

ALASKA PUBLIC DEBT



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

Department of Revenue

January 2017

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2016-2017

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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 expectation of appropriating State general funds to pay:

- State Debt
- State Guaranteed Debt
- State Supported Debt
- Unfunded Actuarially Assumed Liability
- State Supported Municipal Debt - Eligible for State Reimbursement
- State Moral Obligation Debt
- State and University Revenue Debt
- State Agency Debt
- State Agency Collateralized or Insured Debt
- Municipal Debt

On the following pages, each type of State obligation is briefly discussed and defined. Table 1.1 summarizes Alaska's \$13.81 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 is comprised of debt authorized, issued and payable by the State including revenue anticipation notes (RAN's) and general obligation bonds (GOB's). The full faith, credit and resources of the State are pledged to the payment of principal and interest on this debt. If future State revenues are insufficient to make the required principal and interest payments to bondholders and note holders, the State is legally required by its contract with bondholders and note holders to raise taxes in order to meet these obligations.

1. Revenue Anticipation Notes (RANs)

Short-term State borrowing in anticipation of revenues is permitted under AS 43.08.010. RANs may be issued and renewed from time to time, but all such notes, renewals and interest thereon shall be paid from revenues by the end of the fiscal year following the year in which the notes were issued. The full faith, credit, resources, and taxing power of the State are pledged to the payment of RANs and interest thereon. To further secure such payment, and if necessary to effect advantageous borrowing to the State, collateral may also be pledged. The State has not used RANs in over 40 years and there are no State RANs issued or outstanding at June 30, 2016.

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. \$110,348,242 in authorized GOB's remain unissued at June 30, 2016. The State anticipates issuing up to an additional \$50 million of the remaining authority in the second half of FY 2018.

As of June 30, 2016 the State had issued GOB's 66 times since statehood, raising over \$3 billion. In addition, the State assumed the outstanding debt of the Territory of Alaska as GOB's of the State. In 1959, the Territorial debt was \$2.9 million. As of June 30, 2016, the State had \$823.2 million in GOB's outstanding as shown in Table 1.1.

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 strong fiscal position had resulted in the highest credit rating assignments from all three agencies with a November 22, 2010 Moody's Investors Service upgrading of the State to Aaa, the January 5, 2012 Standard & Poor's Financial Services LLC upgrading of the State to AAA, and the January 7, 2013 Fitch Ratings upgrading of the State to AAA. Since this peak in credit strength the State has been downgraded four times, beginning with the January 5, 2016 downgrade of the State by Standard & Poor's to AA+, the February 29, 2016 downgrade of the State by Moody's Investors Service to Aa1, the June 14, 2016 downgrade of the State by Fitch Investor's Service to AA+, and the July 25, 2016 downgrade of the State by Moody's Investor Service to Aa2. All three of the rating agencies continue to place a negative outlook on the State of Alaska's credit rating indicating a probability of additional negative rating action in the future.

B. State Guaranteed Debt

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

These bonds are known to investors as "double-barreled" because there are two distinct forms of security behind the bonds. Their first lien is on the revenue stream generated by payments on the mortgage loans made from bond sale proceeds. Additional security to bondholders is provided by the general obligation pledge of the State to make the required debt service payments in the event that revenues are insufficient. In recognition of the creditworthiness of the veterans' bonds, they have been rated AAA; 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, 2016, State Guaranteed Debt was \$11.6 million, as shown in Table 1.1.

C. State Supported Debt

State Supported Debt is debt authorized by the State of Alaska for which the source of payment is appropriations from the State's General Fund. As the State's credit is the basis of the credit for obligations that are authorized by state law, a failure to appropriate would impact the State's credit.

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

State Supported Debt includes lease-purchase financing obligations (structured as certificates of participation (COP's)), and Capital Leases the State has entered into Atwood Office Building with AHFC, Linny Pacillo Parking Garage with AHFC, and the Goose Creek Correctional Center with the Matanuska Susitna Borough.

When the State is not the issuer of the debt, it will be reported as debt at both the State and political subdivision level.

Generally all State Supported Debt must be authorized by law and by resolution of the State Bond Committee as in the case of COP's or Lease Revenue bonds. Historically State Supported debt was authorized by legislative resolution pursuant to AS 37.05.280 (now repealed) for the Alaska State Housing Authority as well as by law in the case of the University.

At June 30, 2016, State Supported Debt was \$255.6 million as shown in Table 1.1.

D. State Supported Unfunded Actuarially Assumed Liability (UAAL)

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

This debt will be paid over the next 23 years with annual payments determined based on a variety of actuarial assumptions, and the evolving experience at it occurs. The assumption with perhaps the greatest impact on future payments is the assumed rate of return on invested assets. While the actuarial assumption is that the PERS and TRS invested assets will earn 8% per year over the next 23 years, if the earnings rate is 7% the total State payments increase by \$8.4 billion. Lower earnings rates will result in similar increases in required State payments.

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

The June 30, 2016 State long-term debt for PERS and TRS UAAL was \$6.0 billion as shown in Table 1.1.

E. State Supported Municipal Debt - Eligible for State Reimbursement

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

The Department of Education and Early Development (DEED) administers (SDRP) which was created by law in 1970. The SDRP allows municipalities to apply, and if structured correctly be eligible for reimbursement on up to 100% of the debt service on general obligation bonds issued for school construction. All underlying municipal bonds are required to be authorized as general obligation bonds of the municipality, providing the ultimate source of payment commitment. The program is currently unavailable to new projects and has been partially funded in a number of years including 75% funded for fiscal year 2017.

At June 30, 2016 state supported municipal debt was \$933.8 million as shown in Table 1.1.

The Department of Transportation and Public Facilities (DOTPF) administers the TIDSRA which was created by law in 2002. The program provides for 100% reimbursement of a limited number of municipal transportation and infrastructure related projects. The underlying municipal bonds are issued as either general obligation bonds or utility revenue bonds providing the ultimate source of payment commitment. This was a one-time authorization and no additional authorizations have been proposed.

F. State Moral Obligation Debt

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

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

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

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

At June 30, 2016, State Moral Obligation Debt was \$1,265.5 million, as shown in Table 1.1.

G. State Revenue and University Debt

This type of debt issued by the State on behalf of the Sport fish 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, 2016, State Revenue and University Debt was \$767.6 million, as shown in Table 1.1.

H. State Agency Debt

State Agency Debt is secured by revenues generated from the use of bond proceeds or the assets of the agency issuing the bonds. The debt is not a general obligation of the State nor does the State provide security for the debt in any other manner, i.e., by appropriations, guarantees, or moral obligation pledges. The State has, however, in

the past appropriated funds to subsidize the interest rate to the underlying borrowers in the case of certain AHFC debt listed as State Agency Debt in Table 1.1.

Nevertheless, if default 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, 2016, State Agency Debt was \$568.4 million, as shown in Table 1.1.

I. State Agency Collateralized or Insured Debt

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

At June 30, 2015, State Agency Collateralized or Insured Debt was \$2,129.9 million, as shown in Table 1.1.

J. 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 approximately \$2.39 billion in general obligation bonds outstanding at June 30, 2016. Alaska municipalities' general obligation debt has remained relatively stable over the last ten 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, 2016, approximately \$960.2 million in municipal revenue bonds was outstanding.

K. Industrial Development Bonds (Informational Only)

While the State has no involvement or commitment to pay, 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 are secured solely by revenues from oil companies, and the City of Valdez issued without pledging any local resources. 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 6/30/16
\$ (millions)

	principal outstanding	interest to maturity	total debt service to maturity
State Debt			
State of Alaska General Obligation Bonds	823.2	386.8	1,210.0
State Guaranteed Debt			
Alaska Housing Finance Corporation State Guaranteed Bonds (Veterans' Mortgage Program)	11.6	8.0	19.6
State Supported Debt			
Certificates of Participation	27.5	10.1	37.6
Lease Revenue Bonds with State Credit Pledge and Payment	228.2	104.1	332.2
Total State Supported Debt	255.6	114.2	369.8
State Supported Municipal Debt			
State Reimbursement of Municipal School Debt Service	901.0	298.6	1,199.6
State Reimbursement of capital projects	32.8	13.1	45.9
Total State Supported Municipal Debt	933.8	311.7	1,245.5
State Supported Unfunded Pension Liability			
Unfunded Actuarially Assumed Liability	5,990.0	5,240.8	11,230.8
Total State Unfunded Pension Liability	5,990.0	5,240.8	11,230.8
State Moral Obligation Debt			
Alaska Municipal Bond Bank:			
2005, 2010, & 2016 General Resolution General Obligation Bonds	1,090.4	541.7	1,632.1
Alaska Energy Authority:			
Power Revenue Bonds #1 through #6	62.6	10.4	73.0
Alaska Student Loan Corporation			
Student Loan Revenue Bonds	26.9	0.3	27.2
Education Loan Backed Notes	85.6	2.1	87.7
Total State Moral Obligation Debt	1,265.5	554.5	1,820.0
State Revenue Debt			
Sportfish Revenue Bonds	27.9	8.0	35.9
International Airports Revenue Bonds	451.9	189.0	640.9
University of Alaska Debt			
University of Alaska Revenue Bonds	270.3	156.5	426.8
University Lease Liability and Notes Payable	16.2	4.2	20.4
Installment Contracts	1.3	0.1	1.4
Total University of Alaska Debt	287.8	160.8	448.6
Total State Revenue and University Debt	767.6	349.8	1,117.4
State Agency Debt			
Alaska Housing Finance Corporation:			
Commercial Paper	71.6	N/A	71.6
Alaska Municipal Bond Bank Coastal Energy Loan Bonds	10.3	2.5	12.8
Alaska Railroad	147.9	26.5	174.4
Northern Tobacco Securitization Corporation			
2006 Tobacco Settlement Asset-Backed Bonds (1)	338.6	435.5	774.1
Total State Agency Debt	568.4	464.5	1,032.9
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)	799.4	423.7	1,223.1
General Mortgage Revenue Bonds II -2012	121.6	59.7	181.3
Government Purpose Bonds 1997 & 2001	122.8	30.7	153.5
State Capital Project Bonds, 2002-2011 (2)	147.6	44.8	192.4
State Capital Project Bonds, II 2012-2015	818.5	303.3	1,121.8
Alaska Industrial Development and Export Authority:			
Revolving Fund Bonds	55.6	18.5	74.1
Power Revenue Bonds, First Series (Snettisham Hydro Project)	64.4	33.8	98.2
Total State Agency Collateralized or Insured Debt	2,129.9	914.5	3,044.4
Total State and State Agency Debt	12,745.7		

TABLE 1.1 (Continued)
State and State Agency Debt by Type at 6/30/16
\$ (millions)

	principal outstanding	interest to maturity	total debt service to maturity
Municipal Debt			
<i>School G.O. Debt</i>	1,338.8	N/A	N/A
<i>Other G.O. Debt</i>	1,047.8	N/A	N/A
Revenue Debt	960.2	N/A	N/A
Total Municipal Debt	3,346.8		
Debt Reported in More than One Category			
Less: State Reimbursable Municipal Debt and Capital Leases *	-261.0		
Less: State Reimbursable Municipal School G.O. Debt	-933.8		
Less: Alaska Municipal Bond Bank debt included in University debt *	-65.4		
Less: Alaska Municipal Bond Bank debt included in Municipal debt *	-1,025.1		
Total Deductions Due to Reporting in More than One Category	-2,285.2		
Total Alaska Public Debt	\$ 13,807.4		

NOTES

1. "Interest to Maturity" and "Total Debt Service to Maturity" includes accreted interest due at maturity of \$125.2 million
2. Does not include defeased bonds

Sources: Annual reports and financial statements of AHFC, AMBBA, AIDEA, AEA, U of A, AKRR, AIAS, 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, University, and Municipalities.

At June 30, 2016, total public debt of Alaska issuers stood at \$13.81 billion, as follows:

	\$ (millions)
State of Alaska GO Debt	823.2
State Guaranteed Debt	11.6
State Supported Debt	255.6
State Supported Municipal Debt	933.8
State Supported Unfunded Pension Liability	5,990.0
State Moral Obligation Debt	1,265.5
State Revenue and University Debt	767.6
State Agency Debt	2,698.3
Municipalities Debt	3,346.8
Less duplicate reporting *	(2,285.2)
Total Alaska Public Debt	\$ 13,807.2

* \$1,025.1 million of Alaska Municipal Bond Bank debt was issued to purchase municipal debt and another \$65.4 million purchased University of Alaska debt, \$938.8 million of State reimbursable debt, and \$261.0 million in capital leases.

A. State of Alaska

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

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)

<u>payments made during year ending 6/30/16</u>			
balance outstanding at 6/30/16	principal	interest	total
\$823,235	\$ 38,440	\$ 27,342	\$ 65,782

Source: Department of Revenue bond documents

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

fiscal year	authorization		outstanding at 6/30
	authorized	issued	
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	-	28,878	803,790
2015	-	1,009	744,160
2016	-	161,157	823,235
Total	<u>\$ 1,479,224</u>	<u>\$ 1,367,292</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 Revenue bond documents

TABLE 2.3
General Obligation Bond Sales Since 1996

	average	true	underlying ratings
	life in	interest	Moody's,
date of bonds	years	rate	Standard & Poor's, & Fitch Ratings
April 1, 2003	9.09	3.84%	Aa2/AA/AA
April 14, 2009	12.22	4.06%	Aa2/AA+/AA
December 7, 2010	16.07	2.77%	Aaa/AA+/AA+
Feb. 8, 2012	5.87	1.21%	Aaa/AAA/AA+
January 15, 2014	8.99	1%	Aaa/AAA/AAA
March 27, 2013	0.99	0.09%	MIG1/SP-1+/F1+
March 24, 2014	0.99	0.09%	MIG1/SP-1+/F1+
March 19, 2015	0.99	0.15%	MIG1/SP-1+/F1+
April 9, 2015	10.20	2.38%	Aaa/AAA/AAA
March 17, 2016	11.14	3.02%	Aa1/AA+/AAA
June 30, 2016	11.37	2.76%	Aa1/AA+/AA+

Source: Department of Revenue bond documents

TABLE 2.4
Original Issue General Obligation Bond Issues Since 1996

\$ (thousands)

date	purpose	par issued	New Funding	TIC
April 1, 2003	Various	461,935	461,935	3.84%
April 14, 2009	Transportation	165,000	165,000	4.06%
Dec. 7, 2010	Education	200,000	200,000	2.77%
Jan. 23, 2013	Education	162,480	162,480	1.44%
March 27, 2013*	Transportation	149,645	152,107	0.09%
March 24, 2014*	Transportation	170,000	28,878	0.09%
March 19, 2015*	Transportation	155,215	1,009	0.15%
March 17, 2016**	Transportation	134,790	5,887	3.02%
April 9, 2015	Transportation	128,300	152,270	2.76%
Total		<u>\$ 1,727,365</u>		

Source: Department of Revenue bond documents

* Bond Anticipation Notes

** Refinanced Bond Anticipation Note with Long Term Bonds

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

purpose	authorization issued	percentage
Transportation	\$ 1,276,620	46.2%
Education	1,021,122	36.9%
Water and Sewer	135,640	4.9%
Fish, Game, and Recreation	93,099	3.4%
Public Safety (Fire and Corrections)	86,544	3.1%
Flood Control and Harbor Development	75,790	2.7%
Health and Housing	75,534	2.7%
Total	\$ 2,764,349	100.0%

Source: Department of Revenue bond documents

2. Revenue Anticipation Notes (RAN's)

There have been no RAN's issued.

3. State Supported Debt

State Supported Debts are obligations authorized by a specific stand-alone law of the State passed for the purpose of obligating the State and payable by the State. These obligations may take the form of a Lease-purchase, a State funding commitment on a toll project, or a State funding commitment on a contract.

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

a. Certificates of Participation (COP's)

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

b. Capital Leases

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

independent law, the state's credit is not pledged, and while they may be considered capital leases under accounting definitions, they do not qualify as lease-purchases, and are not included as State Supported Debt. The following Table 2.6 summarizes issued and outstanding COPs.

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

<u>Certificates of Participation (COP's)</u>				
	date	amount issued	6/30/2016 principal to maturity	final maturity
ANTHC Housing Facility Project 2014	9/17/2014	30,895	27,480	6/1/2029
Total Certificates of Participation		\$ 30,895	\$ 27,480	

Source: Department of Revenue

c. State Support Funding Commitment to toll project

In April 2014 CSHB23 was approved creating the Knik Arm Crossing project in the Alaska Department of Transportation and Public Facilities. The Legislation provides for the Department of Transportation to enter into a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan and for the Department of Revenue to issue up to \$300 million of state supported subordinate lien toll bridge revenue bonds. Given the green field nature of this project there is a 100% expectation of insufficient toll revenue to cover debt service and the State's general fund having to make debt payments for at least 7 to 10 years, and longer if traffic forecasts aren't realized. While this Statute remains active, no loans or bonds have been entered into or issued at this time.

4. State Supported Unfunded Actuarially Assumed Liability (UAAL)

In the State's 2015 Comprehensive Annual Financial Report released on February 1, 2016 implemented the General Accounting Standards Board Statement 68 (GASB 68) updating the reporting and disclosure requirements related to pension liabilities. One of the requirements of GASB 68 is that if a government is committed to making payments on an actuarially assumed unfunded liability (UAAL) on behalf of another entity, the amount of liability supported by those payments must be reported as a debt of the government making the payments. Senate Bill 125 passed in 2008 commits the State to funding the difference between specific employer contributions of 22% for the Public Employees Retirement System and 12.56% for the Teachers Retirement System and the actuarially determined employer contribution rate. Approximately 55% of the supplemental State payment required under this statute for PERS is attributable to employees of the State of Alaska, with the remaining 45% stemming from other employers. While TRS funding is arguably a State responsibility, this debt would be found primarily on local school districts' balance sheets if SB 125 was not in place. Under GASB 68 the State's payment commitment increased the State of Alaska's long-term debt by \$5,801 million to \$8,473 million as of June 30, 2015 compared to \$2,672 million as of June 30, 2014. Projected annual payments for the contribution of the State on behalf of the employers grow from approximately 215.9 million in FY 2017 to \$865.7 million in 2039 as reflected in Table 2.7.

TABLE 2.7
State of Alaska
State Statutory Liability for Retirement System UAAL

As of October 2016 in thousands

Assuming

Invested

Fiscal Year	Funds Earn 8%
2017	215,866.0
2018	185,612.0
2019	241,846.0
2020	300,608.0
2021	344,070.0
2022	358,051.0
2023	373,879.0
2024	390,607.0
2025	109,147.0
2026	429,602.0
2027	450,068.0
2028	470,594.0
2029	493,945.0
2030	518,178.0
2031	542,567.0
2032	568,929.0
2033	597,086.0
2034	627,095.0
2035	658,380.0
2036	691,641.0
2037	727,836.0
2038	769,492.0
2039	865,676.0
2040	-

5. Municipal Debt Eligible for State 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 and reimbursement rates have evolved based on the State's fiscal position. In 2015, the legislature passed a moratorium on State school debt reimbursement, and the Alaska Department of Education and Early Development may not issue agreements for school bonds that voters approved after January 1, 2015, but before July 1, 2020. As of June 30, 2016, \$1,338.8 million in eligible debt was outstanding of which approximately \$901 million may be paid by the State through the program as shown subsequently in Table 4.8.

Funding for the program is dependent on annual legislative appropriations. The State is not obligated to appropriate the full amount of the entitled under statute nor contractually obligated to consider doing so. When amounts are insufficient, such as in fiscal year 2017, 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 2.8.

TABLE 2.8
Proration of State Reimbursement of
Municipal School Debt

\$ (thousands) as of 6/30/2015		
Fiscal Year	Payments (1983-2015) or Appropriation (2016)	Percent of Entitlement
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	86,924	100%
2008	91,103	100%
2009	93,319	100%
2010	95,789	100%
2011	99,594	100%
2012	100,908	100%
2013	112,300	100%
2014	109,801	100%
2015	118,026	100%
2016	116,739	100%
2017	90,677	75% *

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

* Last partially funded in 1991 at 94%

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.

75% funding of currently outstanding bonds eligible for participation in the school debt reimbursement program for FY17 has been appropriated at the estimated \$90.8 million.

6. International Airport System Revenue Bonds

Bonds have been issued to finance improvements to the State's Alaska International Airports System (AIAS) and are secured by a first lien on gross revenues derived from AIAS operations. The Commissioner of Transportation and Public Facilities is required by bond resolution to fix and collect fees, charges, and rentals for the use of facilities of the International Airports sufficient each year to provide adjusted net revenues at least equal to 125 percent of debt service requirements during that year. Table 3.0 indicates that over the 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 2.9 and 3.0 provide additional information on the Airport Revenue Bonds.

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

revenue bonds	Issuance status	date	amount issued	outstanding at 6/30/16	interest rate (%)	final maturity
Series 1999 A	AMT	1/15/1999	162,500	50	5.00	10/1/2024
Series 1999 B	Non-AMT	1/15/1999	16,675	-	4.60	10/1/2015*
Series 1999 C	Non-AMT	10/1/1999	25,000	-	6.22	10/1/2024
Series 2003 A	AMT	12/3/2003	73,025	-	5.00	10/1/2024
Series 2003 B	Non-AMT	12/3/2003	21,900	-	5.00	10/1/2028
Series 2006 A	AMT	12/3/2003	118,975	61,675	5.00	10/1/2022
Series 2006 B	Non-AMT	12/3/2003	70,760	2,765	5.00	10/1/2027
Series 2006 D(1)	Non-AMT Refinance	12/3/2003	104,860	99,410	5.00	10/1/2027
Series 2009 A(2)	Non-AMT	1/6/2009	50,000	50,000	variable	10/1/2030
Series 2010 A	AMT	9/29/2010	117,270	111,415	5.00	10/1/2027
Series 2010 B	Non-AMT	9/29/2010	21,685	9,580	5.00	10/1/2018
Series 2010 C(2)	Non-AMT	9/29/2010	12,565	12,565	5.00	10/1/2033
Series 2010 D(3)	Taxable	9/29/2010	19,540	19,540	6.28	10/1/2035
Series 2016A	Non-AMT	2/10/2016	73,635	73,635	4.88	10/1/2031
Series 2016B	AMT	2/10/2016	11,220	19,540	5.00	10/1/2023
Total Bonds			<u>\$ 899,610</u>	<u>\$ 451,855</u>		

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

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

(3) The 2010 D bonds have a 35% interest rate subsidy as Build America Bonds. The subsidy level has been reduced by federal budget sequestration action to a current subsidy level of 32.5%

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

TABLE 3.0
International Airports System Revenue Bonds

fiscal year	net revenue (\$ millions)	debt service (\$ millions) ¹	ratio net revenues to debt service ²
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	17.9	2.12
2010	52.6	35.4	1.48
2009	38.0	24.9	1.52
2010	51.3	24.6	2.09
2011	44.5	31.7	1.40
2012	41.6	31.2	1.33
2013	41.6	31.2	1.33
2014	51.6	41.2	1.25
2015	59.9	40.2	1.49
2016	60.0	40.4	1.49

1 Required coverage of 1.3 until 1999.

2 Since 1999 coverage of 1.25 is required.

Excludes debt service bonds which are defeased

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

7. Toll Facilities' Revenue Bonds

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

F. 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, legislation created a new Division of Energy within the Department of Community and Regional Affairs. Effective August 18, 1993, this new division took on the AEA'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.

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 may work on the planning, design and licensing of energy projects in Alaska.

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.

On November 20, 1985, \$267,500,000 of AEA bonds were issued to provide interim financing for 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 nearly all retired in fiscal year 1991 through the issuance of

long term bonds. Power Revenue Bonds structured as general obligations of AEA with a capital reserve fund backed by the moral obligation of the State of Alaska, First and Second Series, were issued in September, 1989 and August, 1990, respectively to refund AEA's Variable Rate Demand Bonds. These bonds have been refinanced as opportunities have arisen since their issuance as reflected in Table 3.1.

At June 30, 2015, AEA's outstanding debt was \$62.6 million, as shown below in Table 3.1.

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

	date	amount issued	outstanding at 6/30/16	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	11,135	7/1/2017
Power Revenue Bonds, Fourth Series				
(Bradley Lake Hydroelectric Project)	4/4/2000	47,710	22,920	7/1/2021
Power Revenue Bonds, Sixth Series				
(Bradley Lake Hydroelectric Project)	7/1/2011	28,800	28,430	7/1/2021
Total		<u>\$ 247,750</u>	<u>\$ 62,585</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.

In 1980, AHFC's powers were expanded by removing borrower income restrictions and the Corporation became a major supplier of mortgage funds and the most prolific issuer of debt in the State. Table 3.2 indicates the amounts of AHFC borrowing since 1991.

In 1992, under Ch. 4, FSSLA 1992, effective July 1, 1992, the Alaska State Housing Authority (ASHA), a public corporation of the State created in 1949 was absorbed by AHFC along with the authorization 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.

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

Fiscal Year	Debt Issued
1991-2000	4,618,965
2001	409,670
2002	884,150
2003	382,710
2004	287,200
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 ⁽¹⁾	129,400
2015 ⁽¹⁾	446,187
2016 ⁽¹⁾	59,620
Total	\$ 10,993,365

Source: Alaska Housing Finance Corporation

(1) Includes AHFC sponsored conduit debt

The bonds issued by AHFC may be 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 the Northern Tobacco Securitization Corporation 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 with tobacco companies.

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.

In 1980 the Mortgage Subsidy Bond Tax Act required AHFC to obtain private activity bond volume cap for the first time home-buyer program bonds.

b. Bond Authorization

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

The State Guaranteed Veterans' bonds require authorization by law and the voters. As of June 30, 2016, \$694.6 million of state guaranteed bonds remain unissued. The following amounts have been authorized and issued (in millions):

<u>Authorization Calendar Year</u>	<u>Authorized</u>	<u>Issued as of June 30, 2015</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>

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

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

	Credit Rating (1)	Debt Issued In FY 2016	Total Debt Issued	Outstanding at 6/30/16
Home Mortgage Revenue Bonds & Mortgage Revenue Bonds	Aaa/AAA/AAA (2)	-	2,547,215	\$ 799,355
Collateralized Bonds (Veterans Mortgage Program)	Aaa/AAA/AAA	-	1,900,385	11,585
General Mortgage Revenue Bonds	AA+/AA+ (3)	-	195,890	121,580
Governmental Purpose Bonds	Aaa/AAA/AAA	-	403,170	122,755
State Capital Project Bonds (4)	Aa2/AA+/AA+ (5)	55,620	1,298,460	966,055
Northern Tobacco Securitization Corporation, AHFC subsidiary				
Tobacco Settlement Asset-Backed Bonds, Series 2006 A-C		-6	-	411,988
Total		\$ 55,620	\$ 6,757,108	\$ 2,359,913

NOTES:

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

2 Ratings for Home Mortgage Revenue Bonds sold from 2007-2009 are Aa2/AA/AA+

3 Not rated by Moody's

4 Does not include defeased bonds

5 State Capital Project Bonds sold from 2012 - 2015 are not rated by Moody's.

6 Not rated by Standard & Poor's; not rated by Fitch; Moody's ratings on the 2006A Senior Current Interest Bonds are Ba1 for the June 1, 2023, 1 for the June 1, 2032 and 2046, term bonds, and Not Rated for the 2006B and 2006C Capital Appreciation Bonds.

<u>Short-term debt outstanding</u>	<u>Credit rating as of 6/30/2016</u>	<u>FY 2016</u>	<u>issued</u>	<u>Outstanding</u>
Commercial Paper	P-1/A-1+/F-1+	N/A	N/A	71,600
Total				<u>\$ 71,600</u>
Total		\$ 111,240	\$ 13,514,216	

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

5 Does not include Defeased Bonds

<u>Short-term debt outstanding</u>	<u>Credit rating as of 6/30/2016</u>	<u>Debt Issued In FY 2016</u>	<u>Total debt issued</u>	<u>Debt Outstanding</u>
Commercial Paper	P-1/A-1+/F-1+	N/A	N/A	71,600
Total				<u>\$ 71,600</u>

Alaska Public Debt 2016-2017

Collateralized bonds, typically incorporate the guarantees of the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), and the Government National Mortgage Association (GNMA). These guarantees may also apply to bonds subject to the State Guarantee in the veterans' mortgage program).

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

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

Issue	Tax Status	Debt Issued	Date of Bonds	Guarantor	6/30/2016 Debt Outstanding
Collateralized Bonds (Veterans Mortgage Program)					
2007 amd 2008 First Series	Exempt	57,885	12/18/2007	* State of Alaska	11,585
Total		<u>57,885</u>			<u>11,585</u>
Home Mortgage Revenue Bonds & Mortgage Revenue Bonds					
2002 Series A	Exempt	170,000	5/16/2002	*	62,890
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	*	48,290
2010 Series A	Exempt	43,130	9/30/2010	*	30,495
2010 Series B	Exempt	35,680	9/30/2010	*	31,470
2009 Series A-2	Exempt	128,750	11/22/2011		90,570
2011 Series A	Taxable	28,945	11/22/2011		4,265
2011 Series B	Exempt	71,360	11/22/2011		49,375
Total		<u>1,024,215</u>			<u>799,355</u>
General Mortgage Revenue Bonds II					
Series 2012 A	Exempt	145,890	7/11/2012	*	121,580
Total		<u>145,890</u>			<u>121,580</u>
Governmental Purpose Bonds					
Series 1997	Exempt	33,000	12/3/1997	*	14,600
Series 2001 A,B	Exempt	170,170	8/2/2001	*	108,155
Total		<u>203,170</u>			<u>122,755</u>
Total AHFC Collateralized Debt		<u>\$ 1,431,160</u>			<u>\$ 1,055,275</u>

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

	outstanding at 6/30/16
State General Obligation Guarantee	
Collateralized Bonds AAA/AAA	\$ 11,585
Total State Obligations On AHFC Debt	<u>11,585</u>

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.

The following Table 3.6 summarizes all AHFC outstanding debt.

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

Bond Program	Date Delivered	Amount Issued	Outstanding at 6/30/16	TIC (%)	Final
Home Mortgage Bonds					
2002 Series A Home Mortgage Revenue Bonds	5/16/2002	170,000	62,890	4.553	2036
2007 Series A Home Mortgage Revenue Bonds	5/31/2007	75,000	75,000	4.048	2041
2007 Series B Home Mortgage Revenue Bonds	5/31/2007	75,000	75,000	4.210	2041
2007 Series D Home 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 Mortgage Revenue Bonds	9/30/2011	64,350	48,290	3.362	2041
2010 Series A Mortgage Revenue Bonds	9/30/2011	43,130	30,495	3.362	2027
2010 Series B Mortgage Revenue Bonds	9/30/2011	35,680	31,470	3.362	2040
2009 Series A-2 Mortgage Revenue Bonds	11/22/2011	128,750	90,570	2.532	2041
2011 Series A Mortgage Revenue Bonds	11/22/2011	28,945	4,265	N/A	2026
2011 Series B Mortgage Revenue Bonds	11/22/2011	71,360	49,375	2.532	2026
Total		1,024,215	799,355		
State Guaranteed Bonds					
2007 and 2008 First Series, Collateralized	12/18/2007	57,885	11,585	5.023	2038
Total		57,885	11,585		
General Mortgage Revenue Bonds II					
2012 Series A	7/11/2012	145,890	121,580	3.653	2040
Total		145,890	121,580		
Government Purpose Bonds					
1997 Series A	12/3/1997	33,000	14,600	N/A	2027
2001 Series A	8/2/2001	76,580	48,675	N/A	2030
2001 Series B	8/2/2001	93,590	59,480	N/A	2030
Total		203,170	122,755		

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

Bond Program	Date Delivered	Amount Issued	Outstanding at 6/30/16		
State Capital Project Bonds					
2002 Series C	12/5/2002	60,250	40,420	N/A	2022
2007 Series A (1)	10/3/2007	42,415	16,565	4.139	2027
2007 Series B	10/3/2007	53,110	15,905	4.139	2029
2011 Series A	2/16/2011	105,185	74,670	4.333	2027
Total		260,960	147,560		
State Capital Project Bonds II					
2012 Series A	10/17/2012	99,360	83,230	2.642	2032
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	28,350	2.682	2029
2014 Series C	8/27/2014	140,000	140,000	N/A	2029
2014 Series D	11/6/2014	78,105	78,055	2.581	2029
2015 Series A	3/19/2015	111,535	109,265	2.324	2030
2015 Series B	6/30/2015	93,365	92,580	3.294	2036
2015 Series C	12/16/2015	55,620	55,135	2.682	2035
		839,150	818,495		
Total Long Term Debt		2,531,270	2,021,330		
Short-term Debt Outstanding					
Commercial Paper	Various	N/A	71,600	NA	VAR
Total Short-term Debt		\$ -	\$ 71,600		

Notes:

1) Does not include Defeased Bonds

4. Alaska Industrial Development and Export Authority

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

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

AIDEA 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.

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.

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 \$25 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. In December 2010, \$14,470,000 of Tax-Exempt Bonds were issued to fund a loan participation purchase. At June 30, 2016 \$12.0 million were outstanding.

ii. Taxable Loan Participation Program

The program uses taxable 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. No bonds are outstanding under this program.

iii. Conduit Revenue Bond Program

AIDEA acts as a conduit in the sale and issuance of either taxable or tax-exempt bonds in the Conduit Revenue Bond program. The bonds are only secured by the project, the private borrower and/or the project's revenue stream. None of the Authority's assets or credit is pledged.

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, most bonds under this program are for qualified 501(c)(3) projects or exempt facilities.

From inception to June 30, 2016, AIDEA has issued Revenue Bonds for 318 projects totaling \$1.38 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, regardless of the intent to own and operate them. The types of facilities the Authority may finance include those for use in manufacturing, natural resource extraction, transportation of products or materials, and infrastructure for tourism destination facilities.

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

The Legislature has enacted legislation authorizing the Authority to finance, design and construct or reconstruct additional Economic Development projects. Projects funded with balances outstanding or authorizations that have not yet been acted upon include:

- (a) The 1996 Legislature authorized the Authority to issue up to \$85.0 million of bonds to finance the expansion, improvement and modification of the existing DeLong Mountain Transportation Project port facilities owned by the Authority. In 1997 the Authority issued \$150.0 million of Revolving Fund Bonds which included \$70.0 million for that purpose and \$80.0 million for the purpose of redeeming the 1987 DeLong Mountain Transportation Project Revenue Bonds. In February 2007, the Authority issued \$113,095,000 of refunding bonds for the purpose of refunding and defeasing, along with Authority funds, the remaining outstanding bonds. The defeased bonds were called in April 2007. In May 2008 the Authority issued \$107,385,000 of variable rate Revolving Fund Refunding Bonds for the purpose of refunding \$107,385,000 of Series 2007 A&B Revolving Fund Refunding Bonds and pay costs of issuance. The refunded bonds were redeemed in May 2008. In February 2010, the Authority issued \$87,105,000 of fixed rate Revolving Fund Refunding Bonds for the purpose of refunding \$94,945,000 of Series 2008 A&B Revolving Fund Refunding Bonds. The refunded bonds were redeemed February 24, 2010. At June 30, 2016 \$43.7 million were outstanding with no moral obligation attached.
- (b) The 1996 Legislature authorized the issuance of up to \$100.0 million of bonds for the acquisition of the Snettisham hydroelectric project from the Alaska Power Administration. On August 19, 1998 AIDEA issued \$100.0 million of tax-exempt revenue bonds to finance the acquisition of the project. There is no State moral obligation attached. In December 1999 the Authority defeased \$6.9 million of the bonds using funds on hand. All remaining defeased bonds were retired during the year ended June 30, 2011. In August 2015 \$65.7 million of 2015 Series Power Revenue Refunding bonds were issued to refund all of the outstanding First Series Power Revenue bonds. The refunded bonds were redeemed September 25, 2015. At June 30, 2016 \$64.5 million were outstanding.
- (c) The 2011 Legislature authorized the issuance of up to \$65 million to finance the expansion, modification, improvement, and upgrading of the Skagway Ore Terminal.
- (d) The 2013 Legislature authorized the issuance of up to \$150 million through the Sustainable Energy Transmission and Supply Development (SETS) Fund for the development, construction, and installation of, and the start-up costs of operation and maintenance for, a liquefied natural gas production plant and system and affiliated infrastructure on the North Slope and a natural gas distribution system and affiliated infrastructure in Interior Alaska. This bonding authorization expires June 30, 2018 if the Authority does not issue bonds before that date.
- (e) 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.
- (f) 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.

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 in June 2012 and created 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 and fund was effective October 2014. The program and fund are currently not capitalized.

a. Bond Authorization

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

b. Debt Issued and Outstanding

AIDEA has issued \$1.34 billion of bonds with \$120.1 million outstanding at June 30, 2016 as shown in Tables 3.7—3.8.

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

calendar year	economic development bonds	consolidated bonds	umbrella bonds	taxable umbrella bonds	development project bonds	revolving fu bonds
1981-2000	\$ 141,425	60,475	83,000	14,540	203,250	434,545
2001	-	-	-	-	-	-
2002	-	-	-	-	-	20,475
2003	-	-	-	-	-	-
2004	-	-	-	-	-	-
2005	-	-	-	-	-	-
2006	-	-	-	-	-	-
2007	-	-	-	-	-	113,095
2008	-	-	-	-	-	107,385
2009	-	-	-	-	-	-
2010	-	-	-	-	-	87,105
2011	-	-	-	-	-	14,470
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	65,720	-
Total	<u>\$ 141,425</u>	<u>\$ 60,475</u>	<u>\$ 83,000</u>	<u>\$ 14,540</u>	<u>\$ 268,970</u>	<u>\$ 777,075</u>

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

	Date	Amount Issued	Outstanding at 6/30/16
Development bonds			
Power Revenue Bonds, First Series (Snettisham Hydroelectric Project)	8/18/1998	100,000	64,455
Total		100,000	64,455
Revolving fund bonds			
Red Dog Port Facility (Refunding)	2/24/2010	87,105	43,665
Loan Participation	12/22/2010	14,470	11,980
		101,575	55,645
Total Bonds		\$ 201,575	\$ 120,100

Source: Financial Statements, various years, AIDEA

C. Alaska Municipal Bond Bank

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

a. Advantages to Municipalities and Authorized Borrowers

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

b. Municipal Debt Purchased

The Bond Bank has assisted 43 of Alaska's municipalities and one Regional Health Organization obtain financing for capital projects. These borrowers are geographically distributed throughout Alaska and represent virtually all sectors of the State's economy.

TABLE 3.9
Alaska Municipal Bond Bank
Outstanding Loans to Municipalities
Funded with Bonds as of 6/30/2016
\$ (thousands)

Governmental Unit	Total Outstanding Principal	Percentage of Total
City & Borough of Sitka	144,555	13.17%
City & Borough of Juneau	125,325	11.42%
Kenai Peninsula Borough	117,445	10.70%
City of Ketchikan	101,825	9.28%
Kodiak Island Borough	96,820	8.82%
University of Alaska	86,085	7.84%
Fairbanks North Star Borough	57,300	5.22%
Tanana Chiefs Conference	44,135	4.02%
Ketchikan Gateway Borough	41,105	3.74%
Northwest Arctic Borough	34,995	3.19%
City of Unalaska	34,015	3.10%
City of Seward	32,285	2.94%
Aleutians East Borough	27,275	2.48%
Municipality of Skagway	20,645	1.88%
City of Cordova	17,900	1.63%
Lake & Peninsula Borough	17,145	1.56%
City of Kodiak	12,875	1.17%
Haines Borough	11,690	1.06%
Petersburg Borough	11,280	1.03%
City of Dillingham	10,610	0.97%
City of Nome	4,925	0.45%
Municipality of Anchorage	3,615	0.33%
City of Homer	3,340	0.30%
City of King Cove	2,990	0.27%
City of Bethel	2,635	0.24%
City of Valdez	2,505	0.23%
City of Sand Point	2,435	0.22%
City of Soldotna	2,010	0.18%
City of Craig	1,755	0.16%
City of Kenai	1,530	0.14%
City of Galena	1,514	0.14%
City of Klawock	1,360	0.12%
City and Borough of Wrangell	1,245	0.11%

Alaska Public Debt 2016-2017

TABLE 3.9 (continued)
Alaska Municipal Bond Bank
Outstanding Loans to Municipalities
Funded with Bonds as of 6/30/2016
\$ (thousands)

Governmental Unit	Total Outstanding Principal	Percentage of Total
City of Wasilla	1,185	0.11%
City of Hoonah	1,080	0.10%
City of North Pole	820	0.07%
City of Palmer	785	0.07%
City of Adak	755	0.07%
City of Saxman	160	0.01%
Reserve Obligations	15,835	1.44%
Total	1,097,789	100.00%

Source: Alaska Municipal Bond Bank

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

c. Security for Bonds

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

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

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

c. Bond Authorization

AS 44.85.180(c) was enacted in 1975, limiting Bond Bank bonds outstanding at any time to \$150 million. This statute has been amended seven times to gradually raise the limit to the current \$1.7925 billion. The Bond Bank's current authority is comprised of \$1.5 billion for political subdivisions, \$87.5 million for the University of Alaska,

and \$205 million for Regional Health Organizations. Total Bond Bank bonds and notes outstanding as of June 30, 2016, were approximately \$1,100.7 million. Thus, the limit on additional bond issuance at that time was approximately \$691.8 million.

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

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

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

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

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

Type	Amount Issued	Outstanding at 6/30/16
General Obligation Bonds	\$ 1,962,527	\$ 1,090,420
Revenue Bonds	173,790	-
	<u>\$ 2,136,317</u>	<u>\$ 1,090,420</u>

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

	Date	Amount Issued	Outstanding at 6/30/16
2005 Master Resolution General Obligation Bonds			
2006 Series Two	7/26/2006	40,265	31,775
2007 Series One	1/31/2007	26,735	13,020
2007 Series Two	4/5/2007	24,860	22,485
2007 Series Three	6/25/2007	14,715	3,310
2007 Series Four	8/28/2007	15,625	1,330
2007 Series Five	11/20/2007	6,000	5,310
2008 Series One	4/15/2008	62,355	24,780
2008 Series Two	7/22/2008	19,700	4,450

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

	Date	Amount Issued	Outstanding at 6/30/16
2005 Master Resolution General Obligation Bonds			
2009 Series One	1/8/2009	26,730	3,260
2009 Series Two	3/18/2009	30,295	3,820
2009 Series Three	9/21/2009	13,390	5,460
2009 Series Four B	12/3/2009	20,425	20,425
2010 Series One A	2/23/2010	20,420	5,455
2010 Series One B	2/23/2010	7,415	7,415
2010 Series Two B	5/20/2010	11,405	11,405
2010 Series Three A	9/16/2010	4,530	1,995
2010 Series Three B	9/16/2010	6,900	6,900
2010 Series Four A	12/9/2010	26,725	17,265
2010 Series Four B	12/9/2010	51,940	46,540
2011 Series One	3/1/2011	8,635	6,650
2011 Series Two	5/10/2011	12,130	7,515
2011 Series Three	9/15/2011	78,115	60,705
2012 Series One	3/6/2012	18,495	8,960
2012 Series Two	5/24/2012	52,795	41,480
2012 Series Three	10/18/2012	21,190	16,550
2013 Series One	3/12/2013	96,045	89,410
2013 Series Two A	6/19/2013	19,145	16,435
2013 Series Two B	6/19/2013	17,110	15,880
2013 Series Three	11/14/2013	72,045	68,490
2014 Series One	2/20/2014	61,205	55,760
2014 Series Two	6/19/2014	45,275	44,875
2014 Series Three	10/30/2014	55,370	54,605
2015 Series One	3/17/2015	60,635	56,510
2015 Series Two	6/4/2015	59,550	57,250
2015 Series Three	9/16/2015	96,210	96,210
2016 Series One	2/2/2016	33,015	33,015
2016 Series Two	4/21/2016	59,595	59,595
		<u>1,296,990</u>	<u>1,026,295</u>
2010 Master Resolution General Obligation Bonds			
2010 Series A-1	12/21/2010	1,065	455
2010 Series A-2	12/21/2010	3,700	3,700
		<u>4,765</u>	<u>4,155</u>
2016 Master Resolution General Obligation Bonds			
2016 Series A	6/9/2016	44,135	44,135
		<u>44,135</u>	<u>44,135</u>
Total Master Resolution General Obligation Bonds		<u><u>1,345,890</u></u>	<u><u>1,074,585</u></u>

Source: Alaska Municipal Bond Bank Authority.

Does not include direct loans, reserve obligations, or conduit debt of the Bond Bank

D. Alaska Railroad Corporation

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

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

Chapter 71, SLA 2003 authorized the ARRC to issue up to \$17 billion in revenue bonds to finance the construction of a natural gas pipeline and related facilities, subject to an agreement with a third party to pay the debt service and other costs of the bonds. 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 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.

At June 30, 2016 the ARRC had \$147.9 million of revenue bonds outstanding.

E. Alaska Student Loan Corporation

Chapter 92, SLA 1987 created the Alaska Student Loan Corporation (ASLC or Corporation), a public corporation administratively lodged in the Department of Education and Early Development but with a separate and independent legal existence. The Corporation's purpose is to lower costs for Alaskans pursuing education and training at a postsecondary level and for other qualified individuals attending postsecondary institutions in the State, through the financing of education loans. The security for the Corporation's debt consists of education loans and other assets of the Corporation. The bonds issued by the ASLC carry the State's moral obligation as security. 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, 2016 was \$112.6 million as shown in Table 4.2. 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.

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

Tax-exempt Education Loan		Amount	Outstanding	
Revenue Bonds	Date	Issued	at 6/30/16	Final Maturity
2012B Series	9/12/2012	93,435	26,935	12/1/2043
Taxable Education Loan Backed				
2013A Series	3/28/2013	144,730	85,630	8/25/2031
		<u>\$ 238,165</u>	<u>\$ 112,565</u>	

Source: Alaska Student Loan Corp.

F. University of Alaska

The University of Alaska is a land-grant University founded originally in 1917. The current University of Alaska System consists of three main universities with nineteen campuses. 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. Net investment in capital assets amounted to \$1.41 billion at June 30, 2016.

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

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

In July 2015, the University issued General Revenue Bonds 2015 Series T with a par amount of \$65,350,000 and a 25 year term. Average annual debt service is \$4.9 million. In September 2015, the University entered into a loan agreement with the Alaska Municipal Bond Bank to borrow \$86,085,000 with a 30 year term and average annual debt service of \$5.6 million to provide funding for construction of the University of Alaska Fairbanks' heat and power plant.

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

In October 2016, the University issued General Revenue Refunding Bonds 2016 Series V-2 with a par amount of \$14,645,000, original issue premium of \$1,906,984, and a 17 year term. Average annual debt service is \$1.1 million. The bonds refund General Revenue Bonds 2005 Series N and 2008 Series O, except for the October 1, 2017 maturity.

Moody's Investors Service and S&P Global Ratings have assigned ratings of 'Aa3' and "AA-", respectively, and have each assigned a "negative outlook" to the rating of the University. These ratings were issued September 2016.

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

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

	Date	Amount	Principal Outstanding at 6/30/16	Interest to maturity	Total debt service to maturity	Final maturity
Revenue Bonds						
2005 Series N	8/31/2005	\$ 24,355	\$ 5,060	\$ 772	\$ 5,832	10/1/2022
2008 Series O	1/31/2008	23,795	14,805	5,305	20,110	10/1/2033
2009 Series P	12/8/2009	11,696	6,240	906	7,146	10/1/2023
2011 Series Q	10/5/2011	48,870	40,240	13,210	53,450	10/1/2032
2012 Series R	3/5/2012	32,805	25,375	6,709	32,084	10/1/2030
2013 Series S	3/6/2013	31,020	27,115	7,814	34,929	10/1/2035
2015 Series T (1)	7/15/2015	65,350	65,350	48,924	114,274	10/12/2037
2015 Series U	9/16/2016	86,085	86,085	72,909	158,994	10/1/2044
Total		323,976	270,270	156,549	426,819	
Installment Contracts	varies	4,573	1,331	51	1,382	4/15/2020
Capital Lease Liability (2)	12/19/2012	24,507	25,560	14,380	39,940	10/1/2044
Notes Payable						
Alaska Housing Corp	5/14/1997	47,398	16,224	4,176	20,400	2/1/2028
Total		47,398	16,224	4,176	20,400	
Total University Debt		<u>\$ 400,454</u>	<u>\$ 313,385</u>	<u>\$ 175,156</u>	<u>\$ 488,541</u>	

(1) Series T was privately placed with the Alaska Municipal Bond Bank Authority

(2) "Principal Outstanding" represents the present value of future payments on the University's long-term lease with

Source: University of Alaska

G. Municipal Debt

1. General Obligation Bonds

Alaskan municipalities had approximately \$2.4 billion in general obligation debt outstanding at the end of June, 2016. The level of Alaska municipalities' general obligation debt has been stable over the last ten years, and the current amounts remain below the peak of \$2.673 billion in 1986.

Municipal debt issuance levels are influenced by State appropriations for capital projects and reimbursement programs, primarily the School Debt Reimbursement Program. Due to low State revenue projections the Legislature placed a 5-year moratorium on additional bonds for the school debt reimbursement program in 2015 and State appropriations for municipal capital projects have been severely reduced. The school debt reimbursement program moratorium will lower the amount of municipal debt outstanding while the near elimination of State appropriations for municipal grants should increase the amount of municipal debt outstanding.

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 4.4
Municipal General Obligation Bonds Outstanding
\$ (millions)

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

Source: Alaska Taxable

2. General Obligation Debt Ratios

Table 4.5 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 contributor to high debt capacity.

TABLE 4.5
Per Capita Municipal and State
General Obligation Debt
1985-2016

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
2014	736,399	2,418	804	3,222	4,375
2015	735,601	2,387	744	3,131	4,256
2016	735,601	2,386	960	3,346	4,549

Source: Alaska Taxable

TABLE 4.6
Municipal G.O. Debt, Population and Valuation
6/30/2016

Boroughs and Cities within Boroughs	Population	Full Value Determination (thousands)	Per Cap Full Value	Municipal G.O. Debt (thousands)	Per Capita G.O. Debt
Aleutians East Borough	3,096	\$226,156	\$ 73,048	\$28,415	\$ 9,178
City of Sand Point	946	\$78,576	\$ 83,061	\$2,031	2,147
Municipality of Anchorage	300,549	\$39,055,816	\$ 129,948	\$1,014,185	3,374
Fairbanks North Star Borough	97,972	\$10,798,942	\$ 110,225	\$138,790	1,417
City of North Pole	2,198	\$307,531	\$ 139,914	\$994	452
Haines Borough	2,537	\$395,940	\$ 156,066	\$11,340	4,470
City & Borough of Juneau	33,026	\$5,053,183	\$ 153,006	\$98,879	2,994
Kenai Peninsula Borough	57,212	\$9,349,917	\$ 163,426	\$82,740	1,446
City of Homer	5,099	\$887,635	\$ 174,080	\$3,790	743
City of Kenai	7,167	\$1,006,450	\$ 140,428	\$1,530	213
City of Seward	2,768	\$360,166	\$ 130,118	\$3,305	1,194
City of Soldotna	4,311	\$692,571	\$ 160,652	\$2,010	466
Ketchikan Gateway Borough	13,825	\$1,754,824	\$ 126,931	\$41,610	3,010
City of Ketchikan	8,314	\$1,054,504	\$ 126,835	\$57,384	6,902
Kodiak Island Borough	13,797	\$1,582,351	\$ 114,688	\$78,325	5,677
City of Kodiak	6,329	\$822,915	\$ 130,023	\$8,000	1,264
Lake and Peninsula Borough	1,672	\$144,467	\$ 86,403	\$18,745	11,211
Matanuska-Susitna Borough	98,063	\$10,268,302	\$ 104,711	\$319,505	3,258
City of Palmer	6,053	\$655,592	\$ 108,309	\$710	117
City of Wasilla	8,275	\$1,489,274	\$ 179,973	\$1,185	143
North Slope Borough	10,249	\$21,073,910	\$ 2,056,192	\$285,260	27,833
Northwest Arctic Borough	7,774	\$698,237	\$ 89,817	\$36,678	4,718
Petersburg Borough	3,209	\$465,871	\$ 145,176	\$11,580	3,609
City & Borough of Sitka	9,061	\$1,195,499	\$ 131,939	\$25,990	2,868
Municipality of Skagway	1,031	\$356,797	\$ 346,069	\$20,700	20,078
City & Borough of Wrangell	2,406	\$206,258	\$ 85,726	\$1,550	644
Municipalities Outside Boroughs					
City of Adak	247	\$0	\$ -	\$755	3,057
City of Cordova	2,286	\$331,662	\$ 145,084	\$13,983	6,117
City of Craig	1,198	\$144,573	\$ 120,679	\$1,755	1,465
City of Dillingham	2,431	\$240,582	\$ 98,964	\$11,272	4,637
City of Hoonah	787	\$76,431	\$ 97,117	\$1,156	1,469
City of Klawock	802	\$54,045	\$ 67,388	\$1,350	1,683
City of Nome	3,721	\$366,203	\$ 98,415	\$3,255	875
City of Unalaska	4,689	\$642,711	\$ 137,068	\$3,005	641
City of Valdez	4,032	\$2,562,256	\$ 635,480	\$54,828	13,598
Municipal Totals	675,672.0	\$107,044,932	158,427	\$2,386,590	3,532
Statewide					
State of Alaska G.O. Debt				\$ 744,160	
Statewide Total	735,601	\$ 111,751,053	\$ 151,918	\$ 3,130,750	\$ 4,256
Source: Alaska Taxable					

Alaska Public Debt 2016-2017

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, 2016, approximately \$960.2 million in revenue bonds were outstanding, as shown on Tables 4.7 and 4.8.

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

Fiscal Year	Amount Outstanding		Revenue Debt
	G.O.	revenue	Outstanding as % of total
1996	1,779.1	580.8	24.6%
1997	1,777.5	682.0	27.7%
1998	1,705.0	664.0	28.0%
1999	1,832.0	471.0	20.5%
2000	1,602.9	541.3	25.2%
2001	1,850.4	590.3	24.2%
2002	1,980.8	550.2	21.7%
2003	1,932.6	544.5	22.0%
2004	2,107.2	513.8	19.6%
2005	2,345.5	603.8	20.5%
2006	2,357.8	606.0	20.4%
2007	2,402.1	503.3	17.3%
2008	2,391.9	721.4	23.2%
2009	2,423.6	874.4	26.5%
2010	2,500.4	778.2	23.7%
2011	2,499.9	761.0	23.3%
2012	2,424.3	714.3	22.8%
2013	2,398.5	743.8	23.7%
2014	2,417.7	887.6	26.9%
2015	2,394.9	954.3	28.5%
2016	2,386.5	960.2	28.7%

Source: Alaska Taxable

TABLE 4.8
Alaska Municipal Debt Outstanding by Issuer
June 30, 2015
\$ (thousands)

boroughs and cities within boroughs	G.O. debt	revenue debt	total debt	school G.O. total	% of debt state's share
Adak	\$ 755	\$ -	\$ 755	\$ -	-
Aleutians East	28,415	-	28,415	13,023	61%
Anchorage	1,014,185	514,010	1,528,195	541,189	66%
Bethel	-	2,635	2,635	-	-
Cordova	13,983	1,810	15,793	13,515	65%
Craig	1,755	-	1,755	-	-
Dillingham	11,272	-	11,272	11,272	70%
Fairbanks NSB	138,790	-	138,790	87,935	70%
Haines	11,340	1,095	12,435	11,340	70%
Homer	3,340	-	3,340	-	-
Hoonah	1,156	-	1,156	224	70%
Juneau	98,879	55,985	154,864	86,685	69%
Kenai	1,530	-	1,530	-	-
Kenai Borough	82,740	34,705	117,445	41,820	70%
Ketchikan	57,384	55,985	113,369	-	-
Ketchikan Bor.	41,610	-	41,610	24,141	68%
King Cove	-	2,500	2,500	-	-
Klawock	1,350	-	1,350	-	-
Kodiak	8,000	7,000	15,000	-	-
Kodiak Bor.	78,325	18,495	96,820	74,005	68%
Lake Peninsula	18,745	-	18,745	18,745	69%
Mat-Su	319,505	10,885	330,390	305,725	69%
Nome	3,255	7,026	10,280	2,211	67%
North Pole	994	501	1,495	-	-
North Slope	285,260	60,065	345,325	1,000	60%
Northwest Arctic Bor	36,678	-	36,678	36,678	71%
Palmer	710	1,963	2,673	-	-
Petersburg	11,580	-	11,580	6,272	63%
Saint Paul	427	6,786	7,213	-	-
Sand Point	2,031	-	2,031	-	-
Saxman	-	155	155	-	-
Seward	3,305	28,980	32,285	-	-
Sitka	25,990	121,120	147,110	25,990	68%
Skagway	20,700	-	20,700	-	-
Soldotna	2,010	-	2,010	-	-
Unalaska	3,005	27,305	30,310	3,810	70%
Valdez	54,828	-	54,828	31,865	60%
Wasilla	1,185	-	1,185	-	-
Wrangell	1,550	1,232	2,782	1,325	70%
Total	\$ 2,386,567	\$ 960,237	\$ 3,346,803	\$ 1,338,770	

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

In FY 2016, revenue bonds accounted for approximately 28.7% 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 among others. In these boroughs, one reason for the lack of revenue debt may be the presence of oil and gas property. That is, substituting G.O bonds for revenue bonds transfers much of the debt burden that would otherwise fall on local users to the State. This is because the State also taxes oil and gas property but allows a credit against tax liabilities for taxes paid to municipalities. Thus municipal property taxes on oil and gas property directly reduces the State payment.

4. Property Tax Limits

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

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

III. Supplementary Information

A. State Debt Capacity

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

1. Debt Capacity as Measured by Revenues

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

TABLE 4.9
State of Alaska
Ratio of General Obligation Bond Debt Service
To Expenditures and Unrestricted Revenues
\$ (millions)

Fiscal Year	Debt Service	General Fund Expenditures*	unrestricted Revenues**	Total Revenues	Ratio of Debt Service to Expenditures	Ratio of Debt Service to Unrestricted Revenues
1996	21.3	3,386	2,133		0.6%	1.0%
1997	16.5	3,350	2,495	3,727	0.5%	0.7%
1998	14.2	3,296	1,826	3,018	0.4%	0.8%
1999	8.8	3,425	1,348	2,556	0.3%	0.7%
2000	0.0	3,554	2,082	3,725	0.0%	0.0%
2001	0.0	3,758	2,282	4,187	0.0%	0.0%
2002	0.0	5,406	1,660	3,710	0.0%	0.0%
2003	0.0	5,582	1,948	4,194	0.0%	0.0%
2004	19.4	5,419	2,346	4,680	0.4%	0.8%
2005	46.4	5,903	3,189	5,648	0.8%	1.5%
2006	45.7	6,216	4,200	6,730	0.7%	1.1%
2007	45.0	6,777	5,159	7,914	0.7%	0.9%
2008	44.4	7,836	10,728	13,546	0.6%	0.4%
2009	43.9	9,549	5,831	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	5,390	17,238	0.9%	1.7%
2015	78.0	13,107	2,257	8,541	0.6%	3.5%
2016	85.2	10,258	1,540	5,766	0.8%	5.5%

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 and restricted by custom revenues are not included in unrestricted revenue

TABLE 5.0
State of Alaska
Payments on General Fund Paid Debt as of June 30, 2016
\$ (millions)

fiscal year	state G.O.	lease / purchase	(1) Capital Leases	(2) school debt reimbursement	Capital Project Reimbursements	Statutory Debt Payment to PERS/TRS	total debt service
2017	78.0	2.9	23.0	90.8	4.6	215.9	415.1
2018	85.2	2.9	23.2	110.4	4.6	185.6	411.9
2019	84.8	2.9	19.7	103.9	4.5	241.8	457.6
2020	73.3	2.9	19.7	95.5	4.5	300.6	496.5
2021	72.5	2.9	19.5	93.3	3.6	344.1	535.8
2022	62.0	2.9	19.5	80.9	3.6	358.1	527.0
2023	61.9	2.9	19.5	80.9	3.6	373.9	542.6
2024	61.7	2.9	19.5	65.5	3.6	390.6	543.8
2025	56.8	2.9	19.5	56.3	3.6	409.1	548.2
2026	56.6	2.9	20.9	45.0	2.8	429.6	557.8
2027	56.1	2.9	20.9	40.8	2.6	450.1	573.3
2028	55.6	2.9	17.6	38.1	2.2	470.6	586.9
2029	55.4	2.9	17.6	33.3	0.9	493.9	604.0
2030	55.5	-	17.6	30.6	0.9	518.2	622.8
2031	43.8	-	17.6	28.1	0.4	542.6	632.4
2032	43.7	-	17.6	24.7	-	568.9	654.9
2033	43.6	-	17.6	17.8	-	597.1	676.1
2034	43.5	-	-	15.3	-	627.1	685.9
2035	20.3	-	-	10.1	-	658.4	688.8
2036	20.5	-	-	2.3	-	691.6	714.4
2037	0.5	-	-	-	-	727.8	728.3
2038	12.2	-	-	-	-	769.5	781.7
2039	-	-	-	-	-	865.7	865.7
2040	-	-	-	-	-	-	-

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

2 - FY2016 - 2034 payments are based on actual bond repayment schedules on file with the Department of Education & Early Development as of 6/30/2015

3 - State G.O. debt service is net of federal subsidies on interest expense through 2040

TABLE 5.1
State of Alaska Debt Service to Unrestricted Revenues
Fall 2015 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 Reimbursements	Statutory Payment to PERS/TRS	Total Payments to Revenues
	(\$Millions)	%	%	%	%	%	%
1996	2,133.3	1.0	0.5	1.4	3.7		5.2
1997	2,494.9	0.7	0.4	1.0	2.5		3.5
1998	1,825.5	0.8	0.6	1.3	3.4		4.7
1999	1,348.4	0.7	1.1	1.8	4.6		6.3
2000	2,081.7	0.1	0.9	1.0	3.1		4.1
2001	2,281.9	0.0	0.7	0.7	2.3		3.0
2002	1,660.3	0.0	1.3	1.3	3.3		4.5
2003	1,947.6	0.0	1.1	1.1	2.7		3.7
2004	2,345.6	0.8	0.9	1.7	2.6		4.3
2005	3,188.8	1.5	0.7	2.2	2.2		4.4
2006	4,200.4	1.1	0.6	1.7	1.9		3.6
2007	5,158.6	0.9	0.5	1.4	1.7		3.1
2008	10,728.2	0.4	0.3	0.6	0.8		1.4
2009	5,831.2	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	5,390.1	1.4	0.7	2.1	2.0		4.1
2015	2,256.4	3.3	1.6	4.9	5.2		10.1
2016	1,539.8	4.9	2.3	7.3	7.1		14.4
<u>projected</u>							
2017	1,446.7	5.4	2.1	7.5	6.3	14.9	28.7
2018	1,624.1	5.2	1.9	7.1	6.8	11.4	25.4
2019	1,872.7	4.5	1.4	6.0	5.5	12.9	24.4
2020	1,906.7	3.8	1.4	5.3	5.0	15.8	26.0
2021	1,943.7	3.7	1.3	5.1	4.8	17.7	27.6
2022	2,012.4	3.1	1.3	4.4	4.0	17.8	26.2
2023	2,039.0	3.0	1.3	4.3	4.0	18.3	26.6
2024	2,074.5	3.0	1.3	4.2	3.2	18.8	26.2
2025	2,174.3	2.6	1.2	3.8	2.6	18.8	25.2
2026	2,224.8	2.5	1.2	3.7	2.0	19.3	25.1

As shown on Table 5.1, debt service on State G.O. and State Supported debt plus school debt reimbursement payments were 14.4% of revenues in FY 2016 and are projected to be approximately 13.8% of revenues in FY 2017. Adding in the anticipated payments of the State on behalf of PERS and TRS employers in FY 2017 brings the ratio up to 28.7%. The spike in the percentage beginning in FY 2015 is due to the sharp reduction in the price of oil and correlated state unrestricted revenue in the fall of 2014. As existing debt is paid down the ratio gradually improves by 2026 to 5.7%. However, the ascending payments required of the State for UAAL amortization nearly entirely offset the decrease and including these payments the State's ratio is still 25.1% in 2026.

Table 5.2 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 2016. As a measure of debt capacity, debt to full value is of minor significance in Alaska due to the existence of a State petroleum property tax.

TABLE 5.2			
State of Alaska			
Ratio of State General Obligation Debt to Property Values			
	Full Value: Cities, Boroughs & Unincorporated Areas at	G.O. Bonds Outstanding at	Ratio of Debt to
Year	1/1 (millions)	6/30 (millions)	Full Value (%)
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%
2015	111,751	744	0.7%
2016	111,751	823	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 has historically been treated by the rating agencies as a soft liability with more flexibility than other debt. In the State's 2015 Comprehensive Annual Financial Report released on February 1, 2016, General Accounting Standards Board Statement 68 (GASB 68) was implemented updating the reporting and disclosure requirements related to pension liabilities. One of the requirements of GASB 68 is that if a government is committed to making payments on an unfunded pension liability on behalf of another entity, the amount of liability supported must be reported as a debt of the government making the payments. Senate Bill 125 passed in 2008 commits the State to funding the difference between specific employer contributions of 22% for the Public Employees Retirement System and 12.56% for the Teachers Retirement System. Approximately 55% of the supplemental State payment required under this statute for PERS is attributable to employees of the State of Alaska, with the remaining 45% stemming from other employers. While TRS funding is arguably a State responsibility, this debt would be found primarily on local school districts' balance sheets if SB 125 was not in place. Under GASB 68 the State's payment commitment increased the State of Alaska's long-term debt by \$5,801 million to \$8,473 million as of June 30, 2015 compared to \$2,672 million as of June 30, 2014.

The financial status of each of the State's public pension systems since FY 2009 is shown in Table 5.3. Actuarial results for FY 2016 will be available in 2017.

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

<u>Public Employees' Retirement System (PERS)</u>							
	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015
Present Value of							
Accrued Benefits	\$ 16,579	\$ 18,132	\$ 18,741	\$ 19,292	\$ 19,993	\$ 20,897	\$ 20,649
Value of Assets	\$ 10,243	\$ 11,157	\$ 11,814	\$ 11,832	\$ 12,163	\$ 14,645	\$ 16,173
Funding Level							
for Accrued Benefits	\$ (6,336)	\$ (6,975)	\$ (6,927)	\$ (7,460)	\$ (7,830)	\$ (6,252)	\$ (4,475)
Funding Ratio	61.8%	61.5%	63.0%	61.3%	60.8%	70.1%	78.3%

<u>Teachers' Retirement System (TRS)</u>							
	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015
Present Value of							
Accrued Benefits	\$ 7,848	\$ 8,848	\$ 9,129	\$ 9,346	\$ 9,592	\$ 9,841	\$ 9,729
Value of Assets	4,473	4,739	4,938	4,869	4,974	6,019	8,109
Funding Level							
for Accrued Benefits	\$ (3,375)	\$ (4,109)	\$ (4,191)	\$ (4,477)	\$ (4,618)	\$ (3,822)	\$ (1,620)
Funding Ratio	57.0%	53.6%	54.1%	52.1%	51.9%	61.2%	83.3%

Source: State of Alaska PERS and TRS valuation reports

As of June 30, 2015 the Public Employees' Retirement System's actuarial accrued liabilities are funded at 78.3 percent and the Teachers' System's actuarial accrued liabilities funded at 83.3 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. Moody's and Standard & Poor's revised the *outlook* for the State to negative in December 2014, and August 2015 respectively, while affirming the State's Aaa/AAA rating. On January 5, 2016, Standard and Poor's Ratings Services downgraded the State's credit rating to AA+.

Following is the State of Alaska's credit rating history, shown on Table 5.4.

TABLE 5.4
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	June 14, 2016	AA+
November 26, 1998	Aa2	March 27, 2008	AA+		
November 22, 2010	Aaa	January 5, 2012	AAA		
February 29, 2016	Aa1	January 5, 2016	AA+		
July 25, 2016	Aa2				

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 2016 the cap was approximately \$302.875 million. The PAB ceiling encompasses qualified mortgage revenue bonds, student loan bonds some of the types of tax-exempt debt issued by AIDEA and AEA, and certain other types of tax-exempt bonds to promote industrial development.

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

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

Calendar Year	Annual Cap	Allocations	Recipient
2011	277,820	277,820	to AHFC
2012	284,560	284,560	to AHFC
2013	291,875	291,875	to AHFC
2014	296,285	288,825	to AHFC
		8,000	to AIDEA
2015	301,515	200,248	to AHFC
		101,267	to AIDEA
2016	302,875	202,875	to AHFC
		100,000	to AIDEA

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.

