



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Revenue

COMMISSIONER'S OFFICE

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April 14, 2025

The Honorable Lyman Hoffman
Co-Chair, Senate Finance Committee
Alaska State Capitol, Room 518
Juneau, AK 99801

The Honorable Donald Olson
Co-Chair, Senate Finance Committee
Alaska State Capitol, Room 508
Juneau, AK 99801

The Honorable Bert Stedman
Co-Chair, Senate Finance Committee
Alaska State Capitol, Room 516
Juneau, AK 99801

Dear Co-Chairs Hoffman, Olson, and Stedman,

Thank you for the opportunity to respond to the questions asked by the Senate Finance Committee during the hearing on the State Debt Summary and Credit Review presentation on April 3, 2025. Please see the questions in italics and our response immediately below the questions.

1. *What were the original durations and rates for the Goose Creek bonds? What changes were made in 2015 and 2016?*

In 2009, the Mat-Su, in conjunction with the State of Alaska, issued State of Alaska Lease Revenue Bonds. The bonds were originally sold to finance the Goose Creek Correctional Facility Project. The original issuance contained principal maturities annually from 9/1/2009 through 9/1/2032, with interest rates ranging from approximately 3.25 percent (front maturities) to approximately six percent.

In 2015, the Mat-Su, in conjunction with the State of Alaska, refinanced Mat-Su's 2008 State of Alaska Lease Revenue Bonds. The 2026 through 2032 maturities were refinanced to a true interest cost rate of 3.455607 percent, the average coupon rate was six percent. The State benefitted through lowered lease payments on the facility. The State saved

approximately \$8,715,374, a total savings of over 8.5 percent. Savings each fiscal year range from approximately \$1.1 to \$1.4 million from fiscal year 2027 through fiscal year 2033.

In 2016, the Mat-Su, in conjunction with the State of Alaska, refinanced Mat-Su's 2008 State of Alaska Lease Revenue Bonds. The 2020 through 2025 maturities were refinanced to a true interest cost rate of 1.644117 percent, the average coupon rate was 5.737107 percent. The State again benefitted through lowered lease payments on the facility. The State saved approximately \$6,172,590, a total savings of over 10 percent. Savings each fiscal year range from approximately \$531,000 to \$738,000 through fiscal year 2026. The 2016 transaction picked-up the remaining maturities not captured with the previous refinancing in 2015.

In 2025, the Mat-Su, in conjunction with the State of Alaska, refinanced Mat-Su's 2015 State of Alaska Lease Revenue Refunding Bonds. The 2026 through 2032 maturities were refinanced again to a true interest cost rate of 3.150364 percent, the average coupon rate was 4.918978 percent. The State again benefitted through lowered lease payments on the facility. The State saved approximately \$5,589,232, a total savings of approximately 5.35 percent. Savings each fiscal year are estimated to be approximately \$770,000 through fiscal year 2033.

2. *Provide numeric value by debt type on slide 20.*

Please find a revised slide 20 attached ("Exhibit A").

3. *Provide historical debt levels on slide 22.*

Please find attached a historical lookback on amounts published in the Alaska Public Debt Book - 6/30/2015 through 6/30/2024 ("Exhibit B").

4. *Provide larger graphs for slide 26.*

Please find two slides attached, isolating each graph ("Exhibit C").

5. *Provide historical capacities for the last decade.*

The historical debt levels are presented in Item 3 above, and we have added an additional column providing historical short-term debt capacity projections as of the release of the annual Debt Affordability statement ("Exhibit B").

The Department of Revenue has developed a multi-pronged debt capacity model which enables the State to calculate its available borrowing capacity based on current fiscal structure. The model results are based on the following constraints:

1. Debt service on general obligation bonds and State supported debt (obligations that are based solely on the State's commitment to annually seek appropriation for repayment, which could be supported by a lease) in any year shall be targeted not to exceed a level of four percent of the year's projected unrestricted revenues. In fiscal year 2021, this became the primary methodology for establishing debt capacity;
2. Debt service on general obligation bonds, State supported debt, and the school and capital project debt reimbursement program shall be targeted not to exceed a level of seven percent of the year's projected unrestricted revenues;
3. An average of unrestricted general fund revenue for the five most recent closed fiscal years and utilizing this average for the five prior fiscal years for future forecasted years within the Fall Revenue Sources Book (RSB);
4. All future debt issuances are amortized over 20 years, with level debt service payments;
5. All bonds are issued at an assumed interest rate of five percent;
6. Annual unrestricted revenues available to pay debt service through are set at amounts stipulated in each Fall RSB of the Tax Division; and
7. The impact of PERS and TRS State assistance payments are included for additional context.

6. *What are the State's current debt ratios?*

The State's debt capacity is determined by comparing debt service and State supported debt obligations to unrestricted general fund revenues (please see percentages described in Item 5, above). 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 RSB semi-annually, the fall issuance of which is used as the basis for forecasting future years' revenue and associated debt capacity. Below is an excerpt from the Alaska Public Debt Book (Table 5.1), which shows past and projected debt service, revenue and ratios of State debt service on general obligation bonds and general obligation bonds combined with other debts that are State supported.

State of Alaska Debt Service to Unrestricted Revenues
Fall 2024 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 & Capital Reimbursements	Statutory Payment to PERS/TRS	Total Payments to Revenues*
	(\$Millions)	%	%	%	%	%	%
1996	2,133	1.0	0.5	1.4	3.7		5.2
1997	2,495	0.7	0.4	1.0	2.5		3.5
1998	1,826	0.8	0.6	1.3	3.4		4.7
1999	1,348	0.7	1.1	1.8	4.6		6.4
2000	2,082	0.1	0.9	1.0	3.1		4.1
2001	2,282	0.0	0.7	0.7	2.3		3.0
2002	1,660	0.0	1.3	1.3	3.3		4.5
2003	1,948	0.0	1.1	1.1	2.7		3.7
2004	2,346	0.8	0.9	1.7	2.6		4.3
2005	3,189	1.5	0.7	2.2	2.2		4.4
2006	4,200	1.1	0.6	1.7	1.9		3.6
2007	5,159	0.9	0.5	1.4	1.7		3.1
2008	10,728	0.4	0.3	0.6	0.8		1.4
2009	5,838	0.8	0.6	1.3	1.6		2.9
2010	5,513	0.9	0.8	1.7	1.7		3.4
2011	7,673	0.7	0.6	1.3	1.3		2.6
2012	9,485	0.8	0.4	1.3	1.1		2.3
2013	6,929	1.1	0.6	1.7	1.6		3.3
2014	5,390	1.4	0.7	2.1	2.0		4.1
2015	2,256	3.3	1.6	4.9	5.2		10.1
2016	1,533	4.0	2.3	6.3	7.6		13.9
2017	1,355	6.1	2.3	8.3	6.7		15.0
2018	2,414	3.7	1.1	4.8	4.6		9.4
2019	5,350	1.7	0.4	2.1	2.0		4.1
2020	4,529	1.7	0.5	2.2	2.3		4.5
2021	4,783	1.7	0.5	2.1	2.0		4.1
2022	6,939	1.1	0.3	1.4	1.2		2.6
2023	7,044	1.0	0.3	1.4	1.2		2.6
2024	6,631	1.1	0.3	1.4	1.1		2.5
projected							
2025	6,229	1.0	0.4	1.4	1.0	2.9	5.3
2026	6,199	1.1	0.4	1.4	0.8	4.1	6.4
2027	6,395	1.0	0.4	1.4	0.7	4.4	6.5
2028	6,461	1.0	0.4	1.4	0.6	4.5	6.5
2029	6,526	1.0	0.3	1.3	0.5	4.5	6.3
2030	6,663	0.9	0.3	1.2	0.5	4.5	6.2
2031	6,940	0.7	0.3	1.0	0.4	4.5	5.9
2032	7,169	0.7	0.2	0.9	0.4	4.4	5.7
2033	7,405	0.7	0.2	0.9	0.3	4.4	5.6
2034	7,710	0.7	0.0	0.7	0.2	4.3	5.2

*Percentages may not foot due to rounding.

Please let me know if I can be of further assistance.

A handwritten signature in black ink, appearing to read 'Adam Crum', with a stylized, flowing script.

Adam Crum
Commissioner

Enclosures: Exhibit A
 Exhibit B
 Exhibit C

cc: Jordan Shilling, Director, Governor's Legislative Office
 Ryan Williams, State Debt Manager, Department of Revenue
 Lacey Sanders, Director, Office of Management and Budget

EXHIBIT A

Types of Alaska Public Debt

- State Debt (General Obligation Bonds) – **\$523.5 million**
- State Guaranteed Debt - **\$86.5 million**
- State Supported Debt - **\$149.5 million**
- Unfunded Actuarial Accrued Liability (UAAL) - **\$4.404 billion**
- State Moral Obligation Debt - **\$1,179.6 million**
- State Supported Municipal Debt – Eligible for State Reimbursement - **\$379.1 million**
- State and University Revenue Debt - **\$456.7 million**
- State Agency Debt - **\$1,464.8 million**
- State Agency Collateralized or Insured Debt - **\$1,292.5 million**
- Municipal Debt - **\$3,074.8 million**

EXHIBIT B

Alaska Public Debt Reporting 2015 - 2024 (\$millions)

Fiscal Year	State Debt	State Guaranteed	State Supported	UAAL	State Moral Obligation	State Reimbursement Eligible	State and University Revenue	State Agency	State Agency Collateralized	Municipal Debt	Less Reporting in More than One Category	TOTAL	Estimated Short-term Capacity for Additional Issuance
2024	523.5	86.5	149.5	4,404.0	1,179.6	379.1	456.7	1,464.8	1,292.5	3,074.8	(1,383.8)	11,627.2	1,625.0
2023	577.2	41.3	164.0	3,520.0	1,220.7	447.2	479.1	1,534.8	1,108.0	3,211.9	(1,499.0)	10,805.2	1,400.0
2022	621.9	46.0	177.7	3,961.0	1,039.0	457.0	497.6	1,537.9	1,124.4	3,031.4	(1,499.4)	10,994.5	1,650.0
2021	663.0	59.5	190.8	5,941.4	1,096.5	580.0	585.1	1,658.4	1,104.8	3,056.2	(1,678.8)	13,256.9	1,350.0
2020	624.9	94.3	203.2	6,198.9	1,133.8	644.7	608.5	1,781.0	1,168.1	3,394.4	(1,760.8)	14,091.0	1,000.0
2019	670.1	106.8	215.2	6,667.0	1,229.5	727.3	647.8	1,580.4	1,242.6	3,318.8	(1,898.3)	14,507.2	1,300.0
2018	724.4	48.1	226.7	6,925.0	1,289.3	795.1	692.3	1,656.8	1,133.9	3,088.6	(1,999.0)	14,581.2	1,500.0
2017	776.8	49.4	237.6	6,608.0	1,325.7	893.1	742.0	1,484.9	1,198.0	3,234.3	(2,292.4)	14,257.4	150.0
2016	823.2	11.6	255.6	5,990.0	1,265.5	933.8	767.6	1,534.5	1,163.8	3,346.8	(2,285.2)	13,807.2	50.0
2015	753.8	56.9	274.8	NAP**	1,200.4	931.2	693.0	1,467.4	1,244.5	3,349.2	(2,102.9)	7,868.3	175.0

**In 2015, the Governmental Accounting Standards Board (GASB) Statement 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 actuarial assumed liability (UAAL) on behalf of another entity to record the liability as a debt of the government making the payment.



EXHIBIT C

GF Debt Service Payments by Category (\$millions)

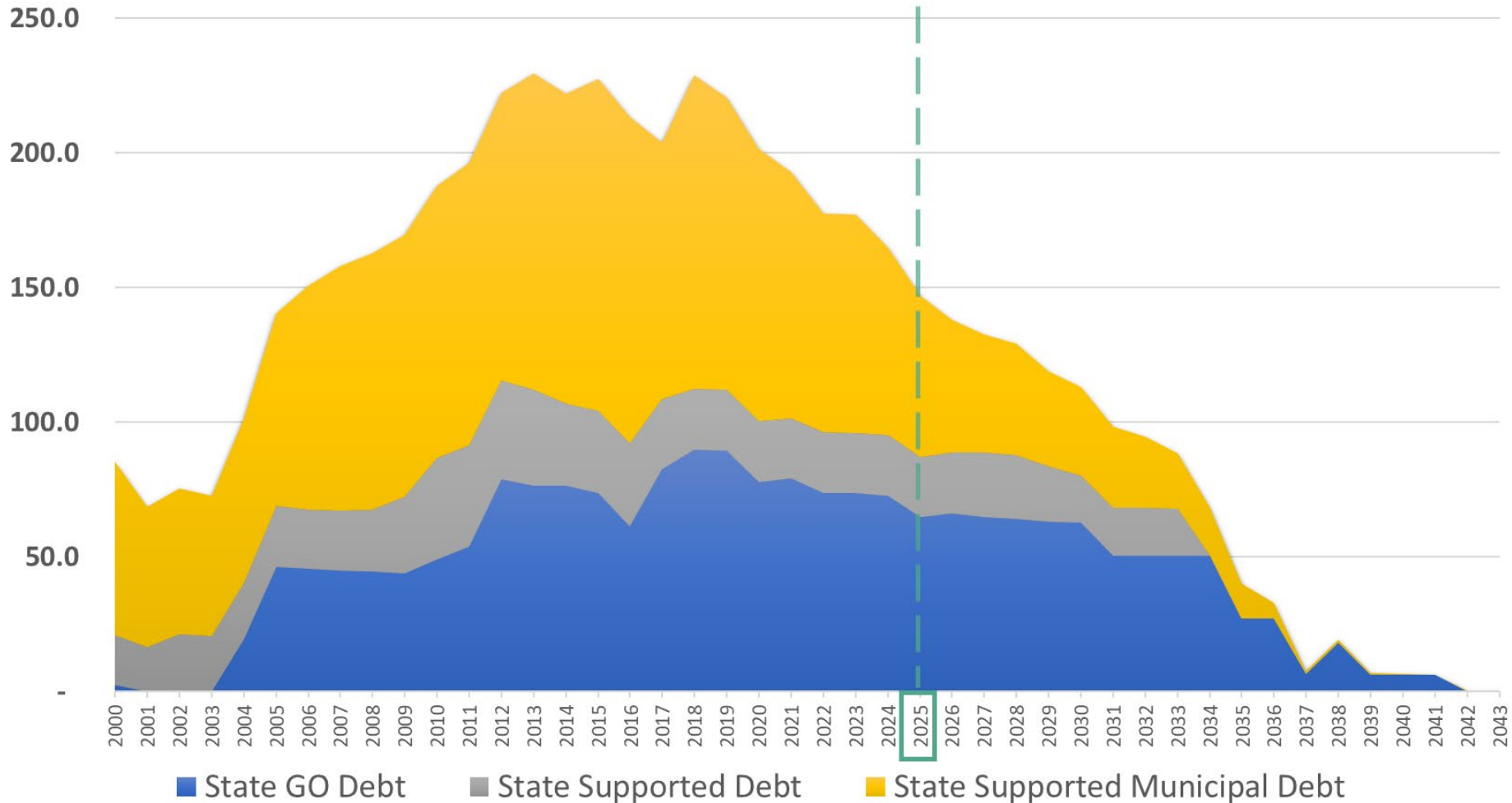


EXHIBIT C

GF Debt & Statutory Payment To PERS/TRS (\$millions)

