

Myron J. Dosch, CPA
Chief Finance Officer
Phone: (907) 450-8079
Fax: (907) 450-8071
mjdosch@alaska.edu



209 D Butrovich Building
2025 Yukon Drive
PO Box 756540
Fairbanks, AK 99775-6540

March 5, 2021

Representative Bart LeBon
Capitol Building, Room 418
Juneau, Alaska 99801

Dear Representative LeBon:

The University of Alaska supports House Bill 127. The bill provides the University of Alaska (UA) the opportunity to borrow or refinance obligations at lower interest rates by accessing credit through the Alaska Municipal Bond Bank Authority (AMBBA). By avoiding interest costs, resources are preserved to help UA meet the State of Alaska's higher education needs.

In 2019, due to significant reductions in state operating appropriations and enrollment declines, UA was downgraded to "Baa1/Negative Outlook" (Moody's) and "A+ / Stable Outlook" (Standard & Poor's). At this time, the AMBBA credit ratings are higher than UA's credit ratings. AMBBA's higher credit ratings generally allow it to borrow at better interest rates than UA.

For illustration purposes only, assuming a \$50 million bond issuance over 30 years and a difference in interest rates (between UA and AMBBA) of approximately 0.15%, the avoided interest costs would be about \$1.5 million over the life of the bonds, or about \$50,000 per year.

Credit spreads will likely widen if interest rates rise, providing more potential benefit to UA, assuming no change in the credit ratings of UA or AMBBA. The credit ratings of UA and AMBBA may increase or decrease in the future, thus improving or decreasing the opportunity benefit provided by this bill.

At the time of this writing, the University does not anticipate any new money borrowings in the next two to three years. However, assuming interest rates remain favorable, it is likely that refinancing opportunities will be available within the next two years. UA has the authority to issue debt in its own name pursuant to AS14.40.040(5) and AS14.40.253. HB 127 does not modify those provisions.

In summary, UA supports HB 127 as it provides an opportunity for financial benefit on future borrowings or refinancing obligations.

Sincerely,

Myron J. Dosch, CPA
Chief Finance Officer
University of Alaska

cc

Chad Hutchison, University of Alaska Director of State Relations