

# State of Alaska General Obligation Bonds & State Agency Debt

March 28, 2024



# Introduction

## Fadil Limani

Deputy Commissioner, DOR

- Appointed Deputy Commissioner of the DOR in January 2023
- North Slope Borough School District – CFO – 3 years
- North Slope Borough - Deputy Director of Finance – 7 years
- KPMG LLP – 5 years

## Ryan Williams

Debt Manager, DOR

- Alaska Department of Revenue – 14 years
- Alaska Department of Revenue – State Debt Manager – 1 year
- Alaska Municipal Bond Bank Authority – Executive Director – 1 year



- **Types of Alaska Public Debt**
- **State Agencies Debt Authorization**
- **General Obligation Bonds**
- **State's Debt Profile**
- **State's Debt Capacity**
- **Prior Debt Authorization**

# Alaska Public Types of Debt

## Types of Debt

- State Debt
- State Guaranteed Debt
- State Supported Debt
- Unfunded Actuarial Accrued Liability (UAAL)
- 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

## State Moral Obligation Debt

State moral obligation debt consists of bonds issued by certain State agencies or authorities that are secured, in part, by a debt service reserve fund benefited by a discretionary replenishment provision that permits, but does not legally obligate, the Legislature to appropriate to the particular State agency or authority the amount necessary to replenish the debt service reserve fund up to its funding requirement (generally the maximum amount of debt service required in any year). State moral obligation debt is payable in the first instance by revenues generated from loan repayments or by the respective projects financed from bond proceeds.

- Among those State agencies that have the ability to issue State moral obligation debt are:
  - Alaska Aerospace Development Corporation (AADC) which has not issued any debt
  - Alaska Energy Authority (AEA)
  - Alaska Housing Finance Corporation (AHFC)
  - Alaska Industrial Development and Export Authority (AIDEA)
  - Alaska Municipal Bond Bank Authority (AMBBA)
  - and Alaska Student Loan Corporation (ASLC)

# State Agencies Debt Authorization

State Agency	Types of Debt Issued	Limitations
Alaska Energy Authority (AEA)	Can be Direct and General Obligations of the Authority	Pledged revenues to secure project costs / debt service
Alaska Housing Finance Corporation (AHFC)	Various: GO of AHFC, Revenue & State Guaranteed	Statutory ceiling on AHFC annual bond issuance, \$1.5 B State Guaranteed, Various Structures
Alaska Industrial Development and Export Authority (AIDEA)	Various: Revenue, Project or Development, or general assets, or designated parts;	Legislative Notification, >\$25 M requires Legislative Approval

# State Agencies Debt Authorization

State Agency	Types of Debt Issued	Limitations
Alaska Municipal Bond Bank Authority (AMBBA)	GO of AMBBA, Enhanced State Moral Obligation Structure with Standing Appropriation	\$2.5B Cap with specified purposes for max par outstanding (i.e. Main Program, UA, RHO)
Alaska Railroad Corporation (ARRC)	Agency Debt secured by revenues generated; Not authorized to issue Moral Obligation Bonds	Typically subject to an agreement with a third party to pay the debt service and other costs of the bonds

# General Obligation Bonds

## General Obligation (GO) Bonds

- What are GO Bonds? A tool to raise funds for capital needs:
  - Once authorized, bonds are issued, and the entity receives bond proceeds
  - Proceeds from the GO Bonds fund capital projects through an identified / defined project list
  - Examples of capital projects may include roads and bridges, parks, schools, harbors, University and/or community facilities, and renovation and deferred maintenance
- Must have authorization by law and must be ratified by voters
  - Authorized first by the governing body with defined parameters surrounding project list, this will include other factors such as one-time issuance or not to exceed limit
  - Must be approved / authorized by voters in a ballot proposition at an election as to those defined parameters set forth in the enacting authorization
  - Backed by the full faith, credit, resources and taxing authority of the issuing entity
  - GO's hold a more diverse credit structure based on the issuing entities finances
  - GO's typically have a lower interest rate commensurate with credit quality of the pledge of that underlying entity



# General Obligation Bonds - Continued

## GO Bonds

- General Obligation Debt:
  - Authorizing legislation identifying certain projects, dollar amounts, and any underlying fund structuring (and enactment of that Bill to move forward in the process)
  - State examples of authorizing legislation: HB424 (2010) and HB286 (2012)
  - General Obligation bonding has to go through an approved ballot proposition by vote within either the state or community (full faith / credit pledge of the entity for the GO Bond)
  - Voter authority is required as the pledge of future revenues of the entity is the payment commitment over the life of the bonds. If resources were insufficient, revenues would need to be raised to cover the payments (example: taxes)
  - Additional authorization for timing of actual debt issuance, issuance parameters, method of sale (typically through resolution, example: State Bond Committee)
  - The state bond committee shall approve the sale of bonds of each authorization in the amounts or series and at the times which it finds are for the best interests of the state and its inhabitants
  - Project Fund, funded with bond proceeds, has specific requirements associated with the underlying authorizations (specified projects, spending rules, other financial analysis on project cash flows)

# Project Finance Process

## GO Bonds

- Breakdown of total project financing and costs:
  - Project finance often involves a combination of different sources
  - Grants or other programs providing partial financial support
  - This may include Federal / State / Entity programs, appropriations, and/or contributions
  - Could have strict administrative requirements through grant or other alternative programs
- The financing:
  - Assemble the Financing Team: Bond Counsel, Underwriting Banks, Disclosure Counsel, Financial Advisor / Municipal Advisor, Representatives
  - State policy requirements – level debt service, method of sale, and potential refunding requirements
  - The financing team is usually involved in both original issuance and subsequent maintenance of debt

# Project Finance Process - Continued

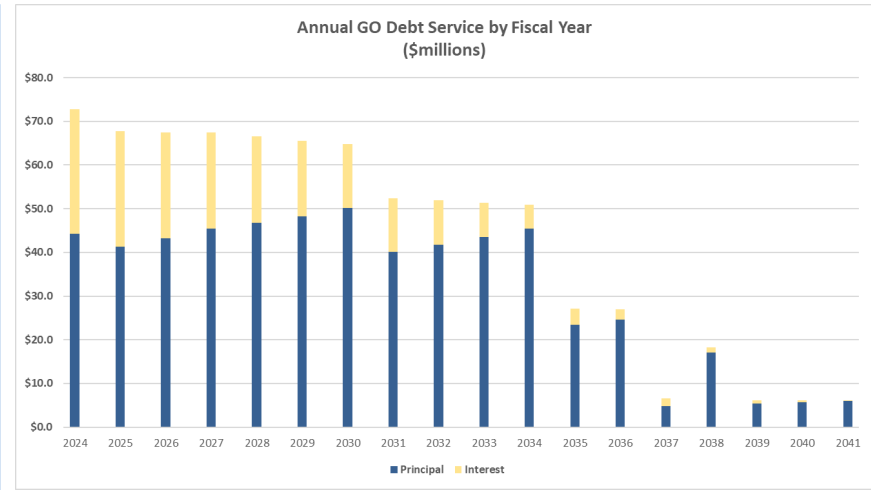
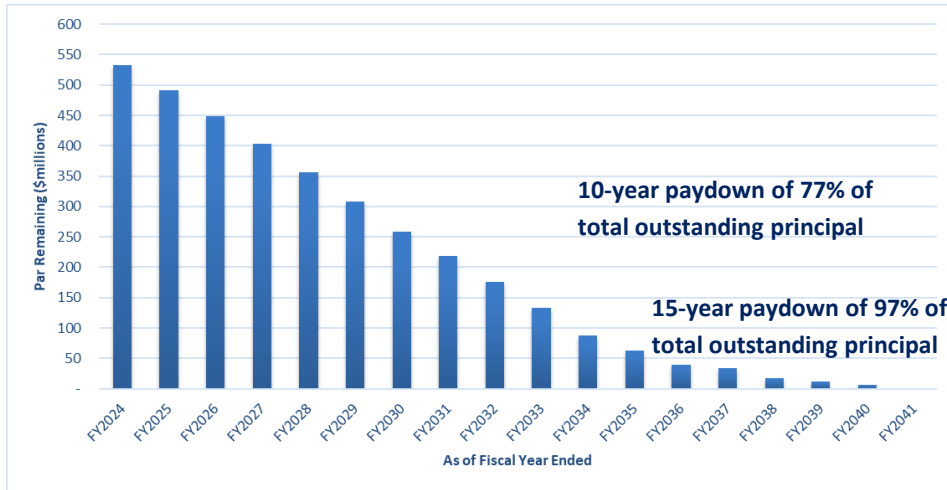
## GO Bonds

- After Financing:
  - Arbitrage Rebate (rate examples and tax compliance)
  - Continuation of cash flow forecasting for those identified projects and not to exceed limit / authorization remaining
  - Call and Redemption Provisions on issued bonds (typically 10-years)
  - Legal defeasance if officially funding escrow prior to call date to defease debt
  - Other special spending requirements
  - Continuing disclosure and SEC rule 15c2-12:
    - Continuing disclosure consists of important information about municipal bonds that arises after the initial issuance. This information generally reflects the financial health or operating condition of the state or local government as it changes over time, or the occurrence of specific events that can have an impact on key features of the bonds
    - Examples: Audited Financial Information or Final Statements, Notice of Failure to provide Financial Information by deadline
    - Specific events: Any payment deficiencies, defaults, bond calls and defeasances, rating changes

## Outstanding Debt as of June 30, 2023

Type of Debt Obligation	Par Remaining	Int. Remaining	Year of Final Maturity (FY)	FY 2024 UGF Payment	Total Debt Service to Maturity
<b>General Obligation</b>	\$577,240,000	\$198,916,000	2041	\$72,719,000	\$776,156,000
<b>Subject to Appropriation (COPs/Lease Revenue)</b>	\$163,970,000	\$41,650,000	2033	\$22,353,000	\$205,620,000
<b>Total</b>	<b>\$741,210,000</b>	<b>\$240,566,000</b>		<b>\$95,072,000</b>	<b>\$981,776,000</b>

Total General Obligation Debt Currently Outstanding as of June 30\*



# State's Debt Profile

## Outstanding Debt as of June 30, 2023 -By Type

**TABLE 1.1**  
**State and State Agency Debt by Type at 6/30/23**  
\$ (millions)

	Principal Outstanding	Interest to Maturity	Total Debt Service to Maturity
<b>State Debt</b>			
State of Alaska General Obligation Bonds	577.2	198.9	776.1
<b>State Guaranteed Debt</b>			
Alaska Housing Finance Corporation Collateralized Bonds (Veterans' Mortgage Program)	41.3	11.5	52.8
<b>State Supported Debt</b>			
Certificates of Participation	14.7	2.7	17.4
Lease Revenue Bonds with State Credit Pledge and Payment	149.3	39.0	188.3
<b>Total State Supported Debt</b>	164.0	41.7	205.7
<b>State Supported Municipal Debt</b>			
State Reimbursement of Municipal School Debt Service	433.6	77.0	510.6
State Reimbursement of capital projects	13.6	3.4	17.0
<b>Total State Supported Municipal Debt</b>	447.2	80.4	527.6
<b>Pension System Unfunded Actuarial Accrued Liability (UAAL)<sup>1</sup></b>			
Public Employees' Retirement System UAAL	2,810.0	N/A	2,810.0
Teachers' Retirement System UAAL	710.0	N/A	710.0
<b>Total UAAL</b>	3,520.0	N/A	3,520.0
<b>State Moral Obligation Debt</b>			
Alaska Municipal Bond Bank:			
2005 & 2016 General Resolution General Obligation Bonds	1,016.7	420.5	1,437.2
Alaska Energy Authority:			
Power Revenue Bonds #1 through #11	204.0	193.5	397.5
<b>Total State Moral Obligation Debt</b>	1,220.7	614.0	1,834.7
<b>State Revenue Debt</b>			
International Airports Revenue Bonds	237.7	85.6	323.3

### NOTES

1. From most recent 6/30/2022 actuarial valuation. See table 5.3 for a detailed summary of the Retirement System's Funding Levels.
  2. "Interest to Maturity" and "Total Debt Service to Maturity" includes accreted interest due at maturity of \$335.7 million
  3. 'Other G.O. Debt' includes information sourced from the Office of the State Assessor, and certain municipal ACFRs
- Sources: Annual reports and financial statements of AHFC, AMBBA, AIDEA, AEA, UofA, AKRR, AIAS, and other State Agencies

# State's Debt Profile

## Outstanding Debt as of June 30, 2023 - By Type

<b>University of Alaska Debt</b>			
University of Alaska Revenue Bonds	229.1	100.3	329.4
University Lease Liability and Notes Payable	12.3	2.7	15.0
<b>Total University of Alaska Debt</b>	<b>241.4</b>	<b>103.0</b>	<b>344.4</b>
<b>Total State Revenue and University Debt</b>	<b>479.1</b>	<b>188.6</b>	<b>667.7</b>
<b>State Agency Debt</b>			
Alaska Housing Finance Corporation:			
Commercial Paper	129.6	N/A	129.6
State Capital Project Bonds II	1,117.7	529.8	1,647.5
Alaska Municipal Bond Bank Coastal Energy Loan Bonds	9.3	1.4	10.7
Alaska Railroad	17.3	0.4	17.7
Northern Tobacco Securitization Corporation			
2021 Tobacco Settlement Asset-Backed Bonds <sup>2</sup>	260.9	444.2	705.1
<b>Total State Agency Debt</b>	<b>1,534.8</b>	<b>975.8</b>	<b>2,510.6</b>
<b>State Agency Collateralized or Insured Debt</b>			
Alaska Housing Finance Corporation:			
Home Mortgage Revenue Bonds	445.9	171.4	617.3
General Mortgage Revenue Bonds II	598.5	256.7	855.2
Governmental Purpose Bonds	63.6	10.3	73.9
<b>Total State Agency Collateralized or Insured Debt</b>	<b>1,108.0</b>	<b>438.4</b>	<b>1,546.4</b>
<b>Total State and State Agency Debt</b>	<b>9,092.3</b>		

### NOTES

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2. "Interest to Maturity" and "Total Debt Service to Maturity" includes accreted interest due at maturity of \$335.7 million

3. 'Other G.O. Debt' includes information sourced from the Office of the State Assessor, and certain municipal ACFRs

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



## 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
- 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
- The 2023-2024 analysis determined that the State had a debt capacity of \$1,400 million
  - Adjustments made to base analysis to account for recognition of a POMV split for PFDs vs state budget, special funding for PERS/TRS and future budget uncertainty and volatility in the State's revenue sources



# Prior State Authorization in 2010

## 2010 Act – State of Alaska General Obligation Bonds



### **\$200,000,000** **STATE OF ALASKA** **General Obligation Bonds**

**\$119,570,000**  
**General Obligation Bonds**  
**Series 2010A**  
**(Taxable Build America Bonds –**  
**Direct Payment)**

**\$45,000,000**  
**General Obligation Bonds**  
**Series 2010B**  
**(Taxable Qualified School**  
**Construction Bonds – Direct Payment)**

**\$35,430,000**  
**General Obligation Bonds**  
**Series 2010C**

### **Authority for Issuance**

The Bonds will be issued pursuant to the Alaska Constitution, particularly Article IX, Section 8, Alaska Statutes 37.15 (the "State Bonding Act"), Section 3 – 7 of Chapter 95, SLA 2010 (HB 424) (the "Act"), and the Resolution. On November 2, 2010, a general obligation bond proposition was passed by a majority of the qualified voters in the State who voted on the question, authorizing the issuance of \$397,200,000 in general obligation bonds for the purpose of design and construction of library, education and educational research facilities. The Bonds represent a portion of the bonds approved for issuance pursuant to this proposition.





# Prior State Authorization in 2010 - Continued

## 2010 Act – State of Alaska General Obligation Bonds

### Application of Bond Proceeds

Money derived from the sale of the Bonds shall be allocated and expended as follows: (1) payment or reimbursement of the public facility planning fund for the cost of advance planning for the capital improvements to be financed and (2) deposit of the remaining proceeds, to the 2010 Education Project Fund, as created pursuant to the 2010 Act. The proceeds deposited in the 2010 Education Project Fund, and any investment earnings thereon, are expected to pay all or a portion of the costs of the following projects:

#### *Department of Education and Early Development*

2010 Mount Edgecumbe High School Aquatic Facility	\$20,000,000
State Library, Archives, and Museum facility	\$18,500,000
City of Alakanuk K-12 School Replacement	\$46,500,000
City of Kipnuk K-12 School Renovation	\$49,900,000
City of Kwigillingok K-12 School Renovation	\$32,100,000

#### *University of Alaska*

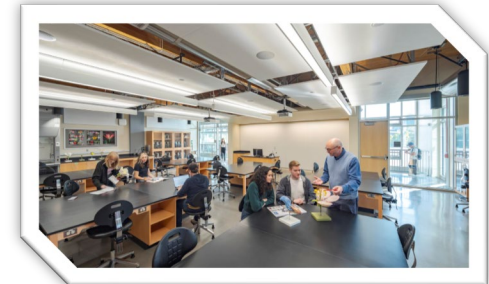
Valley Center for Art and Learning (Matanuska Susitna Campus)	\$23,500,000
Community Arena and Athletic Facility (Anchorage Campus)	\$60,000,000
Life Science Classroom (Fairbanks Campus)	\$88,000,000
Student Housing (Kenai Campus)	\$16,000,000
Career and Technical Education Center (Kenai Campus)	\$14,500,000
Campus Renovation and Renewal (Prince William Sound CC)	\$5,000,000

#### *Department of Fish and Game*

Near Island Research and Administration Facility	\$20,000,000
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#### *Department of Commerce, Community, and Economic Development*

Prince of Wales Island Vocational Education Center	\$3,200,000
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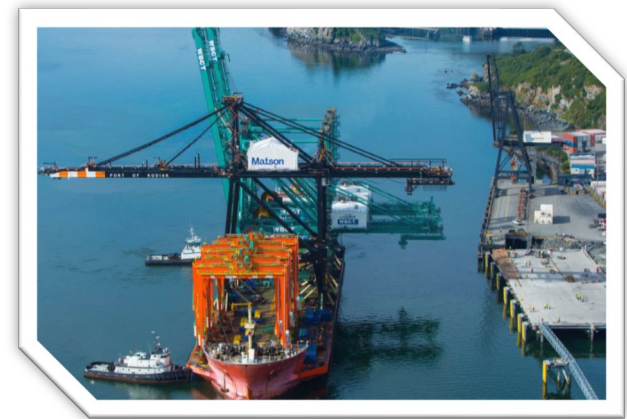


# Prior State Authorization in 2012

## 2012 Transportation Bond Act – State of Alaska General Obligation Bonds

### Authority for Issuance

The Notes will be issued pursuant to the Alaska Constitution, AS 37.15.010 through 37.15.380 (the “Bond Act”), Sections 1, 3, 4 and 5 of Chapter 18, SLA 2012 (HB 286) (the “State Transportation Bond Act”) and the Resolution for the purpose of paying the costs of design and construction of state transportation projects. On November 6, 2012, a general obligation bond authorization was passed by a majority of the qualified voters in the State who voted in the election authorizing the issuance of \$453,499,200 of general obligation bonds for the purpose of paying the costs of design and construction of state transportation projects.



# Prior State Authorization in 2012 - Continued

## 2012 Transportation Bond Act – State of Alaska General Obligation Bonds

### *Department of Commerce*

Port of Anchorage Expansion	\$50,000,000
Bethel Harbor Dredging	4,000,000
Port of Bristol Bay Expansion and Pile Dock Replacement	7,000,000
Emmonak Port Improvements	3,000,000
Haines Borough Boat Harbor Upgrades	15,000,000
Hooper Bay Small Boat Harbor	1,000,000
Kodiak Pier III Replacement	15,000,000
Kotzebue Cape Blossom Road and Deep Water Port	10,000,000
Matanuska-Susitna Borough Bogard Road Extension East	13,500,000
Matanuska-Susitna Borough Port MacKenzie Rail Extension	30,000,000
Nenana Totchaket Resource Development Corridor Access	6,500,000
Newtok Traditional Council Mertarvik Evacuation	4,100,000
Nome Port Design and Construction	10,000,000
Sand Point Road Rehabilitation	2,500,000
Seward Marine Industrial Center Expansion	10,000,000
Sitka Sawmill Cove Industrial Park Dock	7,500,000
St. George Harbor Reconstruction	3,000,000
Togiak Waterfront Transit Facility	3,300,000



### *Department of Transportation*

Glenn Highway, Hiland Road to Artillery Road Reconstruction	\$35,000,000
Glenn Highway/Muldoon Road Interchange Reconstruction	15,000,000
New Seward Highway MP 75-90 Bridge Repairs	26,000,000
New Seward Highway/36th Avenue Reconstruction	10,000,000
O'Malley Road Reconstruction	15,000,000
Elliott Highway MP 108-120 Reconstruction	6,500,000
Old Steese Highway to McGrath Road Reconstruction and Extension	24,000,000
Wendell Street Bridge Replacement	14,400,000
Glacier Highway MP 4-6 Road Improvements	5,500,000
Mendenhall Loop Road Improvements	6,000,000
Kenai Spur Road Rehabilitation	20,000,000
Ketchikan - Shelter Cover Road Construction and Improvements	19,000,000
Matanuska-Susitna - Fairview Loop Road Reconstruction	10,000,000
Matanuska-Susitna - Knik Goosebay Road Reconstruction	15,000,000
North Pole - Plack Road Improvement	5,000,000
Platinum Airport Runway Extension	3,100,000
Richardson Highway - Ruby Creek Bridge Replacement	11,000,000
Sitka - Katlian Bay Road Construction	14,000,000



# Questions?

## Contact:

Aimee Bushnell, DOR Legislative Liaison

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