

ALASKA PUBLIC DEBT



STATE OF ALASKA
Bill Walker, Governor
Bryon Mallott, Lieutenant Governor

Department of Revenue

January 2015

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2014-2015

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I. Types of Alaska Public Debt

The State has liability or potential exposure for repayment of principal and interest nine categories. In descending order of the State's liability, the types of obligations are:

- State Debt
- State Supported Debt
- State Guaranteed Debt
- State Moral Obligation Debt
- State and University Revenue Debt
- State Agency Debt
- State Agency Collateralized or Insured Debt
- Municipal Debt
- Industrial Development Bonds

On the following pages, each type of State obligation is briefly discussed and defined. Table 1.1 summarizes Alaska's \$8.1 billion of public debt by type.

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

A. *State Debt*

State Debt includes revenue anticipation notes (RAN's) and general obligation bonds (GOB's). The full faith, credit and resources of the State are pledged to the payment of principal and interest on this debt. If future State revenues are insufficient to make the required principal and interest payments to bondholders and note holders, the State is legally required by its contract with bondholders and note holders to raise taxes in order to meet these obligations.

1. Revenue Anticipation Notes (RAN's)

Short-term State borrowing in anticipation of revenues is permitted under AS 43.08.010. RAN's may be issued and renewed from time to time, but all such notes, renewals and interest thereon shall be paid from revenues by the end of the fiscal year following the year in which the notes were issued. The full faith, credit, resources, and taxing power of the State are pledged to the payment of RAN's and interest thereon. To further secure such payment, and if necessary to effect advantageous borrowing to the State, collateral may also be pledged. There are no State RAN's issued or outstanding at June 30, 2014.

2. General Obligation Bonds (GOB's)

The State Constitution provides that GOB's must be authorized by law and ratified by the voters. Generally, the Constitution permits authorization of GOB's only for capital improvements. The legal provisions regarding GOB's are contained in Section 8, Article IX of the Alaska Constitution and AS 37.15, the State Bonding Act. The amount and timing of a bond sale must be approved by the State Bond Committee. There is no statutory limit on the amount of State GOB's that may be authorized. \$274,081,000 in authorized GOB's remain unissued at June 30, 2014. The State anticipates issuing up to an additional \$50 million of the remaining authority in FY 2015.

As of June 30, 2014 the State had issued GOB's 56 times since statehood, raising over \$2.5 billion. In addition, the State assumed the outstanding debt of the Territory of Alaska as GOB's of the State. In 1959, the Territorial debt was \$2.9 million. As of June 30, 2014, the State had \$803.8 million in GOB's outstanding.

The interest cost on State bond issues is determined by several factors, the major factor being the general level of interest rates in the global economy. However, the credit rating assigned to an issuer and the related investor assessment of credit risk are important factors. The State's credit ratings improved from Baa1/A in 1973 to

Aaa/AAA/AAA at June 30, 2014. The State's credit ratings was upgraded to Aaa by Moody's in FY 2011, to AAA by Standard & Poor's in FY 2012, and in FY 2013 to AAA by Fitch Ratings. Significant factors behind the credit rating are the State's oil-based revenues, conservative budget practices, significant reserve positions, and slow steady economic growth.

B. State Supported Debt

State Supported Debt is debt for which the ultimate source of payment is, or may include, appropriations from the State's General Fund. The debt does not have the full faith and credit of the State pledged to it but, it may have the full faith and credit of another public issuer, as in the case of municipal school debt.

State Supported Debt is not considered debt under the Alaska Constitution because the State's payments on the debt obligations, even if they are the subject of a contractual commitment, are subject to annual legislative appropriation. As a result, voter approval of such debt is not required.

State Supported Debt includes lease-purchase financing obligations (structured as certificates of participation (COP's)), the share of municipal G.O. bonds issued for school construction which is reimbursable by the State, the portion of university or municipal G.O. bonds issued for certain capital projects which is reimbursable by the State, and Capital Leases the State has entered for the Atwood Office Building and Parking Garage with AHFC, the Anchorage Jail with the Municipality of Anchorage, and the Goose Creek Correctional Center with the Matanuska Susitna Borough.

Historically, State Supported Debt has been authorized by voter referendum as in the case of municipal school debt, by law as in the case of the University, by legislative resolution pursuant to AS 37.05.280 (now repealed) as in the case of ASHA, and by action of the State Bond Committee as in the case of some COP's.

In 1986, legislation increased legislative control over lease-financing. Chapter 106, SLA 1986, effective January 1, 1988, requires approval by law of any executive branch lease-financing agreements with annual lease payments exceeding \$1 million. Chapter 73, SLA 1992, effective September 14, 1992, adds the requirement of approval by law of leases with total lease payments exceeding \$10 million. Chapter 75, SLA 1994, effective June 7, 1994, generally requires prior legislative approval of all lease-purchase agreements, other than the refinancing of outstanding balances on existing lease purchase agreements and certain University of Alaska transactions.

At June 30, 2014, State Supported Debt was \$1,140.1 million as shown in Table 1.1.

C. State Guaranteed Debt

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

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

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

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

At June 30, 2014, State Guaranteed Debt was \$73.5 million, as shown in Table 1.1.

D. State Moral Obligation Debt

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

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

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

The authority to issue moral obligation bonds is contained in the enabling legislation of Alaska Aerospace Development Corporation, Alaska Housing Finance Corporation, Alaska Industrial Development and Export Authority, Alaska Student Loan Corporation, Alaska Municipal Bond Bank, & Alaska Energy Authority. Such authority is not granted to the other State agencies.

At June 30, 2014, State Moral Obligation Debt was \$1,245.0 million, as shown in Table 1.1.

E. State Revenue and University Debt

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

At June 30, 2014, State Revenue and University Debt was \$720.0 million, as shown on Table 1.1.

F. State Agency Debt

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

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

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

At June 30, 2014, State Agency Debt was \$571.2 million, as shown on Table 1.1.

G. State Agency Collateralized or Insured Debt

As security for this type of debt, the State agency pledges mortgage loans or other securities which may be 100% insured or guaranteed by another party of superior credit standing. This upgrades the credit rating on the debt and lowers the interest cost. It also makes very remote any likelihood of the State having to consider assumption of responsibility for the debt. The details of such debt are explained in the section on AHFC.

At June 30, 2014, State Agency Collateralized or Insured Debt was \$2,350.3 million, as shown on Table 1.1.

H. Municipal Debt

Political subdivisions within the State of Alaska are termed "municipalities." The five categories of municipality are home rule city, general law city, home rule borough, general law borough, and unified municipality.

Alaska municipalities had 2.4 billion in general obligation bonds outstanding at June 30, 2014. Alaska municipalities' general obligation debt has remained relatively stable over the last five years, and remains below its peak of \$2.67 billion reached in 1986.

In addition to general obligation debt that is supported by local taxes, cities and boroughs may issue debt that is supported by the revenues generated by the project financed through the issuance of debt. At June 30, 2014, approximately \$887.6 million in municipal revenue bonds was outstanding. These revenue bonds accounted for 26.9 % of all local debt outstanding in Alaska.

I. Industrial Development Bonds (IDB's)

The City of Valdez, Alaska issued approximately \$1.7 billion of Industrial Development Bonds (IDB's), from 1976 - 1986, to finance construction of the Trans Alaska Pipeline System. These bonds, repaid solely by revenues from major oil companies, are not obligations of the State of Alaska or the City of Valdez. These Industrial Development Bonds are not included in the amounts of Alaska public debt in this publication.

TABLE 1.1
State and State Agency Debt by Type at 6/30/14
\$ (millions)

	principal outstanding	interest to maturity	total debt service to maturity
State Debt			
State of Alaska General Obligation Bonds	803.8	300.2	1,104.0
State Supported Debt			
Lease-Purchase Financings	3.3	0.2	3.5
State Reimbursement of Municipal School Debt Service	859.6	269.6	1,129.2
State Reimbursement of capital projects	22.4	7.5	29.9
Capital Leases	254.8	149.7	404.5
Total State Supported Debt	1,140.1	427.0	1,567.1
State Guaranteed Debt			
Alaska Housing Finance Corporation State Guaranteed Bonds (Veterans' Mortgage Program)	73.5	50.9	124.4
State Moral Obligation Debt			
Alaska Municipal Bond Bank:			
1976, 2005, & 2010 General Resolution General Obligation Bonds	919.0	464.9	1,383.9
2004 General Revenue Bonds	4.4	2.6	7.0
Alaska Energy Authority:			
Power Revenue Bonds #1 through #5	78.9	18.2	97.1
Alaska Student Loan Corporation			
Student Loan Revenue Bonds	116.6	7.8	124.4
Education Loan Backed Notes	123.1	3.0	126.1
Student Capital Project Revenue Bonds	3.0	0.0	3.0
Total State Moral Obligation Debt	1,245.0	496.5	1,741.5
State Revenue Debt			
Sportfish Revenue Bonds	35.3	11.7	47.0
International Airports Revenue Bonds	503.1	239.9	743.0
University of Alaska Debt			
University of Alaska Revenue Bonds	140.6	46.8	187.4
University Lease Liability and Notes Payable	39.5	17.5	57.0
Installment Contracts	1.6	0.1	1.7
Total University of Alaska Debt	181.6	64.4	246.0
Total State Revenue and University Debt	720.0	304.3	1,024.3
State Agency Debt			
Alaska Housing Finance Corporation:			
Commercial Paper	65.0	N/A	65.0
Alaska Municipal Bond Bank Coastal Energy Loan Bonds	10.6	2.9	13.5
Alaska Railroad	142.4	31.7	174.1
Northern Tobacco Securitization Corporation			
2006 Tobacco Settlement Asset-Backed Bonds	353.2	468.8	822.0
Total State Agency Debt	571.2	503.4	1,074.6
State Agency Collateralized or Insured Debt			
Alaska Housing Finance Corporation:			
Collateralized Home Mortgage Revenue Bonds & Mortgage Revenue Bonds:			
2002 Through 2011 (First Time Homebuyer Program)	928.4	545.7	1,474.1
General Mortgage Revenue Bonds II -2012	186.5	76.4	262.9
Housing Development Bonds 2004	0.1	0.1	0.2
General Housing Purpose Bonds 2005	257.9	173.7	431.6
Government Purpose Bonds 1997 & 2001	133.4	37.9	171.3
State Capital Project Bonds, 2002-2011	296.3	140.5	436.8
State Capital Project Bonds, II 2012-2014	402.4	180.4	582.8
Alaska Industrial Development and Export Authority:			
Revolving Fund and Refunding Revolving Fund Bonds	73.2	25.5	98.7
Power Revenue Bonds, First Series (Snettisham Hydro Project)	72.1	46.3	118.4
Total State Agency Collateralized or Insured Debt	2,350.3	1,226.5	3,576.8
Total State and State Agency Debt	6,903.9		

TABLE 1.1 (Continued)
State and State Agency Debt by Type at 6/30/14
\$ (millions)

Municipal Debt			
<i>School G.O. Debt</i>	1,273.3	N/A	N/A
<i>Other G.O. Debt</i>	1,144.4	N/A	N/A
Revenue Debt	<u>887.6</u>	N/A	N/A
Total Municipal Debt	3,305.3		
Less: State Reimbursable Debt and Capital Leases *	-1,136.8		
Less: Alaska Municipal Bond Bank debt included in municipal debt	<u>-934.1</u>		
	<u>1,234.5</u>		
Total Alaska Public Debt	<u>\$ 8,138.4</u>		

NOTES

1. University debt owed to AHFC is double counted in detail, but eliminated from Total Alaska Public Debt

* Reimbursable school G.O. debt is included in "state supported debt"

Capital Leases are included in State Agency Collateralized or Insured Debt

State Reimbursement of Capital Projects is included in University and Municipal Debt

Sources: Annual reports and financial statements of AHFC, AMBBA, AIDEA, AEA, U of A, AKRR, and directly from agencies.

II. Issuers of Alaska Public Debt

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

At June 30, 2014, total public debt of Alaska issuers stood at \$8.13 billion, as follows:

	<u>\$ (millions)</u>
State of Alaska Revenue and GO Debt	1,342.2
State Supported Debt	1,140.1
State Agencies and University Debt	4.4
Municipalities Debt	3,305.3
Less duplicate reporting *	(2,070.9)
Total Alaska Public Debt	<u>\$ 8,138.4</u>

* \$934.1 million of Alaska Municipal Bond Bank debt issued to purchase municipal debt, \$859.6 million of State reimbursable debt, and \$254.8 million in capital leases.

A. State of Alaska

State debt includes general obligation bonds, International Airport System revenue bonds, sport fish revenue bonds, toll facility revenue bonds, and revenue anticipation notes.

1. General Obligation Debt

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

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

balance outstanding at 6/30/14	<u>payments made during year ending 6/30/14</u>		
	principal	interest	total
\$803,800	\$ 56,350	\$ 34,028	\$ 90,378

Source: Department of Revenue bond documents

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

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

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

fiscal year	authorization authorized	issued	outstanding at 6/30
1989	(2,500)	-	386,091
1990	-	-	290,531
1991	-	-	213,032
1992	-	-	159,383
1993	-	-	108,020
1994	-	-	78,192
1995	-	-	57,971
1996	-	-	39,101
1997	-	-	24,206
1998	-	-	10,891
1999	-	-	2,376
2000	-	-	-
2001	-	-	-
2002	-	-	-
2003	463,525	461,935	461,935
2004	-	-	461,935
2005	-	-	438,370
2006	-	-	414,250
2007	-	-	389,505
2008	-	-	364,065
2009	315,050	165,000	502,845
2010	-	-	475,740
2011	397,200	201,110	643,770
2012	-	-	575,825
2013	453,499	348,203	840,249
2014	-	28,895	803,790
Total	<u>\$ 2,876,281</u>	<u>\$ 2,602,200</u>	

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

TABLE 2.3
General Obligation Bond Sales Since 1973

date of bonds	average life in years	effective interest rate	underlying ratings Moody's, Standard & Poor's, & Fitch Ratings
Jan. 13, 1973	15.30	5.12%	Baa1/A
Jan. 13, 1973	14.80	5.10%	Baa1/A
Aug. 1, 1973	16.70	5.80%	Baa1/A
Sept. 1, 1974	15.60	6.85%	A1/A
Feb. 1, 1975	14.60	5.98%	A1/A+
May 1, 1975	15.10	6.52%	A1/A+
Oct. 1, 1975	12.50	6.85%	A1/A+
Mar. 1, 1976	9.50	5.86%	A1/A+
July 1, 1976	9.50	5.80%	A1/A+
Feb. 1, 1977	9.50	5.08%	A1/A+
Oct. 1, 1977	7.00	4.50%	A1/A+
Apr. 1, 1978	7.00	4.86%	A1/A+
Jan. 1, 1979	5.50	5.52%	A1/A+
May 1, 1979	5.50	5.59%	A1/A+
July 1, 1980	5.50	5.76%	Aa/AA-
Apr. 1, 1982	5.00	9.98%	Aa/AA-
Nov. 1, 1982	5.00	7.72%	Aa/AA-
Oct. 1, 1983	5.00	7.47%	Aa/AA-
May 1, 1994	2.30	4.88%*	Aa/AA/AA
April 1, 2003	9.09	3.84%*	Aa2/AA/AA
April 14, 2009	12.22	4.06%*	Aa2/AA+/AA
December 7, 2010	16.07	2.77%*	Aaa/AA+/AA+
Feb. 8, 2012	5.87	1.21%*	Aaa/AAA/AA+
January 15, 2014	8.99	1.44%	Aaa/AAA/AAA
March 27, 2013	0.99	0.09%	MIG1/SP-1+/F1+
March 24, 2014	0.99	0.09%	MIG1/SP-1+/F1+

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

TABLE 2.4
Original Issue General Obligation Bond Issues

date	purpose	\$ (thousands)	par issued	ANIC or TIC ^a
June 1, 1958 ²	University of Alaska	\$	1,290	2.97%
Aug. 1, 1958 ²	Military		65	3.09%
Dec. 1, 1958 ²	University of Alaska		537	3.51%
Dec. 1, 1958 ²	Military		1,040	3.25%
July 1, 1961	Transportation		12,500	3.56%
July 1, 1961	University of Alaska		1,200	3.54%
July 1, 1961	Airport		275	3.00%
July 1, 1962	Transportation		5,500	3.56%
July 1, 1962	University of Alaska		800	3.23%

TABLE 2.4 (continued)
Original Issue General Obligation Bond Issues

date	purpose	\$ (thousands) par issued	ANIC or TIC ¹
July 1, 1962	Airport	275	2.94%
July 1, 1962	Hospital	354	2.94%
April 1, 1963	University of Alaska	2,650	3.33%
April 1, 1963	Education	2,700	3.33%
April 1, 1963	Airport	1,550	3.33%
April 1, 1963	Education	600	3.10%
Jan. 1, 1964	Various	7,865	3.56%
Oct. 1, 1966	Various	12,485	3.75%
Oct. 1, 1966	Various	2,600	3.75%
May 1, 1967	Various	16,500	4.50%
Sept. 1, 1967	Transportation	10,500	4.90%
April 1, 1968	Various	15,500	5.18%
Oct. 1, 1968	Various	10,500	5.24%
May 1, 1969	Transportation	8,500	5.73%
July 1, 1969	Various	10,500	5.69%
Sept. 1, 1969	Various	8,200	5.62%
Oct. 1, 1969	University	2,030	3.00%
Mar. 1, 1970	Various	11,501	5.49%
July 1, 1970	Various	12,900	5.91%
Sept. 1, 1970	Various	11,325	5.87%
Feb. 1, 1971	Various	21,325	5.07%
June 1, 1971	Various	18,880	6.03%
June 1, 1971	University	3,750	6.04%
June 1, 1971	University	1,200	6.00%
Feb. 1, 1972	Various	23,445	5.23%
May 1, 1972	Various	30,000	5.15%
Jan. 1, 1973	Transportation	20,000	5.12%
June 1, 1973	Various	27,000	5.10%
Aug. 1, 1973	Various	31,000	5.80%
Sept. 1, 1974	Various	30,000	6.85%
Feb. 1, 1975	Various	40,300	5.98%
May 1, 1975	Various	42,000	6.52%
Oct. 1, 1975	Various	42,915	6.85%
March 1, 1976	Various	40,000	5.86%
July 1, 1976	Various	40,000	5.80%
Feb. 1, 1977	Various	40,000	5.08%
Oct. 1, 1977	Various	40,000	4.50%
April 1, 1978	Various	45,000	4.86%
Jan. 1, 1979	Various	40,000	5.52%
May 1, 1979	Various	60,000	5.59%
July 1, 1980	Various	125,000	5.76%
April 1, 1982	Various	200,000	9.98%
Nov. 1, 1982	Various	185,000	7.72%
Oct. 1, 1983	Various	78,000	7.47%
April 1, 2003	Various	461,935	3.84%
April 14, 2009	Transportation	165,000	4.06%
Dec. 7, 2010	Education	200,000	2.77%
Jan. 23, 2013	Education	162,480	1.44%
March 27, 2013	Transportation	149,645	0.09%
March 24, 2014	Transportation	170,000	0.09%
Total		\$ 2,706,117	

¹ ANIC - Average Net Interest Cost until October 1, 1983

all subsequent sales are true interest cost.

² State assumed obligation of Territory.

Source: State Bond Committee records.

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

purpose	authorization issued	percentage
Transportation	\$ 1,114,471	42.8%
Education	1,021,122	39.2%
Water and Sewer	135,640	5.2%
Fish, Game, and Recreation	93,099	3.6%
Public Safety (Fire and Corrections)	86,544	3.3%
Flood Control and Harbor Development	75,790	2.9%
Health and Housing	75,534	2.9%
Total	<u><u>\$ 2,602,200</u></u>	<u><u>100.0%</u></u>

2. Lease-Purchase Financing

a. General

Lease-purchase financing involves the issuance, by a lessor, of debt which is secured by the lease payments from the lessee (State) and by the leased facilities.

Lease-purchase obligations and capital leases may provide for the acquisition of the property by the lessee by the end of the lease. Alternatively, the term of the lease, the lease payments, or purchase option price are such that the lessee (State) is considered the owner of the property for accounting, credit, or federal tax purposes from the outset of the lease. As a result, the interest portion of the lease payments is treated as tax-exempt interest income under the federal income tax.

A lease-purchase financing obligation may take the form of either revenue bonds or certificates of participation. In cases where the State is the lessee, the fact that the lease payments are subject to annual appropriations precludes the obligations from being considered State debt under the Constitution and thus requiring voter approval. However, because the debt obligation is paid from the State's General Fund, these obligations are counted by the rating agencies in measuring the State's debt burden.

b. Certificates of Participation (COP's)

Certificates of participation in rent (COP's) are similar to lease revenue bonds. The certificates represent fractional interests or shares in lease payments from lessees, in this case the State, and are sold to finance construction or purchase of the leased facilities. The issuer can be a private developer, public agency, or other party acting as lessor. It can be the State itself, utilizing a trustee to hold title to the property and serve as lessor.

COP's are payable solely from the annual lease payments made by the State. These payments are subject to legislative appropriation. Therefore, COP's are not considered State debt and are not subject to voter approval.

c. Capital Leases

The State is a lessee in four facilities that qualify as capital leases and have associated lease financing, the Atwood Building and parking garage financed by general obligation bonds of the Alaska Housing Finance Corporation, the Anchorage Jail financed by lease revenue bonds of the Municipality of Anchorage, and the Goose Creek Correctional Facility financed by lease revenue bonds of the Matanuska Susitna Borough. In

these financings, legislation authorized the leases to be pledged as security. The State may acquire the Atwood Building at the term of the lease, the State will own the Goose Creek Correctional Facility at the term of the lease, and the State will pay the full cost of the constructing the Anchorage Jail. Accordingly, the financings qualify as lease-purchase from an accounting, credit, or federal tax standpoint. In other state facility leases, the leases do not qualify as lease-purchases, and are called operating leases.

The following Table 2.6 summarizes issued and outstanding COPs.

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

Certificates of Participation (COP's)

	date	amount issued	6/30/2014	final maturity
State Virology Laboratory Facility 2005 B	10/1/2005	24,000	4,910	2/1/2017
Total Certificates of Participation		<u>\$ 24,000</u>	<u>\$ 4,910</u>	

Source: Department of Revenue

International Airport System Revenue Bonds

Bonds have been issued to finance improvements to the State's two international airports and are secured by a first lien on gross revenues derived from airport operations. The Commissioner of Transportation and Public Facilities is required by each bond resolution to fix and collect fees, charges, and rentals for the use of facilities of the International Airports sufficient each year to provide adjusted net revenues at least equal to 125 percent of debt service requirements during that year. Table 2.8 indicates that over the past ten fiscal years, adjusted net revenues have exceeded the amount required to pay debt service. In 2013, the State entered into a new rate and fee agreements with air carriers using the airports. The rents and fees calculated according to the agreements are airline terminal building rental rates, landing fees, international terminal docking fees, passenger loading bridge fees, and charges relating to federal inspection services. The agreements also establish procedures for review and adjustment of airline rents and fees for each fiscal year to ensure that revenues are sufficient to meet operations and maintenance expenses, debt service requirements of the revenue bonds and other funding requirements established by the resolution authorizing issuance of the revenue bonds.

The Alaska International Airport System bonds carry ratings of A1 by Moody's and A+ by Fitch Ratings.

The following Tables 2.7 and 2.8 provide additional information on the Airport Revenue Bonds.

TABLE 2.7
International Airports System
Debt Outstanding

\$ (thousands)					
revenue bonds	date	amount issued	outstanding at 6/30/14	interest rate (%)	final maturity
Series 1999 A	1/15/1999	162,500	11,290	5.00	10/1/2024
Series 1999 B	1/15/1999	16,675	735	4.60	10/1/2015
Series 1999 C	10/1/1999	25,000	1,915	6.22	10/1/2024
Series 2003 A	12/3/2003	73,025	505	5.00	10/1/2024
Series 2003 B	12/3/2003	21,900	21,900	5.00	10/1/2028
Series 2006 A	3/14/2006	118,975	77,600	4.88	10/1/2022
Series 2006 B	3/14/2006	70,760	70,760	5.00	10/1/2027
Series 2006 D	3/14/2006	104,860	103,845	4.93	10/1/2027
Series 2009 A	1/6/2009	50,000	50,000	variable	10/1/2030
Series 2010 A	9/29/2010	117,271	117,270	4.96	10/1/2027
Series 2010 B	9/29/2010	21,685	15,215	4.65	10/1/2018
Series 2010 C	9/29/2010	12,565	12,565	5.00	10/1/2033
Series 2010 D*	9/29/2010	19,540	19,540	6.28	10/1/2035
Total Bonds		<u>\$ 814,756</u>	<u>\$ 503,140</u>		

*The 2010 D bonds are Build America Bonds eligible for a 35% federal interest rate subsidy

Source: State of Alaska financial statements, International Airports.

TABLE 2.8
International Airports System Revenue Bonds

fiscal year	net revenue (\$ millions)	debt service (\$ millions) ¹	ratio net revenues to debt service ²
1995	15.6	5.6	2.79
1996	17.9	5.7	3.14
1997	19.7	5.7	3.46
1998	20.7	5.7	3.63
1999	16.3	5.7	2.86
2000	18.9	4.8	3.94
2001	37.4	15.2	2.46
2002	30.5	15.2	2.01
2003	33.9	17.6	1.93
2004	33.0	22.1	1.49
2005	48.7	31.1	1.57
2006	43.7	32.4	1.35
2007	58.4	45.4	1.29
2008	62.7	49.1	1.28
2009	38.0	24.9	1.52
2010	51.3	24.6	2.09
2011	44.5	31.7	1.40
2012	41.6	31.2	1.33
2013	41.6	31.2	1.33
2014	51.7	41.2	1.25

1 Required coverage of 1.3 until 1999.

2 Since 1999 coverage of 1.25 is required.

Excludes debt service bonds which are defeased

Source: AIAS, Comprehensive Annual Report

3. Revenue Anticipation Notes (RAN's)

There have been no RAN's issued.

4. Toll Facilities' Revenue Bonds

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

B. State Agencies (Alphabetically)

1. Alaska Aerospace Development Corporation

The Alaska Aerospace Development Corporation was created in 1991 as a public corporation of the State. It is located for administrative purposes within the Department of Commerce and Economic Development and affiliated with the University of Alaska but with a separate and independent legal existence. The purpose of the Corporation is to allow the State to take a lead role in the exploration and development of space, to enhance

human and economic development, to provide a unified direction for space-related economic growth, education, tourism, research development, and improve the entrepreneurial atmosphere in the State.

The Corporation may issue moral obligation bonds and otherwise incur indebtedness in order to pay the cost of a project or projects to construct or improve launch facilities or other space and aerospace projects or in order to provide money for the Corporation's purposes. Original bond issues in excess of \$1,000,000 each calendar year must have legislative approval. In addition, legislative approval is required if the annual debt service on all outstanding bonds issued and bonds proposed to be issued exceeds \$1,000,000 in a fiscal year. The Corporation has not issued any bonds.

2. Alaska Energy Authority

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

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

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

Pursuant to legislation effective July 1, 1999 rural energy programs previously administered by the former Department of Community and Regional Affairs, Division of Energy, were transferred to AEA for administration as part of a larger reorganization of state agencies. Five general energy programs, including the rural energy programs originally part of AEA prior to the 1993 reorganization, comprising more than twenty smaller programs were moved to AEA. Effective July 14, 2011, the Legislature empowered AEA to acquire, construct, own and operate a hydroelectric project located on the Susitna River. Under this legislative authorization, AEA is working on the planning, design and licensing of the Susitna-Watana Hydroelectric Project

a. Debt Issued and Outstanding

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

AEA issued short-term debt in the amount of \$200 million to finance construction of three hydroelectric projects known as the Four Dam Pool Hydroelectric Projects under the Energy Program for Alaska. In 1984, a State appropriation was enacted to the Department of Commerce and Economic Development for a loan to AEA

to refinance the short-term debt. A loan agreement eventually totaling \$192,847,000 was executed on September 27, 1984 to meet the maturities of the short-term debt.

In 1982, AEA assumed \$44,858,858 of debt payable to the Rural Electrification Association (REA) in connection with the Solomon Gulch hydroelectric project, the fourth dam in the Four Dam Pool. At the same time that AEA assumed the REA debt, it deposited an amount with a trustee sufficient to defease the debt.

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

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

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

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

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

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

On April 13, 1999, AEA issued \$30,640,000 of Power Revenue Refunding Bonds, Fifth Series, for the purpose of refunding \$28,910,000 of the First Series Bonds. The refunded First Series Bonds were called on July 1, 1999.

On April 4, 2000, AEA issued \$47,710,000 of Power Revenue Refunding Bonds, Fourth Series, for the purpose of refunding \$46,235,000 of the Second Series Bonds. The refunded Second Series Bonds were called on July 1, 2000.

In July 2010 AEA issued \$28,800,000 of Power Revenue Refunding Bonds, Sixth Series, to refund \$30,640,000 aggregate outstanding principal amount of the AEA Power Revenue Bonds, Fifth Series, and to pay costs of issuing the bonds. The refunded bonds were called on August 2, 2010.

The bonds related to the Bradley Lake project are general obligations of AEA and have a capital reserve fund backed by the moral obligation of the State of Alaska. The project and all of the revenues derived by AEA from the operation of the Bradley Lake Project and all moneys, securities and funds (except the excess earnings fund), including a capital reserve fund, held or set aside are pledged and assigned to secure the payment of principal, redemption premium, if any, and interest on the Bradley Lake bonds. AEA has covenanted to notify

the State Legislature of any failure to maintain the capital reserve fund at its required level. The bonds are further secured by bond insurance. AEA collects from each power purchaser a percentage share of annual project costs. A portion of the outstanding Bradley Lake bonds mature annually each July 1 through the year 2021 with interest rates ranging from 2.5% to 6.25%.

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

In May 1992, AEA issued \$56,890,000 of tax-exempt bonds that allowed the City and Borough of Sitka (Sitka) to refinance its 1979 municipal bonds, resulting in significant debt service savings to Sitka. In November 1997, AEA issued \$22,080,000 of tax-exempt bonds to advance refund and defease \$20,145,000 of the Series 1992 bonds (collectively with the Series 1992 bonds, the Sitka Bonds). In December 2010, the Alaska Municipal Bond Bank issued bonds, the proceeds of which were used to refund and defease the Sitka Bonds. The Series 1992 Bonds were defeased and \$8,200,000 remained outstanding at June 30, 2013. The Series 1997 bonds were called and redeemed in January 2011.

At June 30, 2014, AEA's outstanding debt was \$78.9 million, as shown below in Table 2.9.

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

	date	amount issued	outstanding at 6/30/14	final maturity
Variable Rate Demand Note				
(Bradley Lake Hydroelectric Project)	9/7/1989	111,755	100	7/1/2021
Power Revenue Bonds, Third Series				
(Bradley Lake Hydroelectric Project)	4/6/1999	59,485	21,050	7/1/2017
Power Revenue Bonds, Fourth Series				
(Bradley Lake Hydroelectric Project)	4/4/2000	47,710	28,940	7/1/2021
Power Revenue Bonds, Fifth Series				
(Bradley Lake Hydroelectric Project)	7/1/2011	28,800	28,800	7/1/2021
Total		<u>\$ 247,750</u>	<u>\$ 78,890</u>	

Source: Alaska Energy Authority financial statements.

3. Alaska Housing Finance Corporation

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

Since 1980, when AHFC's powers were expanded by removing borrower income restrictions, the Corporation has emerged as a major supplier of mortgage funds in the State, in addition to being the largest issuer of debt (taxable and tax-exempt). Table 3.0 indicates the amounts of AHFC borrowing since 1973.

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

fiscal year	debt issued
1973-1980	\$ 655,395
1981-1990	7,065,380
1991	806,104
1992	452,760
1993	200,000
1994	384,060
1995	365,000
1996	365,000
1997	599,836
1998	470,405
1999	92,365
2000	883,435
2001	409,670
2002	884,150
2003	382,710
2004	287,200
2005	412,730
2006	333,675
2007	1,192,873
2008	234,290
2009	287,640
2010	354,840
2011	248,345
2012	229,055
2013	482,015
2014	124,400
Total	\$ 18,203,333 ¹

Source: Alaska Housing Finance Corporation

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

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

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

a. Federal Tax-Exemption and Ceilings

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

Since 1980, when the Mortgage Subsidy Bond Tax Act was enacted, Alaska also had been subject to a \$200 million annual ceiling on tax-exemption for qualified mortgage revenue bonds (AHFC Home Mortgage Bonds, also known as AHFC's first-time home-buyer bonds). AHFC's allocation of Private Activity Bond Volume Cap is presented in Table 5.4.

b. Bond Authorization

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

c. Security for Debt

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

<u>Authorization Calendar Year</u>	<u>Authorized</u>	<u>Issued as of June 30, 2014</u>
1982	400.0	400.0
1983	500.0	500.0
1984	700.0	700.0
1986	600.0	600.0
2002	500.0	404.9
2010	600.0	404.9
Total:	<u>3,300.0</u>	<u>2,605.4</u>

As of June 30, 2014, \$694.6 million of state guaranteed bonds remain unissued.

d. Debt Issued and Outstanding

Table 3.1 summarizes AHFC debt issued and outstanding by type of debt.

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

	credit rating (1)	Debt Issued In FY 2014	Total debt issued	debt outstanding at 6/30/14
HMRB & Mortgage Revenue Bonds	Aaa/AAA (2)	-	2,547,215	\$ 928,425
Veterans Collateralized Bonds (Veterans Mortgage Program)	Aaa/AAA	-	1,900,385	73,455
General Mortgage Revenue Bonds II 2012 Series A&B	AA+/AA+(4)	-	195,890	186,495
Housing Development Bonds 2004 Series A-C	Aaa,AAA,A/AAA,	-	127,210	100
General Housing Purpose Bonds 2005 Series A	Aaa/AAA/AAA	-	143,235	133,870
General Housing Purpose Bonds 2005 Series B&C	Aaa/AAA/AAA	-	164,495	124,075
Governmental Purpose Bonds 1997 Series A	Aaa/AAA/AAA	-	33,000	14,600
Governmental Purpose Bonds 2001 Series A-D	Aaa,VMIG-1/AAA,A-1+/AAA,F-1+	-	370,170	118,775
State Capital Project Bonds 2002 Series A-C	Aaa/AAA/AAA	-	107,710	50,760
State Capital Project Bonds 2006 Series A	Aaa/AAA/AAA	-	100,890	88,585
State Capital Project Bonds 2007 Series A-B	Aa2/AA/AA+	-	105,185	77,995
State Capital Project Bonds 2011 Series A	Aa2/AA+/AA+	-	95,525	78,975
State Capital Project Bonds II 2012 Series A&B	AA+/AA+(4)	-	149,360	141,270
State Capital Project Bonds II 2013 Series A&B	AA+/AA+(4)	-	136,765	136,765
State Capital Project Bonds II 2014 Series A	AA+/AA+(4)	95,115	95,115	95,115
State Capital Project Bonds II 2014 Series B	AA+/AA+(4)	29,285	29,285	29,285
NTSC, a subsidiary of AHFC:				
Tobacco Settlement Asset-Backed Bonds, Series 2006 A-C	Baa/ - /BBB (3)	-	411,988	353,208
Total		\$ 124,400	\$6,713,423	\$2,631,753

NOTES:

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

	Credit rating as of 6/30/2014	Debt issued in FY 2013	Total Debt Issued	Debt outstanding at 6/30/14
Short-term debt outstanding				
Commercial Paper	P-1/A-1+/F-1+	N/A	N/A	65,000
Total				\$ 65,000

e. Collateralized and Insured Bonds

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

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

Collateralized bonds lower the cost of funds to AHFC. Collateralized bonds issued after July 1993 are structured to achieve "Triple A" ratings on the basis of the pledged whole loan collateral. Table 3.2 lists collateralized obligations.

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

issue	Tax Status	debt issued	date of bonds	guarantor	06/30/14 debt outstanding
Collateralized Bonds (Veterans Mortgage Program)					
2006 First Series	Exempt	190,000	9/19/2006	State of Alaska	56,220
2007 and 2008 First Series	Exempt	57,885	12/18/2007	State of Alaska	17,235
Total		<u>247,885</u>			<u>73,455</u>
Collateralized Home Mortgage Revenue Bonds & Mortgage Revenue Bonds					
2002 Series A	Exempt	170,000	5/16/2002	*	117,702
2006 Series A	Exempt	98,675	1/26/2006	*	19,865
2007 Series A	Exempt	75,000	5/31/2007	*	75,000
2007 Series B	Exempt	75,000	5/31/2007	*	75,000
2007 Series D	Exempt	89,370	5/31/2007	*	89,370
2009 Series A (HMRB)	Exempt	80,880	5/28/2009	*	80,880
2009 Series B	Exempt	80,880	5/28/2009	*	80,880
2009 Series D	Exempt	80,870	8/26/2009	*	80,870
2009 Series A-1	Exempt	64,350	9/30/2010	*	57,610
2010 Series A	Exempt	43,130	9/30/2010	*	35,190
2010 Series B	Exempt	35,680	9/30/2010	*	33,035
2009 Series A-2	Exempt	128,750	11/22/2011	*	107,630
2011 Series A	Taxable	28,945	11/22/2011	*	14,210
2011 Series B	Exempt	71,360	11/22/2011	*	61,180
Total		<u>1,122,890</u>			<u>928,422</u>
General Mortgage Revenue Bonds II					
Series 2012 A	Exempt	145,890	7/11/2012	*	136,495
Series 2012 B	Taxable	50,000	7/11/2012	*	50,000
Total		<u>195,890</u>			<u>186,495</u>
Governmental Purpose Bonds					
Series 1997	Exempt	33,000	12/3/1997	*	14,600
Series 2012 B	Taxable	170,170	8/2/2001	*	118,775
Total		<u>203,170</u>			
Total AHFC Collateralized Debt		<u>\$ 1,769,835</u>			<u>\$ 1,188,372</u>

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

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

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

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

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

	outstanding at 6/30/14
State General Obligation Guarantee	
Collateralized Bonds AAA/AAA	\$ 73,455
Total State Obligations On AHFC Debt	<u>73,455</u>

f. Mortgage Reorigination

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

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

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

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

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

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

a. Security for Bonds

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

b. Bond Authorization

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

c. Housing Debt

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

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

d. Collateralized Bond

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

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

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

The following Table 3.4 summarizes all AHFC outstanding debt.

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

bond program	Date Delivered	Amount Issued	Outstanding at 6/30/14	TIC (%)	final maturity
Home Mortgage Bonds					
2002 Series A Mortgage Revenue Bonds	5/16/2002	170,000	117,705	4.553	2036
2006 Series A Mortgage Revenue Bonds	1/26/2006	98,675	19,865	4.623	2036
2007 Series A Mortgage Revenue Bonds	5/31/2007	75,000	75,000	4.048	2041
2007 Series B Mortgage Revenue Bonds	5/31/2007	75,000	75,000	4.048	2041
2007 Series D Mortgage Revenue Bonds	5/31/2007	89,370	89,370	4.090	2041
2009 Series A Home Mortgage Revenue Bonds	5/28/2009	80,880	80,880	4.375	2040
2009 Series B Home Mortgage Revenue Bonds	5/28/2009	80,880	80,880	4.375	2040
2009 Series D Home Mortgage Revenue Bonds	8/26/2009	80,870	80,870	4.893	2040
2009 Series A-1 Home Mortgage Revenue Bonds (Taxable)	9/30/2011	64,350	57,610	3.362	2041
2010 Series A Mortgage Revenue Bonds (Taxable)	9/30/2011	43,130	35,190	3.362	2027
2010 Series B Mortgage Revenue Bonds	9/30/2011	35,680	33,035	3.362	2040
2009 Series A-2 Mortgage Revenue Bonds	11/22/2011	128,750	107,630	2.532	2041
2011 Series A Mortgage Revenue Bonds	11/23/2011	28,945	14,210	N/A	2026
2011 Series B Mortgage Revenue Bonds	11/23/2011	71,360	61,180	2.532	2026
Total		1,122,890	928,425		
State Guaranteed Bonds					
2006 First Series, Collateralized	9/19/2006	190,000	56,220	4.700	2037
2007 and 2008 First Series, Collateralized	12/18/2007	57,885	17,235	5.023	2038
Total		247,885	73,455		
General Mortgage Revenue Bonds II					
2012 Series A	7/11/2012	145,890	136,495	3.653	2040
2012 Series B	7/11/2012	50,000	50,000	N/A	2042
Total		195,890	186,495		
Housing Development Bonds 1)					
2004 Series A (AMT)	3/4/2004	33,060	50	4.541	2030
2004 Series (B)	3/4/2004	52,025	50	4.541	2032
Total		85,085	100		
Government Purpose Bonds					
1997 Series A	12/3/1997	33,000	14,600	N/A	2027
2001 Series A	8/2/2001	76,580	53,455	N/A	2030
2001 Series B	8/2/2001	93,590	65,320	N/A	2030
Total		203,170	133,375		
State Capital Project Bonds					
2002 Series C	12/5/2002	60,250	50,760	N/A	2022
2006 Series A	10/25/2006	100,890	88,585	4.435	2040
2007 Series A	10/3/2007	42,415	33,010	4.139	2027
2007 Series B	10/3/2007	53,110	44,985	4.139	2029
2011 Series A	2/16/2011	105,185	78,975	4.333	2027
Total		361,850	296,315		

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

bond program	Date Delivered	Amount Issued	Outstanding at 6/30/14	TIC (%)	final maturity
State Capital Projects II					
2012 Series A	10/17/2012	99,630	91,270	2.642	2032
2012 Series B	10/17/2012	50,000	50,000	N/A	2042
2013 Series A	5/30/2013	86,765	86,765	2.553	2032
2013 Series B	5/2/2013	50,000	50,000	N/A	2043
2014 Series A	1/15/2014	95,115	95,115	3.448	2033
2014 Series B	6/12/2014	29,285	29,285	2.682	2029
Total		410,795	402,435		
General Housing Purpose Bonds					
2005 Series A	1/27/2005	143,235	133,870	4.780	2041
2005 Series B	5/18/2005	147,610	114,460	4.474	2030
2005 Series C	5/18/2005	16,885	9,615	4.474	2017
Total		307,730	257,945		
Total Long Term Debt		\$2,935,295	\$2,278,545		
Short-term Debt Outstanding					
Commercial Paper	Various	N/A	65,000	NA	VAR
Total Short-term Debt		\$ -	\$ 65,000		

Notes:

- 1 Multifamily bond issues.

4. Alaska Industrial Development and Export Authority

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

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

Until 1990, AIDEA was able to and did issue bonds secured by a capital reserve fund with a State moral obligation. AIDEA currently has the ability to issue bonds with a State moral obligation on a capital reserve fund only if the bonds are issued to finance a power transmission intertie and are legislatively approved. AIDEA may issue bonds with reserve funds, but they will not have the moral obligation of the State of Alaska. AIDEA has no general obligation bonds with a capital reserve fund requirement outstanding. The Authority has covenanted that it will not incur any General Obligation indebtedness that will cause future estimated net income (as defined in the Amended and Restated Revolving Fund Bond Resolution) to be less than 150 percent of the General Obligation Annual Debt Service requirements in each year and to take no action to cause its Unrestricted Surplus to be less than the lesser of \$200 million or the amount of General Obligation Indebtedness outstanding and in no event less than \$100 million. The full faith and credit of the Authority's Revolving Fund secures the bonds currently outstanding under the resolution.

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

During 1994, AIDEA defeased \$23,840,000 of its tax-exempt Umbrella Bonds and its Taxable Umbrella Bonds, in order to improve its projected debt service coverage. None of the bonds chosen for the defeasance would have been eligible for refunding. None of the defeased bonds remain outstanding. AIDEA's underlying ratings on its bonds are Aa3 by Moody's and AA+ by Standard & Poor's. All Revolving Fund Bonds are secured by the general assets and future revenues of the Authority.

AIDEA currently offers nine programs as follows:

i. Tax-Exempt Loan Participation Program

The Tax-Exempt Loan Participation Program can provide up to \$20 million for financing economic development projects. This program in the past was previously referred to as the "tax-exempt umbrella bond program" because many small projects financed under this program were grouped together when AIDEA issued bonds under an "umbrella". The bonds are tax-exempt by virtue of provisions in the federal tax code.

Proceeds of the bonds or Authority funds are generally used to purchase up to 90 percent of an eligible loan from financial institutions. The Tax-Exempt Loan Participation Program combines the previous Economic Development and Consolidated Bond Programs that were separate and which financed participations under and over \$1,000,000, respectively. In December 2010 \$14,470,000 of tax-exempt bonds were issued to fund a loan participation purchase. At June 30, 2014 \$13.0 million were outstanding.

ii. Taxable Loan Participation Program

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

iii. Conduit Revenue Bond Program

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

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

Historically, the program was utilized primarily by financial institutions in conjunction with loans to private borrowers; those bonds generally are sold by private placement to the financial institution originating the loan rather than by public sale. The original demand for the program arose partially from lenders wanting the tax exemption on interest income; the Tax Reform Act of 1986 eliminated the deductibility of bank interest expense

allocable to holding of tax-exempt obligations and greatly reduced demand for the program from financial institutions. Recently, the program is being used to provide funds for IRC 501(c)(3) financings.

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

From inception to June 30, 2012, AIDEA has issued Revenue Bonds for 316 projects totaling \$1.35 billion (not including bonds issued to refund other bonds). The Authority has legislative authorization to issue revenue bonds to finance power transmission interties to be owned by electric utilities in a collective amount not to exceed \$185.0 million.

iv. Development Finance Program

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

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

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

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

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

In June 2002, the Authority issued \$20,475,000 of refunding bonds for the purposes of refunding and defeasing the remaining outstanding bonds. The refunded bonds were called in July 2002, and all remaining outstanding bonds were called in April 2012.

- (d) AIDEA has \$55.0 million of remaining authorization (from the original \$85.0 million authorization discussed above) to issue bonds to finance the acquisition, design, and construction of aircraft maintenance/air cargo/air transport support facilities located at the Ted Stevens Anchorage International Airport.

- (e) The 1990 Legislature authorized AIDEA to issue up to \$85.0 million of bonds to assist in the financing of a coal fired power plant near Healy, Alaska. On July 18, 1996, \$85.0 million of Variable Rate Revolving Fund Bonds were issued to finance a portion of the Healy Clean Coal Project. In May 1998, \$85.0 million of bonds were issued to refund the variable rate revolving fund bonds. The bonds were defeased in March 2008 and retired in April 2008.
- (f) The 1993 Legislature enacted legislation authorizing the Authority to issue bonds not to exceed \$50.0 million for a facility to be constructed in Anchorage for the offloading, processing, storage and transloading of seafood. The Authority purchased the Alaska Seafood International Project in September 1999 and sold the facility in 2005. No bond issuance is anticipated.
- (g) The 1993 Legislature also enacted legislation authorizing the Authority to issue bonds not to exceed \$50.0 million for a bulk commodity loading and shipping terminal to be located at Point MacKenzie and owned by AIDEA. The 1996 Legislature modified this legislation to require that the facility be located within Cook Inlet. AIDEA does not currently anticipate participating in financing this project.
- (h) The 1995 Legislature authorized the Authority to issue up to \$20.0 million of bonds to finance the acquisition, design and construction of the Kodiak rocket launch complex and tracking station and the Fairbanks satellite ground station space park. The Kodiak rocket launch complex was constructed with other financing and the Authority does not currently anticipate that it will participate in financing the projects.
- (i) The 1996 Legislature authorized the Authority to issue up to \$85.0 million of bonds to finance the expansion, improvement and modification of the existing DeLong Mountain Transportation Project port facilities owned by the Authority. In 1997 the Authority issued \$150.0 million of Revolving Fund Bonds which included \$70.0 million for that purpose and \$80.0 million for the purpose of redeeming the 1987 DeLong Mountain Transportation Project Revenue Bonds. In February 2007, the Authority issued \$113,095,000 of refunding bonds for the purpose of refunding and defeasing, along with Authority funds, the remaining outstanding bonds. The defeased bonds were called in April 2007. In May 2008 the Authority issued \$107,385,000 of variable rate Revolving Fund Refunding Bonds for the purpose of refunding \$107,385,000 of Series 2007 A&B Revolving Fund Refunding Bonds and pay costs of issuance. The refunded bonds were redeemed in May 2008. In February 2010, AIDEA issued \$87,105,000 of fixed rate revolving fund refunding bonds for the purpose of refunding \$94,945,000 of Series 2000 A and B revolving fund bonds. The refunded bonds were redeemed February 24, 2010. At June 30, 2014 bonds totaling \$60.1 million were outstanding with no state moral obligation attached.
- (j) The 1996 Legislature authorized the issuance of up to \$100.0 million of bonds for the acquisition of the Snettisham hydroelectric project from the Alaska Power Administration. On August 19, 1998 AIDEA issued \$100 million of tax-exempt revenue bonds to finance the acquisition of the project. There is no State moral obligation attached. In December 1999 the Authority defeased \$6,865,000 of the bonds using funds on hand. All remaining defeased bonds were retired during the year ended June 30, 2011. At June 30, 2014 \$72.1 million remained outstanding.
- (k) The 1998 Legislature authorized the issuance of bonds (or other financing) up to: a) \$80.0 million to finance the expansion, improvement, and modification of the existing Red Dog Project port facilities and to finance the construction of new related facilities to be owned by AIDEA; b) \$30.0 million to finance the improvement and expansion of the Nome port facilities to be owned by AIDEA; and c) \$15.0 million to finance phase one construction and improvement of the proposed Hatcher Pass Ski Resort located in the Matanuska-Susitna Borough; in 2006 this authorization was modified and increased to \$25 million to finance the development of Hatcher Pass. The Authority does not currently anticipate that it will participate in financing the Nome facilities or the Hatcher Pass development.

- (l) The 2004 Legislature authorized the issuance of up to \$20.0 million of bonds to finance the acquisition, development, improvement and construction of port and related facilities on Lynn Canal in Southeast Alaska, to be owned by the Authority. The Authority does not currently anticipate that it will participate in this financing.
- (m) The 2011 Legislature authorized the issuance of up to \$65 million to finance the expansion, modification, improvement, and upgrading of the Skagway Ore Terminal.
- (n) The 2013 Legislature authorized the issuance of up to \$150,000,000 through the Sustainable Energy Transmission and Supply Development (SETS) Fund for the development, construction, and installation of, and the start-up costs of operation and maintenance for, a liquefied natural gas production plant and system and affiliated infrastructure on the North Slope and a natural gas distribution system and affiliated infrastructure in Interior Alaska. This bonding authorization expires June 30, 2018 if the Authority does not issue bonds before that date.
- (o) The 2014 Legislature authorized the issuance of up to \$145.0 million to finance the infrastructure and construction costs of the Bokan-Dotson Ridge rare earth element project. The Bokan-Dotson Ridge rare earth element project's surface complex shall be owned and operated by AIDEA or financed under AS44.88.172. This authorization was effective September 2014.
- (p) The 2014 Legislature authorized the issuance of up to \$125 million to finance the infrastructure and construction costs of the Niblack project. The Niblack project includes a mineral processing mill, associated dock, and loading and related infrastructure facilities at the Gravina Island Industrial Complex, as well as infrastructure at the project site on Prince of Wales Island to be owned by AIDEA or financed under AS44.88.172. This authorization was effective September 2014.

v. Business and Export Assistance Program

The Business and Export Assistance Program (Guarantee Program) was authorized by the 1998 Legislature by merging the Business Assistance Program and the Export Assistance Program, authorized in 1988 and 1987, respectively. AIDEA's goal under the Guarantee Program is to encourage projects that help diversify Alaska's economy and provide or retain jobs for Alaskans. The Guarantee Program provides a guarantee up to 80% of the principal balance, not to exceed \$1 million, to the financial institution who made the loan. The guarantee also covers accrued interest on loans.

vi. Rural Development Initiative Fund Loan Program (RDIF)

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

vii. Small Business Economic Development Revolving Loan Fund Program

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

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

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

ix. Arctic Infrastructure Development Program

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

a. Bond Authorization

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

b. Debt Issued and Outstanding

AIDEA has issued \$1.28 billion of bonds with \$145.2 million outstanding on June 30, 2014 as shown in Tables 3.5—3.6.

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

calendar year	economic development bonds	consolidated bonds	umbrella bonds	taxable umbrella bonds	development bonds	revolving fund bonds
1981-2000	\$141,425	60,475	83,000	14,540	203,250	434,545
2001	-	-	-	-	-	-
2002	-	-	-	-	-	20,475
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	-	-	-	-	-	-
2006	-	-	-	-	-	-
2007	-	-	-	-	-	113,095
2008	-	-	-	-	-	107,385
2009	-	-	-	-	-	-
2010	-	-	-	-	-	87,105
2011	-	-	-	-	-	14,470
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
Total	<u>\$141,425</u>	<u>\$ 60,475</u>	<u>\$83,000</u>	<u>\$ 14,540</u>	<u>\$203,250</u>	<u>\$ 777,075</u>

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

	Date	Amount Issued	Outstanding at 6/30/14
Development bonds			
Power Revenue Bonds, First Series (Snettisham Hydroelectric Project)	8/18/1998	<u>100,000</u>	<u>72,060</u>
Total		<u>100,000</u>	<u>72,060</u>
Revolving fund bonds			
Red Dog Port Facility (Refunding)	2/24/2010	87,105	60,135
Loan Participation	12/22/2010	<u>14,470</u>	<u>13,030</u>
		<u>101,575</u>	<u>73,165</u>
Tot: Total Bonds		<u>\$ 201,575</u>	<u>\$ 145,225</u>

Source: Financial Statements, various years, AIDEA

C. Alaska Medical Facility Authority

The Alaska Medical Facility Authority was a public authority administratively located in the Department of Revenue with separate and independent legal existence. The Authority was created by the Legislature in 1978 to finance construction and improvements to medical facilities in the State.

The authority issued two bonds totaling \$14.1 million. The Series 1983 bonds were redeemed on June 22, 1989. The Series 1979 bonds were redeemed on March 1, 1990. The Authority has no bonds currently outstanding.

D. Alaska Municipal Bond Bank

The Alaska Municipal Bond Bank (Bond Bank) was created as a public corporation by the State in 1975 for the purpose of lending money to Alaska's governmental units for their capital projects. The Bond Bank is empowered to issue bonds, the proceeds of which are used to purchase bonds, notes or certificates of participation of State municipalities. Most of the Bond Bank bonds maintain a Capital Reserve Fund with the State's moral obligation attached. As of June 30, 2014 the total principal amount of outstanding bonds and notes of the Bond Bank was \$934.1 million. Of this total amount outstanding, \$919.1 million represents general obligation bonds, \$4.4 million represents revenue bonds, and \$10.6 million represents non-recourse notes issued under the Coastal Energy Loan Program. General obligation and revenue bonds are serviced by the Bond Bank and are secured, in part, by past State appropriations to the Bond Bank, certain revenue streams of the municipality borrowing the proceeds, and additional moneys of the Bond Bank placed in a statutory capital reserve fund. The Bond Bank is covenanted to notify the State legislature of any failure to maintain the capital reserve fund at their required levels. The State legislature may appropriate funds to the Bond Bank to restore capital reserve funds to required amounts. (See "Moral Obligation Debt"). The Coastal Energy Loan Program notes do not have a claim on any capital reserve funds of the Bond Bank and are payable solely from the payments of the municipalities participating in the Program.

a. Advantages to Municipalities

The advantages to Alaska's municipalities of using the Bond Bank are several. Interest rates are lower because of the additional security achieved through the structure of the Bond Bank as well as the diversification of risk achieved by pooling municipal bond issues through the Bond Bank. The Bond Bank's general obligation program is currently rated AA+ by Fitch Ratings and AA+ by Standard & Poor's. These are higher ratings than most of Alaska's municipalities can achieve independently. The Bond Bank, carrying the name of the State of Alaska and being a more frequent issuer, is better known than many of Alaska's smaller units of government. This enhances the marketability of the bonds to investors nationally.

b. Municipal Debt Purchased

The Bond Bank has assisted 42 of Alaska's municipalities obtain financing for capital projects. These communities are geographically distributed throughout Alaska and represent virtually all sectors of the State's economy.

TABLE 3.7
Alaska Municipal Bond Bank
Outstanding Loans to Municipalities
as of 6/30/2014
\$ (thousands)

Governmental Unit	Outstanding Loan Amount	Percentage of Total
City & Borough of Sitka	137,575	15.19%
Kenai Peninsula Borough	126,050	13.92%
City & Borough of Juneau	112,610	12.43%
City of Ketchikan	109,165	12.05%
Kodiak Island Borough	89,640	9.90%
Ketchikan Gateway Borough	48,240	5.33%
Northwest Arctic Borough	44,485	4.91%
City of Seward	38,990	4.31%
City of Unalaska	36,770	4.06%
Aleutians East Borough	30,040	3.32%
Lake & Peninsula Borough	20,115	2.22%
City of Cordova	15,460	1.71%
Haines Borough	13,490	1.49%
Petersburg Borough	13,505	1.49%
City of Kodiak	13,520	1.49%
City of Dillingham	11,905	1.31%
City of Nome	6,265	0.69%
Municipality of Skagway	5,230	0.58%
Municipality of Anchorage	4,385	0.48%
City of Homer	3,605	0.40%
City of Valdez	2,950	0.33%
City of Bethel	2,940	0.32%
City of Sand Point	2,560	0.28%
City of King Cove	2,335	0.26%
City of Soldotna	2,225	0.25%
City & Borough of Wrangell	1,890	0.21%
City of Wasilla	1,880	0.21%
City of Galena	1,837	0.20%
City of Kenai	1,695	0.19%
City of Hoonah	1,190	0.13%
City of Palmer	1,080	0.12%
City of Adak	980	0.11%
City of North Pole	885	0.10%
City of Craig	115	0.01%
Total*	905,607	

Source: Alaska Municipal Bond Bank

*Does not include reserve obligations but does include direct loans

c. Security for Bonds

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

The Bond Bank's historical mainstream program was created in 1976 by its General Bond Resolution that authorized the issuance of Bond Bank general obligation bonds to purchase general obligation bond issues of municipalities. A total of 101 general obligation bond series have been issued in order to secure funds to purchase \$1.5 billion in municipal debt.

In Fiscal Year 2006 a new General Bond Resolution was approved authorizing the issuance of Bond Bank general obligation bonds to purchase loans for both general obligation and revenue bond issues of municipalities. This ability to combine revenue and general obligation loans has increased operational efficiency for the Bond Bank and the economic benefits to communities. As of June 30, 2014 a total of 29 bond issues have been issued using the 2005 General Bond Resolution for a total amount of \$976.8 million.

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

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

c. Bond Authorization

AS 44.85.180(c) was enacted in 1975, limiting Bond Bank bonds outstanding at any time to \$150 million. This statute was amended in 1983, 1984, 2003, 2006, 2010, and 2014 to raise the limit to \$200 million, \$300 million, 500 million, \$750 million, \$1 billion, and \$1.5875 billion respectively. Total Bond Bank bonds and notes outstanding as of June 30, 2014, were \$934.1 million. Thus, the limit on additional bond issuance at that time was \$565.9 million.

d. Bonds Issued and Outstanding

The types of Bond Bank bonds issued and outstanding are summarized in Table 3.8:

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

Type	Amount Issued	Outstanding at 6/30/14
General Obligation Bonds	\$ 1,554,017	\$ 919,090
Revenue Bonds	173,790	4,385
Coastal Energy Bonds	41,873	10,476
	<u>\$ 1,769,680</u>	<u>\$ 933,951</u>

The Coastal Energy Reserve and Loan Bonds are not general obligations of the Bond Bank and are payable only from bond payments received from the underlying communities. These bonds do not have the State's moral obligation attached.

A listing of outstanding debt issued by the Bond Bank is found in Table 3.9:

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

	Date	Amount Issued	Outstanding at 6/30/14
1976 General Resolution General Obligation Bonds			
2004 Series B	4/8/2004	17,425	340
2004 Series C	7/21/2004	14,575	670
2004 Series D	12/1/2004	13,925	1,510
2005 Series A	3/22/2005	32,655	18,900
2005 Series B	5/4/2005	27,625	3,990
2005 Series C	10/4/2005	32,060	20,815
2006 Series A	2/9/2006	19,255	7,220
Total		<u>157,520</u>	<u>53,445</u>

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

	Date	Amount Issued	Outstanding at 6/30/14
2005 General Resolution General Obligation Bonds			
2005 Series One	10/20/2005	18,700	7,560
2006 Series One	6/21/2006	7,390	4,930
2006 Series Two	7/26/2006	40,265	33,505
2007 Series One	1/31/2007	26,735	16,640
2007 Series Two	4/5/2007	24,860	22,915
2007 Series Three	6/25/2007	14,715	12,085
2007 Series Four	8/28/2007	15,625	11,445
2007 Series Five	11/20/2007	6,000	5,535
2008 Series One	4/15/2008	62,355	49,360
2008 Series Two	7/22/2008	19,700	14,960
2009 Series One	1/8/2009	26,730	23,980
2009 Series Two	3/18/2009	30,295	16,740
2009 Series Three	9/21/2009	13,390	7,955
2009 Series Four A	12/3/2009	8,695	2,140
2009 Series Four B	12/3/2009	20,425	20,425
2010 Series One A	2/23/2010	20,420	9,505
2010 Series One B	2/23/2010	7,415	7,415
2010 Series Two A	5/20/2010	3,385	1,280
2010 Series Two B	5/20/2010	11,405	11,405
2010 Series Three A	9/16/2010	4,530	2,885
2010 Series Three B	9/16/2010	6,900	6,900
2010 Series Four A	12/9/2010	26,725	21,135
2010 Series Four B	12/9/2010	51,940	49,265
2011 Series One	3/1/2011	8,635	7,305
2011 Series Two	5/10/2011	12,130	9,065
2011 Series Three	9/15/2011	78,115	73,900
2012 Series One	3/6/2012	18,495	14,035
2012 Series Two	5/24/2012	52,795	49,250
2012 Series Three	10/18/2012	21,190	20,080
2013 Series One	3/12/2013	96,045	93,900
2013 Series Two A	6/19/2013	19,145	18,370
2013 Series Two B	6/19/2013	17,110	17,110
2013 Series Three	11/14/2013	72,045	72,045
2014 Series One	2/20/2014	61,205	61,205
2014 Series Two	6/19/2014	45,275	45,275
Total		<u>970,785</u>	<u>841,505</u>
2010 General Resolution General Obligation Bonds			
2010 Series A-1	12/21/2010	1,065	735
2010 Series A-2	12/21/2010	3,700	3,700
Total		<u>4,765</u>	<u>4,435</u>
Total General Obligation Bonds		<u><u>1,133,070</u></u>	<u><u>899,385</u></u>
Revenue Bonds			
2004 Series B Revenue Bonds	9/1/2004	5,365	4,385
		<u>5,365</u>	<u>4,385</u>
Total Alaska Municipal Bond Bank Debt		<u><u>\$ 1,138,435</u></u>	<u><u>\$ 903,770</u></u>

Source: Alaska Municipal Bond Bank Authority

E. Alaska Railroad Corporation

Legislation signed into law during 1984 established the Alaska Railroad Corporation as a public corporation of the State to manage the Alaska Railroad upon its acquisition from the Federal Government until its possible transfer to private ownership. The corporation is administratively placed within the Department of Commerce and Economic Development. The corporation has the power to issue bonds if such issuance is approved by law. Bonds issued by the corporation would not bear the full faith and credit of the State. The Railroad is not authorized to issue State moral obligation bonds.

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

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

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

Chapter 28, SLA 2006 authorized the ARRC to issue up to \$165 million in revenue bonds to finance rail transportation projects that qualify for federal financial participation. On August 22, 2006, the Alaska Railroad issued \$76.4 million in revenue bonds. On August 29, 2007, the Alaska Railroad issued the remaining \$88.6 million in revenue bonds. At June 30, 2013 the ARRC had \$120.9 million of revenue bonds outstanding.

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

F. Alaska Student Loan Corporation

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

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

Total debt outstanding as of June 30, 2013 was \$313.0 million as shown in Table 4.0. With the exception of the 2012B Series Bonds, the Education Loan Revenue Bonds and Education Loan Backed Notes are rated AAA by both Fitch and Standard & Poor's. The 2012B Series Bonds are rated AA by Standard & Poor's. The 2005 Capital Project Revenue Bonds are insured by Assured Guaranty Municipal Corporation which is rated AA- by Standard & Poor's. The 2005 Capital Project Revenue Bonds carry the rating of Assured Guaranty Municipal Corporation.

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

Student Loan Revenue Bonds	Date	Amount Issued	Outstanding at 6/30/14	Final Maturity
2004 Series	5/19/2004	22,015	2,445	6/1/2017
2005 Series A	7/28/2005	58,250	22,250	6/1/2018
2006 Series A-2	5/25/2006	55,000	26,000	6/1/2018
2007 Series A-2	6/7/2007	18,500	11,500	6/1/2019
2007 Series A-3	6/7/2007	49,000	-	6/1/2014
2012 B Series	9/12/2012	93,435	54,435	12/1/2043
Taxable Education Loan Backed Notes				
2013A Series	3/28/2013	144,730	123,072	8/25/2031
Capital Project Revenue Bonds				
2005 Series A	3/30/2005	88,305	3,000	7/1/2014
Total		<u><u>\$529,235</u></u>	<u><u>\$ 242,702</u></u>	

Source: Alaska Student Loan Corp.

G. University of Alaska

In addition to the State issuing general obligation bonds to finance University related projects, the University issues notes and bonds for specific University purposes, some of which are secured by project revenues or University general revenues. Facilities that have been financed include Anchorage, Juneau and Fairbanks student centers, student housing units, research facilities, student recreation centers, and utility system. Capital assets, net of debt amounted to \$1.26 billion at June 30, 2014.

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

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

Standard & Poor's first assigned a credit rating of AA- to the University revenue bonds in November of 1992. In December 1993, Moody's assigned a rating of A1. In June 1997, both rating agencies affirmed the earlier ratings and added "stable outlook" to those ratings. As of June 30, 2009 the University had achieved credit ratings of Aa3 with a stable outlook from Moody's Investors Service and AA- with a stable outlook from Standard & Poor's. In 2011 Moody's Investors Service revised their rating to Aa2. These ratings are lower than the State's General Obligation Bonds due to the lesser security of University general revenues, a relatively small unrestricted endowment in relation to its operating budget, and the University's heavy dependence upon State appropriation. The funded trustee-held debt service reserve requirement for general revenue bonds is approximately one half of peak annual debt service. Installment Contracts and Notes Payable have no such requirement.

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

Total debt issued by the University and outstanding is summarized on Table 4.1.

TABLE 4.1
University of Alaska
Debt Issued and Outstanding

		\$ (thousands)				
		Principal	Outstanding	Interest to	Total debt	Final
Revenue Bonds	Date	Amount	at 6/30/14	maturity	service to	maturity
2005 Series N	8/31/2005	24,355	7,705	1,400	9,105	10/1/2022
2008 Series O	1/31/2008	23,795	17,840	6,791	24,631	10/1/2033
2009 Series P	12/8/2009	14,045	8,155	1,482	9,637	10/1/2023
2011 Series Q	10/5/2011	48,870	45,015	16,774	61,789	10/1/2032
2012 Series R	3/5/2012	32,805	31,790	10,222	42,012	10/1/2030
2013 Series S	3/6/2013	31,020	30,050	10,132	40,182	10/1/2035
Total		174,890	140,555	46,801	187,356	
Installment Contracts	varies	5,298	1,605	102	1,707	4/15/2017
Notes Payable						
Capital Lease Liability (1)	12/19/2012	24,507	25,814	16,136	41,950	10/1/2044
Alaska Housing Corp	5/14/1997	30,000	13,655	1,346	15,001	2/1/2024
Total University Debt		\$234,695	\$ 181,629	\$ 64,385	\$ 246,014	

Source: University of Alaska

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

H. Municipal Debt

1. General Obligation Bonds

Alaskan municipalities had approximately \$2.4 billion in general obligation debt outstanding at the end of June, 2014. The level of Alaska municipalities' general obligation debt has been stable over the last five years, and the current amounts remain below the peak of \$2.673 billion in 1986.

High levels of State appropriations for municipal capital projects beginning in FY 1981 depressed municipal bond issuance for most purposes. However, liberalization in FY 1978 of State reimbursement of municipal school debt to 80 percent or higher from a previous 50 percent greatly stimulated issuance for school construction. The other major element of municipal G.O. debt has been the capital construction program of the North Slope Borough. More recently rolling municipal school debt reimbursement authorizations at the 60-70% level, have again stimulated borrowing at the local level.

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

The following Table 4.2 summarizes municipal debt outstanding.

TABLE 4.2
Municipal General Obligation Bonds Outstanding
\$ (millions)

June 30	Amount	June 30	Amount	June 30	Amount
1975	\$ 351	1988	2,170.4	2001	1,850.4
1976	420.8	1989	1,966.9	2002	1,980.9
1977	519.5	1990	2,002.1	2003	1,932.6
1978	545.2	1991	1,854.8	2004	2,107.2
1979	768.5	1992	1,729.8	2005	2,345.8
1980	827.1	1993	1,814.0	2006	2,357.8
1981	1,091.0	1994	1,759.9	2007	2,402.1
1982	1,316.2	1995	1,901.6	2008	2,397.9
1983	1,619.1	1996	1,779.1	2009	2,423.0
1984	2,105.8	1997	1,777.5	2010	2,501.0
1985	2,084.0	1998	1,774.7	2011	2,499.9
1986	2,673.5	1999	1,832.0	2012	2,424.3
1987	2,463.9	2000	1,603.0	2013	2,406.8
Source: Alaska Taxable				2014	2,417.7

2. General Obligation Debt Ratios

Table 4.3 present ratios of municipal debt to population and to the estimated full value of taxable property in Alaska. Alaska's sparse population leads to higher debt ratios than might be found in other states. The presence of enormous oil and gas property values in certain municipalities has been a significant contributed to higher debt capacity.

TABLE 4.3
Per Capita Municipal and State
General Obligation Debt
1985-2014

Year	Population (thousands)	Municipal Debt \$ (millions)	State of Alaska debt \$ (millions)	Total G.O. Debt \$ (millions)	Per Capita G.O. Debt (dollars)
1985	547,475	2,084	924	3,029	5,534
1986	572,029	2,673	706	3,380	5,910
1987	574,200	2,463	598	3,062	5,333
1988	575,982	2,170	489	2,660	4,619
1989	540,563	1,966	386	2,353	4,353
1990	545,774	2,002	290	2,292	4,201
1991	579,659	1,854	213	2,067	3,567
1992	585,000	1,729	156	1,886	3,225
1993	599,200	1,813	108	1,921	3,208
1994	606,278	1,759	78	1,838	3,032
1995	615,900	1,901	58	1,959	3,182
1996	619,100	1,779	39	1,818	2,937
1997	611,300	1,778	24	1,802	2,947
1998	621,400	1,775	11	1,786	2,874
1999	622,000	1,832	2	1,834	2,949
2000	622,000	1,603	0	1,603	2,577
2001	628,800	1,850	0	1,850	2,942
2002	634,892	1,981	0	1,981	3,120
2003	643,786	1,933	0	1,933	3,003
2004	643,786	2,107	462	2,569	3,991
2005	655,435	2,346	438	2,784	4,248
2006	663,661	2,358	414	2,772	4,177
2007	670,053	2,402	390	2,792	4,166
2008	676,987	2,398	364	2,762	4,080
2009	679,720	2,424	503	2,927	4,306
2010	692,314	2,501	476	2,977	4,300
2011	710,231	2,500	644	3,144	4,426
2012	722,190	2,424	576	3,000	4,154
2013	732,298	2,407	840	3,247	4,434
2013	736,399	2,418	804	3,222	4,375

Source: Alaska Taxable

TABLE 4.4
Municipal G.O. Debt, Population and Valuation

Boroughs and Cities within Boroughs	Population	6/30/2014 Full Value		Municipal	
		Determination (thousands)	Per Cap Full Value	G.O. Debt (thousands)	Per Capita G.O. Debt
Aleutians East Borough	3,281	\$228,231	\$ 69,561	\$32,730	\$ 9,976
<i>City of Sand Point</i>	1,018	\$80,582	\$ 79,157	\$2,859	2,808
Municipality of Anchorage	301,134	\$37,901,857	\$ 125,864	\$1,010,640	3,356
Fairbanks North Star Borough	99,632	\$10,821,487	\$ 108,615	\$103,605	1,040
<i>City of North Pole</i>	2,209	\$365,814	\$ 165,602	\$1,450	657
Haines Borough	2,530	\$388,490	\$ 153,553	\$12,363	4,886
City & Borough of Juneau	33,064	\$4,916,207	\$ 148,688	\$122,068	3,692
Kenai Peninsula Borough	56,862	\$9,186,473	\$ 161,557	\$93,560	1,645
<i>City of Homer</i>	5,136	\$912,564	\$ 177,680	\$12,544	2,442
<i>City of Kenai</i>	7,247	\$989,770	\$ 136,577	\$1,615	223
<i>City of Seward</i>	2,487	\$360,432	\$ 144,926	\$3,480	1,399
<i>City of Soldotna</i>	4,284	\$699,506	\$ 163,283	\$2,225	519
Ketchikan Gateway Borough	13,856	\$1,778,713	\$ 128,371	\$43,805	3,161
<i>City of Ketchikan</i>	8,313	\$1,092,936	\$ 131,473	\$60,792	7,313
Kodiak Island Borough	13,824	\$1,612,481	\$ 116,644	\$69,135	5,001
<i>City of Kodiak</i>	6,338	\$845,319	\$ 133,373	\$8,000	1,262
Lake and Peninsula Borough	1,689	\$140,782	\$ 83,352	\$1,908	1,130
Matanuska-Susitna Borough	96,074	\$10,064,354	\$ 104,756	\$305,190	3,177
<i>City of Palmer</i>	6,085	\$635,704	\$ 104,471	\$1,225	201
<i>City of Wasilla</i>	8,365	\$1,468,956	\$ 175,607	\$1,880	225
North Slope Borough	7,905	\$19,263,819	\$ 2,436,916	\$360,800	45,642
Northwest Arctic Borough	7,796	\$694,100	\$ 89,033	\$44,485	5,706
Petersburg Borough	3,216	\$428,995	\$ 133,394	\$15,340	4,770
City & Borough of Sitka	9,039	\$1,197,790	\$ 132,514	\$28,635	3,168
Municipality of Skagway	982	\$345,085	\$ 351,410	\$5,334	5,432
City & Borough of Wrangell	2,456	\$202,209	\$ 82,333	\$1,890	770
Municipalities Outside Boroughs					
City of Adak	283	\$0	\$ -	\$980	3,463
City of Cordova	2,302	\$287,756	\$ 125,003	\$15,874	6,896
City of Craig	1,195	\$133,956	\$ 112,097	\$115	96
City of Dillingham	2,395	\$213,016	\$ 88,942	\$11,905	4,971
City of Hoonah	798	\$75,080	\$ 94,085	\$1,415	1,773
City of Klawock	786	\$54,071	\$ 68,793	\$234	298
City of Nome	3,659	\$368,347	\$ 100,669	\$4,148	1,134
City of Unalaska	4,737	\$620,526	\$ 130,996	\$4,665	985
City of Valdez	4,101	\$2,677,905	\$ 652,988	\$30,820	7,515
Municipal Totals	673,828.0	\$103,601,729	153,751	\$2,417,714	3,588
Statewide					
State of Alaska G.O. Debt				\$ 803,790	
Statewide Total	736,399	\$ 108,632,787	\$ 147,519	\$ 3,221,504	\$ 4,375
Source: Alaska Taxable					

3. Revenue Bonds

In addition to General Obligation Debt that is supported by local taxes, cities and boroughs may issue debt that is supported by the revenues generated by the project financed through the issuance of debt. At the end of June, 2014, approximately \$887.6 million in revenue bonds were outstanding, as shown on Tables 4.5 and 4.6.

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

Fiscal Year	Amount Outstanding		Revenue Debt
	G.O.	revenue	Outstanding as % of total
1972	297.2	63.0	17.5%
1973	319.9	70.3	18.0%
1974	395.1	77.6	16.4%
1975	416.8	93.9	18.4%
1976	452.5	99.4	18.0%
1977	514.1	288.6	36.0%
1978	449.5	281.8	38.5%
1979	731.6	286.3	28.1%
1980	809.4	347.0	30.0%
1981	1,030.2	441.3	30.0%
1982	1,214.9	512.4	29.7%
1983	1,591.3	592.1	27.1%
1984	1,951.7	630.1	24.4%
1985	2,131.0	720.0	25.3%
1986	2,420.0	817.0	25.2%
1987	2,332.0	1,006.0	30.1%
1988	2,157.5	1,007.5	31.8%
1989	2,327.7	1,000.7	30.1%
1990	2,201.5	1,137.0	34.1%
1991	2,116.8	1,241.1	37.0%
1992	1,720.5	640.6	27.1%
1993	1,809.9	537.2	22.9%
1994	1,759.9	587.9	25.0%
1995	1,901.6	552.1	22.5%
1996	1,779.1	580.8	24.6%
1997	1,777.5	682.0	27.7%
1998	1,705.0	664.0	28.0%
1999	1,832.0	471.0	20.5%
2000	1,602.9	541.3	25.2%
2001	1,850.4	590.3	24.2%
2002	1,980.8	550.2	21.7%
2003	1,932.6	544.5	22.0%
2004	2,107.2	513.8	19.6%
2005	2,345.5	603.8	20.5%
2006	2,357.8	606.0	20.4%
2007	2,402.1	503.3	17.3%
2008	2,391.9	721.4	23.2%
2009	2,423.6	874.4	26.5%
2010	2,500.4	778.2	23.7%
2011	2,499.9	761.0	23.3%
2012	2,424.3	714.3	22.8%
2013	2,398.5	743.8	23.7%
2014	2,417.7	887.6	26.9%

Source: Alaska Taxable

TABLE 4.6
Alaska Municipal Debt Outstanding by Issuer
June 30, 2014
\$ (thousands)

Cities And Boroughs	G.O. Debt	Revenue Debt	Total Debt	School G.O. Total	State's % of Debt
Aleutians East	\$ 32,730	-	\$ 32,730	\$ 14,011	61%
City of Adak	980	-	980	-	-
Anchorage	1,010,640	395,015	1,405,655	504,781	66%
Bethel	-	2,790	2,790	-	-
Cordova	15,874	-	15,874	15,095	66%
Craig	115	-	115	-	-
Dillingham	11,905	-	11,905	12,502	70%
Fairbanks NSB	103,605	-	103,605	107,432	70%
Haines Borough	12,363	1,180	13,543	12,950	70%
City of Homer	12,544	-	12,544	-	-
City of Hoonah	1,415	-	1,415	389	70%
City of Galena	-	1,837	1,837	-	-
Juneau	122,068	61,435	183,503	111,226	69%
Kenai	1,615	-	1,615	-	-
Kenai Borough	93,560	40,490	134,050	24,820	70%
City of Ketchikan	60,792	67,032	127,824	-	-
Ketchikan Bor.	43,805	-	43,805	31,364	68%
King Cove	-	1,500	1,500	-	-
Klawock	234	831	1,066	-	-
Kodiak	8,000	7,000	15,000	-	-
Kodiak Bor.	69,135	20,070	89,205	49,808	67%
Lake Peninsula	1,908	-	1,908	2,780	90%
Mat-Su	305,190	13,450	318,640	257,495	68%
Nome	4,148	7,570	11,718	2,779	66%
North Pole	1,450	75	1,525	-	-
North Slope	360,800	62,100	422,900	-	-
Northwest Arctic	44,485	-	44,485	45,518	71%
Palmer	1,225	6,313	7,538	-	-
Petersburg	15,340	-	15,340	7,579	63%
Sand Point	2,859	-	2,859	-	-
Seward	3,480	35,510	38,990	-	-
Sitka	28,635	130,295	158,930	31,020	68%
Skagway	5,334	-	5,334	-	-
Soldotna	2,225	-	2,225	-	-
Unalaska	4,665	32,105	36,770	5,425	70%
Valdez	30,820	-	30,820	34,480	60%
Wasilla	1,880	-	1,880	-	-
Wrangell	1,890	989	2,879	1,835	70%
Total	\$ 2,417,714	\$ 887,588	\$ 3,305,302	\$1,273,289	

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

In FY 2014, revenue bonds accounted for approximately 26.9% of all local debt outstanding in Alaska. Some major municipal borrowers in Alaska have no revenue debt at all. Such borrowers include the Fairbanks North Star Borough, Kenai Peninsula Borough and North Slope Borough. In these boroughs, one reason for the lack of revenue debt may be the presence of oil and gas property. That is, substituting G.O bonds for revenue bonds transfers much of the debt burden that would otherwise fall on local users to the State. This is because the State also taxes oil and gas property but allows a credit against tax liabilities for taxes paid to municipalities. Thus municipal property taxes on oil and gas property directly reduce the State payment.

4. Municipal School Debt Reimbursement

Under a program enacted in 1970 (Alaska Statutes 14.11.100), the State will reimburse Alaskan municipalities for up to 60, 70, 80, 90, or 100 percent of the debt service on prequalified municipal G.O. debt issued for school construction. Access to this program was restricted during the 1990's due to state budgetary pressure. Beginning in the early 2000's and carrying through 2014 the program is generally available for any qualified municipal project. As of June 30, 2014, \$1,273.3 million in eligible debt was outstanding. Approximately \$859.6 million of the current municipal G.O. school debt outstanding may be fully paid by the State through the program.

Although the statute provides that the State will reimburse school districts for a percentage of construction costs, the actual funding for the program is dependent on annual legislative appropriations. The State is not obligated to appropriate the full amount of the entitled under statute nor contractually obligated to consider doing so. When amounts are insufficient, available funds are allocated pro rata among the eligible school districts. This does not jeopardize the security of the debt, because the full faith, credit and taxing power of the issuing community is behind it. The program has been funded at the percent of entitlement shown in Table 4.7.

TABLE 4.7
Proration of State Reimbursement of
Municipal School Debt

Fiscal Year	\$ (thousands)	
	Payments (1984-2014) or Appropriation (2015)	Percent of Entitlement
1984	90,600	100%
1985	93,161	100%
1986	106,315	97%
1987	115,845	91%
1988	109,472	92%
1989	109,472	96%
1990	107,831	89%
1991	116,668	94%
1992	128,986	100%
1993	127,603	100%
1994	99,146	100%
1995	103,345	100%
1996	79,700	100%
1997	62,476	100%

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

Fiscal Year	\$ (thousands)	
	Payments (1983-2014 or Appropriation (2015))	Percent of Entitlement
1998	61,640	100%
1999	61,991	100%
2000	64,350	100%
2001	52,099	100%
2002	54,057	100%
2003	51,973	100%
2004	60,593	100%
2005	72,025	100%
2006	81,095	100%
2007	93,335	100%
2008	91,103	100%
2009	93,319	100%
2010	95,789	100%
2011	99,594	100%
2012	100,908	100%
2013	112,300	100%
2014	109,801	100%
2015	122,737	100%

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

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

Full funding of currently outstanding bonds eligible for participation in the school debt reimbursement program for FY15 has been estimated at \$122.7 million, and this amount has been appropriated.

5. Property Tax Limits

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

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

III. Supplementary Information

A. State Debt Capacity

The ratio of debt service to revenue has been used as a guideline for determining Alaska's debt capacity. This guideline has been utilized as the State's oil revenues have elevated the debt capacity of the State. Using the more traditional ratios of state credit analysis – net tax-supported debt per capita, net tax supported debt as a percentage of personal income, and total net tax supported debt, few states have more favorable ratios than the State (when considering only State of Alaska G.O. bonds, University of Alaska bonds which are State supported, State reimbursement of municipal school debt, and lease payments on lease-purchase financing). However, when including all Alaska's governmental unit's debt, the State has ratios higher than the national averages.

Oil revenues generated in Alaska have been very large in per capita terms. Thus, the debt they support has also been very large in per capita terms. Compared with other states, higher levels per capita in Alaska have been expected due to the small population base, its greater geographic dispersion, and its higher price levels.

Besides boosting debt levels, petroleum revenues have elevated personal income levels as a result of State spending of the revenues and have significantly increased taxable property values as a result of petroleum development. Oil and gas taxable property represented approximately 27 percent of total taxable property in the State as of January 1, 2014.

As petroleum revenues recede with declines in Prudhoe production, the measure of the State's debt capacity will shift from a percentage of revenue figure to a measure more closely allied to the traditional debt ratios. Yet, because of small population and large geography, governmental units in Alaska will, on average, continue to carry more debt than in other states. For this reason, the burden of debt service in relation to revenue will continue to be important.

1. Debt Capacity as Measured by Revenues

The State's debt may be measured by comparing the associated debt service to unrestricted revenues. The State's historical policy was that annual debt service should not exceed 5 percent of annual unrestricted revenues. This target was at times exceeded due to fluctuations in the price of petroleum. The State's debt capacity is dynamic and is reduced to compensate for expectations of reduction to unrestricted revenue due to low petroleum prices. The state releases a revenue sources book semi annually which is used as the basis for forecasting future years' revenue and the associated debt capacity that those revenues support.

Tables 4.8 and 4.9 shows past ratios of State general obligation debt service to unrestricted revenue. From 1985 to 1989, the ratio exceeded 5%. In recent years, debt service has included, for determining debt capacity, debt service on State general obligation bonds, University of Alaska bonds that are State supported, State reimbursement of municipal school debt, and lease payments on lease-purchase financing. Inclusion of the above items brings all debt paid from the State's General Fund within the measure of debt burden generally used by the rating agencies. State policy has attempted to maintain this more inclusive ratio below 8% as seen in Table 5.0.

Tables 4.8 and 4.9 provide historical and projected payments for all debt service paid from the General Fund:

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

\$ (millions)

Fiscal Year	Debt Service	General Fund Expenditures*	unrestricted Revenues**	Total Revenues	Ratio of Debt Service to Expenditures	Ratio of Debt Service to Unrestricted Revenues
1980	75.1	\$1,477	\$3,718		5.1%	2.0%
1981	97.6	4,613	4,108		2.1%	2.4%
1982	97.5	4,006	3,631		2.4%	2.7%
1983	143.6	3,846	3,588		3.7%	4.0%
1984	166.3	3,389	3,390		4.9%	4.9%
1985	169.5	3,698	3,260		4.6%	5.2%
1986	163.2	3,653	3,076		4.5%	5.3%
1987	154.9	3,026	1,799		5.1%	8.6%
1988	147.9	3,055	2,305		4.8%	6.4%
1989	135.5	3,186	2,186		4.3%	6.2%
1990	120.3	2,843	2,507		4.2%	4.8%
1991	95.5	2,805	2,987		3.4%	3.2%
1992	68.2	3,024	2,463		2.3%	2.8%
1993	59.7	3,145	2,352		1.9%	2.5%
1994	33.8	3,339	1,653		1.0%	2.0%
1995	22.9	3,312	2,083		0.7%	1.1%
1996	21.3	3,386	2,133		0.6%	1.0%
1997	16.5	3,350	2,495	3,727	0.5%	0.7%
1998	14.2	3,296	1,826	3,018	0.4%	0.8%
1999	8.8	3,425	1,348	2,556	0.3%	0.7%
2000	0.0	3,554	2,082	3,725	0.0%	0.0%
2001	0.0	3,758	2,282	4,187	0.0%	0.0%
2002	0.0	5,406	1,660	3,710	0.0%	0.0%
2003	0.0	5,582	1,948	4,194	0.0%	0.0%
2004	19.4	5,419	2,346	4,680	0.4%	0.8%
2005	46.4	5,903	3,189	5,648	0.8%	1.5%
2006	45.7	6,216	4,200	6,730	0.7%	1.1%
2007	45.0	6,777	5,159	7,914	0.7%	0.9%
2008	44.4	7,836	10,749	13,546	0.6%	0.4%
2009	43.9	9,549	5,831	8,185	0.5%	0.8%
2010	48.9	8,419	5,513	8,803	0.6%	0.9%
2011	53.8	9,307	7,673	11,187	0.6%	0.7%
2012	84.2	9,363	9,485	13,517	0.9%	0.9%
2013	81.1	9,813	6,929	15,809	0.8%	1.2%
2014	90.4	9,978	5,394	17,242	0.9%	1.7%

Source: State of Alaska, CAFR, and Revenue Sources Book

* Federal income, Permanent Fund income and Constitutional Budget Reserve Draws included from 2002 forward

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

** Federal Revenue, Permanent Fund income and other restricted revenues are not included in unrestricted revenue

TABLE 4.9
State of Alaska
Debt Service on outstanding State Supported Debt as of June 30, 2014

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

TABLE 4.9 (Continued)
State of Alaska
Debt Service on outstanding State Supported Debt as of June 30, 2014
\$ (millions)

fiscal year	state G.O.	university	lease / purchase	(1) Capital Leases	(2) school debt reimbursement	Capital Project Reimbursements	total debt service
2012	78.8	-	7.5	29.1	100.9	5.3	221.6
2013	76.3	-	7.0	28.7	112.3	5.2	229.4
2014	86.0	-	1.8	28.7	109.8	5.1	231.4
2015	73.5	-	1.8	28.7	109.0	5.0	218.0
2016	63.4	-	1.8	26.4	104.4	4.2	200.2
2017	63.2	-	0.0	25.5	98.5	4.2	191.4
2018	63.1	-	-	21.8	94.3	4.1	183.3
2019	63.0	-	-	21.1	87.5	4.1	175.7
2020	51.9	-	-	21.3	81.2	2.8	157.2
2021	51.9	-	-	21.1	78.2	2.8	154.0
2022	41.7	-	-	21.1	66.4	2.8	132.0
2023	41.8	-	-	21.1	62.4	2.8	128.1
2024	44.7	-	-	21.1	51.0	2.8	119.7
2025	37.3	-	-	21.1	42.4	2.8	103.5
2026	17.8	-	-	21.1	31.2	2.6	72.7
2027	36.3	-	-	21.1	27.0	-	84.4
2028	36.3	-	-	17.8	24.1	-	78.2
2029	36.2	-	-	17.8	18.8	-	72.8
2030	36.1	-	-	17.8	15.6	-	69.5
2031	23.6	-	-	17.8	13.1	-	54.5
2032	23.5	-	-	17.8	9.7	-	51.0
2033	23.5	-	-	17.8	2.7	-	44.0
2034	23.5	-	-	-	-	-	23.5
2035	0.1	-	-	-	-	-	0.1
2036	0.1	-	-	-	-	-	0.1
2037	0.1	-	-	-	-	-	0.1
2038	12.0	-	-	-	-	-	12.0
2039	-	-	-	-	-	-	0.0

1 - There are two prisons, a building and a parking garage financed with capital leases

2 - FY2014 - 2032 payments rely on the Department of Education & Early Developments files as of 6/30/2013

3 - State G.O. debt service is net of federal subsidies on interest expense through 2038

TABLE 5.0
State of Alaska Debt Service to Unrestricted Revenues
Fall 2014 Revenue Forecast of the Department of Revenue

Fiscal Year	Unrestricted Revenues	State G.O. Debt Service	State Supported Debt Service	Total State Debt Service	School Debt Transfers	Total Debt Service to Revenues
	(\$Millions)	%	%	%	%	%
1983	3,587.8	4.0	0.3	4.3	1.0	5.4
1984	3,390.1	4.9	0.4	5.3	2.7	7.9
1985	3,260.0	5.2	0.4	5.6	2.9	8.4
1986	3,075.5	5.3	0.4	5.7	3.5	9.2
1987	1,799.4	8.6	0.7	9.3	6.4	15.8
1988	2,305.8	6.4	0.6	7.0	4.7	11.7
1989	2,186.2	6.2	0.6	6.8	5.0	11.8
1990	2,507.2	4.8	0.6	5.4	4.3	9.7
1991	2,986.6	3.2	0.5	3.7	3.9	7.6
1992	2,462.6	2.8	0.6	3.4	5.2	8.6
1993	2,352.0	2.5	0.6	3.2	5.4	8.6
1994	1,652.5	2.0	0.5	2.6	6.0	8.6
1995	2,082.9	1.1	0.5	1.6	5.0	6.6
1996	2,133.3	1.0	0.5	1.5	3.7	5.2
1997	2,494.9	0.7	0.4	1.1	2.5	3.6
1998	1,825.5	0.8	0.6	1.4	3.4	4.7
1999	1,348.4	0.7	1.2	1.8	4.6	6.3
2000	2,081.7	0.1	0.9	1.0	3.1	4.1
2001	2,281.9	0.0	0.7	0.7	2.3	3.0
2002	1,660.3	0.0	1.3	1.3	3.3	4.5
2003	1,947.6	0.0	1.1	1.1	2.7	3.7
2004	2,345.6	0.8	0.9	1.7	2.6	4.3
2005	3,188.8	1.5	0.7	2.2	2.2	4.4
2006	4,200.4	1.1	0.6	1.7	1.9	3.6
2007	5,158.6	0.9	0.5	1.4	1.7	3.1
2008	10,749.1	0.4	0.3	0.6	0.8	1.4
2009	5,831.2	0.8	0.6	1.3	1.6	2.9
2010	5,513.3	0.9	0.8	1.7	1.7	3.4
2011	7,673.0	0.7	0.6	1.3	1.3	2.6
2012	9,485.2	0.8	0.4	1.3	1.1	2.3
2013	6,928.5	1.1	0.6	1.7	1.6	3.3
2014	5,394.0	1.6	0.7	2.3	2.0	4.3
projected						
2015	2,551.5	2.9	1.4	4.3	4.3	8.5
2016	2,196.7	2.9	1.5	4.4	4.8	9.1
2017	3,657.3	1.7	0.8	2.5	2.7	5.2
2018	4,292.1	1.5	0.6	2.1	2.2	4.3
2019	4,808.1	1.3	0.5	1.8	1.8	3.7
2020	4,852.9	1.1	0.5	1.6	1.7	3.2
2021	4,627.6	1.1	0.5	1.6	1.7	3.3
2022	4,555.7	0.9	0.5	1.4	1.5	2.9
2023	4,547.8	0.9	0.5	1.4	1.4	2.8
2024	4,473.2	1.0	0.5	1.5	1.1	2.7

As shown on Table 5.0, debt service on State G.O. and State Supported debt plus school debt reimbursement payments were 4.3% of revenues in FY 2014 and are projected to be approximately 8.5% of revenues in FY 2015. The spike in the percentage in FY 2015 and 2016 are due to the sharp reduction in the price of oil and correlated state unrestricted revenue in the Fall 2014 Revenue Sources Book. By 2022 these debt service payments are projected to diminish to 3.0% of revenues.

Table 5.1 presents the ratio of State G.O.'s to full value of taxable property since 1974. The ratio has declined from 6.0% in 1974 to .7% in 2014. As a measure of debt capacity, debt to full value is of minor significance in Alaska due to the existence of a State petroleum property tax.

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

Year	Full Value: Cities, Boroughs & Unincorporated Areas at 1/1 (millions)	G.O. Bonds Outstanding at 6/30 (millions)	Ratio of Debt to Full Value (%)
1983	39,090	946	2.4%
1984	45,009	924	2.1%
1985	48,915	816	1.7%
1986	55,026	706	1.3%
1987	47,905	598	1.2%
1988	42,250	489	1.2%
1989	39,563	386	1.0%
1990	39,668	290	0.7%
1991	40,933	213	0.5%
1992	42,167	159	0.4%
1993	42,357	108	0.3%
1994	42,829	78	0.2%
1995	44,394	58	0.1%
1996	45,232	39	0.1%
1997	47,013	24	0.1%
1998	47,541	11	0.0%
1999	49,158	2	0.0%
2000	50,773	0	0.0%
2001	53,230	0	0.0%
2002	55,247	0	0.0%
2003	58,361	462	0.8%
2004	59,230	462	0.8%
2005	66,308	438	0.7%
2006	66,847	414	0.6%
2007	84,253	390	0.5%
2008	86,717	364	0.4%
2009	90,428	503	0.6%
2010	93,138	476	0.5%
2011	98,969	628	0.6%
2012	101,328	576	0.6%
2013	107,471	840	0.8%
2014	108,633	804	0.7%

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

B. Public Pension Systems Liabilities

The State administers two major retirement systems -- the Public Employees' Retirement System (for State employees and employees of political subdivisions who elect to join the system) and the Teachers' Retirement System (for teachers and school administrators). The difference between the present value of projected accrued benefits for employees who are covered by the pension system and the market value of the particular pension system's assets is the amount of the State's unfunded liability. An unfunded pension liability generally is not treated by the rating agencies or investors as debt unless it is judged to constitute a significant burden on the State. However, pension fund liabilities are a long-term obligation of the State.

In FY 2015 the State provided for one time transfers to TRS of \$2 billion and PERS of \$1 billion that will have a future positive impact on the funded ratios of the two systems.

The financial status of each of the State's public pension systems since FY 2008 is shown in Table 5.2. Actuarial results for FY 2014 will be available in June of 2015.

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

<u>Public Employees' Retirement System (PERS)</u>						
	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013
Present Value of						
Accrued Benefits	\$ 15,888	\$ 16,579	\$ 18,132	\$ 18,741	\$ 19,292	\$ 19,993
Value of Assets	\$ 11,040	\$ 10,243	\$ 11,157	\$ 11,814	\$ 11,832	\$ 12,163
Funding Level						
for Accrued Benefits	\$ (4,848)	\$ (6,336)	\$ (6,975)	\$ (6,927)	\$ (7,460)	\$ (7,830)
Funding Ratio	69.5%	61.8%	61.5%	63.0%	61.3%	60.8%
<u>Teachers' Retirement System (TRS)</u>						
	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013
Present Value of						
Accrued Benefits	\$ 7,619	\$ 7,848	\$ 8,848	\$ 9,129	\$ 9,346	\$ 9,592
Value of Assets	4,937	4,473	4,739	4,938	4,869	4,974
Funding Level						
for Accrued Benefits	\$ (2,682)	\$ (3,375)	\$ (4,109)	\$ (4,191)	\$ (4,477)	\$ (4,618)
Funding Ratio	64.8%	57.0%	53.6%	54.1%	52.1%	51.9%

Source: State of Alaska PERS and TRS valuation reports

As of June 30, 2013 the Public Employees' Retirement System's actuarial accrued liabilities are funded at 60.8 percent and the Teachers' System's actuarial accrued liabilities funded at 51.9 percent. It is important to note

that these funding levels include accrued benefit costs otherwise known as Other Post Employment Benefits (OPEB).

C. Credit Ratings of State

The State of Alaska's general obligation bond rating was re-established in 2003 with the issuance of the 2003 Series A and B bonds. The State received AA ratings from the three national bond credit rating agencies. On March 27, 2008 Standard & Poor's increased their credit rating on the State to AA+ with a stable outlook. March 25, 2010 Fitch Investors Service upgraded the State to AA+. On November 22, 2010 Moody's upgraded the State to Aaa. On January 5, 2012 Standard & Poor's upgraded the State to AAA. On January 7, 2013 Fitch upgraded the State to AAA.

Following is the State of Alaska's credit rating history, shown on Table 5.3.

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

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

D. Private Activity Bond Ceiling

The Tax Reform Act of 1986 established a ceiling on annual issuance of Qualified Private Activity Bonds (PAB's), effective August 15, 1986, at the level of \$250 million for the remainder of 1986 and for 1987, and \$150 million thereafter. Effective in calendar year 2001 the PAB cap became subject to annual adjustment and has been increased each year since. In calendar year 2014 the cap was \$296.285 million. The PAB ceiling encompasses qualified mortgage revenue bonds, student loan bonds some of the types of tax-exempt debt issued by AIDEA and AEA, and certain other types of tax-exempt bonds to promote industrial development.

The responsibility for allocating Alaska's annual ceiling was assigned to the State Bond Committee by State law, beginning in 1987. Allocation carry-forwards expire after three calendar years. Table 5.4 summarizes the allocation of the PAB ceiling over the past five years.

TABLE 5.4
Alaska Private Activity Bond Ceiling Allocations
\$ (thousands)

Calendar Year	Annual Cap	Allocations	Recipient
2010	273,775	257,601	to AHFC
		14,911	to AIDEA
		1,263	to AEA
2011	277,820	277,820	to AHFC
2012	284,560	284,560	to AHFC
2013	291,875	291,875	to AHFC
2014	296,285	288,825	to AHFC
		8,000	to AIDEA

E. State Bond Committee

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

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

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

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