defeased bonds

3 Fitch does not rate the Home Mortgage Revenue Bonds, 2002 Series A

4 Fitch does not rate the General Mortgage Revenue Bonds II other than the 2016A issue, which it currently rates AA+

5 Fitch does not rate the State Capital Project Bonds II issued after 2017. All pre-2017 issues currently outstanding are rated AA+

6 Standard & Poor's ratings on the Tobacco Settlement Asset-Backed Bonds, Series 2021, are "A (sf)" for the Series 2021A Bonds maturing June 1, 2022, through June 1, 2031; "A- (sf)" for the Series 2021A Bonds maturing June 1, 2032, through June 1, 2041; "BBB+ (sf)" for the Series 2021A Bonds maturing June 1, 2050; "BBB+ (sf)" for the Series 2021B-1 Bonds maturing June 1, 2031; and "BBB- (sf)" for the Series 2021B-1 Bonds maturing June 1, 2050. The Series 2021B-2 Bonds are not rated by Standard & Poor's.

	Credit rating as of 6/30/2022	Debt Issued In FY 2022	Total debt issued	Outstanding at 6/30/2022
Short-term debt outstanding				
Commercial Paper	P-1/A-1+/F-1+	N/A	N/A	149,810
Total				<u>\$ 149,810</u>

e. Collateralized and Insured Bonds

Collateralized bonds, which incorporate the guarantees of the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), and the Government National Mortgage Association (GNMA), should relieve concern about potential contingent liability to the State for that portion of AHFC indebtedness represented by such bonds. This is particularly reassuring in the case of State Guaranteed bonds (veterans' mortgage program) for which the full faith and credit of the State has been pledged.

The underlying conventional mortgages of AHFC's collateralized bonds issued during part of or prior to July 1993 were exchanged for mortgage-backed certificates through FHLMC, FNMA or GNMA. The certificates, and the mortgage payments thereon, are pledged to the bond trustee as security for the bonds. FHLMC, FNMA, and GNMA guarantee that the certificate holder, in this case the bond trustee and thus the bondholders, will receive the principal and interest when due. As of September 1, 2004, all FNMA mortgage-backed certificates were redeemed and replaced by the underlying pooled mortgage loans.

Collateralized bonds lower the cost of funds to AHFC. Collateralized bonds issued after July 1993 are structured to achieve "Triple A" ratings on the basis of the pledged whole loan collateral. Table 3.4 lists collateralized obligations.

During 1985, FNMA decided that it would enter into additional agreements for purchase of AHFC mortgages only if FNMA would have recourse against AHFC for foreclosed properties. With recourse, AHFC's obligation is to buy back the mortgage loans on the foreclosed properties.

Even with recourse to AHFC, the FNMA guarantee still provides an extra layer of insulation for the State from any obligation on AHFC collateralized debt. In the case of collateralized veterans' bonds, the State's guarantee would not be called upon in the event of default on the bonds prior to a default by FNMA on its guarantee. With respect to any other type of collateralized bond, the State has no obligation to step in should AHFC's assets be insufficient to satisfy any recourse. As of September 1, 2004, all FNMA mortgage-backed certificates were redeemed and replaced by the underlying pooled mortgage loans.

AHFC has always been responsible for foreclosure losses on any mortgages supporting GNMA certificates. However, such losses are minimized by the fact that GNMA only guarantees certificates representing pools of mortgages which are FHA insured or VA guaranteed. With the exception of certain mortgage loans, FHLMC does not have recourse against AHFC for losses on foreclosure.

Some bonds of AHFC are subject to bond guaranty insurance. The bond guarantor assures the holder of the debt that interest and principal will be repaid. The effect of the bond guarantee is to provide security in addition to specifically pledged collateral and the pledge of AHFC unrestricted resources.

TABLE 3.4
Alaska Housing Finance Corporation
Collateralized Debt Obligations
\$ (Thousands)

Bond Program	Date of Bonds	Amount Issued	Outstanding at 6/30/2022
Collateralized Bonds (Veterans' Mortgage Program) ⁽¹⁾			
2016 First and Second Series	7/27/2016	50,000	28,050
2019 First and Second Series	3/21/2019	60,000	17,900
Total		<u>110,000</u>	<u>45,950</u>
Home Mortgage Revenue Bonds			
2002 Series A	5/16/2002	170,000	28,610
2007 Series A	5/31/2007	75,000	65,405
2007 Series B	5/31/2007	75,000	65,405
2007 Series D	5/31/2007	89,370	77,920
2009 Series A	5/28/2009	80,880	75,045
2009 Series B	5/28/2009	80,880	75,045
2009 Series D	8/26/2009	80,870	75,040
Total		<u>652,000</u>	<u>462,470</u>
General Mortgage Revenue Bonds II			
Series 2016 A	8/24/2016	100,000	46,555
Series 2018 A	8/28/2018	109,260	36,965
Series 2018 B	8/28/2018	58,520	28,465
Series 2019 A	10/22/2019	136,700	93,265
Series 2019 B	10/22/2019	24,985	19,985
Series 2020 A	9/15/2020	135,170	120,095
Series 2020 B	9/15/2020	74,675	74,675
Series 2022 A	1/12/2022	39,065	38,600
Series 2022 B	1/12/2022	83,730	83,730
Total		<u>762,105</u>	<u>542,335</u>
Governmental Purpose Bonds			
2001 Series A and B	8/2/2001	170,170	70,770
Total		<u>170,170</u>	<u>70,770</u>
Total AHFC Collateralized Debt		<u>\$ 1,694,275</u>	<u>\$ 1,121,525</u>

(1) State Guaranteed

TABLE 3.5
State Obligations on
Alaska Housing Finance Corporation Debt
\$ (thousands)

	outstanding at 6/30/2022
State General Obligation Guarantee	
Collateralized Bonds (Veterans' Mortgage Program) Aaa/AAA/NR ⁽¹⁾	<u>\$ 45,950</u>
Total State Obligations on AHFC Debt	<u>45,950</u>

(1) Ratings from Moody's / Standard & Poor's / Fitch Ratings, Not rated by Fitch Ratings

f. Mortgage Reorigination

Mortgage reorigination included in a bond indenture permits AHFC to use payments and prepayments on mortgage loans securing the bond issue to purchase new mortgage loans only to the extent the payments and prepayments are in excess of debt service requirements. The recycling of mortgage loans is also limited by the 10-year rule. Ordinarily, these excess revenues would be used to retire bonds. Reorigination gives AHFC the option of making new loans or retiring bonds.

In conjunction with this provision, the maturity of the bond issue is extended beyond the maturity of the mortgage loans. This allows additional mortgages to be added to the bond issue, which then extends the average mortgage maturities to more closely coincide with bond maturities.

The benefit of mortgage reorigination is that it provides continued access to a pool of funds at a known tax-exempt interest rate. It serves as a hedge against a rise in interest rates or a loss of federal tax-exemption on future bond issues.

In the case of Veterans' Mortgage Program Bonds, which are guaranteed by the State of Alaska, the bond indentures require AHFC to suspend reorigination for a calendar year if it receives written notification from the State Bond Committee prior to January 1 that reorigination would impair the ability of the Committee to sell State general obligation bonds on advantageous terms or risk a rating reduction on such bonds.

The Public Housing Division (formerly Alaska State Housing Authority (ASHA))

In 1992, under Ch. 4, FSSLA 1992, effective July 1, 1992, the Alaska State Housing Authority was abolished and the duties assigned were transferred to the Alaska Housing Finance Corporation. The Alaska State Housing Authority (ASHA), a public corporation of the State, was created in 1949 and authorized to: construct, operate, and manage low and moderate income housing projects; finance rental housing projects; engage in urban renewal programs; and construct and acquire public buildings for lease to the State.

a. Security for Bonds

ASHA had issued bonds which were secured by revenues from the projects financed, by ASHA's general assets, or by pledges of federal grants typically from the U.S. Department of Housing and Urban Development (HUD) for rent supplements on housing projects. The bonds are not general obligations of the State. ASHA was not authorized to issue bonds backed by a capital reserve fund which had the State's moral obligation attached.

b. Bond Authorization

ASHA financing of public building projects for lease to the State required approval by law pursuant to AS 18.55.100(d) which became effective September 4, 1986. Approval by law was not required for other types of ASHA projects or for bond issuance per se.

c. Housing Debt

ASHA had issued debt to finance low and moderate income rental housing. This debt was not considered to be State Supported Debt because the revenue pledged to retire the bonds did not rely on State appropriations.

ASHA's primary responsibility was to provide low income housing to eligible residents throughout the state. ASHA owned and operated subsidized housing programs sponsored by HUD such as Conventional Low Rent, Section 8 New Construction, Turnkey III Remote Housing, Mutual Help, Section 8 Additional Assistance, Section 8 Vouchers, and Section 8 Existing Housing.

d. Collateralized Bond

ASHA had issued FHA Insured Mortgage Revenue Bonds to provide loans to private developers for construction of multi-family rental housing. These were tax-exempt Qualified Private Activity Bonds by virtue of the projects reserving certain percentages of their units for low income tenants.

The FHA Insured Mortgage Revenue Bonds were not general obligations of ASHA but were backed solely by the mortgage payments from the borrower and FHA insurance in the event of the borrower's default. FHA absorbed losses on foreclosure.

The developers of the projects, financed by all but the 1982 and 1983 Series A Bonds, defaulted on their obligations under the mortgage loans by failing to fully pay principal and interest on the due date. The bond trustee applied for and received FHA insurance benefits. The insurance proceeds and bond reserves have been used to defease the bonds secured by the defaulted loans.

The following Table 3.6 summarizes all AHFC outstanding debt.

TABLE 3.6
Alaska Housing Finance Corporation
Debt Outstanding
\$ (Thousands)

Bond Program	Date Delivered	Amount Issued	Outstanding at 6/30/22	TIC (%)	Final Maturity
Home Mortgage Revenue Bonds:					
2002 Series A	5/16/2002	170,000	28,610	4.553	2036
2007 Series A	5/31/2007	75,000	65,405	4.048	2041
2007 Series B	5/31/2007	75,000	65,405	4.210	2041
2007 Series D	5/31/2007	89,370	77,920	4.090	2041
2009 Series A	5/28/2009	80,880	75,045	4.375	2040
2009 Series B	5/28/2009	80,880	75,045	4.375	2040
2009 Series D	8/26/2009	80,870	75,040	4.893	2040
Total		652,000	462,470		
Collateralized Bonds (Veterans' Mortgage Program) ¹					
2016 First and Second Series	7/27/2016	50,000	28,050	2.578	2046
2019 First and Second Series	3/21/2019	60,000	17,900	3.217	2049
Total		110,000	45,950		
General Mortgage Revenue Bonds II					
2016 Series A	8/24/2016	100,000	46,555	2.532	2046
2018 Series A	8/28/2018	109,260	36,965	3.324	2048
2018 Series B	8/28/2018	58,520	28,465	3.324	2035
2019 Series A	10/22/2019	136,700	93,265	2.550	2049
2019 Series B	10/22/2019	24,985	19,985	2.550	2034
2020 Series A	9/15/2020	135,170	120,095	1.822	2044
2020 Series B	9/15/2020	74,675	74,675	1.822	2035
2022 Series A	1/12/2022	39,065	38,600	2.181	2051
2022 Series B	1/12/2022	83,730	83,730	2.181	2036
Total		762,105	542,335		
Governmental Purpose Bonds					
2001 Series A	8/2/2001	76,580	31,850	N/A	2030
2001 Series B	8/2/2001	93,590	38,920	N/A	2030
Total		170,170	70,770		

TABLE 3.6 (continued)
Alaska Housing Finance Corporation
Debt Outstanding
\$ (Thousands)

Bond Program	Date Delivered	Amount Issued	Outstanding at 6/30/22		
State Capital Project Bonds					
2002 Series C	12/5/2002	60,250	3,525	N/A	2023
Total		60,250	3,525		
State Capital Project Bonds II ²					
2014 Series A	1/15/2014	95,115	9,280	3.448	2033
2014 Series B	6/12/2014	29,285	4,175	2.682	2029
2014 Series D	11/6/2014	78,105	18,605	2.581	2029
2015 Series A	3/19/2015	111,535	24,355	2.324	2030
2015 Series B	6/30/2015	93,365	44,240	3.294	2036
2015 Series C	12/16/2015	55,620	9,790	2.682	2035
2017 Series A	9/6/2017	143,955	122,090	2.485	2032
2017 Series B	12/7/2017	150,000	90,000	N/A	2047
2017 Series C	12/21/2017	43,855	43,855	2.524	2032
2018 Series A	5/22/2018	90,000	90,000	N/A	2043
2018 Series B	5/22/2018	35,570	31,520	3.081	2038
2019 Series A	7/11/2019	140,000	140,000	N/A	2044
2019 Series B	7/11/2019	60,000	55,205	2.320	2039
2020 Series A	10/13/2020	96,665	95,150	1.907	2033
2021 Series A	4/28/2021	90,420	90,420	0.938	2030
2022 Series A	6/1/2022	200,000	200,000	N/A	2052
		1,513,490	1,068,685		
Total Long Term Debt		3,268,015	2,193,735		
Short-term Debt Outstanding					
Commercial Paper	Various	N/A	149,810	N/A	VAR
Total Short-term Debt		\$ -	\$ 149,810		

Notes:

1) State-guaranteed

2) Does not include defeased bonds

4. Alaska Industrial Development and Export Authority

The Alaska Industrial Development and Export Authority (AIDEA or Authority) is a public corporation administratively located in the Department of Commerce, Community and Economic Development but with separate and independent legal existence. Created in 1967, AIDEA promotes economic development within the State by:

- purchasing loan participations for industrial and commercial projects;
- providing financing, either as a lender or by owning shares of a corporation, or as a member of an LLC and operating certain types of infrastructure facilities; and
- guaranteeing business loans and loans for export transactions.

Until 1990, AIDEA was able to and did issue bonds secured by a capital reserve fund with a State moral obligation. AIDEA currently has the ability to issue bonds with a State moral obligation on a capital reserve fund only if the bonds are issued to finance a power transmission intertie and are legislatively approved. AIDEA may issue bonds with reserve funds, but they will not have the moral obligation of the State of Alaska. AIDEA has no general obligation bonds with a capital reserve fund requirement outstanding. The Authority has covenanted that it will not incur any General Obligation indebtedness that will cause future estimated net income (as defined in the Amended and Restated Revolving Fund Bond Resolution) to be less than 150 percent of the General

Obligation Annual Debt Service requirements in each year and to take no action to cause its Unrestricted Surplus to be less than the lesser of \$200 million or the amount of General Obligation Indebtedness outstanding and in no event less than \$100 million. The full faith and credit of the Authority's Revolving Fund secures the bonds currently outstanding under the resolution.

During 1988, reductions in the cash flow from AIDEA's loan portfolio reduced projected debt service coverage below 150 percent. The reduced cash flow stemmed from loan delinquencies, modifications, and foreclosures associated with Alaska's economic recession. In response to the declining debt service coverage, AIDEA defeased \$78,295,000 of its Economic Development Bonds and Consolidated Bonds by deposit of \$91,269,000 of U.S. Treasury securities purchased with AIDEA's general assets into an irrevocable trust. None of the defeased bonds remain outstanding.

During 1994, AIDEA defeased \$23,840,000 of its tax-exempt Umbrella Bonds and its Taxable Umbrella Bonds, in order to improve its projected debt service coverage. None of the bonds chosen for the defeasance would have been eligible for refunding. None of the defeased bonds remain outstanding. AIDEA's underlying ratings on its bonds were A2 by Moody's (Moody's upgraded AIDEA's rating in December 2006 from A2, affirmed the Aa3 rating in June 2013 and downgraded the rating to A2 in July 2019. The rating was withdrawn when the bonds were defeased in October 2019) and AA+ by Standard & Poor's (S&P upgraded AIDEA's rating in August 2012 from AA-). All Revolving Fund Bonds are secured by the general assets and future revenues of the Authority.

AIDEA currently provides the following programs:

i. Tax-Exempt Loan Participation Program

The Tax-Exempt Loan Participation Program can provide up to \$250 million for financing economic development projects. This program in the past was previously referred to as the "tax-exempt umbrella bond program" because many small projects financed under this program were grouped together when AIDEA issued bonds under an "umbrella". The bonds are tax-exempt by virtue of provisions in the federal tax code.

Proceeds of the bonds or Authority funds are generally used to purchase up to 90 percent of an eligible loan from financial institutions. The Tax-Exempt Loan Participation Program combines the previous Economic Development and Consolidated Bond Programs that were separate and which financed participations under and over \$1,000,000, respectively. In December 2010, \$14,470,000 of Tax-Exempt Bonds were issued to fund a loan participation purchase. At June 30, 2022, no amounts were outstanding. On October 1, 2019, the Authority defeased \$10,245,000 Revolving Fund Bonds, Series 2010B by deposit of \$10,751,081 of U.S. Treasury securities purchased with AIDEA's general assets into an irrevocable trust. The bonds were redeemed on the call date, April 1, 2020.

ii. Taxable Loan Participation Program

In response to escalating federal restrictions on tax-exempt bonds, AIDEA implemented a taxable loan participation program. The program uses bonds or AIDEA funds to purchase loan participations. The provisions of the program are the same as for the Tax-Exempt Loan Participation Program except for the deletion of restrictions related to federal tax-exemption. This program was previously called the Taxable Umbrella Bond Program. The only bonds that have been issued under this program were issued in 1987 in the amount of \$14,540,000; the remaining amounts outstanding were defeased in 1994. None of the defeased bonds remain outstanding.

iii. Conduit Revenue Bond Program

Under the Conduit Revenue Bond program, AIDEA acts as a conduit in the sale and issuance of bonds; the bonds may be tax-exempt or taxable. The bonds are generally secured by the project, the private borrower and/or the project's revenue stream.

AIDEA does not participate financially in the Conduit Revenue Bond projects nor are the Authority's assets or credit pledged as security for the bonds. Bonds issued under this program are not general obligations of the Authority or the State. They are obligations of the private borrower or project only. Furthermore, the State's moral obligation does not stand behind these bonds.

Historically, the program was utilized primarily by financial institutions in conjunction with loans to private borrowers; those bonds generally are sold by private placement to the financial institution originating the loan rather than by public sale. The original demand for the program arose partially from lenders wanting the tax exemption on interest income; the Tax Reform Act of 1986 eliminated the deductibility of bank interest expense allocable to holding of tax-exempt obligations and greatly reduced demand for the program from financial institutions. Recently, the program is being used to provide funds for IRC 501(c)(3) financings.

Most bonds under this program were tax-exempt by virtue of the small issue exemption and, more recently, are for qualified 501(c)(3) projects. A few have been exempt facility bonds. The exempt facility bonds and 501(c)(3) bonds are generally sold via public sale.

From inception to June 30, 2022, AIDEA has issued Revenue Bonds for 321 projects totaling \$1.68 billion (not including bonds issued to refund other bonds). The Authority has legislative authorization to issue revenue bonds to finance power transmission interties to be owned by electric utilities in a collective amount not to exceed \$185.0 million and to finance the infrastructure and construction costs of the Sweetheart Lake hydroelectric project in an amount not to exceed \$120.0 million. Bonding authorization for the Sweetheart Lake hydroelectric project sunset on June 30, 2020.

iv. Development Finance Program

Alaska statutes authorize AIDEA to finance development projects, regardless of the intent to own and operate them. The types of facilities the Authority may finance include those for use in manufacturing, natural resource extraction, transportation of products or materials, and infrastructure for tourism destination facilities.

Bonds for projects may be secured by the project, project revenues, specific assets of AIDEA's economic development account, or AIDEA's general assets. They can be general obligations or revenue bonds of the Authority.

Legislation enacted in 1985 authorized this program and authorized a bond sale of up to \$175.0 million to provide financing for the DeLong Mountain Transportation Project. The Project consists of a road and port owned and operated by AIDEA to facilitate the development of the Red Dog and other mines in Northwest Alaska. In 1987, \$103.3 million of such bonds were issued, the remaining amount outstanding was redeemed in 1997.

The Legislature has enacted legislation authorizing the Authority to finance, design and construct or reconstruct additional Economic Development projects:

- (a) The Legislature authorized the issuance of up to \$25.0 million of bonds for the reconstruction of a public use ore terminal in Skagway, Alaska. A \$25.0 million bond issue was delivered in December 1990. All remaining outstanding bonds were called in April 2002.
- (b) The Legislature authorized the issuance of up to \$10.0 million of bonds for improvements to the City of Unalaska Marine Center. The project was completed in late 1991. Bonds totaling \$7.0 million were issued in December 1991 to finance the project. In May 2000, the City of Unalaska paid all remaining financial obligations related to the project, including providing for the retirement of all outstanding bonds and, in accordance with the terms of the agreement, the project was transferred to the City.
- (c) The Legislature authorized the issuance of up to \$85.0 million of bonds to finance the acquisition, design and construction of aircraft maintenance and air cargo/air transport support facilities located at the Anchorage International Airport. Construction of an aircraft maintenance facility began in August of 1992 and was completed in 1995. Bonds were issued in September 1992 in the amount of \$28.0 million.

In June 2002, the Authority issued \$20,475,000 of refunding bonds for the purposes of refunding and defeasing the remaining outstanding bonds. The refunded bonds were called in July 2002. All remaining outstanding bonds were called in April 2012. The remaining bonding authorization was repealed by the legislature in 2015.

- (d) The 1990 Legislature authorized AIDEA to issue up to \$85.0 million of bonds to assist in the financing of a coal fired power plant near Healy, Alaska. On July 18, 1996, \$85.0 million of Variable Rate Revolving Fund Bonds were issued to finance a portion of the Healy Clean Coal Project. In May 1998, \$85.0 million of bonds were issued to refund the variable rate revolving fund bonds. The bonds were defeased in March 2008 and retired in April 2008.
- (e) The 1993 Legislature enacted legislation authorizing the Authority to issue bonds not to exceed \$50.0 million for a facility to be constructed in Anchorage for the offloading, processing, storage and transloading of seafood. The Authority purchased the Alaska Seafood International Project in September 1999 and sold the facility in 2005. No bond issuance is anticipated and the legislature repealed the bonding authorization in 2015.
- (f) The 1993 Legislature also enacted legislation authorizing the Authority to issue bonds not to exceed \$50.0 million for a bulk commodity loading and shipping terminal to be located at Point MacKenzie and owned by AIDEA. The 1996 Legislature modified this legislation to require that the facility be located within Cook Inlet. The Authority does not anticipate participating in the financing of this project and the legislature repealed the bonding authorization in 2015.
- (g) The 1995 Legislature authorized the Authority to issue up to \$20.0 million of bonds to finance the acquisition, design and construction of the Kodiak rocket launch complex and tracking station and the Fairbanks satellite ground station space park. The Kodiak rocket launch complex was constructed with other financing and the Authority does not anticipate participating in financing the projects and the legislature repealed the bonding authorization in 2015.
- (h) The 1996 Legislature authorized the Authority to issue up to \$85.0 million of bonds to finance the expansion, improvement and modification of the existing DeLong Mountain Transportation Project port facilities owned by the Authority. In 1997 the Authority issued \$150.0 million of Revolving Fund Bonds which included \$70.0 million for that purpose and \$80.0 million for the purpose of redeeming the 1987 DeLong Mountain Transportation Project Revenue Bonds. In February 2007, the Authority issued \$113,095,000 of refunding bonds for the purpose of refunding and defeasing, along with Authority funds, the remaining outstanding bonds. The defeased bonds were called in April 2007. In May 2008, the Authority issued \$107,385,000 of variable rate Revolving Fund Refunding Bonds for the purpose of refunding \$107,385,000 of Series 2007 A&B Revolving Fund Refunding Bonds and pay costs of issuance. The refunded bonds were redeemed in May 2008. In February 2010, the Authority issued \$87,105,000 of fixed rate Revolving Fund Refunding Bonds for the purpose of refunding \$94,945,000 of Series 2008 A&B Revolving Fund Refunding Bonds. The refunded bonds were redeemed February 24, 2010. At June 30, 2019 \$29.5 million were outstanding with no moral obligation attached. On October 1, 2019, the Authority defeased \$29,475,000 Revolving Fund Refunding Bonds by depositing \$29,938,717 of U.S. Treasury securities purchased with AIDEA's general assets into an irrevocable trust. The bonds were to be redeemed on the call date, April 1, 2021.
- (i) The 1996 Legislature authorized the issuance of up to \$100.0 million of bonds for the acquisition of the Snettisham hydroelectric project from the Alaska Power Administration. On August 19, 1998 AIDEA issued \$100.0 million of tax-exempt revenue bonds to finance the acquisition of the project. There is no State moral obligation attached. In December 1999, the Authority defeased \$6.9 million of the bonds using funds on hand. All remaining defeased bonds were retired during the year ended June 30, 2011. In August 2015 approximately \$65.7 million of 2015 Series Power Revenue Refunding bonds were issued to refund all of the outstanding First Series Power Revenue bonds. The refunded bonds were redeemed September 25, 2015. As of June 30, 2021, \$51.8 million were outstanding.

- (j) The 1998 Legislature authorized the issuance of bonds (or other financing) up to: a) \$80.0 million to finance the expansion, improvement, and modification of the existing Red Dog Project port facilities and to finance the construction of new related facilities to be owned by AIDEA; b) \$30.0 million to finance the improvement and expansion of the Nome port facilities to be owned by AIDEA; and c) \$15.0 million to finance phase one construction and improvement of the proposed Hatcher Pass Ski Resort located in the Matanuska-Susitna Borough; in 2006 this authorization was modified and increased to \$25.0 million to finance the development of Hatcher Pass. The Authority does not anticipate participating in financing the Nome facilities or Hatcher Pass development and the legislature repealed the bonding authorization in 2015.
- (k) The 2004 Legislature authorized the issuance of up to \$20.0 million of bonds to finance the acquisition, development, improvement and construction of port and related facilities on Lynn Canal in Southeast Alaska, to be owned by the Authority. The Authority does not anticipate participating in financing the project and the legislature repealed the bonding authorization in 2015.
- (l) The 2011 Legislature authorized the issuance of up to \$65.0 million to finance the expansion, modification, improvement, and upgrading of the Skagway Ore Terminal.
- (m) The 2013 Legislature authorized the issuance of up to \$150.0 million through the Sustainable Energy Transmission and Supply Development (SETS) Fund for the development, construction, and installation of, and the start-up costs of operation and maintenance for, a liquefied natural gas production plant and system and affiliated infrastructure on the North Slope and a natural gas distribution system and affiliated infrastructure in Interior Alaska. The bonds are subject to a capital reserve fund. This bonding authorization expires June 30, 2023, if the Authority does not issue bonds before that date.
- (n) The 2014 Legislature authorized the issuance of up to \$145.0 million to finance the infrastructure and construction costs of the Bokan-Dotson Ridge rare earth element project. The Bokan-Dotson Ridge rare earth element project's surface complex shall be owned and operated by AIDEA or financed under AS44.88.172. This authorization was effective September 2014.
- (o) The 2014 Legislature authorized the issuance of up to \$125.0 million to finance the infrastructure and construction costs of the Niblack project. The Niblack project includes a mineral processing mill, associated dock, and loading and related infrastructure facilities at the Gravina Island Industrial Complex, as well as infrastructure at the project site on Prince of Wales Island to be owned by AIDEA or financed under AS44.88.172.

v. Business and Export Assistance Program

The Business and Export Assistance Program (Guarantee Program) was authorized by the 1998 Legislature by merging the Business Assistance Program and the Export Assistance Program, authorized in 1988 and 1987, respectively. AIDEA's goal under the Guarantee Program is to encourage projects that help diversify Alaska's economy and provide or retain jobs for Alaskans. The Guarantee Program provides a guarantee up to 80% of the principal balance, not to exceed \$1 million, to the financial institution who made the loan. The guarantee also covers accrued interest on loans. Guarantees totaling \$1.1 million were outstanding as of June 30, 2022. During fiscal year 2021, in response to the COVID-19 global pandemic, AIDEA modified this program to include an emergency guaranty program for Alaska's financial institutions entitled Sustaining Alaska's Future Economy Guaranty Program (AK SAFE). Under this program, up to \$50 million was authorized to support guarantees. AIDEA had initially issued 10 guarantees; as of the end of December 2022, 6 guarantees were active and 4 had been terminated at the request of both the borrower and lending institution. The remaining guarantees represent \$3.0 million in original principal of additional funding to Alaskan businesses.

vi. Rural Development Initiative Fund Loan Program (RDIF)

The RDIF is a loan program designed to create job opportunities in rural Alaska by providing small businesses with capital that may not be available through conventional markets. This program provides loans for working capital, equipment, construction, or other commercial purposes. To be eligible for a loan under this program, the business must be Alaskan-owned and located in a community with a population of 5,000 or less that is not connected by road or rail to Anchorage or Fairbanks, or with a population of 2,000 or less that is connected by road or rail to Anchorage or Fairbanks. The Department of Commerce, Community and Economic Development, Division of Economic Development administers the program for AIDEA.

vii. Small Business Economic Development Revolving Loan Fund Program

AIDEA's Small Business Economic Development Revolving Loan Fund Program provides financing to eligible applicants under the United States Economic Development Administration Long-Term Economic Deterioration program and the Sudden and Severe Economic Dislocation program. The Small Business Economic Development Revolving Loan Fund was created to receive loan fund grants from the United States Economic Development Administration. The Department of Commerce, Community and Economic Development, Division of Economic Development administers the program for AIDEA.

viii. Sustainable Energy Transmission and Supply Development Program (SETS)

The SETS program was established under the Alaska Sustainable Strategy for Energy Transmission and Supply (ASSETS) Act. ASSETS, enacted by the 27th Legislature and signed into law in June 2012, creates new programs and powers within AIDEA by offering a number of energy development financing options, including direct lending, loan participation and loan and bond guarantees, for "qualified energy development" projects. The SETS Fund is a legally separate fund within AIDEA.

ix. Arctic Infrastructure Development Program

The Arctic Infrastructure Development Program was created within the Arctic Infrastructure Development Fund to promote and provide financing for arctic infrastructure development. The program provides a variety of financing options for qualified developments including, but not limited to, insuring project obligations, guaranteeing loans or bonds and establishing reserves, acquiring real or personal property, entering into lease agreements or similar financing agreements and borrowing money or issuing bonds. The creation of this program and fund was effective October 2014. The Arctic Infrastructure Development Fund was capitalized with \$35 million during FY20.

x. COVID-19 Emergency Business Relief Programs

In addition to the permanent statutory programs that AIDEA administers, AIDEA has been at the center of providing a statewide response to the COVID-19 global pandemic. In addition to the previously mentioned AK SAFE program, AIDEA provided support to Alaskan businesses through loan modifications and partnered with the Department of Commerce, Community and Economic Development (DCCED) to implement the AK CARES Grant Program. Under funding directed by Governor Mike Dunleavy and with the approval of the Legislature, the program provided \$282 million to over 5,700 of Alaska's small businesses in need throughout the state. AIDEA coordinated grant applications, processing and funding with DCCED as well as Credit Union 1 and the Juneau Economic Development Council as Program Operators.

a. Bond Authorization

AS 44.88.095 places a statutory ceiling of \$400 million per twelve-month period on AIDEA bond issuances, excluding refunding bonds. The Authority has general statutory power to issue bonds, but must obtain prior legislative approval to issue bonds in excess of \$25 million for a development finance project, excluding refunding bonds. Prior to the 2015 legislative session this limit was \$10 million.

b. Debt Issued and Outstanding

AIDEA has issued approximately \$1.34 billion of bonds with \$48.8 million outstanding as of June 30, 2022, shown in Tables 3.7 and 3.8.

TABLE 3.7
Alaska Industrial Development and Export Authority
Type of Debt Issued
\$ (thousands)

calendar year	economic development bonds	consolidated bonds	umbrella bonds	taxable umbrella bonds	development project 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	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	65,720	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
Total	\$ 141,425	\$ 60,475	\$ 83,000	\$ 14,540	\$ 268,970	\$ 777,075

TABLE 3.8
Alaska Industrial Development and Export Authority
Debt Issued and Outstanding
\$ (thousands)

	Date	Amount Issued	Outstanding at 6/30/22
Power Revenue Bonds			
Power Revenue Refunding Bonds (Snettisham Hydroelectric Project)	8/25/2015	65,720	48,815
Total Bonds		\$ 65,720	\$ 48,815
Source: AIDEA			

C. Alaska Municipal Bond Bank

The Alaska Municipal Bond Bank (Bond Bank) was created as a public corporation by the State in 1975 for the purpose of lending money to Alaska's governmental units for their capital projects. Additional authority has been provided to the Bond Bank to lend money to Joint Insurance Associations, the University of Alaska, Joint Action Agencies, and Regional Health Organizations. The Bond Bank is empowered to issue specific amounts of bonds for different categories of borrowers, the proceeds of which are used to purchase bonds, notes, certificates of participation, or other legal obligations of authorized borrowers. All of the Bond Bank's publicly offered bonds maintain a Capital Reserve Fund with the State's moral obligation attached. The Bond Bank has covenanted to notify the State legislature of any failure to maintain the capital reserve fund at their required levels. The State legislature may appropriate funds to the Bond Bank to restore capital reserve funds to required amounts. (See "Moral Obligation Debt"). The Bond Bank has also covenanted to seek an annual appropriation from the State of Alaska to replenish the reserve funds to their required amounts in the event of a deficiency due to a borrower default. The Bond Bank has been successful in obtaining this appropriation since 2009. The Coastal Energy Loan Program notes issued privately through the National Oceanic and Atmospheric Administration (NOAA) do not have a claim on any capital reserve funds of the Bond Bank and are payable solely from the payments of the municipalities participating in the Program.

a. Advantages to Municipalities and Authorized Borrowers

There are several advantages to Alaska's municipalities and authorized borrowers using the Bond Bank. Interest rates are lower because of the additional security achieved through the structure of the Bond Bank as well as the diversification of risk achieved by pooling underlying borrower bond issues through the Bond Bank. The Bond Bank, with the moral obligation of the State of Alaska and being a more frequent issuer, is better known than many of Alaska's smaller units of government. This enhances the marketability of the bonds to investors nationally.

b. Municipal Debt Purchased

The Bond Bank has assisted 45 of Alaska's municipalities, two Regional Health Organization, a ferry authority, a joint action agency, and the University of Alaska obtain financing for capital projects. These borrowers are geographically distributed throughout Alaska and represent virtually all sectors of the State's economy.

TABLE 3.9
Alaska Municipal Bond Bank
Outstanding Loans to Authorized Borrowers
Funded with Bonds as of 6/30/2022
 \$(thousands)

Governmental Unit	Total Outstanding Principal	Percentage of Total
City & Borough of Sitka	136,055	13.68%
City & Borough of Juneau	99,695	10.02%
Yukon-Kuskokwim Health Corp.	98,560	9.91%
Kenai Peninsula Borough	89,640	9.01%
City of Ketchikan	87,720	8.82%
University of Alaska	79,370	7.98%
Fairbanks North Star Borough	74,165	7.45%
Kodiak Island Borough	67,220	6.76%
City of Unalaska	49,135	4.94%
City of Seward	33,890	3.41%
Ketchikan Gateway Borough	28,005	2.81%
Northwest Arctic Borough	16,830	1.69%
Municipality of Skagway	16,265	1.63%
Aleutians East Borough	15,680	1.58%
Lake & Peninsula Borough	14,075	1.41%
SE Alaska Power Agency	13,155	1.32%
Petersburg Borough	11,850	1.19%
City of Cordova	11,350	1.14%
City of Kodiak	10,615	1.07%
City of Dillingham	8,650	0.87%
City of Homer	6,150	0.62%
Haines Borough	6,035	0.61%
City of Sand Point	3,095	0.31%
Municipality of Anchorage	2,805	0.28%
City of King Cove	2,290	0.23%
City of Whittier	1,660	0.17%
City of Nome	1,640	0.16%
City of Bethel	1,305	0.13%
City of Craig	1,365	0.14%
City of Soldotna	1,140	0.11%
City of Klawock	1,140	0.11%
City of Kenai	850	0.09%
City of Hoonah	720	0.07%
City of Galena	506	0.05%
City of North Pole	375	0.04%
City of Palmer	300	0.03%
City of Adak	285	0.03%
City of Saxman	130	0.01%
AMBBA Reserve Obligations	1,155	0.12%
Total	994,871	100.00%

Source: Alaska Municipal Bond Bank

Includes AMBBA General Resolutions, direct loans and reserve obligations. Does not include conduit debt.

c. Security for Bonds

Municipal general obligation bonds are usually issued to finance facilities that do not generate revenue, such as schools, roads, public safety and municipal buildings. They are issued with the approval of the municipal voters and are secured by the full faith and credit of the municipality. Municipalities within the State of Alaska have no taxing limitations for debt service requirements.

Bonds issued by the Bond Bank to purchase municipal general obligation bonds are secured by:

- Full faith and credit or revenue pledge of each respective community with no taxing limitation for the general bonded debt issued to the Bond Bank.
- The pooled debt service reserve fund founded per the bond resolution. The reserve fund generally is funded to the tax allowed maximum based on the Bond Bank bonds.
- The statutory Bond Bank reserve fund monies available and not pledged to bond issues, which may be used to restore the debt service reserve fund in the event of default.
- The statutory right of the Bond Bank, in the event of default, to demand and receive from a State agency any funds held by that agency which are payable to the defaulting municipality.
- The moral obligation of the State of Alaska to maintain the debt service reserves at their required levels.
- The requirement to seek and successful inclusion of an appropriation in the State's operating budget to replenish the Bond Bank's reserve if there is a draw due to a default.
- Credit ratings of A1/A+ from Moody's Investors Service and S&P Global Ratings, respectively.

c. Bond Authorization

AS 44.85.180(c) was enacted in 1975, limiting Bond Bank bonds outstanding at any time to \$150 million. This statute has been amended seven times to gradually raise the limit to the current \$1.7925 billion as of June 30, 2022. The Bond Bank's current authority is comprised of \$1.5 billion for political subdivisions, including joint action agencies and the Alaska Municipal League's Joint Insurance Association, \$87.5 million for the University of Alaska, and \$205 million for Regional Health Organizations. Total Bond Bank bonds and notes outstanding as of June 30, 2022, was approximately \$993.1 million. Thus, the limit on additional bond issuance at that time was approximately \$799.4 million.

Subsequent to June 30, 2022, on July 3, 2022, House Bill 127 ("HB 127") became effective and amended the Act to grant broader authority to the Bond Bank to issue bonds on behalf of the University of Alaska (the "University") and regional health organizations. HB 127 permits the Bond Bank to issue bond on behalf of the University for any University purpose, and the maximum authorized amount increased from \$87.5 million to \$500 million. HB 127 increased the maximum amount that a regional health organization is permitted to borrow for a given project from 49% of the project costs to 100% of the project costs, and from a maximum authorized amount of \$102.5 million to \$250 million of the cost of a project, and the total lending authority of the Bond Bank for regional health organizations bond issuances increased from \$205 million to \$500 million.

d. Bonds Issued and Outstanding are summarized below and in table 4.0 & 4.1

In fiscal year 2006 a Master General Bond Resolution was approved authorizing the issuance of Bond Bank general obligation bonds to purchase loans for both general obligation and revenue bond issues of municipalities. The ability to combine revenue and general obligation loans increased operational efficiency for the Bond Bank and the economic benefits to communities.

In fiscal year 2010 a Master General Bond Resolution was approved authorizing the issuance of Bond Bank general obligation bonds to purchase loans for both general obligation, revenue bond issues, and certain other obligations of municipalities.

In fiscal year 2016 a Master General Bond Resolution was approved authorizing the issuance of Bond Bank general obligation bonds to purchase loans of Regional Health Organizations.

TABLE 4.0
Alaska Municipal Bond Bank
Summary of Bond Types Issued and Outstanding
\$ (thousands)

Type	Amount Issued	Outstanding at 6/30/22
General Obligation Bonds	\$ 2,802,855	\$ 993,065
Revenue Bonds	173,790	-
	<u>\$ 2,976,645</u>	<u>\$ 993,065</u>

Source: Alaska Municipal Bond Bank

Includes Bond Bank Reserve Obligations, but does not include direct loans or conduit debt

TABLE 4.1
Alaska Municipal Bond Bank
Debt Issued and Outstanding
\$ (thousands)

	Date	Amount Issued	Outstanding at 6/30/22
2005 Master Resolution General Obligation Bonds			
2009 Series Four B	12/3/2009	20,425	16,600
2011 Series Three	9/15/2011	78,115	5,585
2012 Series One	3/6/2012	18,495	1,960
2012 Series Two	5/24/2012	52,795	2,070
2012 Series Three	10/18/2012	21,190	4,530
2013 Series One	3/12/2013	96,045	8,630
2013 Series Two A	6/19/2013	19,145	1,580
2013 Series Two B	6/19/2013	17,110	2,145
2013 Series Three	11/14/2013	72,045	5,280
2014 Series One	2/20/2014	61,205	25,195
2014 Series Two	6/19/2014	45,275	39,305
2014 Series Three	10/30/2014	55,370	22,035
2015 Series One	3/17/2015	60,635	31,825
2015 Series Two	6/4/2015	59,550	35,225
2015 Series Three	9/16/2015	96,210	86,960
2016 Series One	2/2/2016	33,015	25,225
2016 Series Two	4/21/2016	59,595	45,380
2016 Series Three	11/3/2016	80,435	38,160
2016 Series Four	11/3/2016	29,400	23,570
2017 Series One	4/27/2017	12,795	6,690
2017 Series Two	4/27/2017	31,655	29,155
2017 Series Three	11/29/2017	28,955	25,080
2018 Series One	11/27/2018	12,070	10,795
2019 Series One	5/2/2019	28,445	24,055
2019 Series Two	5/2/2019	3,710	2,690
2019 Series Three	11/21/2019	18,000	14,135
2019 Series Four	11/21/2019	4,245	3,425
2020 Series One	7/7/2020	98,310	82,225
2021 Series One	6/16/2021	29,775	29,175
2021 Series Two	6/16/2021	200,975	197,605
2021 Series Three	6/16/2021	5,725	5,725
2022 Series One	4/14/2022	41,335	41,335
		<u>1,492,050</u>	<u>893,350</u>
2016 Master Resolution General Obligation Bonds			
2017 Series A	3/21/2017	<u>100,715</u>	<u>98,560</u>
		100,715	98,560
Total Master Resolution General Obligation Bonds		<u><u>1,592,765</u></u>	<u><u>991,910</u></u>

Source: Alaska Municipal Bond Bank Authority
Does not include direct loans, reserve obligations, or conduit debt

D. Alaska Railroad Corporation

Legislation signed into law during 1984 established the Alaska Railroad Corporation as a public corporation of the State to manage the Alaska Railroad upon its acquisition from the Federal Government until its possible transfer to private ownership. The corporation is administratively placed within the Department of Commerce and Economic Development. The corporation has the power to issue bonds if such issuance is approved by law.

Bonds issued by the corporation would not bear the full faith and credit of the State. The Railroad is not authorized to issue State moral obligation bonds.

By Chapter 77, SLA 1994, the Railroad is authorized to issue revenue bonds in the principal amount of \$55.0 million for the construction and acquisition of the Alaska Discovery Center for the Ship Creek Project in Anchorage. To date, no bonds have been issued.

Chapter 71, SLA 2003 authorized the ARRC to issue up to \$17 billion in revenue bonds to finance the construction of a natural gas pipeline and related facilities, subject to an agreement with a third party to pay the debt service and other costs of the bonds. This authorization was repealed in 2018 and no bonds were issued.

Chapter 46, SLA 2004 authorized the ARRC to issue up to \$500 million in revenue bonds, subject to an agreement with a third party to pay the debt service, and other related bond costs, to finance the cost of extending its rail line to Fort Greely, Alaska. To date, no bonds have been issued.

Chapter 28, SLA 2006 authorized the Alaska Railroad to issue up to \$165 million in revenue bonds to finance rail transportation projects that qualify for federal financial participation and associated costs. On August 22, 2006, the Alaska Railroad issued \$76.4 million in revenue bonds. On August 29, 2017, the Alaska Railroad issued the remaining \$88.6 million in revenue bonds. On July 15, 2015, the Alaska Railroad executed an advance refunding of \$66.1 million callable maturities by issuing \$63.2 million in refunding bonds.

Chapter 65, SLA 2007 authorized the Alaska Railroad to issue up to \$2.9 billion in revenue bonds to finance all or a portion of the Kenai gasification project and Port MacKenzie rail spur project, subject to an agreement with a third party to pay the debt service and other costs of the bonds. To date, no bonds have been issued.

Chapter 8, SLA 2015 authorized the Alaska Railroad to issue up to \$37 million in revenue bonds to finance a positive train control rail transportation safety project, subject to an agreement with a third party to pay the debt service and other costs of the bonds. One July 15, 2015 the Alaska Railroad issued \$37 million in revenue bonds.

At June 30, 2022, the ARRC had \$33.8 million of revenue bonds outstanding.

E. Alaska Student Loan Corporation

Chapter 92, SLA 1987 created the Alaska Student Loan Corporation (ASLC or Corporation), a public corporation administratively lodged in the Department of Education and Early Development but with a separate and independent legal existence. The Corporation's purpose is to lower costs for Alaskans pursuing education and training at a postsecondary level and for other qualified individuals attending postsecondary institutions in the State, through the financing of education loans. The security for the Corporation's debt consists of education loans and other pledged assets of the Corporation. The bonds issued by the ASLC carry the State's moral obligation as security. The debt issued by the Corporation is not a general obligation of the State or the Corporation.

Tax-exempt bonds issued by the ASLC are generally subject to the Private Activity Bond (PAB) ceiling established by the Tax Reform Act of 1986.

The Corporation's 2013 Note was redeemed during fiscal year 2021 and there was no debt outstanding as of June 30, 2022. Previously, the Education Loan Backed Notes represented taxable debt and were rated AAA by Fitch and AA by S&P Global Ratings.

TABLE 4.2
Alaska Student Loan Corporation
Debt Issued and Outstanding
\$ (thousands)

	Date	Amount Issued	Outstanding at 6/30/22
Taxable Education Loan Backed Notes			
2013 Series A ¹	3/28/2013	144,730	-
		<u>\$144,730</u>	<u>-</u>

Source: Alaska Student Loan Corp.

(1) The 2013 Note was redeemed during fiscal year 2021 and the Corporation does not have any outstanding long-term debt.

F. University of Alaska

In addition to the State issuing general obligation bonds to finance University related projects, the University issues notes and bonds for specific University purposes, some of which are secured by project revenues or University general revenues. Facilities that have been financed include Anchorage, Juneau and Fairbanks student centers, student housing units, research facilities, student recreation centers, and utility systems. Net investment in capital assets amounted to \$1.24 billion as of June 30, 2022.

The University issued Housing System Bonds for housing and food service facility needs during the 1960's and early 1970's. Between 1960 and 1991, University of Alaska Heating Corporation issued bonds secured by lease payments made by the University from general fund appropriations. All of these bonds have been either repaid over time or defeased through issuance of University of Alaska General Revenue Bonds.

General Revenue Bonds Series P, Q, R, S, T, U and V are secured by a pledge of unrestricted current fund revenues generated from tuition, fees, recovery of indirect costs, sales and services of educational departments, miscellaneous receipts and auxiliaries. University general revenue bond debt is not a general obligation of the State nor does the State provide security for the debt in any other manner, i.e., by appropriations, guarantees, or moral obligation pledges.

In December 2012, the University entered into a long-term lease agreement with Community Properties of Alaska, Inc. (CPA) to lease a new student dining facility on the University of Alaska Fairbanks Campus. CPA built the student dining facility using proceeds from its Lease Revenue Bonds 2012. Security for the Lease Revenue Bonds 2012 is the University's lease payments to CPA. The lease is recorded as a capital lease and the obligation is recorded at the present value of future minimum lease payments.

In July 2015, the University issued General Revenue Bonds 2015 Series T with a par amount of \$65,350,000 and a 25-year term. Average annual debt service is \$4.9 million. In September 2015, the University entered into a loan agreement with the Alaska Municipal Bond Bank to borrow \$86,085,000 with a 30-year term. Average annual debt service is \$5.6 million. Both the bond and the loan provide funding for construction of the University of Alaska Fairbanks Combined Heat and Power Plant.

In October 2016, the University issued General Revenue Bonds 2016 Series V-1, with a par amount of \$32,845,000, original issue premium of \$5,699,409, and a 28-year term. Average annual debt service is \$2.1 million. The bonds provide funding for the construction of the University of Alaska Fairbanks Engineering Facility.

In October 2016, the University issued General Revenue Refunding Bonds 2016 Series V-2 with a par amount of \$14,645,000, original issue premium of \$1,906,984, and a 17 year term. Average annual debt service is \$1.1

million. The bonds refund General Revenue Bonds 2005 Series N and 2008 Series O, except for the October 1, 2017 maturity.

In July 2020, the University issued General Revenue Refunding Bonds 2020 Series W with a par amount of \$55,080,000, and a 12-year term. Average annual debt service is \$5.3 million. The bonds refunded General Revenue Bonds 2009 Series P, 2011 Series Q and 2012 Series R. The economic gain from the refunding was \$416,557 in present value.

Moody's Investors Service upgraded the University of Alaska's lease revenue bonds to Baa2 from Baa3, affirmed the rating of Baa1 on the general revenue bonds, and revised the outlook from negative to positive in May 2022. Standard and Poor's affirmed the A+ rating on the general revenue bonds and revised the outlook to stable from negative in March 2022.

Total debt issued by the University and outstanding is summarized on Table 4.3.

TABLE 4.3
University of Alaska
Debt Issued and Outstanding
\$ (thousands)

	Date	Amount	Principal Outstanding at 6/30/22	Interest to maturity	Total debt service to maturity	Final maturity
Revenue Bonds						
2013 Series S	3/13/2013	31,020	15,620	2,464	18,084	10/1/2035
2015 Series T	7/15/2015	65,350	58,125	30,018	88,143	10/1/2039
2015 Series U	9/16/2015	86,085	79,370	49,158	128,528	10/1/2044
2016 Series V-1	10/12/2016	32,845	29,580	19,173	48,753	10/1/2044
2016 Series V-2	10/12/2016	14,645	9,345	2,077	11,422	10/1/2033
2020 Series W	7/15/2020	55,080	48,455	7,460	55,915	10/1/2032
Total		285,025	240,495	110,350	350,845	
Installment Contracts						
	-	-	-	-	-	-
Capital Lease Liability ⁽¹⁾	12/19/2012	24,507	22,709	8,914	31,623	10/1/2044
Notes Payable						
Alaska Housing Corp	6/1/2015	49,398	13,254	3,246	16,500	2/1/2032
Total University Debt		\$ 358,930	\$ 276,458	\$ 122,510	\$ 398,968	

Source: University of Alaska

(1) "Principal Outstanding" represents the present value of future payments on the University's long-term lease with Community Properties Alaska, Inc.

G. Municipal Debt

1. General Obligation Bonds

Alaskan municipalities had approximately \$2.3 billion in general obligation debt outstanding as of June 30, 2022. The level of Alaska municipalities' general obligation debt has been relatively stable over the last ten years, and the current amounts remain below the peak of approximately \$2.7 billion in 1986.

Municipal debt issuance levels are influenced by State appropriations for capital projects and reimbursement programs, primarily the SDRP. The Legislature placed a moratorium on additional bonds for the school debt reimbursement program in 2015 (school bonds that voters approved after January 1, 2015), and State appropriations for municipal capital projects have been severely reduced or eliminated in recent years. The school debt reimbursement program moratorium lowered the amount of municipal debt outstanding while reductions and elimination of State appropriations for municipal grants may increase the amount of municipal debt outstanding.

Funding for the program is dependent on annual legislative appropriations. The State is not obligated to appropriate the full amount of the entitled under statute nor contractually obligated to consider doing so. When amounts are insufficient, such as in recent fiscal years 2017 (approximately 79% of entitlement), 2020 (approximately 50% of entitlement), 2021 (0% of entitlement), and 2022 (approximately 42% of entitlement), if funds are available, they are allocated pro rata among the eligible school districts. This does not jeopardize the security of the debt, because the full faith, credit and taxing power of the issuing community is behind it. See Section A(5), for additional information.

When State reimbursement is netted out of municipal school debt, it becomes apparent that many Alaska municipalities have substantial debt capacity.

The following Table 4.4 summarizes municipal debt outstanding.

TABLE 4.4
Municipal General Obligation Bonds Outstanding
\$ (millions)

June 30	Amount	June 30	Amount	June 30	Amount ⁽¹⁾
1975	\$ 351.4	1991	\$ 1,854.8	2007	\$ 2,402.1
1976	420.8	1992	1,729.8	2008	2,397.9
1977	519.5	1993	1,814.0	2009	2,423.0
1978	545.2	1994	1,759.9	2010	2,501.0
1979	768.5	1995	1,901.6	2011	2,499.9
1980	827.1	1996	1,779.1	2012	2,424.3
1981	1,091.0	1997	1,777.5	2013	2,406.8
1982	1,316.2	1998	1,774.7	2014	2,417.7
1983	1,619.1	1999	1,832.0	2015	2,394.9
1984	2,105.8	2000	1,603.0	2016	2,386.6
1985	2,084.0	2001	1,850.4	2017	2,293.2
1986	2,673.5	2002	1,980.9	2018	2,293.2
1987	2,463.9	2003	1,932.6	2019	2,446.3
1988	2,170.4	2004	2,107.2	2020	2,380.4
1989	1,966.9	2005	2,345.8	2021	2,290.7
1990	2,002.1	2006	2,357.8	2022	2,314.8

¹Municipal G.O. Debt Balance for fiscal year 2017 carried forward and used for 2018 due to municipal reporting deficiencies, 2019-2021 values include certain data sourced directly from municipal ACFRs and 2022 values include certain preliminary estimates where ACFRs are not yet available
Source: State of Alaska, Office of the State Assessor

2. General Obligation Debt Ratios

Tables 4.5 and 4.6 present ratios of municipal debt to population and then to the estimated full value of taxable property in Alaska. Alaska's sparse population leads to higher debt ratios than might be found in other states. The presence of enormous oil and gas property values in certain municipalities has been a significant contributing factor to high debt capacity.

TABLE 4.5
Per Capita Municipal and State
General Obligation Debt

Year	Population (thousands)	1996-2022		Total G.O. Debt \$ (millions)	Per Capita G.O. Debt (dollars)
		Municipal Debt \$ (millions)	State of Alaska debt \$ (millions)		
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
2013	732,298	2,407	840	3,247	4,434
2014	736,399	2,418	804	3,222	4,375
2015	735,601	2,395	754	3,149	4,281
2016	737,625	2,387	823	3,210	4,352
2017	739,828	2,293	777	3,070	4,150
2018*	737,080	2,293	724	3,017	4,094
2019*	736,239	2,446	670	3,116	4,233
2020*	731,007	2,380	625	3,005	4,111
2021*	728,903	2,291	663	2,954	4,052
2022**	736,556	2,315	622	2,937	3,987

*Municipal G.O. Debt Balance for fiscal year 2017 carried forward and used for 2018 due to municipal reporting deficiencies, 2019-2021 values include certain data sourced directly from municipal ACFRs, and 2022 values include certain preliminary data where ACFRs are not currently available

**Population statistics for 2022 were sourced from the Department of Labor, and are preliminary and may not match reporting through the State Assessor

Source: State of Alaska, Office of the State Assessor

TABLE 4.6
Municipal G.O. Debt, Population and Valuation
6/30/2022

Boroughs and Cities within Boroughs	Population	Full Value Determination (thousands)	Per Cap Full Value	Municipal G.O. Debt (thousands)²	Per Capita G.O. Debt
Aleutians East Borough	2,925	\$235,094	\$ 80,374	\$15,680	\$ 5,361
Municipality of Anchorage	288,970	\$45,419,969	\$ 157,179	\$1,346,295	4,659
Fairbanks North Star Borough	97,159	\$14,097,136	\$ 145,093	\$80,115	825
Haines Borough	2,520	\$513,076	\$ 203,602	\$5,346	2,121
City & Borough of Juneau	31,773	\$6,618,462	\$ 208,305	\$62,775	1,976
Kenai Peninsula Borough	58,934	\$11,727,365	\$ 198,991	\$46,425	788
Ketchikan Gateway Borough	13,677	\$2,107,477	\$ 154,089	\$29,587	2,163
Kodiak Island Borough	12,611	\$2,118,387	\$ 167,979	\$55,890	4,432
Lake and Peninsula Borough	1,552	\$153,754	\$ 99,068	\$14,075	9,069
Matanuska-Susitna Borough	107,305	\$15,914,525	\$ 148,311	\$219,460	2,045
North Slope Borough	9,771	\$22,081,618	\$ 2,259,914	\$204,840	20,964
Northwest Arctic Borough	7,583	\$898,568	\$ 118,498	\$22,459	2,962
Petersburg Borough	3,189	\$591,660	\$ 185,532	\$4,695	1,472
City & Borough of Sitka	8,523	\$1,563,691	\$ 183,467	\$8,755	1,027
Municipality of Skagway	1,147	\$528,141	\$ 460,454	\$16,745	14,599
Other				\$70,950	
Municipalities Outside Boroughs					
City of Cordova	2,366	\$412,869	\$ 174,501	\$11,350	4,797
City of Craig	1,065	\$177,860	\$ 167,005	\$1,435	1,347
City of Dillingham	2,226	\$340,656	\$ 153,035	\$8,650	3,886
City of Hoonah	769	\$99,448	\$ 129,321	\$660	858
City of Nome	3,712	\$503,896	\$ 135,748	\$890	240
City of Unalaska	4,561	\$892,525	\$ 195,686	\$49,135	10,773
City of Valdez	3,855	\$2,707,943	\$ 702,450	\$38,635	10,022
Municipal Subset Totals	666,193	129,704,120	194,695	2,314,847	3,475
Statewide					
State of Alaska G.O. Debt ¹				\$ 621,875	
Statewide Total ³	736,556	\$ 134,473,000	\$ 182,570	\$ 2,936,722	\$ 3,987

1 State of Alaska G.O. Debt as of June 30, 2022

2 Municipal data from the State of Alaska, Office of the State Assessor & 2022 values include certain preliminary estimates where ACFRs are not yet available

3 Population statistics for communities were carried forward from 2021, and the 2022 statewide total population was sourced from the Department of Labor, and is a preliminary estimate that may not match assessor data

3. Revenue Bonds

In addition to General Obligation Debt that is supported by local taxes, cities and boroughs may issue debt that is supported by the revenues generated by the project financed through the issuance of debt. As of June 30, 2022, approximately \$716.6 million in revenue bonds were outstanding, as shown on Tables 4.7 and 4.8.

TABLE 4.7
Alaska Municipal Debt Issued and Outstanding
\$ (millions)

Fiscal Year	Amount Outstanding		Revenue Debt
	G.O.	Revenue	Outstanding as % of total
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%
2013	2,398.5	743.8	23.7%
2014	2,417.7	887.6	26.9%
2015	2,394.9	954.3	28.5%
2016	2,386.6	960.2	28.7%
2017	2,293.2	941.1	29.1%
2018*	2,293.2	910.0	28.4%
2019*	2,446.3	872.5	26.3%
2020*	2,380.4	1,014.0	29.9%
2021*	2,290.7	765.5	25.0%
2022*	2,314.8	716.6	23.6%

*Municipal Debt Balance for fiscal year 2017 carried forward and used for 2018 due to municipal reporting deficiencies, 2019-2021 includes certain data sourced directly from municipal CAFRs, and 2022 values include certain preliminary estimates where CAFRs are not available

Source: State of Alaska, Office of the State Assessor

TABLE 4.8
Alaska Municipal Debt Outstanding by Issuer
June 30, 2022

\$ (thousands)

boroughs and cities within boroughs	G.O. debt ¹	revenue debt ¹	total debt ¹	school G.O. total ²	% of debt state's share ²
Adak	\$ 285	\$ -	\$ 285	\$ -	-
Aleutians East	15,680	-	15,680	7,622	60%
Anchorage	1,346,295	313,835	1,660,130	189,316	64%
Atka	-	-	-	-	-
Bethel	-	2,174	2,174	-	-
Cordova	11,350	-	11,350	8,890	66%
Craig	1,435	-	1,435	-	-
Dillingham	8,650	-	8,650	6,288	70%
Fairbanks NSB	80,115	-	80,115	78,441	67%
Galena	-	506	506	-	-
Haines	5,346	805	6,151	6,230	70%
Homer	-	-	-	-	-
Hoonah	660	-	660	-	-
Juneau	62,775	54,345	117,120	17,122	67%
Kenai	850	-	850	-	-
Kenai Borough	46,425	43,215	89,640	27,365	70%
Ketchikan	48,036	53,063	101,099	-	-
Ketchikan Bor.	29,587	-	29,587	8,697	64%
King Cove	3,719	-	3,719	-	-
Klawock	1,675	-	1,675	-	-
Kodiak	8,000	7,000	15,000	-	-
Kodiak Bor.	55,890	8,690	64,580	61,730	69%
Lake Peninsula	14,075	-	14,075	15,100	68%
McGrath	50	-	50	-	-
Mat-Su	219,460	12,690	232,150	184,982	69%
Nome	890	4,209	5,099	790	68%
North Pole	-	415	415	-	-
North Slope	204,840	-	204,840	454	60%
Northwest Arctic Bor	22,459	-	22,459	8,189	74%
Ouzinkie	-	-	-	-	-
Palmer	300	6,482	6,782	-	-
Petersburg	4,695	7,070	11,765	3,084	63%
Saint Paul	-	6,006	6,006	-	-
Sand Point	2,285	970	3,255	-	-
Saxman	-	-	-	-	-
Seward	4,660	20,510	25,170	-	-
Sitka	8,755	127,300	136,055	10,750	68%
Skagway	16,745	-	16,745	-	-
Soldotna	1,140	-	1,140	-	-
Unalaska	49,135	47,000	96,135	-	-
Upper Kalskag	-	-	-	-	-
Vakdez	38,635	-	38,635	22,364	60%
Whittier	-	-	-	-	-
Wrangell	-	356	356	-	-
Total	\$ 2,314,847	\$ 716,641	\$ 3,031,538	\$ 657,415	

1 GO Debt from certain communities reflect preliminary estimates on unreleased 2022 ACFRs, all other Municipal data from the State of Alaska, Office of the State Assessor

2 Current as of 6/30/2022

Source: Alaska Office of the State Assessor, Alaska Dept. of Community & Economic Development and Dept. of Education and Early Development

In fiscal year 2022, revenue bonds accounted for approximately 24% of all local debt outstanding in Alaska. Some major municipal borrowers in Alaska have no revenue debt at all. Such borrowers include the Fairbanks North Star Borough, and Northwest Arctic Borough, among others. In these boroughs, one reason for the lack of revenue debt may be the presence of oil and gas property. That is, substituting G.O bonds for revenue bonds transfers much of the debt burden that would otherwise fall on local users to the State. This is because the State also taxes

oil and gas property but allows a credit against tax liabilities for taxes paid to municipalities. Thus, municipal property taxes on oil and gas property directly reduces the State payment.

4. Property Tax Limits

Two municipalities that have large oil and gas property values, the North Slope Borough and Valdez, may be subject to limitations on the amount of full value that can be taxed. A municipality may choose to levy property taxes for its operating budget under one of two methods. Under AS 29.45.080(b), total property tax revenues may not exceed the equivalent of \$1,500 per capita.

Under AS 29.45.080(c), the total property value that can be taxed is limited to the municipality's population multiplied by 225 percent of the average statewide per capita full value. Although AS 29.45.090(a) limits municipal property tax rates to 3 percent or less (30 mills), AS 29.45.100 provides that taxes may be levied without limitation as to rate or amount to pay debt service.

III. Supplementary Information

A. State Debt Capacity

The State has historically used the ratio of debt service to revenue as a guideline for determining debt capacity of the State. This policy was established due to the State's relatively small population and high per capita revenue due to oil resource-generated revenue. Historically the State's policy has been that debt service should not exceed five percent of unrestricted revenue when considering only general obligation bonds, certificates of participation and the University of Alaska bonds that are State supported. More recently, the State has included more discretionary General Fund supported obligations and programs, including the School Debt Reimbursement Program, the Capital Project Reimbursement Program and statutorily required payments to pay for UAAL amortization. The State's policy has been amended in the past to allow the annual payments on these items other than the UAAL payments to range up to eight percent of unrestricted revenue. Additional analysis on UAAL funding obligations is required before additional amendment of debt capacity is made.

1. Debt Capacity as Measured by Revenues

The State's debt capacity is determined by comparing debt service and state supported debt obligations to unrestricted general fund revenues. The State's debt capacity is conservative to compensate for potential reduction to unrestricted general fund revenue due to low petroleum prices. The state releases a revenue sources book semi-annually, the fall issuance of which is used as the basis for forecasting future years' revenue and associated debt capacity. Tables 4.9, 5.0, and 5.1, show past and projected debt service, revenue and ratios of State debt service on general obligation bonds and general obligation bonds combined with other state supported debts.

TABLE 4.9
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
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	10,728	13,546	0.6%	0.4%
2009	43.9	9,549	5,838	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	9,363	9,485	13,517	0.9%	0.9%
2013	81.1	9,813	6,929	15,809	0.8%	1.2%
2014	90.4	9,978	5,390	17,238	0.9%	1.7%
2015	78.0	13,107	2,256	8,541	0.6%	3.5%
2016	85.2	10,258	1,533	5,894	0.8%	5.6%
2017	82.5	10,745	1,355	12,905	0.8%	6.1%
2018	89.7	10,973	2,414	12,360	0.8%	3.7%
2019	89.3	10,717	5,350	11,062	0.8%	1.7%
2020	77.8	10,623	4,537	8,659	0.7%	1.7%
2021	79.1	14,161	4,783	29,765	0.6%	1.7%
2022	73.7	14,136	6,998	16,028	0.5%	1.1%

Source: State of Alaska Fall Revenue Sources Book

* Federal income, Permanent Fund income and Constitutional Budget Reserve Draws included from 2002 forward; FY2022 from 6/29/2022 OMB Fiscal Summary

* Forward funding of future fiscal year expenditures included from 2007 forward

** Federal Revenue, Permanent Fund income and other restricted and restricted by custom revenues are not included in unrestricted revenue through fiscal year 2022

TABLE 5.0
State of Alaska
Payments on General Fund Paid Debt as of June 30, 2022
\$ (millions)

Fiscal Year	State G.O.*	Lease / Purchase	Capital Leases ¹	School Debt Reimbursement ^{2,3}	Capital Project Reimbursements ³	Statutory Debt Payment to PERS/TRS ⁴	Total Debt Service
2022	73.7	2.9	19.5	80.4	3.6	240.4	420.4
2023	73.5	2.9	19.5	77.6	3.6	125.0	302.0
2024	73.3	2.9	19.5	65.9	3.6	134.8	300.1
2025	68.3	2.9	19.5	56.2	3.6	108.7	259.2
2026	68.1	2.9	19.5	46.3	2.8	78.9	218.5
2027	67.5	2.9	20.9	41.0	2.6	80.3	215.3
2028	66.5	2.9	20.9	39.0	2.2	81.8	213.3
2029	65.5	2.9	17.6	34.2	0.9	83.5	204.6
2030	64.8	-	17.6	31.8	0.9	85.8	200.9
2031	52.4	-	17.6	29.6	0.4	88.4	188.4
2032	51.9	-	17.6	26.3	-	91.1	186.9
2033	51.4	-	17.6	20.1	-	94.0	183.1
2034	50.9	-	-	17.8	-	97.1	165.9
2035	27.1	-	-	12.8	-	100.6	140.5
2036	27.0	-	-	5.8	-	104.2	137.1
2037	6.6	-	-	0.7	-	107.8	115.1
2038	18.3	-	-	0.6	-	111.8	130.7
2039	6.1	-	-	0.6	-	115.9	122.6
2040	6.1	-	-	0.2	-	-	6.3
2041	6.1	-	-	-	-	-	6.1

1 - There is a prison and a parking garage financed with capital leases

2 - FY2022 - 2040 payments are based on actual bond repayment schedules on file with the Department of Education & Early Development as of 6/30/2022

3 - In FY2022, SDRP was funded at approximately 42%, and Capital Project Reimbursements only included certain U of A obligations

4 - Based on PERS and TRS Actuarial Valuation Reports as of June 30, 2021

* - State G.O. debt service listed excludes federal subsidies for interest expense through 2038

TABLE 5.1
State of Alaska Debt Service to Unrestricted Revenues
Fall 2022 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 & Capital Reimbursements	Statutory Payment to PERS/TRS	Total Payments to Revenues
	(\$Millions)	%	%	%	%	%	%
1996	2,133.3	1.0	0.5	1.4	3.7		5.2
1997	2,494.9	0.7	0.4	1.0	2.5		3.5
1998	1,825.5	0.8	0.6	1.3	3.4		4.7
1999	1,348.4	0.7	1.1	1.8	4.6		6.4
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		4.6
2003	1,947.6	0.0	1.1	1.1	2.7		3.8
2004	2,345.6	0.8	0.9	1.7	2.6		4.3
2005	3,188.8	1.5	0.7	2.2	2.2		4.4
2006	4,200.4	1.1	0.6	1.7	1.9		3.6
2007	5,158.6	0.9	0.5	1.4	1.7		3.1
2008	10,728.2	0.4	0.3	0.6	0.8		1.4
2009	5,838.0	0.8	0.6	1.3	1.6		2.9
2010	5,512.7	0.9	0.8	1.7	1.7		3.4
2011	7,673.0	0.7	0.6	1.3	1.3		2.6
2012	9,485.2	0.8	0.4	1.3	1.1		2.4
2013	6,928.5	1.1	0.6	1.7	1.6		3.3
2014	5,390.0	1.4	0.7	2.1	2.0		4.1
2015	2,256.0	3.3	1.6	4.9	5.2		10.1
2016	1,533.0	4.0	2.3	6.3	7.6		13.9
2017	1,355.0	6.1	2.3	8.3	6.7		15.0
2018	2,413.5	3.7	1.1	4.8	4.6		9.4
2019	5,350.0	1.7	0.4	2.1	2.0		4.1
2020	4,537.0	1.7	0.5	2.2	2.2		4.4
2021	4,782.8	1.7	0.5	2.1	2.0		4.1
2022	6,998.0	1.1	0.3	1.4	1.2		2.6
projected							
2023	7,225.8	1.0	0.3	1.3	1.1	1.7	4.2
2024	6,936.2	1.1	0.3	1.4	1.0	1.9	4.3
2025	6,787.4	1.0	0.3	1.3	0.9	1.6	3.8
2026	6,773.3	1.0	0.3	1.3	0.7	1.2	3.2
2027	6,769.4	1.0	0.4	1.3	0.6	1.2	3.2
2028	6,826.2	1.0	0.3	1.3	0.6	1.2	3.1
2029	6,809.7	1.0	0.3	1.3	0.5	1.2	3.0
2030	6,916.5	0.9	0.3	1.2	0.5	1.2	2.9
2031	7,120.8	0.7	0.2	1.0	0.4	1.2	2.6
2032	7,313.6	0.7	0.2	1.0	0.4	1.2	2.6

As shown on Table 5.1, debt service on State G.O. and State Supported debt plus school debt reimbursement payments were approximately 2.6% of unrestricted revenues in FY 2022 and are projected to be approximately 2.5% of revenues in FY 2023. Adding in the anticipated payments of the State on behalf of PERS and TRS employers in FY 2023 brings the ratio up to approximately 4.2%. The spike in the percentages from FY 2015 through FY 2018 is due to the sharp reduction in the price of oil and correlated state unrestricted revenue in the Fall of 2014. As existing debt is paid down, and with the incorporation of projected transfers related to Senate Bill 26, the ratio improves to approximately 1.4% by 2032. However, the on-behalf payments of the State for UAAL amortization keep the percentages elevated, and when including these payments, the State's ratio is forecasted to be 2.6% in 2032.

Table 5.2 presents the ratio of State G.O.'s to full value of taxable property since 1998. The ratio has increased from 0.0% in 1998 to 0.5% in 2022, using recent full value statistics available from the State Assessor. As a measure of debt capacity, debt to full value is of minor significance in Alaska due to the existence of a State petroleum property tax.

TABLE 5.2
State of Alaska
Ratio of State General Obligation Debt to Property Values

Year	Total Full Value: Cities, Boroughs & Unincorporated Areas at Jan. 1st (millions) ¹	State G.O. Bonds Outstanding at 6/30 (millions)	Ratio of Debt to Full Value (%)
1998	47,541	11	0.0%
1999	49,158	2	0.0%
2000	50,773	0	0.0%
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	90,192	364	0.4%
2009	95,359	503	0.5%
2010	98,062	476	0.5%
2011	98,969	628	0.6%
2012	101,496	576	0.6%
2013	107,460	840	0.8%
2014	108,638	804	0.7%
2015	111,751	744	0.7%
2016	115,231	823	0.7%
2017	117,074	777	0.7%
2018	117,454	724	0.6%
2019	119,412	670	0.6%
2020	124,579	625	0.5%
2021	125,839	663	0.5%
2022	134,473	622	0.5%

(1) Source: Office of the State Assessor

B. Public Pension Systems Liabilities

The State administers two major retirement systems – the Public Employees’ Retirement System (for State employees and employees of political subdivisions who elect to join the system) and the Teachers’ Retirement System (for teachers and school administrators).

The difference between the present value of projected accrued benefits for employees who are covered by the pension system and the market value of the particular pension system’s assets is the amount of the State’s unfunded liability. An unfunded pension liability has historically been treated by the rating agencies as a soft liability with more flexibility than other debt. In the State’s 2015 Annual Comprehensive Financial Report released on February 1, 2016, Governmental Accounting Standards Board Statement 68 (GASB 68) was implemented updating the reporting and disclosure requirements related to pension liabilities. One of the requirements of GASB 68 is that if a government is committed to making payments on an unfunded pension liability on behalf of another entity, the amount of liability supported must be reported as a debt of the government making the payments. Senate Bill 125 passed in 2008 commits the State to funding the difference between specific employer contributions of 22% for the Public Employees Retirement System and 12.56% for the Teachers Retirement System. Approximately 55% of the supplemental State payment required under this statute for PERS is attributable to employees of the State of Alaska, with the remaining 45% stemming from other employers. While TRS funding is arguably a State responsibility, this debt would be found primarily on local school districts’ balance sheets if SB 125 was not in place. Under GASB 68 the State’s payment commitment increased the State of Alaska’s long-term debt by \$5,801 million to \$8,473 million as of June 30, 2015, compared to \$2,672 million as of June 30, 2014.

Annual payments are determined based on a variety of actuarial assumptions and the evolving experience as it occurs. The assumption with perhaps the greatest impact on future payments is the assumed rate of return on invested assets. As of January 11, 2019, the Alaska Retirement Management Board changed the actuarially assumed rate of investment return from 8% to 7.38%.

The ARM Board completed an experience analysis of the actuarial assumptions underlying the PERS and TRS actuarial valuation reports covering the timeframe July 1, 2017, to June 30, 2021. There have been no changes in the actuarial methods or changes in benefit provisions since the June 30, 2021, valuation. Healthcare claims costs are updated annually. However, as a result of the experience analysis, updated demographic and economic assumptions were adopted by the ARM Board in June 2022, and are being used in the June 30, 2022, actuarial valuation reports. One significant item that was changed is the actuarial assumption for investment rate of return. This rate was revised from 7.38 percent down to 7.25 percent, and will be included within the forthcoming June 30, 2022, actuarial valuation reports.

According to the PERS and TRS ACFR as of June 30, 2022, if the actual earnings rate experience is 6.25%, the 1% reduction in the rate of return on investments increases the net PERS pension liability by approximately \$1,764,606,000 and the net TRS pension liability by approximately \$826,297,000.

The financial status of each of the State's public pension systems since FY 2013 is shown in Table 5.3 and is based on PERS and TRS actuarial valuation results available as of June 30, 2021. Actuarial valuation results for FY 2022 will be available in 2023.

TABLE 5.3
State of Alaska
Retirement System's Financial Status
\$ (millions)

Public Employees' Retirement System (PERS)										
	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	
Present Value of										
Accrued Benefits	\$ 19,993	\$ 20,897	\$ 20,648	\$ 21,369	\$ 21,881	\$ 22,264	\$ 22,191	\$ 22,316	\$ 22,276	
Value of Assets	\$ 12,163	\$ 14,645	\$ 16,173	\$ 16,468	\$ 16,787	\$ 17,117	\$ 17,387	\$ 17,703	\$ 19,048	
Funding Level										
for Accrued Benefits	\$ (7,830)	\$ (6,252)	\$ (4,475)	\$ (4,901)	\$ (5,094)	\$ (5,147)	\$ (4,804)	\$ (4,613)	\$ (3,228)	
Funding Ratio	60.8%	70.1%	78.3%	77.1%	76.7%	76.9%	78.4%	79.3%	85.5%	

Teachers' Retirement System (TRS)										
	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	
Present Value of										
Accrued Benefits	\$ 9,592	\$ 9,841	\$ 9,729	\$ 9,907	\$ 10,145	\$ 9,960	\$ 9,907	\$ 9,937	\$ 9,911	
Value of Assets	4,974	6,019	8,129	8,200	8,314	8,440	8,512	8,608	9,178	
Funding Level										
for Accrued Benefits	\$ (4,618)	\$ (3,822)	\$ (1,600)	\$ (1,707)	\$ (1,831)	\$ (1,520)	\$ (1,395)	\$ (1,329)	\$ (733)	
Funding Ratio	51.9%	61.2%	83.6%	82.8%	82.0%	84.7%	85.9%	86.6%	92.6%	

Source: From most recent State of Alaska PERS and TRS Actuarial Valuation Reports, 6/30/2021

As of the June 30, 2021, PERS and TRS Actuarial Valuation Reports, the Public Employees' Retirement System's actuarial accrued liabilities were funded at 85.5 percent and the Teachers' System's actuarial accrued liabilities were funded at 92.6 percent.

C. Credit Ratings of the State of Alaska

The State of Alaska's general obligation bond rating was re-established in 2003 with the issuance of the 2003 Series A and B bonds. The State received AA ratings from the three national bond credit rating agencies. On March 27, 2008 Standard & Poor's ('S&P') increased their credit rating on the State to AA+ with a stable outlook. March 25, 2010 Fitch Ratings upgraded the State to AA+. On November 22, 2010 Moody's upgraded the State to Aaa. On January 5, 2012 S&P upgraded the State to AAA. On January 7, 2013 Fitch upgraded the State to AAA. Moody's and S&P revised the *outlook* for the State to negative in December 2014, and August 2015 respectively, while affirming the State's Aaa/AAA rating. Since this peak in credit strength the State's general obligation bond rating has been downgraded ten times, beginning with the January 5, 2016 downgrade by S&P to AA+, the February 29, 2016 downgrade by Moody's Investors Service to Aa1, the June 14, 2016 downgrade by Fitch Ratings to AA+, the July 25, 2016 downgrade by Moody's to Aa2, the July 13, 2017 downgrade by Moody's to Aa3, the July 18, 2017 downgrade by S&P to AA, and the November 2, 2017 downgrade by Fitch to AA. On November 2nd and December 1st of 2017, Fitch and Moody's, respectively, revised their outlook on the State to stable from negative. On June 8, 2018, S&P revised their outlook on the State to stable from negative. On July 25, 2019, Moody's Investors Service revised their outlook on the State to negative from stable and affirmed their Aa3 rating on the State's general obligation bonds. On September 5, 2019, Fitch downgraded the rating on the State's general obligation bonds to AA- from AA. On April 17, 2020, S&P downgraded the State's rating to AA- from AA. On May 6, 2020, Fitch downgraded the State's rating to A+ from AA-. On April 22nd and May 4th of 2021, Moody's and S&P, respectively, revised their outlook on the State to stable from negative. On March 21, 2022, S&P revised their outlook on the State to positive from stable. On April 12, 2022, Fitch revised their outlook on the State to stable from negative. As of December 2022, the ratings on outstanding State of Alaska general obligation bonds are AA- / A+ / Aa3 from S&P, Fitch, and Moody's, respectively.

Table 5.4 shows a summary of the State of Alaska's credit rating history.

TABLE 5.4
State of Alaska Credit Rating History
rating changes as of date shown

Moody's Investor Service		S&P Global Ratings		Fitch Ratings	
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	June 14, 2016	AA+
November 26, 1998	Aa2	March 27, 2008	AA+	November 2, 2017	AA
November 22, 2010	Aaa	January 5, 2012	AAA	September 5, 2019	AA-
February 29, 2016	Aa1	January 5, 2016	AA+	May 6, 2020	A+
July 25, 2016	Aa2	July 18, 2017	AA		
July 13, 2017	Aa3	April 17, 2020	AA-		

D. Private Activity Bond Ceiling

The Tax Reform Act of 1986 established a ceiling on annual issuance of Qualified Private Activity Bonds (PAB's), effective August 15, 1986, at the level of \$250 million for the remainder of 1986 and for 1987, and \$150 million thereafter. Effective in calendar year 2001 the PAB cap became subject to annual adjustment and has been increased each year since. In calendar year 2022 the cap was approximately \$335 million. The PAB ceiling encompasses qualified mortgage revenue bonds, student loan bonds some of the types of tax-exempt debt issued by AIDEA and AEA, and certain other types of tax-exempt bonds to promote industrial development.

The responsibility for allocating Alaska's annual ceiling is assigned to the State Bond Committee by State law. Allocation carry-forwards expire after three calendar years. Table 5.5 summarizes the allocation of the PAB ceiling over the past twelve calendar years.

TABLE 5.5
Alaska Private Activity Bond Ceiling Allocations
\$ (thousands)

Calendar Year	Annual Cap	Allocations	Recipient
2011	277,820	277,820	to AHFC
2012	284,560	284,560	to AHFC
2013	291,875	291,875	to AHFC
2014	296,285	288,285	to AHFC
		8,000	to AIDEA
2015	301,515	200,248	to AHFC
		101,267	to AIDEA
2016	302,875	202,875	to AHFC
		100,000	to AIDEA
2017	305,315	305,315	to AHFC
2018	311,375	311,375	to AHFC
2019	316,745	316,745	to AHFC
2020	321,775	321,775	to AHFC
2021	324,995	324,995	to AHFC
2022	335,115	335,115	to AHFC

E. State Bond Committee

AS 37.15 includes the State's Bonding Act and creates the State Bond Committee (SBC). The members of the SBC are the Commissioner of Commerce, Community and Economic Development (who serves as chairman), the Commissioner of Revenue (who serves as secretary), and the Commissioner of Administration.

The duties of the State Bond Committee include adopting resolutions and preparing documents necessary for the issuance, sale, and delivery of State bonds. The State Bond Committee must fix the principal amount, denomination, date maturities, place of payment, terms, rights of redemption if any, form, condition and covenants of the bonds; fix the date of sale and the form of the notice of sale; and provide the notice of sale of State debt.

Additionally, the State Bond Committee manages and administers the State debt policy including requests for appropriations to the debt retirement fund, the repayment of State debt and related administrative matters.

Staff support for the State Bond Committee is provided by the Treasury Division of the Department of Revenue.

