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UNIVERSITY
of ALASKA

Many Traditions One Alaska

March 24, 2009

The Honorable Representative Mike Kelly
State Capitol, Room 513
Juneau, Alaska 99801-1182

Dear Representative Kelly:

On behalf of the University of Alaska and President Hamilton, I offer this letter of support for House Bill 184: "An Act relating to debt authorization of the University of Alaska". My position is Controller for the University of Alaska and I oversee its debt function.

AS14.40.253 requires that when the University anticipates a financing will exceed \$1.0 million in annual debt service, notice to and approval from the Legislature is required. This bill updates the statute for construction inflation by increasing that threshold to \$2.5 million. I believe this bill will reduce the administrative impact to the University and Legislature for approving smaller debt issuances. At the same time, Legislative oversight is retained for relatively large debt issuances.

AS14.40.253 was originally issued in 1990 and construction inflation in Alaska has been steady since. In 1990, \$1.0 million of annual debt service was about a \$15 million capital project financing. Now, that same project costs about \$40 million, or approximately \$2.5 million in annual debt service.

The University has solid credit ratings from Standard and Poor's at AA-, and Aa3 from Moody's Investors Services. With \$127 million in debt currently outstanding, the University is below half of the Board of Regents' debt policy limit of five percent of unrestricted revenues, or \$317 million. The University's track record shows that it has used debt prudently and responsibly to further its strategic mission in the state.

I appreciate your support of House Bill 184. If there are any questions, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Myron J. Dosch".

Myron Dosch