

STATE OF ALASKA

STATE BOND COMMITTEE

TO BE HELD AT:
TELEPHONIC MEETING
For Participation: 1-907-202-7104
Code: 378 118 011#
Juneau, Alaska 99811
October 18, 2023
10:00 AM Alaska Time



STATE BOND COMMITTEE AGENDA FOR MEETING

Meeting Place:
TELEPHONIC MEETING
Call-in: (907) 202-7104,
Conference ID: 378 118 011#

October 18, 2023, at 10:00 A.M. Alaska Time

- I. Call to Order
- II. Roll Call
- III. Public Meeting Notice
- IV. Approval of Agenda
- V. Minutes of the June 1, 2023, State Bond Committee Meeting
- VI. Public Participation and Comment
- VII. New Business
 - A. Resolution 2023-04 –Providing for Clean Water BANs 2023 Series A, and Drinking Water BANs 2023 Series B (Page 8 of 46)
 - B. Resolution 2023-05 – Providing for the December 31, 2023, allocation of Private Activity Bond Volume Limit (PABVL) for Calendar Year 2023 (Page 29 of 46)
- 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 ('SBC')

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 October 18, 2023, at 10:00 a.m. AK. This will be a telephonic meeting, with participation at (907) 202-7104, with code 378 118 011#.

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 June 1, 2023, SBC Meeting
- VI. Public Participation and Comment
- VII. New Business:
 - A. Resolution 2023-04 -Providing for Clean Water BANs 2023 Series A, and Drinking Water BANs 2023 Series B;
 - B. Resolution 2023-05 - Providing for the December 31, 2023, allocation of Private Activity Bond Volume Limit (PABVL) for Calendar Year 2023
- VIII. Debt Manager's Report
- IX. Committee Member Comments
- X. Schedule Next Meeting
- XI. Adjournment

Dated October 6, 2023
(907) 465-2893

[Attachments, History, Details](#)

Attachments

[SBC Agenda 10-18-2023.pdf](#)

Revision History

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Department: Revenue
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Events/Deadlines:

**MINUTES of the
STATE BOND COMMITTEE
June 1, 2023**

A meeting of the State Bond Committee (SBC) was held at 2:02 p.m. Alaska Time on June 1, 2023. The meeting was held telephonically at 1-907-202-7104, with code 702 737 017#.

SBC Members present were:

Fadil Limani, 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
Les Krusen, Orrick, Herrington & Sutcliffe, LLP, Bond Counsel to the SBC

I. Call to Order

Committee members Dave Donley, Fadil Limani, and Micaela Fowler were present. Ms. Fowler called the meeting to order at 2:02 p.m. Alaska Time on June 1, 2023.

II. Roll Call

Mr. Williams took roll call. Mr. Donley, Mr. Limani, and Ms. Fowler 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 May 22, 2023, for the June 1, 2023, meeting date.

IV. Approval of Agenda

The Agenda was reviewed by the committee. Mr. Donley moved to adopt the agenda, and Mr. Limani seconded. Mr. Donley discussed that in the prior meeting, he did not see his request implemented to reference the page number of where the Resolution starts within

the packet. Mr. Donley made a motion to amend the agenda as written to include the starting page number (page 7) of Resolution 2023-03 within this committee packet. There was no second. Mr. Limani asked for clarification from Mr. Donley as he had not seen any prior circumstances where page numbers of resolutions needed to be highlighted on the agenda portion of a board or committee packet. Mr. Limani noted that there wasn't a second on the amendment to the Agenda. Ms. Fowler asked for a roll call vote to be conducted by the Committee on the originally adopted agenda, as stated, with no amendments and no modifications. Mr. Williams conducted a roll call vote, with two yes votes by Mr. Limani and Ms. Fowler, and one no vote by Mr. Donley. The agenda, as originally written, was then approved by a majority of SBC members by a vote of two yes, one no.

V. Minutes of the January 11, 2023, SBC Meeting

The Minutes of the January 11, 2023, SBC Meeting were reviewed by the committee. The Minutes needed no modifications. Mr. Donley moved to adopt those minutes as written, and approval was seconded by Ms. Fowler. The January 11, 2023, 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

SBC Resolution No. 2023-03 – Relating to and approving the issuance and sale by the Alaska Housing Finance Corporation of Collateralized Veterans Mortgage Program Bonds

Mr. Williams stated that Resolution 2023-03 would authorize the issuance and sale by AHFC of not to exceed \$50,000,000 in aggregate principal amount of AHFC collateralized Bonds, Series 2023 Veteran's Mortgage Program, to be guaranteed by the State of Alaska, approving the sale of such Bonds, and authorizing the State Debt Manager and other appropriate officials of the State of Alaska to approve information relating to the State of Alaska to be included in a Preliminary Official Statement and in an Official Statement. Mr. Williams also stated that Resolution 2023-03 would authorize the State Debt Manager and other appropriate officials of the State of Alaska to approve the amount, terms and timing of the sale of such Bonds and to execute the necessary documents in connection therewith. Mr. Williams mentioned that these Veterans mortgage bonds, issued by AHFC, 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 2010 Act (Ch.46, SLA 2010) authorized the unconditional guaranty by the State of Alaska of the principal and the interest on not more than \$600,000,000 of revenue bonds of AHFC to provide money for the purchase by the Corporation of mortgages made for qualifying veterans, approved by a majority of qualified voters, who

voted at a general election held on November 2, 2010. Mr. Williams mentioned that the authority provided in Resolution 2023-03 expires on September 29, 2023, signifying 120 calendar days. Mr. Donley asked for a history on prior and outstanding authorization under the veteran's mortgage program. Mr. Williams reviewed a page within the committee packet that is an excerpt from the most recent Alaska Public Debt Book as of June 30, 2022. Mr. Williams noted he works in conjunction with AHFC to update the total authorized but unissued collateralized veterans mortgage program bonds, and as of June 30, 2022, approximately \$584.6 million remain authorized but unissued, not including the proposed authorization for issuance by AHFC through Resolution 2023-03. There was no further discussion. Mr. Limani moved that the SBC adopt Resolution 2023-03 and Mr. Donley seconded the motion. Mr. Williams conducted a roll-call vote and there were three 'yes' votes and Resolution 2023-03 authorizing the issuance of not to exceed \$50 million by AHFC of Collateralized Bonds for the Veteran's Mortgage Program, Series 2023, was approved unanimously by Committee members.

VIII. Debt Manager's Report

Mr. Williams presented on the following items:

Mr. Williams provided updated information to OMB to identify the FY 2024 debt service needs of the Series 2023A Refunding GO Bond issuance. Mr. Williams reviewed a summary page for the refunding, which closed in February 2023 and provided debt service savings in each fiscal year, which is approximately \$1.75 million on a net present value basis.

The 2022-2023 Alaska Public Debt Book, compiling information from Departments and Agencies across the State, was disclosed prior to 1/31/2023 deadline. The FY2022 ACFR late notice, and subsequent final FY2022 ACFR, was posted by Mr. Williams on the EMMA-MSRB disclosure site to meet all continuing disclosure requirements for underlying GO Bonds for FYE 2022.

Mr. Williams noted that the State of Alaska will update all rating agencies the first full week of June. The presentations cover any FY2024 budget enactments (pending), the Spring 2023 Revenue Forecast, and other current events. Mr. Williams stated that the State anticipates the engagement of Kroll Ratings.

Mr. Williams provided commentary from his understanding on the Federal debt ceiling debate. The 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. Mr. Williams is monitoring the ongoing debt ceiling discussions and potential US Treasury payment deficiencies related to bond project funds and implied borrowing rates.

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. Mr. Williams stated that he would anticipate a Fall 2023 meeting and would notify the chair of any activity.

XI. Adjournment

Adjournment of the meeting was moved by Mr. Limani and seconded by Mr. Donley. The meeting was adjourned at 2:28 p.m. Alaska Time.

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

ATTEST:

Adam Crum, Commissioner, Department of Revenue

STATE BOND COMMITTEE
OF THE STATE OF ALASKA

RESOLUTION NO. 2023-04

Providing for the Issuance of

Alaska Clean Water Fund Revenue Bond Anticipation Note, 2023 Series A
and of
Alaska Drinking Water Fund Revenue Bond Anticipation Note, 2023 Series B

Approved on October 18, 2023

Prepared by:

ORRICK, HERRINGTON & SUTCLIFFE LLP

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* This Table of Contents is not a part of the following resolution.

STATE BOND COMMITTEE

RESOLUTION NO. 2023-04

A Resolution of the State Bond Committee of the State of Alaska relating to the issuance and sale of two series of notes to be designated as Alaska Clean Water Fund Revenue Bond Anticipation Note, 2023 Series A in the aggregate principal amount of up to \$2,013,200 and Alaska Drinking Water Fund Revenue Bond Anticipation Note, 2023 Series B in the aggregate principal amount of up to \$2,856,600; fixing the place of payment and other covenants with respect to said notes; authorizing the Debt Manager to solicit proposals from banks for the purchase of the notes, to approve the final interest costs and maturity dates for the notes; and authorizing the Designated Representative to execute a purchase contract, under the terms and conditions set forth herein.

WHEREAS, the Federal Water Quality Act of 1987 (the “Clean Water Act”) established a state revolving fund program in order to replace the United States Environmental Protection Agency (“EPA”) construction grants program with revolving loan programs operated by the individual states; and

WHEREAS, the Safe Drinking Water Act Amendments of 1996, amending the Safe Drinking Water Act (the “Drinking Water Act”) also established a state revolving fund program in order to permit states to establish revolving fund loan programs; and

WHEREAS, in order to capitalize state revolving funds, the EPA may make annual capitalization grants to the states, on the condition that each state provide a state match for such state’s revolving funds; and

WHEREAS, Chapter 141 of the Session Laws of Alaska of 1996, as amended in 2000 by the Alaska Legislature in House Bill 304(FIN) and as codified at AS 37.15.560-.605 and AS 46.03.032-.039 (the “Act”), authorized the issuance and sale of Alaska Clean Water Fund revenue bonds of the State of Alaska (the “State”) in the principal amount of up to \$15,000,000 per Fiscal Year or up to \$150,000,000 total to provide financial assistance to municipalities and other qualified entities through the Alaska Clean Water Fund Loan Program (the “Authorized Clean Water Bonds”); and

WHEREAS, the Act authorized the issuance and sale of Alaska Drinking Water Fund revenue bonds of the State in the principal amount of up to \$15,000,000 per Fiscal Year or up to \$150,000,000 total to provide financial assistance to municipalities and other qualified entities through the Alaska Drinking Water Fund Loan Program (the “Authorized Drinking Water Bonds”); and

WHEREAS, AS 37.15.300-.390 authorizes the State Bond Committee (the “Committee”), when the Committee considers it in the best interests of the State, to borrow money in anticipation of the sale of revenue bonds if money to be derived from the sale of the bonds has been appropriated and if the revenue bonds have been authorized by law; and

WHEREAS, the Committee wishes to delegate authority to the Debt Manager of the State to solicit proposals from banks for the purchase of the notes authorized herein, approve the interest costs and maturity dates for the Notes within the parameters described in this resolution;

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

Section 1. Defined Terms. In this resolution, the following terms shall have the following meanings.

“Act” means Chapter 141 of the Session Laws of Alaska of 1996, as amended by House Bill No. 304 (FIN), codified at AS 37.15.560-.605 and AS 46.03.032-.039.

“Alaska Clean Water Fund” or **“Clean Water Fund”** means the fund established pursuant to AS 46.03.032(a).

“Alaska Drinking Water Fund” or **“Drinking Water Fund”** means the fund of that name established pursuant to AS 46.03.036.

“Bank” means the bank selected and identified by the Debt Manager in accordance with the authority granted to him pursuant to Section 5 hereof.

“Bond Fund – Clean Water” means the Alaska Clean Water Fund Revenue Bond Redemption Fund, established pursuant to AS 37.15.565.

“Bond Fund – Drinking Water” means the Alaska Drinking Water Fund Revenue Bond Redemption Fund, established pursuant to AS 37.15.565.

“Bonds” mean Clean Water Bonds or the Drinking Water Bonds.

“Clean Water Act” means the Federal Clean Water Act, as amended by the Federal Water Quality Act of 1987, 33 U.S.C. 1251-1387.

“Clean Water Bonds” means the bonds payable from Clean Water Revenues which include interest on loan repayments and investment interest and issued under authority of AS 37.15.560-.605 pursuant to authorization of the Committee.

“Clean Water Maturity Date” means the date of maturity of the Clean Water Note, which date of maturity shall be specified in the Purchase Contract and shall be no later than December 31, 2023.

“Clean Water Note” as further defined in Section 4(a), means the Alaska Clean Water Fund Revenue Bond Anticipation Note, 2023 Series A in the aggregate principal amount of up to \$2,013,200.

“Clean Water Project” means any one of the following categories of projects:

- (a) planning, designing, building, constructing and rehabilitating a public

wastewater collection, treatment or discharge system;

(b) implementing a management program for controlling water pollution from nonpoint sources under 33 U.S.C. 1329, including planning, designing, building, constructing and rehabilitating a solid waste management system; and

(c) developing and implementing an estuary conservation and management program under 33 U.S.C. 1330.

“Clean Water Rate” means the per annum interest rate payable on the Clean Water Note, which interest rate shall be specified in the Purchase Contract.

“Clean Water Revenues” means the money on hand in the Clean Water Fund, including money appropriated by the State Legislature to meet federal matching requirements, federal capitalization grants, loan repayments, interest received from loan repayments and interest received from investment of money in the Clean Water Fund and the proceeds and accrued interest received from the sale of Clean Water Bonds issued under AS 37.15.560-.605 and secured by the Clean Water Fund.

“Committee” means the state bond committee, created pursuant to AS 37.15.110, whose members include the commissioner of commerce, community and economic development, the commissioner of administration and the commissioner of revenue.

“DEC” means the State of Alaska Department of Environmental Conservation, or a successor.

“DEC Representative” means the Commissioner of DEC or such other official of DEC as shall be designated by the Commissioner in writing to the Designated Representative.

“Designated Representative” means the Debt Manager of DOR and the Secretary of the Committee or such other person as may be designated from time to time by resolution of the Committee.

“DOR” means the State of Alaska Department of Revenue, or a successor.

“Drinking Water Act” means the Federal Safe Drinking Water Act, as amended by the Safe Drinking Water Act Amendments of 1996, 42 U.S.C. 300j *et. seq.*

“Drinking Water Bonds” means the bonds payable from Drinking Water Revenues which include interest on loan repayments and investment interest and issued under authority of AS 37.15.560-.605 pursuant to authorization of the Committee.

“Drinking Water Fund” means the separate fund established by AS 46.03.036(a).

“Drinking Water Maturity Date” means the date of maturity of the Drinking Water Note, which date of maturity shall be specified in the Purchase Contract and shall be no later than December 31, 2023.

“Drinking Water Note” as further defined in Section 4(b), means the Alaska Drinking Water Fund Revenue Bond Anticipation Note, 2023 Series B in the aggregate principal amount of up to \$2,856,600 .

“Drinking Water Rate” means the per annum interest rate payable on the Drinking Water Note, which interest rate shall be specified in the Purchase Contract.

“Drinking Water Project” means drinking water system projects, including projects to plan, design, build, construct, or rehabilitate a public drinking water collection, storage, treatment or distribution system.

“Drinking Water Revenues” means the money on hand in the Drinking Water Fund, including money appropriated by the State Legislature to meet federal matching requirements, federal capitalization grants, loan repayments, interest received from loan repayments and interest received from investment of money in the Drinking Water Fund and the proceeds and accrued interest received from the sale of Drinking Water Bonds issued under AS 37.15.560-.605 and secured by the Drinking Water Fund.

“Fiscal Year” means the fiscal year of the State, which currently is July through June of each year.

“Note Account – Clean Water” means the Alaska Clean Water Fund Revenue Bond Anticipation Note Account, created within the Bond Fund – Clean Water for the payment of principal and interest on the Clean Water Note.

“Note Account – Drinking Water” means the Alaska Drinking Water Fund Revenue Bond Anticipation Note Account, created within the Bond Fund – Drinking Water for the payment of principal and interest on the Drinking Water Note.

“Note Register” means the books or records maintained by the State containing the name and mailing address of the owner of each Note or nominee of such owner and the principal amount and number of Notes held by each owner or nominee.

“Notes” means either or both of the Clean Water Note and the Drinking Water Note.

“Pledged Clean Water Revenue” means Clean Water Revenues consisting of interest received from investment of money in the Clean Water Fund and the interest portion of loan repayments.

“Pledged Drinking Water Revenue” means Drinking Water Revenues consisting of interest received from investment of money in the Drinking Water Fund and the interest portion of loan repayments.

“Purchase Contract” means a purchase contract or agreement executed by the Designated Representative and the Bank in connection with the sale and purchase of the Notes as authorized to be executed pursuant to Section 5 hereof.

“Regulations” means the regulations promulgated by DEC with respect to the Alaska Clean Water and Drinking Water Revolving Loan Funds, under 18 AAC 76, as the same may be hereafter amended or modified and supplemented from time to time.

“Series” means all of the Bonds authenticated and delivered on original issuance and identified as being a part of a separate series.

“State” means the State of Alaska.

Section 2. Authorization of Series of Clean Water Bonds. The State shall issue Clean Water Bonds in Series from time to time to implement the Act. The proceeds of the Clean Water Bonds shall be used for the purposes described in AS 46.03.032(d). The Clean Water Bonds shall be authorized by resolution of the Committee which shall fix the principal amount, denomination, date, maturities, manner of sale, place or places of payment, rights of redemption, if any, terms, form, conditions and covenants of said Clean Water Bonds.

Section 3. Authorization of Series of Drinking Water Bonds. The State shall issue Drinking Water Bonds in Series from time to time to implement the Act. The proceeds of the Drinking Water Bonds shall be used for the purposes described in AS 46.03.036. The Drinking Water Bonds shall be authorized by resolution of the Committee which shall fix the principal amount, denomination, date, maturities, manner of sale, place or places of payment, rights of redemption, if any, terms, form, conditions and covenants of said Drinking Water Bonds.

Section 4. Authorization of Notes.

(a) *Clean Water Note.* In anticipation of the issuance of the Clean Water Bonds authorized by Section 2 hereof, the Committee hereby authorizes the issuance of a revenue bond anticipation note to finance certain Clean Water Projects (the “Clean Water Note”). The Clean Water Note shall be issued in the aggregate principal amount of up to \$2,013,200 and shall be designated as the Alaska Clean Water Fund Revenue Bond Anticipation Note, 2023 Series A. The Clean Water Note shall be dated as of the date of its issuance and delivery; shall be fully registered as to both principal and interest, shall be in the denomination of up to \$2,013,200, shall be numbered N-1, and shall bear interest on unpaid principal from its date at a rate equal to the Clean Water Rate and shall mature on the Clean Water Maturity Date.

(b) *Drinking Water Note.* In anticipation of the issuance of the Drinking Water Bonds authorized by Section 3 hereof, the Committee hereby authorizes the issuance of a revenue bond anticipation note to finance certain Drinking Water Projects (the “Drinking Water Note”). The Drinking Water Note shall be issued in the aggregate principal amount of up to \$2,856,600 and shall be designated as the Alaska Drinking Water Fund Revenue Bond Anticipation Note, 2023 Series B. The Drinking Water Note shall be dated as of the date of its issuance and delivery; shall be fully registered as to both principal and interest, shall be in the denomination of up to \$2,856,600, shall be numbered N-1, and shall bear interest on unpaid principal from its date at a rate equal to the Drinking Water Rate, payable at maturity and shall mature on the Drinking Water Maturity Date.

(c) *Place and Medium of Payment.* The principal of and interest on the Notes shall be payable in lawful money of the United States of America. Interest on the Notes shall be

calculated on the basis of a 365-day year and actual days elapsed. Upon presentation and surrender of the Clean Water Note, principal and interest shall be transferred from the Note Account – Clean Water to the Bank on the date when due. Upon presentation and surrender of the Drinking Water Note, principal and interest shall be transferred from the Note Account – Drinking Water to the Bank on the date when due. Interest and principal of the Notes shall, upon request of the Bank, be payable by wire transfer to the account of the Bank on the date due (upon confirmation that the Notes shall have been presented to the Designated Representative for payment).

Section 5. Designated Representative. The Committee hereby designates the Debt Manager of the Department of Revenue and the Secretary of the Committee to act on its behalf as the “Designated Representative” and to exercise the authority granted to the Designated Representative hereunder.

The Committee has determined that it may be inconvenient to meet before the proposed time on which money may be required from the sale of the Notes. Accordingly, the Debt Manager is hereby authorized to prepare a solicitation for proposals to be circulated to local, Alaska banks for the purchase of the Notes and to review and negotiate terms for the purchase of the Notes consistent with the terms of this section. The Committee has determined that it would be in the best interest of the Committee to delegate to the Debt Manager for a limited time the authority to approve the final interest costs and maturity dates for the Notes and other terms and conditions of the Notes. The Debt Manager is hereby authorized to approve the final interest costs (to be expressed as an interest rate for each Note) and maturity dates of Notes and the total of all other costs to be incurred in connection with the financing in the manner provided hereafter.

If the Debt Manager elects to prepare a solicitation and in preparing the solicitation for proposals, evaluating the responses, negotiating a Purchase Contract and determining the final interest rates, maturity dates and total costs of issuance for the Notes, the Debt Manager, in consultation with the Commissioner of the Department of Revenue and the State’s financial advisor, shall take into account those factors that, in his judgment, will result in the lowest true interest cost on the Notes to their maturity, including, but not limited to current financial market conditions and current interest rates for obligations comparable in tenor and quality to the Notes. The date of issuance and final maturity date shall occur no later than December 31, 2023, and the total costs of the Notes, including total interest payable on the Notes, shall not exceed \$15,000. Subject to the terms and conditions set forth in this Section 5, the Debt Manager is authorized to reject any proposal received (including all proposals) and to re-advertise and accept the proposal deemed most responsive and cost effective. The Designated Representative is hereby authorized to execute the final form of the Purchase Contract. Following the execution of the Purchase Contract, the Debt Manager shall provide a report to the Committee, describing the final terms of the Notes approved pursuant to the authority delegated in this section. The authority granted to the Designated Representative by this Section 5 shall expire 75 days after the date of adoption and approval of this resolution. If the Purchase Contract for the Notes has not been executed within 75 days after the date of adoption and final approval of this resolution, the authorization for the issuance of the Notes shall be rescinded, and such Notes shall not be issued nor their sale approved unless such Notes shall have been re-authorized by resolution of the Committee. The resolution re-authorizing the issuance and sale of such Notes may be in the form of a new resolution repealing this resolution in whole or in part (only with respect to the Notes not issued) or may be in the form of an amendatory resolution approving a purchase contract or establishing terms and conditions

for the authority delegated under this Section 5.

The Debt Manager and the State's financial advisor are hereby authorized to review and approve on behalf of the Committee a request for qualifications/proposal to be distributed to eligible banking institutions relative to the Notes with such additions and changes as may be deemed necessary or advisable to them. The proper State officials are hereby authorized and directed to do everything necessary for the prompt execution and delivery of the Notes to the Bank and for the proper application and use of the proceeds of sale thereof.

The Designated Representative is hereby designated as the registrar and authenticating agent for the Notes. The Designated Representative is hereby further authorized to contract with and arrange for the printing and delivery of the Notes.

Section 6. Sale of Notes. The Notes shall be sold to the Bank in accordance with its proposal for the purchase of the Notes and the Purchase Contract, as authorized to be delivered under Section 5 of this resolution. The Designated Representative is hereby authorized and directed to do all things necessary for the prompt delivery of the Notes to the Bank.

Section 7. Form of Notes.

(a) *Clean Water Note.* The Clean Water Note shall be in substantially the following form:

UNITED STATES OF AMERICA

NO. 1 \$ _____

STATE OF ALASKA
ALASKA CLEAN WATER REVENUE BOND ANTICIPATION NOTE,
2023 SERIES A

INTEREST RATE: _____% MATURITY DATE: _____, 2023
DATED DATE: _____, 2023
REGISTERED OWNER: _____
TAX ID NUMBER: _____
PRINCIPAL AMOUNT: _____

The State of Alaska (the "State") hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or its registered assigns, but solely from the Note Account – Clean Water (hereinafter defined) on the Maturity Date identified above, the Principal Amount indicated above together with interest thereon from the Dated Date payable on the Maturity Date. Such Principal Amount, together with accrued interest, shall be paid only upon presentation and surrender of this note at the office of the Debt Manager of the State of Alaska, as registrar and authenticating agent (the "Registrar"). Both principal of and interest on this note are payable in lawful money of the United States of America solely out of the Note Account – Clean Water (the "Note Account – Clean Water") created within the special fund of the State known as the "Alaska Clean Water Fund Revenue Bond Redemption Fund" (the "Bond Fund –Clean Water") established pursuant to AS 37.15.565 and in accordance with the terms of Resolution

No. 2023-04 (the “Resolution”) of the State Bond Committee (the “Committee”). The definitions contained in the Resolution shall apply to capitalized terms contained herein.

This note is issued pursuant to the Constitution and statutes of the State of Alaska and duly adopted resolutions of the Committee in anticipation of the issuance of clean water fund revenue bonds for the purpose of implementing the Alaska Clean Water Fund Loan Program for the State and its municipalities. This note is payable solely from the Note Account – Clean Water, into which shall be deposited Clean Water Revenues consisting of interest earnings on Clean Water Revenues in the Clean Water Fund and the interest portion of loan repayments (collectively, “Pledged Clean Water Revenue”) deposited in the Clean Water Fund and/or the proceeds of Clean Water Bonds or of refunding bond anticipation notes on or prior to the maturity of this note.

THIS NOTE SHALL NOT BE DEEMED TO CONSTITUTE A GENERAL OBLIGATION OF THE STATE OF ALASKA OR ANY OF ITS DEPARTMENTS, OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF ALASKA OR OF ANY SUCH DEPARTMENT, BUT SHALL BE PAYABLE SOLELY FROM THE NOTE ACCOUNT – CLEAN WATER WITHIN THE BOND FUND – CLEAN WATER AND FROM THE CLEAN WATER REVENUES. THE STATE OF ALASKA SHALL NOT BE OBLIGATED TO PAY THE SAME NOR INTEREST THEREON EXCEPT FROM SUCH PAYMENTS AND PROCEEDS PLEDGED THEREFOR, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF ALASKA OR OF ANY DEPARTMENT THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THIS NOTE.

The interest on this note is not exempt from federal income taxation. The interest on this note is includible in federal gross income.

This note shall not be validly issued until duly authenticated by the manual signature of the Registrar in the Certificate of Authentication below.

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Alaska, and resolutions of the State to be done precedent to and in the issuance of this note have happened, been done and performed.

IN WITNESS WHEREOF, the State of Alaska has caused this note to be executed with the facsimile signature of the Governor of the State of Alaska and to be countersigned by the Lieutenant Governor, this ____ day of _____, 2023.

STATE OF ALASKA

By _____
Governor

Countersigned:

Lieutenant Governor

The Certificate of Authentication on the Clean Water Note shall be in substantially the following form:

Date of Authentication:

CERTIFICATE OF AUTHENTICATION

This note is the note described in the within-mentioned Resolution and is the Alaska Clean Water Fund Revenue Bond Anticipation Note, 2023 Series A of the State of Alaska, dated _____, 2023.

STATE OF ALASKA

DEPARTMENT OF REVENUE

By _____
Debt Manager

(b) *Drinking Water Note.* The Drinking Water Note shall be in substantially the following form:

UNITED STATES OF AMERICA

NO. 1

\$ _____

STATE OF ALASKA
ALASKA DRINKING WATER REVENUE BOND ANTICIPATION NOTE,
2023 SERIES B

INTEREST RATE: _____% MATURITY DATE: _____, 2023

DATED DATE: _____, 2023

REGISTERED OWNER: _____

TAX ID NUMBER: _____

PRINCIPAL AMOUNT: _____

The State of Alaska (the “State”) hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or its registered assigns, but solely from the Note Account – Drinking Water (hereinafter defined) on the Maturity Date identified above, the Principal Amount indicated above together with interest thereon from the Dated Date payable on the Maturity Date. Such Principal Amount, together with accrued interest, shall be paid only upon presentation and surrender of this note at the office of the Debt Manager of the State of Alaska, as registrar and authenticating agent (the “Registrar”). Both principal of and interest on this note are payable in lawful money of the United States of America solely out of the Note Account – Drinking Water (the “Note Account – Drinking Water”) created within the special fund of the State known as the “Alaska Drinking Water Fund Revenue Bond Redemption Fund” (the “Bond Fund – Drinking Water”) established pursuant to AS 37.15.565” and in accordance with the terms of Resolution No. 2023-04 (the “Resolution”) of the State Bond Committee (the “Committee”). The definitions contained in the Resolution shall apply to capitalized terms contained herein.

This note is issued pursuant to the Constitution and statutes of the State of Alaska and duly adopted resolutions of the Committee in anticipation of the issuance of drinking water fund revenue bonds for the purpose of implementing the Alaska Drinking Water Fund Loan Program for the State and its municipalities. This note is payable solely from the Note Account – Drinking Water, into which shall be deposited Drinking Water Revenues constituting interest received from investment of money in the Drinking Water Fund and the interest portion of loan repayments (collectively, “Pledged Drinking Water Revenue”) and/or the proceeds of Drinking Water Bonds or of refunding bond anticipation notes on or prior to the maturity of this note.

THIS NOTE SHALL NOT BE DEEMED TO CONSTITUTE A GENERAL OBLIGATION OF THE STATE OF ALASKA OR ANY OF ITS DEPARTMENTS, OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF ALASKA OR OF ANY SUCH DEPARTMENT, BUT SHALL BE PAYABLE SOLELY FROM THE NOTE ACCOUNT – DRINKING WATER WITHIN THE BOND FUND – DRINKING WATER AND FROM THE DRINKING WATER REVENUES. THE STATE OF ALASKA SHALL NOT BE OBLIGATED TO PAY THE SAME NOR INTEREST THEREON EXCEPT FROM SUCH PAYMENTS AND PROCEEDS PLEDGED THEREFOR, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF ALASKA OR OF ANY DEPARTMENT THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THIS NOTE.

The interest on this note is not exempt from federal income taxation. The interest on this note is includible in federal gross income.

This note shall not be validly issued until duly authenticated by the manual signature of the Registrar in the Certificate of Authentication below.

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Alaska, and resolutions of the State to be done precedent to and in the issuance of this note have happened, been done and performed.

IN WITNESS WHEREOF, the State of Alaska has caused this note to be executed with the facsimile signature of the Governor of the State of Alaska and to be countersigned by the Lieutenant Governor, this ____ day of _____, 2023.

STATE OF ALASKA

By _____
Governor

Countersigned:

Lieutenant Governor

The Certificate of Authentication on the Drinking Water Note shall be in substantially the following form:

Date of Authentication:

CERTIFICATE OF AUTHENTICATION

This note is the note described in the within-mentioned Resolution and is the Alaska Drinking Water Fund Revenue Bond Anticipation Note, 2023 Series B of the State of Alaska, dated _____, 2023.

STATE OF ALASKA

DEPARTMENT OF REVENUE

By _____
Debt Manager

Section 8. Execution and Delivery of Notes. The Notes shall be executed with the facsimile signature of the Governor and countersigned by facsimile signature of the Lieutenant Governor. The Designated Representative is hereby authorized and directed to authenticate and thereafter to deliver the Notes to the Bank.

Section 9. Disbursement of Note Proceeds.

(a) Alaska Clean Water Fund. The Alaska Clean Water Fund has been established as a State fund by AS 46.03.032. The net proceeds of the Clean Water Note shall be deposited in the Clean Water Fund and shall be disbursed as directed by legislative appropriation to pay costs of Clean Water Projects and for such additional purposes as provided in AS 46.03.032, including but not limited to the provision of state matching funds. Costs of issuance for the Clean Water Note shall be paid from gross proceeds of the Clean Water Note and shall be paid on the date of issuance of the Clean Water Note.

(b) Alaska Drinking Water Fund. The Alaska Drinking Water Fund has been established as a State fund by AS 46.03.036. The net proceeds of the Drinking Water Note shall be deposited in the Drinking Water Fund and shall be disbursed as directed by legislative appropriation to pay costs of Drinking Water Projects and for such additional purposes as provided in AS 46.03.036, including but not limited to the provision of state matching funds. Costs of issuance for the Drinking Water Note shall be paid from gross proceeds of the Drinking Water Note and shall be paid on the date of issuance of the Drinking Water Note.

Section 10. Repayment of Notes.

(a) Note Account – Clean Water. The Bond Fund – Clean Water has been established as a State fund within the State by AS 37.15.565. There is authorized to be created within the Bond Fund – Clean Water an account to be named the “Note Account – Clean Water.” The Note Account – Clean Water shall be a trust fund used for paying and securing the payment of principal of and interest on the Clean Water Note.

On or prior to the date the Clean Water Note becomes due and payable, and in the event that money is not otherwise on hand in the Note Account – Clean Water, the State shall cause to

be deposited in the Revenue Account – Clean Water, sufficient Pledged Clean Water Revenue to pay and redeem the Clean Water Note.

On or before the date on which the Clean Water Note matures, the Designated Representative shall cause to be deposited Pledged Clean Water Revenue in the Note Account – Clean Water or the Committee shall cause Clean Water Bonds to be issued or issue a refunding bond anticipation note to provide amounts sufficient to pay and redeem the Clean Water Note. The Designated Representative is hereby authorized to transfer Pledged Clean Water Revenue from the Revenue Account – Clean Water to the Note Account – Clean Water amounts sufficient to pay and redeem the Clean Water Note when due.

The Clean Water Note shall be an obligation only of the Note Account – Clean Water created and maintained within the Bond Fund – Clean Water and shall not constitute a general obligation of the State. When principal of and interest of the Clean Water Note has been paid in full, any remaining amount in the Note Account – Clean Water shall become part of the entire Bond Fund – Clean Water, and the Note Account – Clean Water shall be closed.

(b) Note Account – Drinking Water. The Bond Fund – Drinking Water has been established as a State fund within the State by AS 37.15.565. There is authorized to be created within the Bond Fund – Drinking Water an account to be named the “Note Account – Drinking Water.” The Note Account – Drinking Water shall be a trust fund used for paying and securing the payment of principal of and interest on the Drinking Water Note.

On or prior to the date the Drinking Water Note becomes due and payable, and in the event that money is not otherwise on hand in the Note Account – Drinking Water, the State shall cause to be deposited in the Revenue Account – Drinking Water, sufficient Pledged Drinking Water Revenue to pay and redeem the Drinking Water Note.

On or before the date on which the Drinking Water Note matures, the Designated Representative shall cause to be deposited Pledged Drinking Water Revenue in the Note Account – Drinking Water or the Committee shall cause Drinking Water Bonds to be issued or issue a refunding bond anticipation note to provide amounts sufficient to pay and redeem the Drinking Water Note. The Designated Representative is hereby authorized to transfer Pledged Drinking Water Revenue from the Revenue Account – Drinking Water to the Note Account – Drinking Water amounts sufficient to pay and redeem the Drinking Water Note when due.

The Drinking Water Note shall be an obligation only of the Note Account – Drinking Water created and maintained within the Bond Fund – Drinking Water and shall not constitute a general obligation of the State.

When principal of and interest of the Drinking Water Note has been paid in full, any remaining amount in the Note Account – Drinking Water shall become part of the entire Bond Fund – Drinking Water, and the Note Account – Drinking Water shall be closed.

Section 11. Further Documents and Certificates. The Chair of the Committee and the Designated Representative, as may be appropriate, are authorized and directed to execute any and all documents and do any and all things determined necessary to effect the accomplishment of the issuance, placement and delivery of the Notes and to deliver the necessary documents to the proper parties as requested to carry out the intended purposes of this resolution.

Section 12. Limitations on Liability. Nothing contained in this resolution nor in the Notes, nor any other instrument, shall be construed with respect to the State as incurring a charge upon the general credit of the State or against the taxing power of the State, nor shall the breach of any agreement contained in this resolution, the Notes or any other instrument or document executed in connection therewith impose any charge upon the general credit of the State or the taxing power of the State.

ADOPTED AND APPROVED by the State Bond Committee of the State of Alaska, the 18th day of October 2023.

STATE OF ALASKA
STATE BOND COMMITTEE

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

PAULA VRANA
Commissioner, Department of Administration
Member
Alaska State Bond Committee

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

Approved as to form:

Alaska Department of Law
State of Alaska

CERTIFICATE

I, the undersigned, Secretary of the State Bond Committee of the State of Alaska (herein called the “Committee”) DO HEREBY CERTIFY:

1. That the attached Resolution No. 2023-04 (herein called the “Resolution”) is a true and correct copy of a resolution of the Committee as adopted at a meeting held on October 18, 2023, and duly recorded in my office.

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 adoption of the Resolution; that all other requirements and proceedings incident to the proper adoption of the 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 18th day of October 2023.

Secretary

MEMORANDUM OF UNDERSTANDING

DRAFT

Between: Department of Environmental Conservation **Date:** October 9, 2023
Department of Revenue

From: Ryan Williams **Telephone:** 465-2893
Debt Manager
Treasury Division

Subject: Clean Water Fund and Drinking Water Fund 2023 Bonding

OVERVIEW –

The Clean Water and Drinking Water Funds are revolving loan funds administered by the Department of Environmental Conservation (DEC) with federal oversight provided by the Environmental Protection Agency (EPA). Both Funds are authorized to issue debt through the State Bond Committee (SBC). Both Funds hold interest earnings from loans that have been made out of the Funds and interest earnings within the Funds. Federal regulation allows interest earnings within the Funds to be used for the retirement of debts of the Funds.

In an effort to reduce general fund match exposure in obtaining federal match funding DEC (at the suggestion of the EPA) proposed borrowing the state match requirement secured by interest earnings of the Funds and repaying the borrowing immediately. The state has used this exercise to eliminate the need for general fund money to secure federal dollars in each of the last sixteen years.

TRANSACTION

CLOSING –

On November 14, 2023, \$4,779,545 in Revenue Bond Anticipation Notes will be issued. \$1,967,211 will be issued as the Alaska Clean Water Revenue Bond Anticipation Note, 2023 Series A. \$2,812,334 will be issued as the Alaska Drinking Water Fund Revenue Bond Anticipation Note, 2023 Series B. The bonds will be purchased by KeyBank, National Association, A KeyCorp Company (“KeyBank”). Proceeds of the sale will be distributed by KeyBank as follows:

1. On November 14, 2023, \$1,963,200.48 will be wired to the State of Alaska for deposit to the Alaska Clean Water Fund held in AY01. DEC will ensure interest is credited to the Fund. Wire Instructions are:

State Street Bank and Trust Company
State Street Financial Center
1776 Heritage Dr.
North Quincy, MA 02171

ABA #011000028
State of Alaska – AY01
General Investment Fund
Account #00657189
Attn: Cash Management, 907-465-2360

2. On November 14, 2023, \$2,806,600.52 will be wired to the State of Alaska for deposit to the Alaska Drinking Water Fund held in AY01. DEC will ensure interest is credited to the Fund. Wire Instructions are:

State Street Bank and Trust Company
State Street Financial Center
1776 Heritage Dr.
North Quincy, MA 02171

ABA #011000028
State of Alaska – AY01
General Investment Fund
Account #00657189
Attn: Cash Management, 907-465-2360

3. On November 14, 2023, KeyBank will retain \$5,244.00, \$4,000.00 for payment of the origination fee, and \$1,244.00 for overnight interest expense. A total of \$2,158.37 is allocable to the Series 2023A (\$1,646.36 for origination fee, and \$512.01 for interest expense) and a total of \$3,085.63 is allocable to the Series 2023B (\$2,353.64 for origination fee, and \$731.99 for interest expense).
4. On November 14, 2023, KeyBank will wire \$4,500.00 to Orrick Herrington & Sutcliffe LLP for payment of services related to the issuance of the BANs. (\$1,852.15 is allocated to the Series 2023A and \$2,647.85 to the Series 2023B). Wire Instructions are:

Send to: ABA No. 121000248
SWIFT Code: WFBIUS6S
Wells Fargo
420 Montgomery Street
San Francisco, CA 94104
Account of: Orrick, Herrington & Sutcliffe LLP
Account No. 4123701088

Reference Required: client No. 40003-17

REDEMPTION –

On November 15, 2023, \$1,967,211 will be transferred from the interest earnings in the Clean Water Fund to the Bond Redemption Fund. The funds will then immediately be wired to KeyBank (see wire instructions below) for redemption of the Alaska Clean Water Revenue Bond Anticipation Note, 2023 Series A.

WIRE INSTUCTIONS SERIES A

BANK:	KeyBank National Association
ABA ROUTING #:	041001039
ATTN:	Key Agency Services
ACCOUNT #:	1140228209035
Ref:	State of Alaska

On November 15, 2023, \$2,812,334 will be transferred from the interest earnings in the Drinking Water Fund to the Bond Redemption Fund. The funds will then immediately be wired to KeyBank (see wire instructions below) for redemption of the Alaska Drinking Water Revenue Bond Anticipation Note, 2023 Series B.

WIRE INSTUCTIONS SERIES B

BANK:	KeyBank National Association
ABA ROUTING #:	041001039
ATTN:	Key Agency Services
ACCOUNT #:	1140228209035
Ref:	State of Alaska



STATE BOND COMMITTEE - STATE OF ALASKA
Clean Water & Drinking Water Bond Anticipation Notes, 2023 Series AB

Distribution List as of October 12, 2023

Page 1 of 1

Issuer	Telephone	Mobile	E-Mail
STATE OF ALASKA State Office Building 333 Willoughby Juneau, AK 99811-0400			
DEPARTMENT OF REVENUE			
Ryan Williams, Debt Manager, Treasury	907-465-2893		ryan.williams@alaska.gov
Gabe Ellenbecker, Cash Management, Treasury	907-465-3718		gabe.ellenbecker@alaska.gov
DEPARTMENT OF ENVIRONMENTAL CONSERVATION			
Brook Larson, Division Operations Manager	907-465-5256		brook.larson@alaska.gov
Catherine Dallaire, Administrative Operations Manager	907-451-5197		cathy.dallaire@alaska.gov
Lucetra Kilpatrick, Accountant IV	907-465-4016		lucetra.kilpatrick@alaska.gov
Carrie Bohan, Environmental Program Manager	907-465-5143		carrie.bohan@alaska.gov
DEPARTMENT OF ADMINISTRATION			
Ciara Meek, Accountant V	907-465-5606		ciara.meek@alaska.gov
Jesse Cox, Accountant IV	907-465-5612		jesse.cox@alaska.gov
Bond Counsel			
ORRICK, HERRINGTON & SUTCLIFFE LLP 701 5 th Avenue, Suite 5600 Seattle, WA 98104-7097 & West Coast			
Leslie Conrad Krusen, Esq.	(Seattle)	206-839-4334	lkrusen@orrick.com
Greg Blonde, Esq.	(Portland)	503-943-4823	gblonde@orrick.com
Angie Gardner, Esq.	(Portland)	503-943-4826	agardner@orrick.com
Nina Brox, Esq.	(Sacramento)	415-818-5109	nbrox@orrick.com
Underwriter			
KeyBanc Capital Markets Public Sector / Public Finance 1301 5 th Ave., 24 th Floor Seattle, WA 98101			
Tony Pass, Senior Vice President	206-849-4839		anthony.pass@key.com
Ralph Juan, Senior Vice President			ralph.juan@key.com

Working Group Email List:

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STATE BOND COMMITTEE

RESOLUTION NO. 2023-05

**A Resolution of the State Bond Committee
of the State of Alaska Allocating the
Private Activity Bond Volume Limit of the State of Alaska for
Calendar Year 2023**

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

WHEREAS, the volume cap for calendar year 2023 is \$358,845,000; and

WHEREAS, for over ten years, there have been limited requests for volume cap, with annual calendar year allocations to the Alaska Housing Finance Corporation ("AHFC") of all or a majority of each calendar year's cap for potential use in future years; and

WHEREAS, AHFC intends to issue bonds in calendar year 2024; and

WHEREAS, AHFC routinely issues bonds to finance residential and multi-family housing projects; and

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

WHEREAS, there have been no requests by municipalities and no other requests for volume cap allocation for calendar year 2023.

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

Section 1. The Committee hereby allocates \$358,845,000 of the 2023 private activity bond volume limit for the State of Alaska to AHFC.

Section 2. This Resolution becomes effective on December 31, 2023.

State Bond Committee
Resolution 2023-05

Page 2 of 2

DATED AND ADOPTED this 18th day of October, 2023.

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

Adam Crum, Commissioner of the Department
of Revenue, Secretary

Paula Vrana, Commissioner of the Department
of Administration, Member

APPROVED AS TO FORM:

Attorney General of the
State of Alaska

MEMORANDUM

STATE OF ALASKA
Department of Revenue

TO: State Bond Committee

DATE: October 10, 2023

FROM: Ryan Williams
Debt Manager
Treasury Division

TELEPHONE: 465-2893

SUBJECT: Report

Upcoming Budget - I am in the process of providing annual information to identify the FY 2025 debt service needs for the State's GO bonds, subject to appropriation lease revenue obligations and certificates of participation.

The State of Alaska will be updating rating agencies at the beginning of 2024, with forthcoming updates to the budget and revenue forecast. The presentations will cover current FY2024 budget activity, the Fall 2023 Revenue Forecast, and other current events.

On July 20, 2023, Kroll Bond Rating Agency (KBRA) released a rating on the outstanding State GO Bonds at "AA" with an outlook of stable. Enclosed in the packet is a copy of the detailed KBRA report, covering several rating assessments from KBRA's perspective.

State of Alaska – G.O.

Issuer: State of Alaska		
Assigned	Rating	Outlook
General Obligation Bonds	AA	Stable

Methodology:

[U.S. State General Obligation Rating Methodology](#)

[ESG Global Rating Methodology](#)

Analytical Contacts:

Michael Taylor, Senior Director

+1 (646) 731-3357

michael.taylor@kbra.com

Peter Scherer, Director

+1 (646) 731-2325

peter.scherer@kbra.com

Rating Summary: The long-term general obligation rating reflects the State of Alaska's (the State's) strong underlying credit profile, bolstered by the ample reserves held in the State's Permanent Fund ("APF"), a constitutionally established fund both created and capitalized by a portion of State petroleum revenues. Alaska's general obligation bonds are secured by a pledge of the full faith, credit, and resources of the State.

Alaska's economy is largely centered on its abundant natural resource base, particularly oil and natural gas extraction, as the energy sector has proven highly significant to both economic activity and revenue generation. As such, the State's finances are characterized by a high level of reliance on historically volatile petroleum-related revenues and large accumulated reserves that smooth the level of resources available for operations year to year. Since 1976, the State Constitution has directed at least 25% of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral

revenue sharing payments, and bonuses received by the State to its APF, a largely restricted savings account with a substantial estimated \$78.8 billion balance as of FYE 2023¹. The State Legislature enacted Senate Bill 26 (SB 26) in 2018, which provides for systematic annual appropriations from the APF to the GF. Transfers were made in fiscal years 2019, 2020, and 2021 equivalent to 5.25% of the five-year average market value of the APF (the percent of market value of POMV transfer). The distribution can be adjusted by the Legislature year-to-year and was revised to 5.00% annually beginning in FY 2022. Such transfers, which are restricted to the less restricted investment earnings reserve account ("APF-ERA") were equivalent to 25% to 30% of General Fund ("GF") operating expenditures each year since FY 2019, reducing reliance on volatile petroleum-related revenues, but the State's operating budget remains exposed to oil price volatility, and longer-term, an overall shift to less carbon-intensive energy.

Recent energy price volatility, increased geopolitical uncertainty, and a renewed emphasis on energy security have coincided with the progression of several notable energy projects in Alaska that may increase oil and gas production as well as State revenues over the medium to long-term. Notable projects that advanced over the last year include the Pikka Development, which is projected to produce 80,000 barrels a day by 2026 (about 16% of total Alaska oil production in 2022), and the Willow Development, projected to produce more than 180,000 barrels a day by 2030 (~36%). Furthermore, a \$41 billion natural gas pipeline and liquefied natural gas (LNG) pipeline and export project that has been in development for two decades has secured all 35 federal permits needed to proceed, received a favorable record of decision from the U.S. Department of Energy on May 1, 2023, and is supported by both the Biden Administration and State Officials. The project has a federal loan guarantee dating back to 2004 now worth \$30 billion, which together with a consortium of international buyers and domestic producers are envisioned to finance and execute the project. Financing arrangements remain tentative, and ground has not yet been broken, but the State Department of Revenue ("DoR") projects that the LNG project could produce more than \$700 million in annual revenues for the State by as early as 2032, should the project proceed as planned.

The GF, the primary operating fund of the State, recorded a \$1.7 billion increase in fund balance in FY 2022 after realizing declines in three of the last five fiscal years. Revenues were quite volatile over the period due to the impact of oil price volatility on petroleum related taxes, rents, and royalties (see: Figure 7, blue shading). Transfers from the APF-ERA (see: Figure 7, green shading) supplemented the resources available for operations, with such transfers increasing from \$2.7 billion in FY 2019 to \$3.1 billion in FY 2022. The State has appropriated a permanent fund dividend to eligible citizens in each year since 1982 from the GF. While the dividend is conceptionally related to the APF-ERA, dividends appropriated each year have at times exceeded the APF-ERA GF transfer. Dividends have ranged from a low of \$331 per resident in 1984 to a high of \$2,069 in FY 2008 and were \$1,600 in FY 2018, \$1,606 in FY 2019, \$992 in FY 2020, \$1,114 in FY 2021, and \$3,384 in FY 2022. Dividend payments reduce the level of resources available for operating purposes, but the Legislature's discretion in setting the APF-ERA transfer, and the level of dividend payments each year, provides flexibility with respect to managing the State's finances.

KBRA considers Alaska's State tax-supported debt burden to be moderate relative to its population, personal income, and gross State product (GSP), ranking near the 50% percentile among States by all three metrics. Aggregate State

¹ Alaska Permanent Fund Corporation mid-scenario estimate for FYE 2023 balance as of May 31, 2023.

and local debt measures are somewhat higher according to data from the U.S. Census Bureau's Annual Survey of State and Local Government finances, ranking within the highest 30% among the 50 States by this more inclusive measure.

The State's pension funding progress is moderate. The State's two largest defined benefit pension plans are the Public Employee's Retirement System (PERS)² and the Teachers' Retirement System (TRS) which maintain ratios of plan fiduciary net position to total liabilities of 76.5% and 89.4%, respectively, as of FYE 2022. In addition to employer contributions to PERS, the State makes non-employer contributions to both PERS and TRS with respect to certain local government employees arising from the requirements of Senate Bill 125 of 2008 (SB 125) which limits local government contributions to PERS and TRS to 22.0% and 12.56% of payroll, respectively, with actuarially required amounts above these thresholds required to be appropriated from the State's GF. The State's net pension liability is moderate, ranking within the highest 20% of States relative to its population, personal income, and gross state product, but the State has made full statutorily required pension contributions in each of the last five years and has budgeted full contributions in FY 2023 and FY 2024. Total fixed costs for debt service, pension, and OPEB contributions are affordable at 6.1% governmental expenditures in FY 2022.

The Stable Outlook reflects the expectation that Alaska will continue to meet ongoing budgetary requirements with measured recurring utilization of APF-ERA transfers resulting in the continuing maintenance of very strong reserves. The outlook is further supported by continued exploration and development of the State's vast energy resources, particularly in the Alaska North Slope and Cook Inlet basins, and KBRA's expectation that planned resource extraction projects will continue to support the State's long-term comprehensive Fiscal Plan. In KBRA's view, the State's prudent financial management will remain critical to countering its inherent vulnerability to both environmental risks and volatility in the energy sector.

Key Credit Considerations

The rating was assigned because of the following key credit considerations:

Credit Positives

- Ample reserves and direct liquidity available to support budgetary operations; and,
- Robust natural resource base, which will likely continue to serve as a key economic driver.

Credit Challenges

- Exposure to commodity pricing volatility, given the employment and economic output concentration in natural resource extraction and production; and,
- Fluctuating budgetary performance, buoyed by the reliance on accumulated reserves to balance fiscal operations.

Rating Sensitivities

- | | |
|---|---|
| ▪ Decreased reliance on APF-ERA earnings to balance budgetary operations. | + |
| ▪ A meaningful diversification of revenue sources, alleviating the concentration in energy price sensitive natural resource-derived revenues. | |
| ▪ Increased diversification of the State economy over time could lead to upward rating migration. | |
| ▪ A weakening of budgetary performance, reserves, or direct liquidity. | - |
| ▪ A continuation of structural budgetary imbalance, leading to the depletion of available reserves to levels no longer commensurate with the assigned rating. | |

Key Ratios

Per Capita Personal Income (2022) (in dollars)	\$68,919
as a % of U.S.	104%
Population (2010-2022)	732,923
Growth 2010 to 2022	2.7%
Real GDP, % Chg 2012 to 2022	
Alaska	-14.8%
United States	+23.1%
Principal Financial Reserves Available for Appropriation ⁽¹⁾	
FYE 2018	\$22.1 billion
FYE 2019	\$22.9 billion
FYE 2020	\$16.2 billion
FYE 2021	\$24.3 billion
FYE 2022	\$19.6 billion
FYE 2023 Estimated	\$12.8 billion
FYE 2024 Budgeted	\$12.2 billion

(1) Including the Alaska Permanent Fund - Earnings Reserve Account, Constitutional Budget Reserve Fund (Unassigned), and Statutory Budget Reserve Fund (Unassigned). For additional information see Figure 8.

² Close to new enrollment since July 1, 2006.



Rating Determinants (RD)	
1. Management Structure, Budgeting Practices and Policies	AA
2. Debt and Additional Continuing Obligations	AA+
3. Financial Performance and Liquidity Position	AA
4. State Resource Base	AA-

RD 1: Management Structure, Budgeting Practices and Policies

Alaska has a demonstrated history of developing structure, enacting laws, and implementing budgeting practices to strengthen and protect its financial position. Generally, KBRA views the ability and willingness of State leadership and its Legislature to make difficult decisions as a strong underlying credit factor.

Governmental Structure

The Alaska Constitution was adopted by the Constitutional Convention on February 5, 1956, and was ratified by the people of Alaska on April 24, 1956. The State became operative with the formal proclamation of Statehood on January 3, 1959.

The powers of government of the State are divided into three separate entities: Executive, Legislative, and Judicial.

Executive Branch

The Executive Branch is the largest branch of government and is headed by an elected Governor and Lt. Governor. The Governor is the chief executive officer of the State and is responsible for the faithful execution of the laws and public programs enacted and funded by the legislative branch; 14 State departments carry out these various duties. The Governor appoints Commissioners to head most departments. The exceptions are the Departments of Education and Early Development and Fish and Game whose Commissioners are appointed by their respective boards and commissions and then approved by the Governor. The majority of Alaska State employees are within these 14 departments. They are involved in keeping the State government operating and providing public services. Most of the positions held by these employees comprise the State Classified service as defined by Alaska Statute 39.25 (also known as the "State Personnel Act").

Legislative Branch

The Legislative Branch is responsible for enacting the laws of the State and appropriating the money necessary to operate the government. Alaska has a bicameral Legislature composed of the House of Representatives and the Senate. The House of Representatives is composed of 40 members elected from 40 election districts for two-year terms. The Senate has 20 members elected from 20 senate districts for four-year terms, with one half of the membership standing for election every two years. House and Senate election districts are determined on the basis of population. Under the State Constitution, redistricting is accomplished every 10 years after the reporting of the decennial federal census. An advisory redistricting board is appointed by and assists the Governor in redistricting the State.

Judicial Branch

There are four levels of courts in the Alaska Court System (the Judicial Branch), each with different powers, duties and responsibilities. Alaska has a unified, centrally administered and State-funded judicial system; Municipal governments do not maintain separate court systems. The four levels of courts in the Alaska Court System are the Supreme Court, the Court of Appeals, the Superior Court, and the District Court. The Supreme Court and the Court of Appeals are appellate courts, while the Superior and District Courts are trial courts. Jurisdiction and responsibilities of each level of court are set out in Title 22 of the Alaska Statutes. The Supreme Court and the Superior Court were established in the Alaska Constitution. In 1959, the legislature created a District Court for each judicial district and granted power to the Supreme Court to increase or decrease the number of District Court judges. In 1980, the legislature created a Court of Appeals. The Chief Justice of the Alaska Supreme Court is the administrative head of the Alaska Court System. An administrative director is appointed by the Chief Justice in concurrence with the Supreme Court. The director supervises the administration of all courts in the State. Rules governing the administration of all courts and the rules of practice and procedure for civil and criminal cases are promulgated by the supreme court.

The State provides a variety of services to citizens including education, health care, human services, transportation, law enforcement, community and economic development, public services, and general administrative services. These services are financed primarily through federal revenues, investment earnings, and petroleum severance taxes which are accounted for by various funds.

The State's financial reporting entity includes various governmental funds and four primary component units, the latter of which are reported discretely in the financial Statements. These component units include the University of Alaska, Alaska Housing Finance Corporation, Alaska Energy Authority and Alaska Industrial Development and Export Authority. Final financial control is exercised through the budgetary system. Financial Statements are presented in conformity with

GAAP and are also presented on a non-GAAP budgetary basis to demonstrate legal compliance. Variances between the GAAP and non-GAAP budgetary presentations are caused by differences in reporting entity, accounting basis, and perspective.

Constitutional and Statutory Framework

Alaska has strong constitutional, legislative, and institutional policies to govern financial management and support the State's overall fiscal position. Governance practices include:

State Flexibility to Raise Revenues

The State does not levy a general sales tax or personal individual income tax, instead relying primarily on petroleum revenues, federal subsidies, and investment income to finance government operations and services. The State has legislative control over its revenues, with independent legal ability to adjust operating revenues as needed. Further, all revenues subject to appropriation for any purpose can be used by the Legislature to fund government services or obligations, including the use of funds in the CBRF and the Earnings Reserve of the Permanent Fund.

Spending Limitation

Since July 1, 1981, the Alaska Constitution Article IX, Section 16, establishes the annual appropriation spending limit of \$2.5 billion plus a formula which factors in changes in population and inflation. Appropriations for permanent fund dividends, revenue bond proceeds, general obligation bond debt, and money received from non-State entities held in trust for a specific purpose are excluded from this limit. For FY 2022, the Office of Management and Budget ("OMB") estimated the appropriation limit to be approximately \$11.1 billion. The FY 2022 budget, not counting the excluded appropriations, was \$7.3 billion, or \$3.8 billion less than the constitutional limit.

Revenue Forecasting Process

State statute requires the Governor to publish a 10-year fiscal outlook that balances sources and uses of funds while, at the same time, providing for essential State services and protecting the economic stability of the State. The plan reflects the Governor's vision of Alaska's fiscal future given the information available today, and incorporates official financial forecasts for revenue and expenditures where possible to make informed assumptions where published data is not otherwise available.

Budgetary Monitoring

The State's DoR develops a monthly revenue outlook for the current and next fiscal year, that is used internally to review actual revenue for the current fiscal year and to update estimated revenue based on the most recent information. Per the State, while this update does not incorporate the level of rigor put into the official spring and fall revenue forecasts, it does give an indication of how revenues are expected to perform based on the most currently available information. Notably, if the non-POMV unrestricted revenues are estimated to be 10% more or less than the previous official forecast, a notification will be sent to State Legislators.

Budgetary Adjustments

The State has the ability to enact budgetary adjustments through its Revised Program (RP), which is informed by the monthly budget monitoring processes. The Executive and Legislative branches have consistently demonstrated their ability to act on a timely basis to restore balanced financial operations. Agencies are allowed to make certain adjustments to the enacted budget but may not increase the overall level of funding for any appropriation or change the sources of funding.

Constitutional Budget Reserve Fund ("CBRF")

In 1990, the voters of Alaska approved an amendment to the Alaska Constitution to establish a budget reserve fund. Article IX, section 17, states, in part, "Except for money deposited into the permanent fund under Section 15 of this article, 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 in a State or federal court 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, shall be deposited in the budget reserve fund."

The fund was established to enhance budget stability by depositing certain monies into the CBRF (where they could not be easily spent) rather than into the GF (where they would be readily available for appropriation for expenditure). Money may be appropriated from the fund in accordance with the provisions of section 17(b) and (c). The constitution further provides that all money appropriated from the fund must be repaid to the fund. All borrowing from the CBRF was completely repaid in FY 2010 and no borrowing activity from the CBRF occurred during FY 2011 through FY 2014, but the fund balance has been drawn significantly in subsequent years as shown in Figure 8.

Statutory Budget Reserve Fund ("SBRF")

The SBRF was created through Alaska Statute 37.05.540. Once the full debt of CBRF was repaid in FY 2010, the legislature began to make appropriated transfers from the GF into the SBRF in addition to directing any year-end available fund balance of the GF to be transferred to the SBRF. As the balance of this fund continued to increase so did the political and public interest; therefore, the presentation of SBRF was added to the Combining Balance Sheet for the General Fund for Statements 3.01 and 3.02.

Recent superior court litigation—*Alaska Federation of Natives v. Dunleavy*—has prompted new interpretation and created uncertainty concerning the SBRF status as subject to the annual sweep, based primarily on two facts. First, the description of the statutory budget reserve fund in AS 37.05.540 is described as a separate fund in the State treasury. Second, the superior court decision in *Alaska Federation of Natives v. Dunleavy* distinguished between the GF and the power cost equalization fund, a program that lowers power bills within the State. Given these facts, the Department of Law concluded that it was reasonable for the legislature to pass and the Governor to sign into law FY 2022 appropriations from the SBRF to pay the dividend, though the Division of Finance did not sweep the power cost equalization fund, as historically was the case. Since the power cost equalization fund is not within the GF, it is no longer subject to a provision of the State constitution that requires unspent money to be swept into the CBRF each year.

Balanced Budget Requirement

The legislature must pass, and the governor must sign a balanced budget, and deficits cannot be carried into the following year.

State Debt Limit

Beginning in 1983 the State measured debt capacity by comparing debt service to unrestricted GF ("UGF") revenues. The State's policy is that general obligation debt service and lease revenue bonds should not exceed 4% of UGF revenues, and no more than 7% for debt service of general obligation bonds, lease revenue bonds, DOT Reimbursement program, and the school debt reimbursement program.

Bankruptcy Assessment

KBRA has consulted outside counsel on bankruptcy matters and the following represents our understanding of the material bankruptcy issues relating to the Bonds. To be a debtor under the municipal bankruptcy provisions of the U.S. Bankruptcy Code (i.e., Chapter 9), a local governmental entity must, among other things, qualify under the definition of "municipality" in the Bankruptcy Code, and must also be specifically authorized to file a bankruptcy petition by the State in which it is located.

Under Chapter 9 of the U.S. Bankruptcy Code, State governments are not permitted to petition courts for protection from creditors, including holders of their general obligation debt. Because Alaska is a State any bonds it issues are not subject to adjustment in a Chapter 9 case given that the State is not eligible for relief under the U.S. Bankruptcy Code.

RD 2: Debt and Additional Continuing Obligations

State Tax-Supported Debt

Alaska's State tax-supported debt burden is moderate relative to its population, personal income, and gross State product (GSP), ranking near the 50% percentile among States by all three metrics. Aggregate State and local debt measures skew somewhat higher according to data from the U.S. Census Bureau's Annual Survey of State and Local Government finances, ranking within the highest 30% among the 50 states by this more inclusive measure.

Figure 1

State Tax-Supported and Contingent Self-Supporting Debt Principal Amount Outstanding FYE June 30 (dollars in millions)					
	2018	2019	2020	2021	2022
Tax-Supported Debt					
General Obligation	\$ 724.4	\$ 670.1	\$ 624.9	\$ 663.0	\$ 621.9
State Supported Debt (Appropriation):					
COPS	24.2	22.4	20.6	18.7	16.7
Lease Revenue	202.5	192.8	182.6	172.1	161.0
State Supported Municipal Debt:					
State Reimbursement of Municipal School DS	769.0	704.8	625.1	561.0	440.2
State Reimbursement of Capital Projects	26.1	22.5	19.6	19.0	16.8
Total Tax-Supported	1,746.2	1,612.6	1,472.8	1,433.8	1,256.6
Contingent Self-Supported					
State Guaranteed Debt:					
Alaska Housing Finance Corp. Collateralized Bonds (Veterans' Mortgage Program)	48.1	106.8	94.3	59.5	46.0
Moral Obligation:					
Alaska Municipal Bond Bank (2006 and 2016 General Resolution GO Bonds)	1,141.7	1,111.1	1,034.2	1,027.4	993.1
Alaska Energy Authority (Power Revenue Bonds #1 through #8)	85.2	74.7	63.7	69.1	45.9
Alaska Student Loan Corporation (Education Loan Backed Notes)	55.5	43.7	35.9	-	-
(Education Loan Backed Bonds)	6.9	-	-	-	-
Total Contingent Self-Supported	1,330.5	1,336.3	1,228.1	1,156.0	1,085.0

Source: Alaska DOR Annual Public Debt Reports

Figure 2

Tax-Supported Debt Ratios (in dollars)			
	Alaska	Average of U.S. States	Alaska Rank Among the 50 States
Tax-Supported Debt:			
Per Capita	\$1,713	\$1,756	Highest 40%
as a % of Personal Income	2.5%	2.7%	Highest 45%
as a % of GSP	2.0%	2.4%	Highest 50%
Aggregate State and Local Debt:			
Per Capita	\$11,798	\$10,049	Highest 20%
as a % of Personal Income	18.0%	15.7%	Highest 20%
as a % of GSP	15.1%	14.3%	Highest 30%

Source: U.S. Census Bureau, U.S. Bureau of Economic Activity, Credit Scope, and Annual Disclosures

Tax-supported debt of \$1.26 billion as of FYE 2022 includes \$457 million in State supported municipal debt paid by full faith and credit of the respective underlying local governments but reimbursed by State appropriation. The State is not obligated to appropriate for this reimbursement. The State appropriated 100% of such debt service in every year since the year 2000 except for FY 2017 when it appropriated 79%, FY 2020 (50%), FY 2021 (0%), and FY 2022 (42%). The appropriation returned to 100% in FY 2023, during which year the State additionally made payments backfilling completed payments for each year back through FY 2017.

Tax-supported debt is conservatively structured, comprised of entirely fixed rate obligations with descending debt service requirements and full amortization within 20 years.

As of FYE 2022, the State additionally guarantees through a moral obligation backstop pledge \$1.04 billion in Alaska Municipal Bond Bank, Alaska Energy Authority, and Alaska Student Loan Corporation bonds, although these obligations are historically fully self-supporting and are therefore excluded from KBRA's tax-supported debt metrics.

Net Pension Liability and Annual Pension Obligations

The State's two largest defined benefit pension plans are the Public Employee's Retirement System (PERS) and the Teachers' Retirement System (TRS). In addition to employer contribution to PERS, the State makes non-employer contributions to both PERS and TRS with respect to certain local government employees arising from the requirements of Senate Bill 125 of 2008 (SB 125) which limits local government contributions to PERS and TRS to 22.0% and 12.56% of payroll, respectively, with actuarially required amounts above these thresholds required to be appropriated from the State's GF.

The PERS defined benefit plan has been closed to new members July 1, 2006. The plan fiduciary net position as a percentage of the total pension liability is 76.5% as of FYE 2022, up from 63.4% at FYE 2018. The TRS defined benefit plan remains open with the State participating in the plan as a non-employer contributor. The plan fiduciary net position as a percentage of the total pension liability is 89.4% as of FYE 2022, up from 72.4% at FYE 2018. The State's net pension liability is somewhat elevated relative to peers, ranking within the highest 20% of States relative to its population, personal income, and GSP.

Figure 3

Net Pension Liability Ratios (GASB 68) (in dollars)			
	Alaska	Average of U.S. States	Alaska Rank Among the 50 States
Per Capita	\$3,174	\$1,699	Highest 20%
as a % of Personal Income	4.6%	2.5%	Highest 20%
as a % of GSP	3.7%	2.3%	Highest 20%

Source: U.S. Census Bureau, U.S. Bureau of Economic Activity, Credit Scope, and Annual Disclosures.

The State has made full statutorily required pension contributions to PERS and TRS in each of the last five years and has budgeted full contributions in FY 2023 and FY 2024.

Figure 4

State Contributions to ERS and TRS FYE June 30 (dollars in millions)					
	2018	2019	2020	2021	2022
Actual Contribution (Primary Gov't Employer and Nonemployer)	\$ 332,150	\$ 404,132	\$ 433,582	\$ 492,216	\$ 488,724
Statutorily Required Contribution (Primary Gov't Employer and Nonemployer)	324,996	384,699	397,762	492,216	491,944
Total Contribution as % of Statutorily Required Contribution	102.2%	105.1%	109.0%	100.0%	99.3%

Source: ACFR

Other Post-Retirement Benefits (OPEBs)

The State provides OPEB benefits to eligible employees through a number of plans, the largest of which is the Public Employee's Retirement System – Alaska Retiree Healthcare Trust Plan. The plan is overfunded with the plan's fiduciary net position equivalent to 135.5% of the net OPEB liability as of FYE 2022. The State additionally participates in a number of other OPEB plans that are either overfunded or well funded on an actuarial basis.

Total Fixed Costs

Total FY 2022 fixed costs for debt service, pension contributions, and pay-as-you-go OPEB comprised approximately 6.1% of governmental expenditures, a level that KBRA considers to be low.

RD 3: Financial Performance and Liquidity Position

The State's finances are characterized by a high level of reliance on historically volatile petroleum-related revenues and large accumulated reserves that smooth the level of resources available for operations year to year. The State's governmental funds provide a comprehensive picture of the extent of reliance on petroleum-related revenues as well as the extent of accumulated reserves.

The largest governmental funds are the General Fund (GF) and the Alaska Permanent Fund (APF). The GF is the primary operating fund of the State, accounting for 97% of governmental fund expenditures in FY 2022. The APF is in contrast a restricted savings account with a substantial \$78.8 billion³ projected balance as of FYE 2023, into which the State Constitution has directed at least 25% of all oil and gas related revenues⁴ received by the State since 1976. The Constitutionally defined protected principal balance of the APF can be used only for return oriented investment purposes and cannot be appropriated without a constitutional amendment. Pursuant to legislation enacted in 1982, accumulated investment income of the APF, a sub-fund known as the earnings reserve account (APF-ERA), may in contrast be (i) appropriated toward the APF's Constitutionally protected balance (inflation proofing), (ii) transferred to the GF and be utilized to pay APF dividends to qualified Alaska residents and other state operating and capital purposes, or (iii) left to accumulate in the APF-ERA, remaining available for future appropriation.

Governmental Funds - Revenue Structure & Petroleum-Related Revenue Reliance

Governmental funds revenue, excluding interest and investment income attributable primarily to the APF, totaled \$10.6 billion in FY 2022. The three revenue components most sensitive to energy market prices are severance taxes, income taxes, and rents and royalties (see: Figure 5, blue shading), which accounted for a total of \$4.4 billion, or 41.2% of revenues before APF interest and investment income in FY 2022. These sources accounted for annual amounts over the last decade ranging from a high of \$7.2 billion in FY 2013 (then 68.6% of revenues excluding APF interest and investment income) to a low of \$679 million in FY 2016 (15.3%) corresponding with highs and lows, respectively, in energy prices.

³Alaska Permanent Fund Corporation mid-scenario estimate for FYE 2023 balance as of May 31, 2023.

⁴ Specifically mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments, and bonuses.

Figure 5

Governmental Funds					
Statement of Revenues, Expenditures, and Changes in Fund Balance					
FYE June 30 (Audited GAAP Basis) (dollars in thousands)					
	2018	2019	2020	2021	2022
REVENUES					
Taxes					
Severance Taxes	777,690	792,016	462,874	525,976	2,056,756
Selective Sales/Use Tax	260,693	293,945	281,082	251,001	266,638
Income Taxes	195,387	333,828	153,093	83,869	417,817
Property Taxes	125,421	121,462	125,223	120,033	123,186
Other Taxes	(27,489)	32,549	2,545	2,620	908
Total Taxes	1,331,702	1,573,800	1,024,817	983,498	2,865,305
Other (Excluding Interest and Investment Income)					
License and Permits	167,556	178,653	170,932	171,773	175,280
Charges for Services	173,740	179,599	153,370	150,300	154,865
Fines and Forfeitures	19,041	32,076	20,837	23,363	17,319
Rents and Royalties	1,477,977	1,541,942	1,062,361	1,092,557	1,900,779
Premiums and Contributions	40,465	32,433	38,450	36,558	56,782
Federal Grants in Aid	3,125,376	3,446,564	3,616,328	4,894,733	5,359,734
Payments from Component Units	12,765	1,101,223	66,687	43,328	30,543
Other Revenues	110,486	73,837	60,042	99,161	62,557
Total Other	5,127,406	6,586,327	5,189,007	6,511,773	7,757,859
Total Taxes and Other Revenues (Excl. Interest and Investment Income)	6,459,108	8,160,127	6,213,824	7,495,271	10,623,164
Plus (Minus) Interest and Investment Income	5,859,553	4,261,668	2,072,068	19,898,367	(3,108,368)
Total Revenues	12,318,661	12,421,795	8,285,892	27,393,638	7,514,796
EXPENDITURES					
General Government	439,975	495,196	483,720	1,078,087	714,300
Alaska Permanent Fund Dividend	698,016	1,014,677	1,024,587	631,807	709,490
Education	1,852,716	1,854,765	1,877,665	1,825,851	2,198,710
University	370,313	385,237	345,779	322,785	316,255
Health and Human Services	3,186,022	3,343,891	3,410,469	3,727,013	4,173,943
Law and Justice	242,018	245,923	250,320	248,309	270,511
Natural Resources	738,853	773,536	891,170	803,406	970,581
Development	340,418	341,100	328,672	328,817	347,173
Transportation	203,522	126,703	143,351	1,499,894	182,674
Intergovernmental Revenue Sharing	1,179,903	1,310,898	1,227,603	1,181,492	1,261,550
Debt Service:					
Principal	107,852	109,666	106,977	89,708	182,375
Interest and Other Charges	116,031	85,762	97,233	78,102	98,925
Bond Issuance Costs	68,514	61,712	60,813	59,306	54,020
Total Expenditures	9,544,153	10,149,066	10,248,359	11,874,577	11,480,507
Excess (Deficiency) of Revenues Over (Under) Expenditures ¹	2,774,508	2,272,729	(1,962,467)	15,519,061	(3,965,711)
OTHER FINANCES SOURCES AND USES					
Bonds Issued	-	-	-	84,560	1,849
Refunding Bonds Issued	-	-	-	-	316,719
Bonds Issue Premium	-	-	-	26,204	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	(316,719)
Leases	12,093	8,140	13,811	3,561	13,193
Transfers from Other Funds	865,589	2,843,168	3,037,039	3,252,748	3,230,748
Transfers (Out To) Other Funds	(872,787)	(2,848,528)	(3,045,509)	(3,350,318)	(3,249,613)
Total Other Finances Sources and Uses	4,895	2,780	5,341	16,755	(3,823)
Net Change in Fund Balance	2,779,403	2,275,509	(1,957,126)	15,535,816	(3,969,534)
Beginning Fund Balance	67,046,670	69,826,073	72,101,582	70,144,456	85,680,272
Adjustment	-	-	-	-	-
Ending Fund Balance	69,826,073	72,101,582	70,144,456	85,680,272	81,710,738

Source: ACFRs

The following is a description of the aforementioned revenue sources that are most sensitive to energy prices:

Severance Taxes: Severance taxes are levied on the well-head value of each barrel of oil extracted. Average annual well-head values over the last decade ranged from a low of \$33.30 per barrel in FY 2016 to a high of \$97.81 per barrel in FY 2013, and measured \$81.65 per barrel in FY 2022. The tax has been levied pursuant to a formula since January 1, 2014, that has yielded a tax rate of 35% in each subsequent year.

Income Tax: Income taxes are levied on the net income of corporations. There is no individual income tax in the State. The tax is a graduated tax ranging from zero to a high of 9.4%. A significant portion of receipts are derived from petroleum related activities.

Rents and Royalties: Alaska retains ownership of all subsurface minerals (including oil and gas) on lands in the State, with the exception of some Federal and Alaska Native Corporation lands. As the landowner, the State earns revenue from leasing including upfront bonuses, annual rent charges, and retained royalty interest in oil and gas production. The State retains a statutorily prescribed minimum royalty interest ranging from 12.5% to

16.67% of the value of oil and gas production from leased lands, with some leases also including a net profit-share or sliding scale component. The State additionally receives 50% of royalties and lease bonuses and rents received from the U.S. Federal government from leases of Federal lands in the National Reserve Alaska (NPR-A).⁵ 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.

Interest and investment gains and losses in the APF, both realized and unrealized (see: Figure 5, green shading), are presented as operating revenues in the governmental funds income statement, with volatility in market values resulting in large swings in the operating margin and net change in fund balance. The year-to-year impact of the APF on the State's operating budget, however, is more practically limited to the recurring annual transfers to the GF which are described below.

Alaska Permanent Fund ("APF")

The Legislature enacted Senate Bill 26 (SB 26) in 2018, which provides for systematic annual appropriations from the APF to the GF. Transfers were made in fiscal years 2019, 2020, and 2021 equivalent to 5.25% of the five-year average market value of the APF (the percent of market value of POMV transfer). The distribution can be adjusted by the Legislature year-to-year and was revised to 5.00% annually beginning in FY 2022 (see: Figure 6, blue shading). Notably, while the POMV transfer amount is calculated relative to the market value of the full APF, transfers cannot be made from the APF's constitutionally protected principal balance (projected \$68.4 billion⁶ balance at FYE 2023), and are limited to the APF-ERA balance (projected \$10.4 billion⁶ balance at FYE 2023).

Figure 6

Alaska Permanent Fund Fund Financial History & Projections as of April 30, 2023 FYE June 30, (dollars in millions)																
Nonspendable Fund Balance Constitutionally Protected Principal							Assigned Fund Balance Earnings Reserve Account (ERA)							Total		
FY	Beginning Contributed Balance	Dedicated State Revenues ⁽¹⁾	Inflation Proofing & Special Approp. ⁽²⁾	FYE Balance Contributions ⁽³⁾	Unrealized Gain (Loss)	Ending ⁽⁴⁾ Balance	Acct. Net Income	Statutory Net Income	Div/POMV Transfer ⁽²⁾	Inflation Prfg & Spec Appropriation ⁽²⁾	ACIF ⁽⁵⁾	FYE Balance Realized	Unrealized Gain (Loss)	Ending Balance ⁽⁶⁾	Ending Balance	
1977-2013	\$0	\$14,510	\$22,105	\$36,615	\$4,184	\$40,799	\$45,873	\$43,276	\$20,395	\$18,807	\$481	\$3,486	\$567	\$4,054	\$44,853	
2014	36,615	779	546	37,940	7,062	45,002	6,848	3,531	1,235	546	32	5,236	975	6,212	51,214	
2015	37,940	600	624	39,165	6,473	45,638	2,384	2,907	1,373	624	24	6,147	1,016	7,163	52,800	
2016	39,165	284	-	39,449	4,750	44,199	398	2,198	696	-	18	7,649	921	8,571	52,769	
2017	39,449	365	-	39,814	7,155	46,969	6,676	3,214	-	-	25	10,862	1,952	12,816	59,785	
2018	39,814	353	-	40,167	5,863	46,030	5,526	6,324	726	-	43	16,460	2,403	18,864	64,894	
2019	40,167	385	989	41,542	6,278	47,819	3,766	3,305	2,723	989	22	16,052	2,426	18,481	66,301	
2020	41,542	319	4,758	46,619	5,789	52,408	1,637	3,106	2,933	4,758	21	11,469	1,424	12,894	65,302	
2021	46,619	320	-	46,939	13,810	60,749	19,417	7,962	3,091	-	50	16,341	4,807	21,148	81,897	
2022	46,939	549	4,000	51,488	8,700	60,188	(3,015)	4,544	3,069	4,000	24	13,816	2,334	16,150	76,337	
2023 Projected ⁽⁷⁾	51,488	727	4,177	56,391	11,996	68,387	5,096	2,287	3,361	4,177	27	8,566	1,822	10,388	78,775	

Source: Alaska Permanent Fund Corporation Fund Financial History and Projections as of May 31, 2023

(1) The Alaska Constitution requires that 25% of all mineral lease rentals, royalty sale proceeds, federal mineral revenue sharing payments, and bonuses received by the State be directed to the Permanent Fund.

(2) Annual appropriations are made from the Permanent Fund Earnings Reserve Account first to dividends to qualified Alaska residents and then for inflation proofing of the Permanent Fund's principal balance. Permanent fund

(3) The FYE Balance Contributions column represents the corpus of the Alaska Permanent Fund which could only be spent following an amendment to the Alaska Constitution.

(4) Unrealized gains and losses recorded in the principal balance are retained therein and transferred to the Earnings Reserve Account only once realized.

(5) The Permanent Fund received certain settlement revenues through FY 1999 for certain North Slope royalty cases. The total settlements and retained income thereon, as of FYE 2022 was approximately \$424 million.

(6) Earnings Reserve Account balances remaining after the payment of dividends to qualified Alaska residents, inflation proofing, and ACIF transfers, are may be appropriated at any time for any lawful purpose.

(7) Middle of three scenarios projected by the Alaska Permanent Fund Corporation of May 31, 2023.

General Fund

The GF, the primary operating fund of the State, recorded a \$1.7 billion increase in fund balance in FY 2022, though declined in three of the last five fiscal years. Revenues were quite volatile over the period due to the impact of oil price volatility on petroleum related taxes, rents, and royalties (see: Figure 7, blue shading). Transfers from the APF-ERA (see: Figure 7, green shading) supplemented the resources available for operations, with such transfers ranging from \$769 million in FY 2018 to \$3.2 billion in FY 2021. The State has appropriated a permanent fund dividend to eligible citizens in each year since 1982 from the GF. While the dividend is conceptually related to the APF-ERA, dividends appropriated each year have at times exceeded the APF-ERA GF transfer. Dividends have ranged from a low of \$331 per resident in 1984 to a high of \$2,069 in FY 2008 and were \$1,600 in FY 2018, \$1,606 in FY 2019, \$992 in FY 2020, \$1,114 in FY 2021, and \$3,384 in FY 2022. Dividend payments reduce the level of resources available for operating purposes, but the Legislature's discretion in setting the APF-ERA transfer and the level of dividend payments each year provides flexibility with respect to managing the State's finances.

⁵ 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% is to be deposited to the APF, with up to 0.5% to the Public School Trust Fund and then to the Power Cost Equalization Fund. Any remaining amount is then available for General Fund Appropriations.

⁶ Alaska Permanent Fund Corporation mid-scenario estimate for FYE 2023 balance as of May 31, 2023.

Figure 7

General Fund					
Statement of Revenues, Expenditures, and Change in Fund Balance					
FYE June 30 (audited GAAP basis) (dollars in thousands)					
	2018	2019	2020	2021	2022
REVENUES					
Taxes	1,315,920	1,556,683	1,010,045	963,261	2,851,892
Rents and Royalties	1,093,966	1,136,886	721,720	751,872	1,325,552
Federal Grants in Aid	3,124,624	3,445,839	3,615,881	4,893,566	5,359,097
Other	565,826	1,827,009	716,205	578,008	269,369
Total Revenues	6,100,336	7,966,417	6,063,851	7,186,707	9,805,910
EXPENDITURES					
Current:					
Alaska Permanent Fund Dividend ⁽¹⁾	698,016	1,014,677	1,024,587	631,807	709,490
All Other	8,238,016	8,601,424	8,650,489	10,739,567	10,153,982
Intergovernmental Revenue Sharing	107,852	109,666	106,977	89,708	182,375
Debt Service	49,231	37,681	50,627	39,227	62,167
Total Expenditures	9,093,115	9,763,448	9,832,680	11,500,309	11,108,014
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,992,779)	(1,797,031)	(3,768,829)	(4,313,602)	(1,302,104)
OTHER FINANCING SOURCES (USES)					
Transfers In from Other Funds	769,345	2,747,100	2,953,719	3,172,458	3,136,878
Other	(84,921)	(74,999)	(59,361)	(172,928)	(91,858)
Total Other Financing Sources (Uses)	684,424	2,672,101	2,894,358	2,999,530	3,045,020
Net Change in Fund Balance	(2,308,355)	875,070	(874,471)	(1,314,072)	1,742,916
Beginning Fund Balance	6,290,610	3,982,255	4,857,325	3,982,854	2,668,782
Restatement	-	-	-	-	-
Ending Fund Balance	3,982,255	4,857,325	3,982,854	2,668,782	4,411,698

Source: ACFR

(1) The dividend per eligible citizen was \$1,600 in FY 2018, \$1,606 in FY 2019, \$992 in FY 2020, \$1,114 in FY 2021, and \$3,284 in FY 2022.

Financial Reserves

In addition to the financial resources of the APF-ERA, the State maintains two budget reserve funds which are reported as balances within the GF in the audited financial statements including the Constitutional Budget Reserve Fund and the Statutory Budget Reserve Fund.

Constitutional Budget Reserve Fund (CBRF)

The State Constitution has required since FY 1990 that all monies received from the termination of mineral related contracts and agreements⁷ be deposited to the CBRF. Money in the CBRF may be appropriated (i) for any public purpose, upon the affirmative vote of three-fourths of each house of the Legislature or (ii) by simple majority vote but only to the extent that such funds are needed to provide an amount equal to the level of appropriations made in the prior year. The Constitution requires that until all amounts appropriated from the CBRF are repaid, excess funds in the GF at year end must be deposited to the CBRF.

The CBRF nominally maintains a balance of \$13.7 billion as of FYE 2022, but interfund borrowing from the CBRF to support the operating budget and other purposes have generally exceeded repayments over the last decade resulting in an unassigned balance in the CBRF of just \$2.4 billion as of FYE 2022 (see: Figure 8).

Statutory Budget Reserve Fund (SBRF)

Statute implemented the SBRF in 1986. It is funded from periodic appropriations and its balance is available for appropriation by majority vote of the Legislature and with approval by the Governor. The unassigned SBRF balance was \$372 million as of FYE 2022. The Legislature may, and has over the last decade, appropriated funds at year-end to the SBRF when CBRF balances remain outstanding, evidencing the permissive nature of the requirement to repay outstanding CBRF draws from available GF balances at year end.

Total Principal Financial Reserves

The State maintains substantial financial reserves available for appropriation, with a total estimated APF-ERA, unassigned CBRF, and unassigned SBRF balance of \$12.8 billion at FYE 2023 equivalent to 81% of GF expenditures. This level of reserves is exceptionally strong in KBRA's view, but is low relative to levels maintained over the last decade and a notable YoY.

⁷ Including all lease bonuses, rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments or bonuses, or involving taxes imposed on mineral income, production, or property.

Figure 8

Principal Financial Reserves					
FYE June 30 (dollars in thousands)					
	APF-ERA	CBRF ⁽¹⁾	SBRF ⁽¹⁾	Total Reserve Balance	as a % of GF Expenditures
2012	\$ 2,949,003	\$ 10,642,427	\$ 5,237,711	\$ 18,829,141	201%
2013	5,306,840	11,620,592	4,711,412	21,638,844	220%
2014	7,917,105	12,806,157	2,791,054	23,514,316	240%
2015	8,742,590	10,153,804	287,974	19,184,368	190%
2016	9,668,324	7,343,399	-	17,011,723	165%
2017	12,994,998	4,834,679	-	17,829,677	197%
2018	18,965,470	3,100,255	-	22,065,725	243%
2019	18,715,309	4,175,699	-	22,891,008	234%
2020	13,301,800	2,944,559	-	16,246,359	165%
2021	23,011,834	767,200	480,752	24,259,786	211%
2022	16,863,338	2,382,639	371,821	19,617,798	177%
2023 Est. ⁽²⁾	10,388,000	2,453,500	-	12,841,500	81%
2024 Budget ⁽²⁾	9,357,000	2,828,100	-	12,185,100	91%

Source: ACFRs and State of Alaska

(1) Unassigned balances.

(2) Estimated FYE 2023 and Budgeted FYE 2024 APF balances are based on Alaska Permanent Fund mid-scenario projections dated May 31, 2023. CBRF and SBRF balances are as projected in State of Alaska - Office of Management and Budget Fiscal Year 2023 Fiscal Summary dated June 19, 2023.

Additionally, while the constitutionally-protected principal balance of the APF (estimated \$66.4 billion⁸ at FYE 2023) is not readily available to support the State's budget absent a constitutional amendment, and is therefore excluded from the above reserve calculations, KBRA views the presence of this very substantial balance as a favorable credit factor given the availability of interest and dividend earnings for appropriation, as well as the APF's broad mission of conserving revenue from mineral resource to benefit all generations of Alaskans.

FYE 2023 Budget Estimates

Based on management's FY 2023 budget plan, enrolled legislative supplements, and the spring 2023 revenue forecast, the State is projected to realize a \$211 million operating deficit in FY 2023, equivalent to ~1.4% of revenues. The deficit reflects an estimated decline in the Alaska North Slope average oil price to \$85 per barrel for the year, down from \$91 in FY 2022. The available balance of the CBRF is estimated to remain approximately level YoY, while the SBRF is projected to be fully depleted. Total financial reserves of the CBRF, SBRF and APF-ERA are projected to total \$12.8 billion as of FYE 2023, a level equivalent to a substantial 81.0% of governmental expenditures and 166% of unrestricted general fund expenditures.

FY 2024 Enacted Budget

Based on the enrolled FY 2024 budget, the Governor's line-item vetoes, and the Spring FY 2023 Revenue Forecast, revenue are conservatively projected to decline 14.1% to \$13.4 billion. The decline primarily reflects a further projected decline in the Alaska North Slope oil price to \$73 per barrel (down 14.4% YoY). Budgeted expenditures are down a similar 17.1% YoY reflecting a reduction in the permanent fund dividend to \$882 million (\$1,304 per eligible resident) in FY 2024, down from \$2.1 billion (\$3,284 per resident) in FY 2023. A \$297 million budgetary surplus is projected for the year. Total financial reserves of the CBRF, SBRF and APF-ERA are projected to decline to \$12.2 billion, with this balance equivalent to a still strong 91% of budgeted expenditures (up YoY as a percentage of expenditures due to the lower level of appropriations) and 204% of budgeted unrestricted general fund expenditures.

Pandemic Related Federal Assistance

The State received \$2.42 billion in extraordinary pandemic-related federal assistance. Of this amount, approximately \$937 million has been appropriated through FYE 2023, largely for revenue replacement. A remaining \$1.48 billion remains available for appropriation in future years.

Liquidity

The State utilizes a comprehensive cash management system that models and projects cash flow needs. As of July 7, 2023, the GF had \$1.3 billion GF cash in the State Treasury and \$193 million in payments outstanding, for a net "sufficiency balance" of \$959 million - equivalent to approximately 8.6% of actual FY 2022 GF expenditures. Projections provided by the State's Treasury through the end of calendar year 2023 indicate a projected sufficiency balance exceeding \$500 million over this period. Since FY 2005, the State has been permitted to utilize the balance of the CBRF and SBRF for cash flow borrowing, with the estimated FYE 2023 cash and investment balance of the CBRF (\$2.45 billion) and SBRF (\$0) equivalent to an additional 22.1% of FY 2022 GF expenditures.

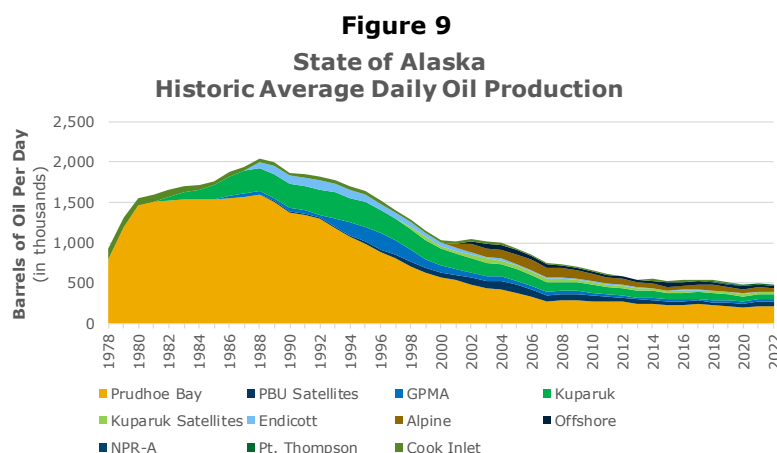
⁸ Alaska Permanent Fund Corporation mid-scenario estimate for FYE 2023 balance as of May 31, 2023.

RD 4: State Resource Base

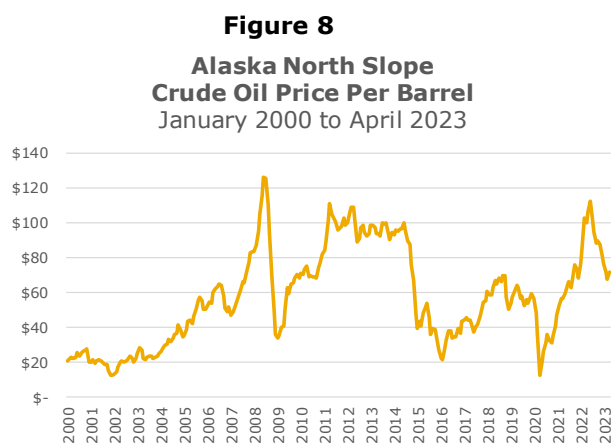
Alaska is home to a population of 733,583 people located mostly in and around the City of Anchorage. The State's economy experienced rapid growth following the 1977 completion of the 1,700-mile Trans-Alaska Pipeline System ("TAPS") which accommodated a dramatic increase in the scale of oil production from the vast petroleum reserves located primarily on in the State's North Slope Borough. Production peaked in 1988 and has generally declined since this time. Declines have slowed over the last decade, however, and the State's proven and unproven oil reserves remain vast - even by conservative estimates. Political and economic factors have limited investment production activity, including a breakeven price around \$30 per barrel for North Slope oil that is not always competitive. A recent period of high energy prices and a renewed emphasis on energy security, however, have coincided with the progression of several notable projects that could boost energy production in the State over the medium- to long-term.

Historic Oil Prices & Production

Statewide oil production has stabilized over the last decade, following several decades of pronounced decline. The State's proven and unproven reserves, however, are vast by even conservative estimates, and an increase in oil rights lease activity and energy project investment in recent years has the potential to support a return to increasing production in the years ahead based on DoR projections.



Source: Alaska Department of Revenue



Source: U.S. Energy Information Administration

Oil prices are historically quite volatile, and this volatility has significant impact of the State's budget given its reliance on tax and lease revenue that is highly sensitive to petroleum prices. The sustained period of high energy prices between 2011 and 2015 resulted in large budgetary windfalls for the State, but no material increase in production. A pandemic-related crash in energy prices resulted in low prices and weak State revenues in 2020 and 2021, but have firmed more recently, some softening since the first half of 2022 notwithstanding.

Oil Production Outlook

Recent energy price volatility, increased geopolitical uncertainty, and a renewed emphasis on energy security have coincided with the progression of several notable energy projects in Alaska that may increase oil and gas production as well as State revenues over the medium to long-term. Notable projects that advanced over the last year include the Pikka Development, which is projected to produce 80,000 barrels a day by 2026 (about 16% of total Alaska oil production in 2022), and the Willow Development, projected to produce more than 180,000 barrels a day by 2030 (~36%). Furthermore, a \$41 billion natural gas pipeline and liquefied natural gas (LNG) pipeline and export project that has been in development for two decades has secured all 35 federal permits needed to proceed, received a favorable record of decision from the U.S. Department of Energy on May 1, 2023, and is supported by both the Biden Administration and State Officials. The project has a loan guarantee dating back to 2004 now worth \$30 billion, which together with a consortium of international buyers and domestic producers is positioned finance and execute the project. Financing arrangements remain tentative, and ground has not yet been broken, but the State Department of Revenue projects that the LNG project could produce more than \$700 million in annual revenues for the State by as early as 2032, should the project proceed as planned.

State Gross State Product ("GSP")

Real GSP peaked in 2012 due to a sustained period of high oil prices, and has trended downward in subsequent years. GSP in 2022 was 14.8% below the high-water mark, underscoring the sensitivity of the State economy to oil prices.

**Figure 11**

Real Gross State Product (GSP) and Gross Domestic Product (GDP) Annual Totals, Change, and Portion Attributable to Oil and Gas Extraction (millions of chained 2012 dollars)											
United States GDP						Alaska GSP					Alaska North Slope Average Annual Oil Price
Total	Δ YoY	Oil and Gas Extraction Only	Δ YoY	Oil & Gas Extraction as % Total		Total	Δ YoY	Oil and Gas Extraction Only	Δ YoY	Oil & Gas Extraction as % Total	\$ per barrel
2000	13,138,035	4.1%	137,484	-26.0%	1.0%	39,407	-2.9%	6,978	-29.8%	17.7%	\$23.62
2001	13,263,417	1.0%	161,220	17.3%	1.2%	40,959	3.9%	6,082	-12.8%	14.8%	18.18
2002	13,488,357	1.7%	185,241	14.9%	1.4%	42,979	4.9%	9,685	59.2%	22.5%	19.37
2003	13,865,519	2.8%	149,513	-19.3%	1.1%	42,355	-1.5%	6,923	-28.5%	16.3%	23.78
2004	14,399,696	3.9%	148,316	-0.8%	1.0%	44,055	4.0%	8,040	16.1%	18.2%	33.03
2005	14,901,269	3.5%	146,355	-1.3%	1.0%	45,657	3.6%	8,511	5.9%	18.6%	47.05
2006	15,315,943	2.8%	166,512	13.8%	1.1%	49,190	7.7%	10,522	23.6%	21.4%	56.86
2007	15,623,871	2.0%	180,086	8.2%	1.2%	51,721	5.1%	11,629	10.5%	22.5%	63.69
2008	15,642,962	0.1%	170,918	-5.1%	1.1%	51,252	-0.9%	10,872	-6.5%	21.2%	90.10
2009	15,236,262	-2.6%	230,130	34.6%	1.5%	56,215	9.7%	15,013	38.1%	26.7%	54.41
2010	15,648,991	2.7%	182,074	-20.9%	1.2%	54,602	-2.9%	11,477	-23.6%	21.0%	72.33
2011	15,891,534	1.5%	182,774	0.4%	1.2%	55,280	1.2%	11,785	2.7%	21.3%	98.79
2012	16,253,970	2.3%	224,919	23.1%	1.4%	58,284	5.4%	14,464	22.7%	24.8%	98.70
2013	16,553,348	1.8%	237,200	5.5%	1.4%	55,354	-5.0%	11,756	-18.7%	21.2%	95.79
2014	16,932,051	2.3%	268,918	13.4%	1.6%	54,188	-2.1%	10,140	-13.7%	18.7%	86.41
2015	17,390,295	2.7%	363,314	35.1%	2.1%	54,741	1.0%	11,178	10.2%	20.4%	41.11
2016	17,680,274	1.7%	383,444	5.5%	2.2%	54,247	-0.9%	11,565	3.5%	21.3%	33.13
2017	18,076,651	2.2%	356,904	-6.9%	2.0%	54,279	0.1%	11,674	0.9%	21.5%	45.21
2018	18,609,078	2.9%	333,766	-6.5%	1.8%	53,327	-1.8%	10,066	-13.8%	18.9%	62.21
2019	19,036,052	2.3%	411,680	23.3%	2.2%	53,434	0.2%	10,863	7.9%	20.3%	57.55
2020	18,509,143	-2.8%	459,111	11.5%	2.5%	50,705	-5.1%	10,705	-1.5%	21.1%	33.98
2021	19,609,812	5.9%	331,168	-27.9%	1.7%	50,869	0.3%	7,768	-27.4%	15.3%	62.20
2022	20,014,128	2.1%	N.A.	N.A.	N.A.	49,634	-2.4%	N.A.	N.A.	N.A.	93.56

Source: U.S. Bureau of Economic Analysis and U.S. Energy Information Administration

Population

The State population totals 733,583 as of 2022, and increased about one third as quickly as the U.S. overall between 2010 and 2022.

Figure 12

	Alaska		United States	
	Population	% Δ	Population	% Δ
1970	304,328		203,798,722	
1980	405,315	33.2%	227,224,719	11.5%
1990	553,290	36.5%	249,622,814	9.9%
2000	627,963	13.5%	282,162,411	13.0%
2010	714,014	13.7%	309,378,433	9.6%
2020	732,923	2.6%	331,511,512	7.2%
2022	733,583	0.1%	333,287,557	0.5%
CAGR				
2010 to 2022	0.23%		0.62%	

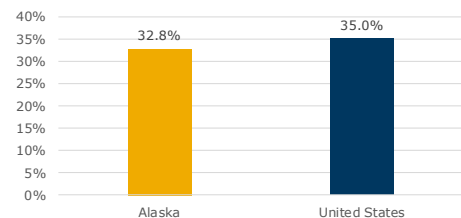
Source: U.S. Census

Educational Attainment, Poverty, and Per Capita Personal Income

Educational attainment in Alaska trails the national average by a few percentage points while, favorably, the poverty rate is comparatively low. Per capita personal income of \$68,919 is 105% of the U.S. average, reflecting the State's vast oil and gas sector. Per capita personal income was equivalent to a stronger 122% of the State in 2010, but this gap has narrowed due, in large part, to lower prevailing oil prices.

Figure 9

Educational Attainment
Portion of Population
25 and Older
w/Bachelor's Degree+ (2021)

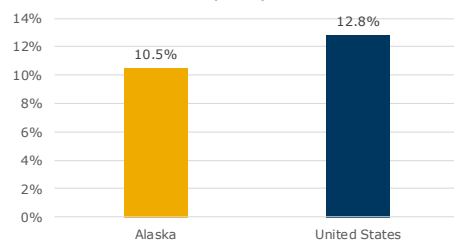


	2010	2021	Δ 2010 to 2021
Alaska	27.9%	32.8%	+4.9%
United States	28.2%	35.0%	+6.8%
Alaska Relative to U.S.	-0.3%	-2.2%	

Source: U.S. Census

Figure 14

Poverty Level
All People
(2021)

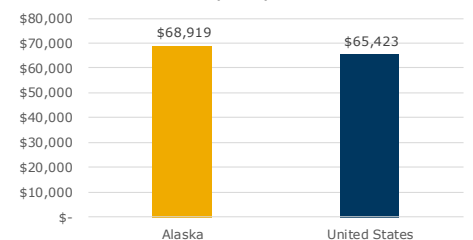


	2010	2021	Δ 2010 to 2021
Alaska	9.9%	10.5%	+0.6%
United States	15.3%	12.8%	-2.5%
Alaska Relative to U.S.	-5.4%	-2.3%	

Source: U.S. Census

Figure 15

Per Capita Personal Income
In Dollars
(2022)



	2010	2022	Δ 2010 to 2022
Alaska	\$49,652	\$68,919	38.8%
United States	\$40,683	\$65,423	60.8%
Alaska as % of U.S.	122%	105%	

Source: U.S. Bureau of Economic Analysis

Employment and Unemployment

Unemployment in the State has generally exceeded the U.S. average except for the period between 2010 and 2015, when the State experienced a relatively limited impact from the Global Financial Crisis and energy prices were consistently firm, boosting the State economy.

Figure 16
Unemployment Rates (%)

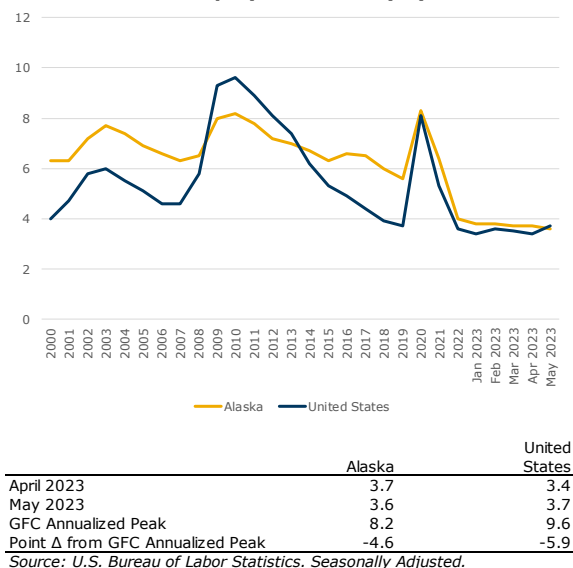


Figure 17

Total Employment (Not Seasonally Adjusted) (in thousands)				
	Alaska		United States	
		Δ(%)		Δ(%)
2000	300		136,891	
2001	301	0.6%	136,933	0.0%
2002	304	0.7%	136,485	-0.3%
2003	307	1.1%	137,736	0.9%
2004	312	1.8%	139,252	1.1%
2005	320	2.5%	141,730	1.8%
2006	326	1.7%	144,427	1.9%
2007	328	0.8%	146,047	1.1%
2008	332	1.2%	145,362	-0.5%
2009	331	-0.5%	139,877	-3.8%
2010	332	0.4%	139,064	-0.6%
2011	336	1.2%	139,869	0.6%
2012	338	0.5%	142,469	1.9%
2013	338	0.1%	143,929	1.0%
2014	340	0.5%	146,305	1.7%
2015	340	0.0%	148,834	1.7%
2016	338	-0.4%	151,436	1.7%
2017	337	-0.3%	153,337	1.3%
2018	334	-0.9%	155,761	1.6%
2019	333	-0.2%	157,538	1.1%
2020	318	-4.5%	147,795	-6.2%
2021	331	3.8%	152,581	3.2%
2022	342	3.6%	158,291	3.7%
May 2023	345	0.8%	160,721	1.5%
Δ 2019 Avg	3.6%		2.0%	

Source: U.S. Bureau of Labor Statistics. Seasonally adjusted.

ESG Management

KBRA typically analyzes Environmental, Social, and Governance (ESG) factors through the lens of how issuers plan for and manage relevant ESG risks and opportunities. More information on KBRA's approach to ESG risk management in public finance ratings can be found [here](#). Over the medium-term, public finance issuers will likely need to prioritize ESG risk management and disclosure with the likelihood of expansions in ESG-related regulation and rising investor focus on ESG issues.

KBRA analyzes many sector- and issuer- specific ESG issues but our analysis is often anchored around three core topics: climate change with particular focus on greenhouse gas emissions, stakeholder preferences, and cybersecurity. Under environmental, as the effects of climate change evolve and become more severe, issuers are increasingly facing an emerging array of challenges and potential opportunities that can affect financial assets, operations, and capital planning. Under social, the effects of stakeholder preferences on ESG issues can affect the demand for an issuer's product and services, the strength of its global reputation and branding, its relationship with employees, consumers, regulators, and lawmakers, and, importantly, its cost of and access to capital. Under governance, as issuers continue to become more reliant on technology, cybersecurity planning and information management are necessary for most issuers regardless of size and industry.

Environmental Factors

Alaska's regional and global vision for the energy transition, from Bradley Lake to the Alaska LNG Project, offer lower-carbon opportunities to not only reduce its reliance on diesel generated power in rural communities, but deliver more affordable energy solutions across the State with the goal of improving the quality of life for all Alaskans. This commitment is reinforced by current Governor Mike Dunleavy's recent decision to implement a dedicated Office of Energy Innovation, which is chartered to build a holistic approach to its energy solutions. 15, 16 To this end, the State is expanding established renewable energy sources like wind and solar both in urban and rural Alaska, as well as supporting emerging sources of energy generation such as tidal, geothermal and micronuclear, which all have the potential to further reduce reliance on natural gas and diesel for power generation. Further, to support the electrification of our economy, critical minerals including copper, cobalt, lithium, and rare earth elements are an essential component, of which Alaska has an abundance, from Red Dog Mine, to the Ambler Mining District for cobalt and copper, to the Graphite Creek deposit north of Nome and rare earth deposits on Prince of Wales Island. 17 Alaska is enriched with the minerals needed to support the global transition to clean energy and electrification both for the United States and globally.



Social Factors

In 1976, voters in Alaska passed a constitutional amendment to establish the Permanent Fund, which would save 25% of the State's oil, gas, and mineral royalties and invest them to preserve the benefits of Alaska's resource wealth for future generations, turning non-renewable resource income into a renewable resource of funding for the benefit of all Alaskans. A study by the Institute of Social and Economic Research (ISER) at the University of Alaska Anchorage in 2016 assesses the effect the PFD has had on alleviating poverty among the State's rural Alaska Native peoples. Alaska Natives have historically high poverty rates and live in regions with limited economic opportunities. Official poverty statistics often fail to account for the PFD in household income, causing those statistics to misstate poverty levels in Alaska and effectively undervalue the effect of the PFD. ISER reconstructs house-hold level data to estimate poverty rates without PFD income; the resulting estimated poverty rates show that the PFD has had a meaningful, yet diminishing, effect on alleviating poverty amongst rural indigenous families. The PFD has had more significant effects on children and elders than for the rest of the rural Alaska Native population in Alleviating Poverty Through Economic Equity.



Governance Factors

The State fell victim to a cyberattack in May 2021 impacting both the State's Department of Health and Social Services and the court system's Courtview database, making State court records inaccessible to attorneys, people charged with crimes, and residents seeking to run background checks on their prospective dates or tenants. In response, the State hired a third-party cybersecurity firm and worked with the US Federal Bureau of Investigation to develop a plan to harden the State's systems against future hacks. However, in 2022, the State experienced an additional attack to its Permanent Fund dividend division in charge of paying the annual dividend to Alaskans.

KBRA understands that the Division of Administration's Office of Information Technology has recently received significant funding to be allocated toward system hardening and attack prevention.

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