



## 2020 Credit Review & State Debt Summary

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## 1. State Debt and General Fund Obligations

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# Total Debt in Alaska at June 30, 2019 (\$millions)

	Principal Outstanding	Interest to Maturity	Total Debt Service to Maturity
<b>State Debt</b>			
State of Alaska General Obligation Bonds	670.1	278.5	948.6
<b>State Guaranteed Debt</b>			
Alaska Housing Finance Corporation State Guaranteed Bonds (Veterans' Mortgage Program)	106.8	54.9	161.7
<b>State Supported Debt</b>			
Certificates of Participation	22.4	6.5	28.9
Lease Revenue Bonds with State Credit Pledge and Payment	192.8	73.6	266.4
<b>Total State Supported Debt</b>	215.2	80.1	295.3
<b>State Supported Municipal Debt<sup>1</sup></b>			
State Reimbursement of Municipal School Debt Service	704.8	201.4	906.2
State Reimbursement of capital projects	22.5	9.7	32.2
<b>Total State Supported Municipal Debt</b>	727.3	211.1	938.4
<b>Pension System Unfunded Actuarial Accrued Liability (UAAL)<sup>3</sup></b>			
Public Employees' Retirement System UAAL	5,147.0	N/A	5,147.0
Teachers' Retirement System UAAL	1,520.0	N/A	1,520.0
<b>Total UAAL</b>	6,667.0	N/A	6,667.0
<b>State Moral Obligation Debt</b>			
Alaska Municipal Bond Bank:			
2005, 2010, & 2016 General Resolution General Obligation Bonds	1,111.1	539.4	1,650.5
Alaska Energy Authority:			
Power Revenue Bonds #1 through #8	74.7	32.4	107.1
Alaska Student Loan Corporation			
Education Loan Backed Notes	43.7	2.9	46.6
<b>Total State Moral Obligation Debt</b>	1,229.5	574.7	1,804.2
<b>State Revenue Debt</b>			
Sportfish Revenue Bonds	13.9	1.8	15.7
International Airports Revenue Bonds	346.5	160.0	506.5



# Total Debt in Alaska at June 30, 2019 (\$millions)

	Principal Outstanding	Interest to Maturity	Total Debt Service to Maturity
<b>University of Alaska Debt</b>			
University of Alaska Revenue Bonds	271.3	144.4	415.7
University Lease Liability and Notes Payable	15.4	3.7	19.1
Installment Contracts	0.7	0.1	0.8
<b>Total University of Alaska Debt</b>	<b>287.4</b>	<b>148.2</b>	<b>435.6</b>
<b>Total State Revenue and University Debt</b>	<b>647.8</b>	<b>310.0</b>	<b>957.8</b>
<b>State Agency Debt</b>			
Alaska Housing Finance Corporation:			
Commercial Paper	49.6	N/A	49.6
Alaska Municipal Bond Bank Coastal Energy Loan Bonds	9.9	2.1	12.0
Alaska Railroad	78.7	10.2	88.9
Northern Tobacco Securitization Corporation			
2006 Tobacco Settlement Asset-Backed Bonds <sup>5</sup>	302.2	387.2	689.4
<b>Total State Agency Debt</b>	<b>440.4</b>	<b>399.5</b>	<b>839.9</b>
<b>State Agency Collateralized or Insured Debt</b>			
Alaska Housing Finance Corporation:			
Collateralized Home Mortgage Revenue Bonds & Mortgage Revenue Bonds:			
2002 Through 2011 (First Time Homebuyer Program)	694.1	312.6	1,006.7
General Mortgage Revenue Bonds II -2012 & 2016	346.4	164.3	510.7
Government Purpose Bonds 1997 & 2001	105.2	22.0	127.2
State Capital Project Bonds, 2002-2011 <sup>2</sup>	27.7	2.3	30.0
State Capital Project Bonds, II 2012-2018 <sup>2</sup>	1,112.3	451.0	1,563.3
Alaska Industrial Development and Export Authority:			
Revolving Fund Bonds	39.7	11.1	50.8
Power Revenue Bonds, 2015 Series (Snettisham Hydro Project)	57.2	24.7	81.9
<b>Total State Agency Collateralized or Insured Debt</b>	<b>2,382.6</b>	<b>988.0</b>	<b>3,370.6</b>
<b>Total State and State Agency Debt</b>	<b>13,086.7</b>		

## NOTES

1. In the Enacted FY2020 Budget, and Proposed FY2021 Budget, School Debt and Capital Project Reimbursements were funded at 50% and 0%, respectively. See description in Section 1(E) above, and Table 5.0 for outstanding debt levels
2. Does not include defeased bonds

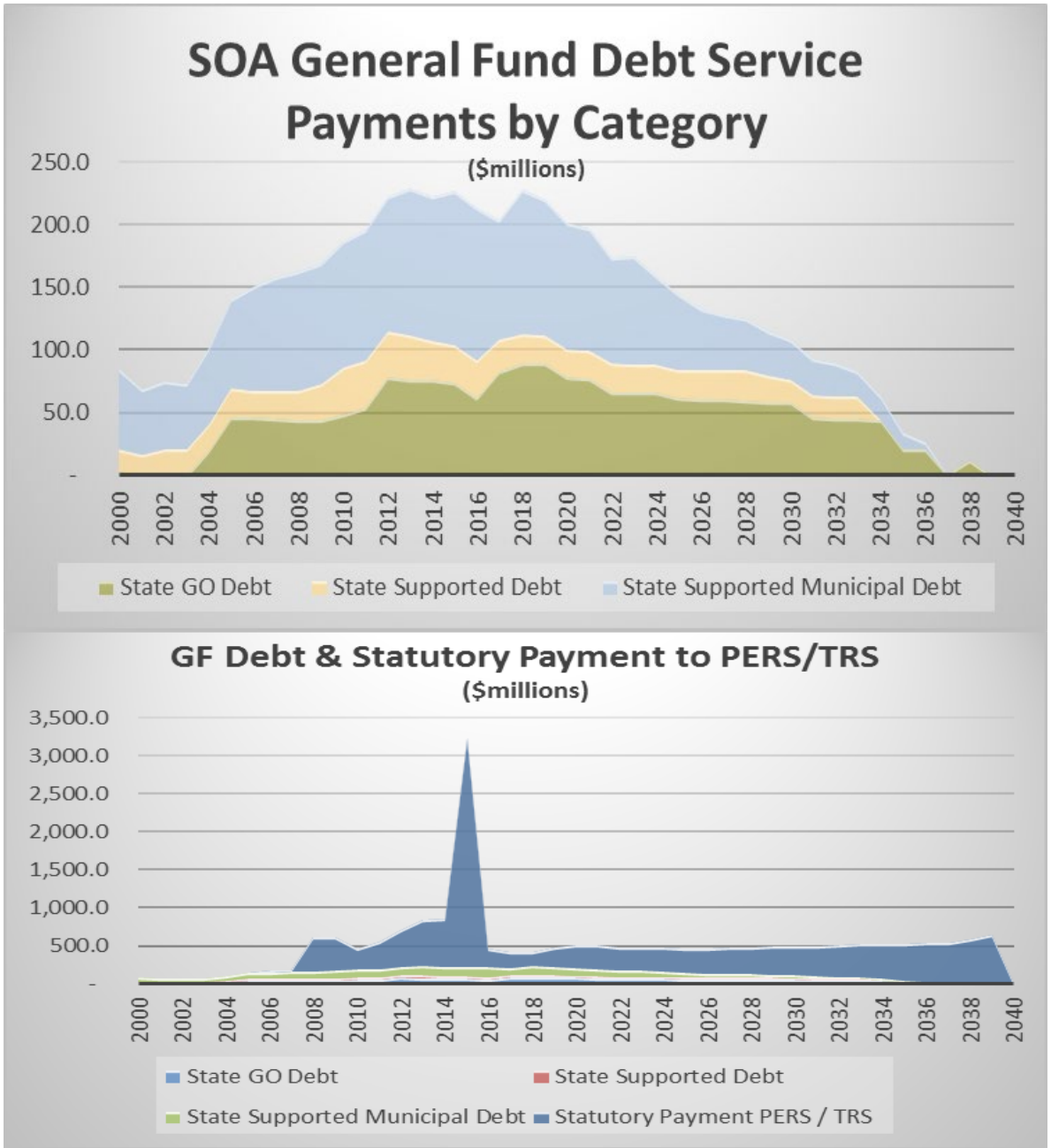
3. From most recent 6/30/2018 actuarial valuation. See table 5.3 for a summary of the Retirement System's Funding Levels
4. 'Other G.O. Debt' includes certain information directly from municipal CAFRs, and Alaska Taxable January 2020
5. "Interest to Maturity" and "Total Debt Service to Maturity" includes accreted interest due at maturity of \$125.2 million

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



# Current General Fund Annual Payment Obligation

- GF Payment peaked in 2018 at \$225.2 million
- Declining payment in every year (50% of peak in 2029)
- PERS/TRS special funding payments grow, but less dramatically
- PERS/TRS special funding is many times all other state commitments
- Existing Authorizations for \$300 million for Knik Arm Crossing, \$110 million GO bonds, \$1.5 billion POB Corporation, \$1 billion Tax Credit bonds





## 2. State Debt Capacity

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# Debt Affordability Analysis

- Annual analysis required by AS 37.07.045 to be delivered by January 31
- Discusses credit ratings, current debt levels, history and projections
- Relies upon debt ratios, limit of 4% for directly paid state debt, and 7% when combined with municipal debt that the state supports
  - Beginning in FY 2019 UGF revenue increased significantly due to reclassification of certain Permanent Fund earnings. Uncertainty about this revenue in future years warranted reductions of 1% to debt ratios.
- Identifies currently authorized, but unissued debt
- Establishes refinancing parameters
- Determines a long term debt capacity at current rating level
- Discusses, but doesn't define a capacity for short term debt



# January 2020 Debt Affordability Analysis

## Payments on General Fund Paid Debt as of June 30, 2019

Fiscal Year	GO	Lease Purchase	Capital Leases	School Debt Reimbursements	Capital Projects Reimbursements	State expected payments on behalf to PERS / TRS
2020	77,800,000	2,900,000	19,700,000	97,600,000	4,500,000	300,200,000
2021	77,000,000	2,900,000	19,500,000	95,400,000	3,600,000	338,600,000
2022	66,500,000	2,900,000	19,500,000	82,600,000	3,600,000	317,100,000
2023	66,400,000	2,900,000	19,500,000	83,000,000	3,600,000	318,700,000
2024	66,200,000	2,900,000	19,500,000	67,600,000	3,600,000	322,400,000
2025	61,300,000	2,900,000	19,500,000	57,900,000	3,600,000	326,300,000
2026	61,100,000	2,900,000	19,500,000	48,000,000	2,800,000	331,700,000
2027	60,600,000	2,900,000	20,900,000	43,300,000	2,600,000	337,200,000
2028	59,700,000	2,900,000	20,900,000	40,600,000	2,200,000	344,800,000
2029	58,800,000	2,900,000	17,600,000	35,800,000	900,000	352,400,000

FISCAL YEAR	Fall 2019 UGF Revenue Forecast (Most Recent RSB)	% of Total UGF Revenue Committed to State Debt (4% Cap)	% of Total UGF Revenue Committed to State Supported Debt (7% Cap)	% of UGF Revenue Committed to Expected Special Payment On Behalf of PERS / TRS	% of UGF Revenue Committed to State Supported Debt & PERS / TRS
2020	5,049,400,000	1.99%	4.01%	5.95%	9.96%
2021	5,059,000,000	1.96%	3.92%	6.69%	10.61%
2022	5,071,400,000	1.75%	3.45%	6.25%	9.71%
2023	5,206,900,000	1.71%	3.37%	6.12%	9.49%
2024	5,335,500,000	1.66%	3.00%	6.04%	9.04%
2025	5,481,000,000	1.53%	2.65%	5.95%	8.60%
2026	5,588,000,000	1.49%	2.40%	5.94%	8.34%
2027	5,749,000,000	1.47%	2.27%	5.87%	8.13%
2028	5,893,400,000	1.42%	2.14%	5.85%	7.99%
2029	6,071,700,000	1.31%	1.91%	5.80%	7.71%





# Authorized Bonding Authority

As of June 30, 2019, the State had authorized but unissued general fund obligations of:

	<b>Authority</b>	<b>Estimated Debt Service</b>	<b>Term</b>
General Obligation	\$110,348,242	\$8,000,000	20 years
Subject to Appropriation			
Knik Arm Crossing	\$300,000,000	N/A	N/A
Pension Obligation Bonds	1,500,000,000	N/A	N/A
Tax Credit Certificate Bond Corporation	\$1,000,000,000	Uncertain up to \$105 million	Uncertain 10 to 15 years
School Debt Reimbursement	Limited	Limited	
<b>TOTAL</b>	<b>2,910,348,242</b>	<b>113,000,000</b>	





### **3. State Debt Rating Overview**

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# STATE OF ALASKA AND OTHER 49 STATES' RATINGS

**MOODY'S**

Aa3 (NEGATIVE)

**S&P Global**  
Ratings

AA (STABLE)

**FitchRatings**

AA- (STABLE)

Alabama Aa1/AA/AA+ Sta/Sta/Sta  
**Alaska Aa3/AA/AA- Neg/Sta/Sta**  
 Arizona\* Aa2/AA/NR Sta/Sta/NR N/A  
 Arkansas Aa1/AA/NR Sta/Sta/NR N/A  
 California Aa3/AA-/AA Pos/Sta/Sta  
 Colorado\* Aa1/AA/NR Sta/Sta/NR N/A  
 Connecticut A1/A/A+/AA  
 Sta/Pos/Sta/Neg  
 Delaware Aaa/AAA/AAA/AAA  
 Sta/Sta/Sta/Sta  
 Florida Aaa/AAA/AAA Sta/Sta/Sta  
 Georgia Aaa/AAA/AAA Sta/Sta/Sta  
 Hawaii Aa1/AA+/AA Sta/Sta/Pos  
 Idaho\* Aa1/AA+/AA+ Sta/Sta/Sta  
 Illinois Baa3/BBB-/BBB Sta/Sta/Sta  
 Indiana\* Aaa/AAA/AAA Sta/Sta/Sta  
 Iowa\* Aaa/AAA/AAA Sta/Sta/Sta

Kansas\* Aa2/AA-/NR Sta/Sta/NR N/A  
 Kentucky\* Aa3/A/AA- Sta/Sta/Sta  
 Louisiana Aa3/AA-/AA- Sta/Sta/Sta  
 Maine Aa2/AA/AA\* Sta/Sta/Sta  
 Maryland Aaa/AAA/AAA Sta/Sta/Sta  
 Massachusetts Aa1/AA/AA+ Sta/Sta/Sta  
 Michigan Aa1/AA/AA Sta/Sta/Sta  
 Minnesota Aa1/AAA/AAA Sta/Sta/Sta  
 Mississippi Aa2/AA/AA Sta/Neg/Sta  
 Missouri Aaa/AAA/AAA Sta/Sta/Sta  
 Montana Aa1/AA/AA+ Sta/Sta/Sta  
 Nebraska\* Aaa/AAA/NR Sta/Sta/NR N/A  
 Nevada Aa2/AA/AA+ Sta/Sta/Sta  
 New Hampshire Aa1/AA/AA+ Sta/Sta/Sta  
 New Jersey A3/A-/A/A Sta/Sta/Sta/Sta  
 New Mexico Aa2/AA/NR Sta/Sta/NR N/A  
 New York Aa1/AA+/AA+/AA+ Sta/Sta/Sta/Sta

North Carolina Aaa/AAA/AAA Sta/Sta/Sta 3  
 North Dakota\* Aa1/AA+/NR Sta/Sta/NR N/A  
 Ohio Aa1/AA+/AA+ Sta/Sta/Sta  
 Oklahoma Aa2/AA/AA Sta/Sta/Sta  
 Oregon Aa1/AA+/AA+ Sta/Sta/Sta  
 Pennsylvania Aa3/A+/AA- Sta/Sta/Sta  
 Rhode Island Aa2/AA/AA Sta/Sta/Sta  
 South Carolina Aaa/AA+/AAA Sta/Sta/Sta  
 South Dakota\* Aaa/AAA/AAA Sta/Sta/Sta  
 Tennessee Aaa/AAA/AAA Sta/Sta/Sta  
 Texas Aaa/AAA/AAA/AAA Sta/Sta/Sta/Sta  
 Utah Aaa/AAA/AAA Sta/Sta/Sta  
 Vermont Aa1/AA+/AAA Sta/Sta/Sta  
 Virginia Aaa/AAA/AAA Sta/Sta/Sta  
 Washington Aaa/AA+/AA+ Sta/Sta/  
 Wisconsin Aa1/AA/AA+/AA+ Sta/Sta/Sta/Sta  
 Wyoming\* NR/AA+/NR NR/Sta/NR N/A



# Recent Financial Market/Credit Rating Challenges

## 2018 INVESTORS PERCEPTIONS ON THE STATE OF ALASKA:

### Perception

### Response

**Alaska's Economy  
Totally Reliant On  
Oil & Is In Free Fall**

- In 2016 the oil and gas sector represents about 13% of Alaska's GDP (\$6.75 billion of \$50.7 billion GDP) and represented approximately 4% of employment <http://labor.alaska.gov/trends/jul17.pdf>
- Oil and gas is the only industry in Alaska whose GDP is less in 2016 than in 2012 while other sectors have experienced moderate declines, stability or growth <http://labor.alaska.gov/trends/jul17.pdf>
- The State of Alaska does not rely on the broader economy for revenue as there is no broad based tax in Alaska
- The State benefits from the national and international economy through the investments of the Permanent Fund

**Reserves Are  
Dwindling**

- The reserve position of Alaska at 6/30/2017 is above the 6/30/2015 position
- Permanent Fund Earnings Reserve increased \$4.2 billion from FY 2016 to FY 2017
- Often discussed draws on reserves (SBR and CBRF) have been offset by deposits into the Earnings Reserve
  - The Net Position of Alaska increased as a result of FY 2017 activity
  - The Net Position of Alaska is projected to increase in each of the next nine years

**The State Won't  
Be Able To Balance  
It's Budget**

- SB26 was passed
- Expenditures have been significantly reduced and may be reduced further
- In 2017 and 2018 the Governor and Legislature didn't follow the statutory formula for determining the Permanent Fund Dividend and inflation proofing appropriations
- Just like the CBRF the Earnings Reserve of the Permanent Fund may be appropriated without statutory change
  - Alaska's oil and gas tax credit structure has been changed
  - Considering available revenues to the State, the budget has been in balance



# RATING AGENCY CHALLENGES IN 2019/2020

## Political Paralysis

- Extended session and two special legislative sessions in 2019
- Four highly contentious issues comprised of operating and capital budgets, the permanent fund dividend amount and reversing the sweep (CBRF) appropriation
- All parties recognize the eventual need to change financial behavior, but significant difference between the House, Senate, and Governor combined with financial strengths have resulted in decisions being deferred.
- Moody's placed the State on negative outlook during second special session, implying probability of negative ratings action

## Deterioration in the Advancement of Financial Policies

- Fitch Ratings declarations in September 2019 state credit downgrade
- Fitch Analysts made extrapolations on potential outcomes from fiscal year 2020 budget debate and implementation
- Fitch opined that fiscal 2020 budget includes deep cuts to core state services that could have implications for future growth of the state's already limited economy

## Recurring Historical Concerns

- Comparatively large net pension liability
- Ongoing structural UGF imbalance and reliance on one-time (financial) resources
- Narrow economy that is relatively small
- Outsized proportion of operating revenues related to petroleum development



# Recent Financial Market/Credit Rating Challenges

Demonstrates the limits of Alaska's recurring fiscal shortfall challenge:

Fiscal Year	General Purpose UGF Revenue	Recurring & Discretionary GF Expenditures	Unrestricted Surplus / (Deficit)	SOA Total Primary Government Net Position	SOA Change in Net Position (YOY)
2010	5,515	4,995	520	56,434	4,762
2011	7,673	6,355	1,318	66,273	9,839
2012	8,485	7,252	1,233	70,123	3,850
2013	6,929	7,455	(526)	76,005	5,882
2014	5,394	7,314	(1,920)	82,103	6,098
2015	2,257	4,760	(2,503)	73,540	(8,563)
2016	1,533	5,213	(3,680)	68,078	(5,462)
2017	1,354	4,498	(3,144)	71,997	3,919
2018	2,414	4,489	(2,075)	74,203	2,206



# Revenue Forecast & Budget Outlook

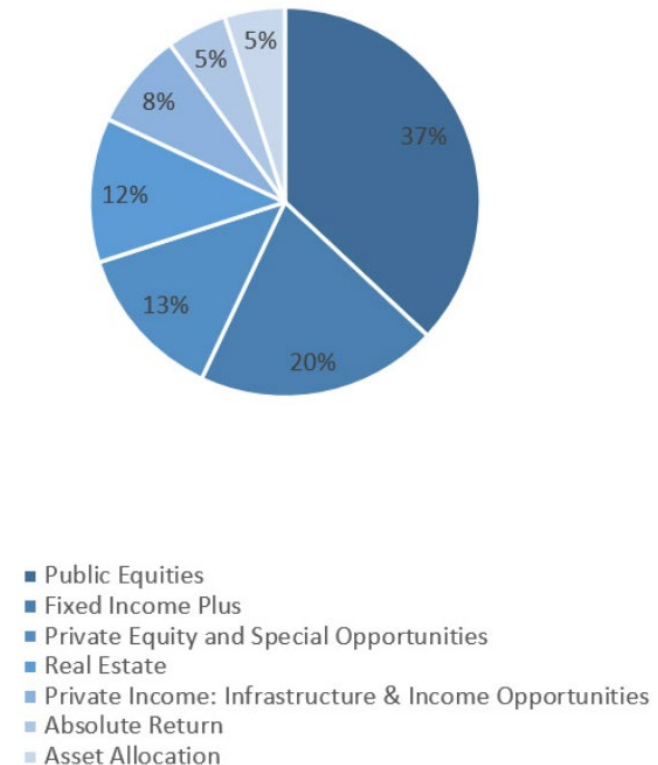
Highlighting that unlike other States, the State of Alaska's revenue generation is not limited to Alaska's economy

- **The Alaska Permanent Fund Provides Alaska Unparalleled Revenue Source Diversification**
- **As of November 30, 2019, Alaska's Permanent Fund endowment had an unaudited total fund balance of approximately \$65.8 billion.**
  - The State's Permanent Fund Revenue is generated from the national and world economies
  - The Permanent Fund does not rely on Alaska's economy for revenue generation – prohibited investment
  - The APFC Board independently directs investments and has established a 10-year total return projection of approximately 6.50%
  - The Permanent Fund owns shares in more than 3,000 corporations around the world
  - Fixed Income holdings include both US and International securities
  - The Real Estate allocation provides inflation protection and enhanced diversification worldwide
- **Investment income has tended to be countercyclical to oil, the source of the State's other largest revenue stream**



ALASKA PERMANENT  
FUND CORPORATION

## FY 20 Target Asset Allocation



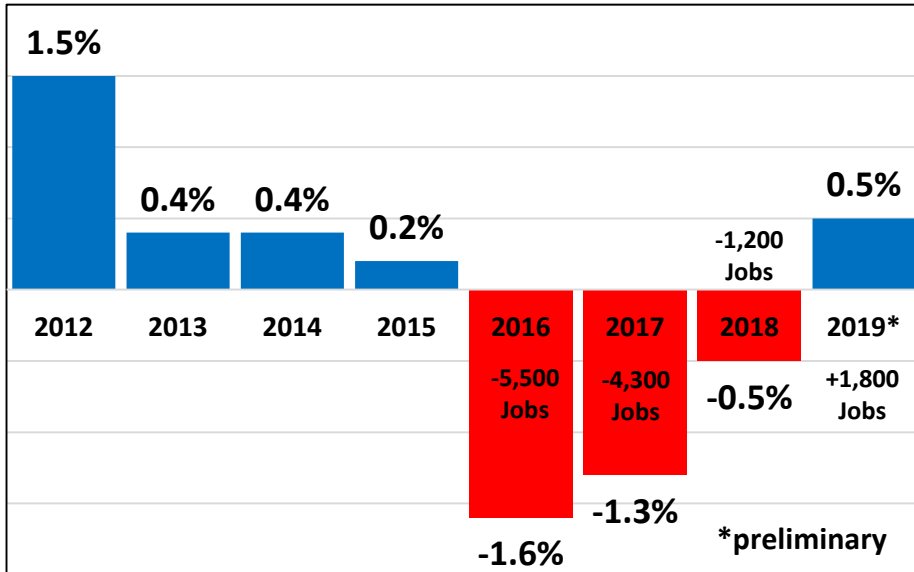
# Alaska's Economy

## Demonstrates that Alaska's economy is more than just oil

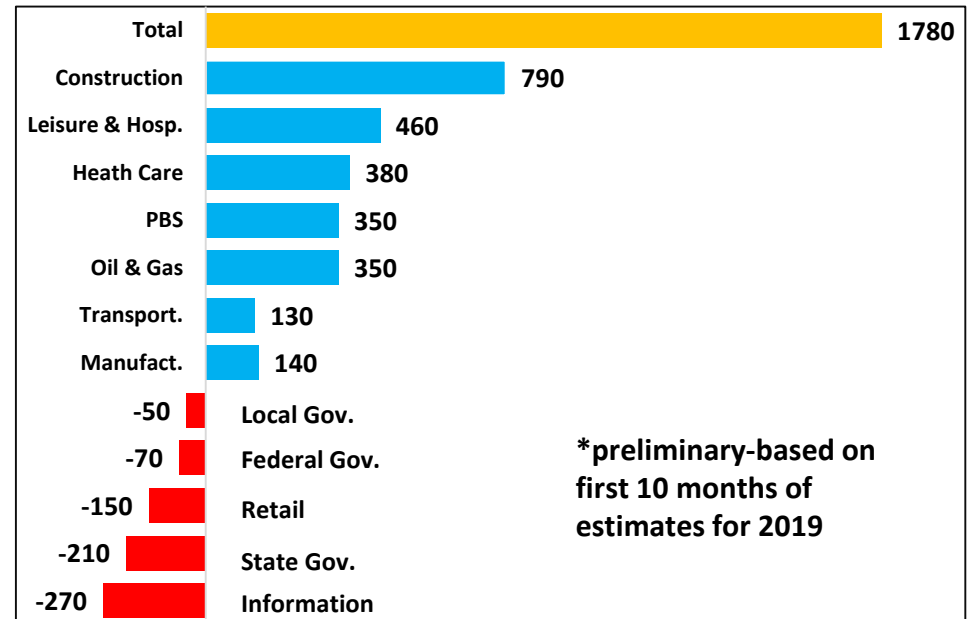
### Alaska's Economy Has Been Stable

- From 1961 to 2016 Alaska's economy added jobs 89% of the time (3<sup>rd</sup> best State ranking)
- Since 2010, Alaska's overall unemployment rate has ranged from 8% to 6.2% (the US rate has a much broader range from approximately 10% to 3.5%)
- Housing prices have remained stable, with average prices for single family homes ranging from \$282,000 in 2011 to \$327,000 in 2019 (preliminary)
- Alaska doesn't currently rely on the broader economy for revenue as there is no broad based tax

### AK Employment Begins To Recover



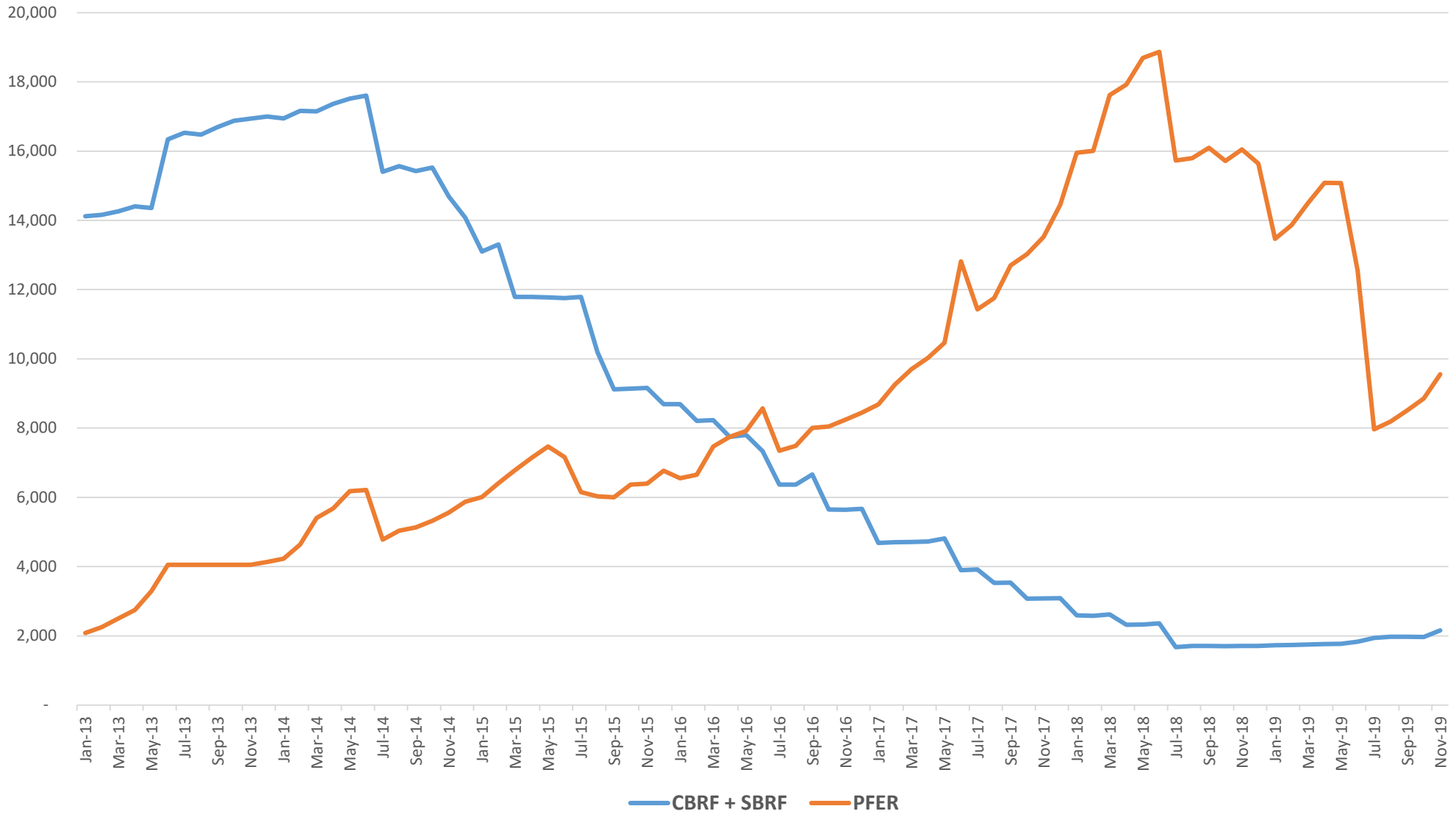
### Detailed Employment Record Thus Far For AK in 2019\*





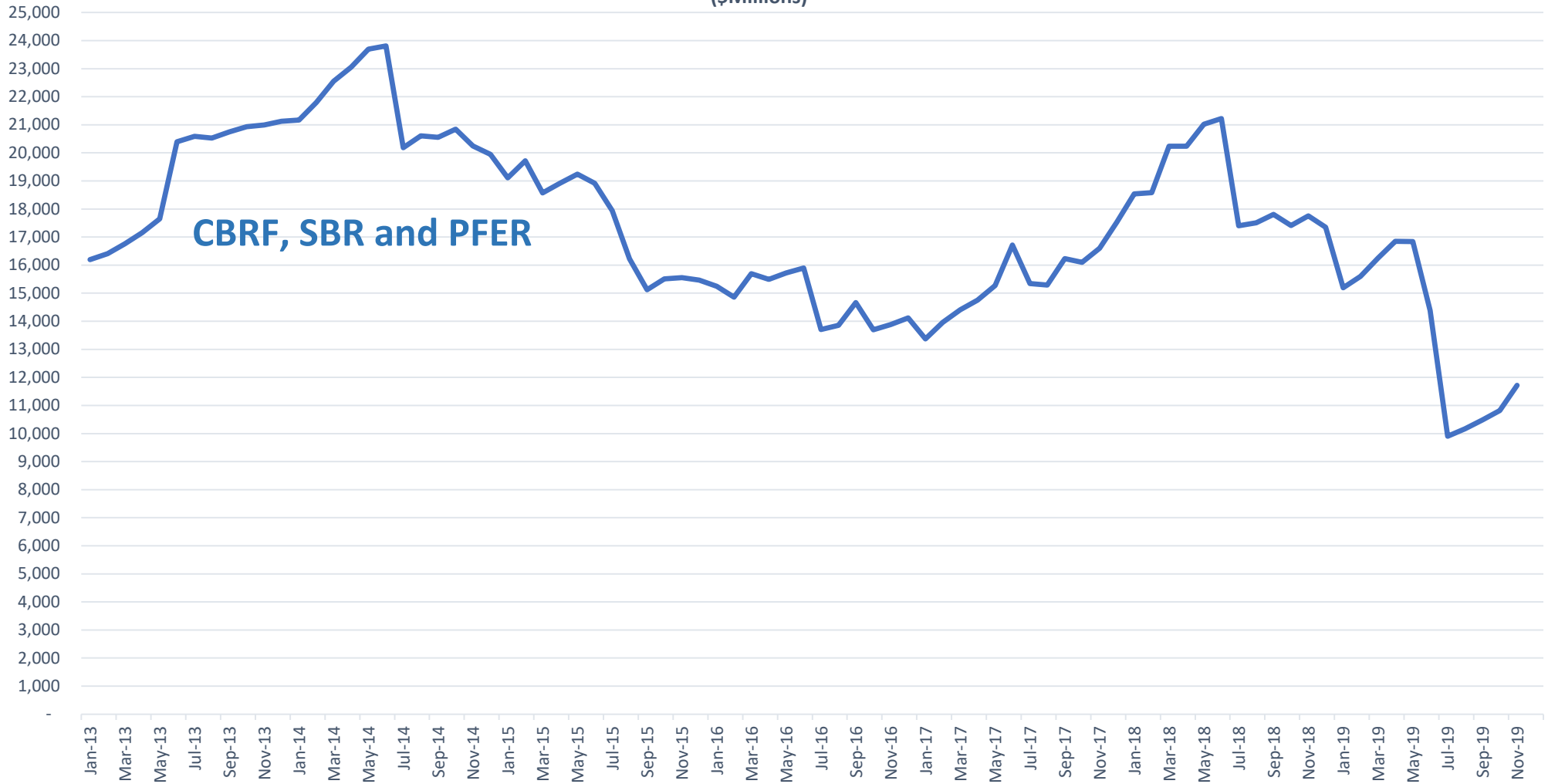
# CBRF/SBRF And PF Earnings Reserve Balances - Timeline

State savings accounts include PFER not just the CBRF+SBRF



# State of Alaska Available Reserves - Balance Timeline

When combined, balances of CBRF, SBR and PFER are more stable  
(\$Millions)





## 4. Questions

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