

S&P Global Ratings - U.S. State Ratings

as of 12/11/2020

State	Rating	Outlook
Delaware	AAA	Stable
Florida	AAA	Stable
Georgia	AAA	Stable
Indiana (ICR)	AAA	Stable
Iowa (ICR)	AAA	Stable
Maryland	AAA	Stable
Missouri	AAA	Stable
Nebraska (ICR)	AAA	Stable
North Carolina	AAA	Stable
South Dakota (ICR)	AAA	Stable
Tennessee	AAA	Stable
Texas (ICR)	AAA	Stable
Utah	AAA	Stable
Virginia	AAA	Stable
Minnesota	AAA	Negative
Idaho (ICR)	AA+	Stable
North Dakota (ICR)	AA+	Stable
Ohio	AA+	Stable
Oregon	AA+	Stable
South Carolina	AA+	Stable
Washington	AA+	Stable
Hawaii	AA+	Negative
Nevada	AA+	Negative
New York	AA+	Negative
Vermont	AA+	Negative
Alabama	AA	Stable
Arizona (ICR)	AA	Stable
Arkansas	AA	Stable
Colorado (ICR)	AA	Stable
Maine	AA	Stable
Massachusetts	AA	Stable
Mississippi	AA	Stable
Montana	AA	Stable
New Hampshire	AA	Stable
Rhode Island	AA	Stable
Wisconsin	AA	Stable
Wyoming (ICR)	AA	Stable
Michigan	AA	Negative
New Mexico	AA	Negative
Oklahoma	AA	Negative
California	AA-	Stable
Kansas (ICR)	AA-	Stable
West Virginia	AA-	Stable
Louisiana	AA-	Stable
Alaska	AA-	Negative
Pennsylvania	A+	Negative
Connecticut	A	Stable
Kentucky (ICR)	A	Stable
New Jersey	BBB+	Stable
Illinois	BBB-	Negative

ICR: Issuer Credit Rating. All other ratings are for the state's GO debt.

Ratings for other debt issued by the state will vary based on the security backing the bonds

COMMENTS — 11 Dec, 2020 | 17:29 — United States of America

U.S. State Ratings And Outlooks: Current List



Primary Credit Analyst: **Sussan S Corson**
Secondary Contact: **Geoffrey E Buswick**
Sector: **Coronavirus, U.S. Public Finance, U.S. States**
Tags: **Americas**
Topic: **Shape of Recovery**

[View Analyst Contact Information](#)

Table 1

Recent Rating Actions

State	To	From	Date
New York	AA+/Negative	AA+/Stable	Dec. 11, 2020
Vermont	AA+/Negative	AA+/Stable	Nov. 10, 2020
New Jersey	BBB+/Stable	A-/Negative	Nov. 6, 2020
Pennsylvania	A+/Negative	A+/Stable	Sept. 1, 2020

Table 2

S&P Global Ratings' U.S. State Ratings

Ratings as of Dec. 11, 2020

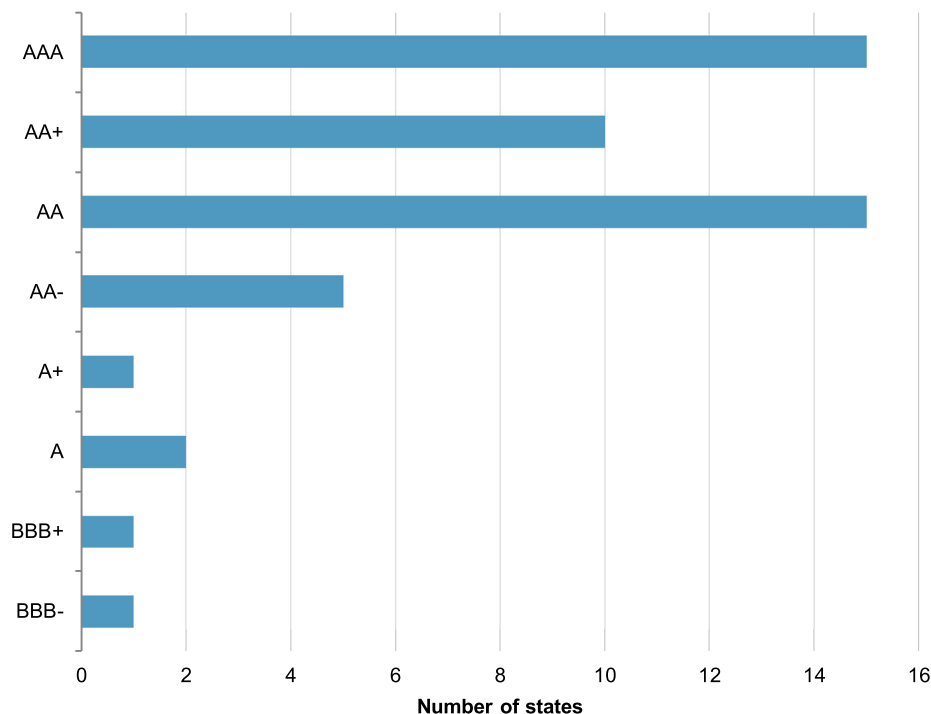
State	Rating	Outlook	State	Rating	Outlook
Alabama	AA	Stable	Montana	AA	Stable
Alaska	AA-	Negative	Nebraska (ICR)	AAA	Stable
Arizona (ICR)	AA	Stable	Nevada	AA+	Negative
Arkansas	AA	Stable	New Hampshire	AA	Stable
California	AA-	Stable	New Jersey	BBB+	Stable
Colorado (ICR)	AA	Stable	New Mexico	AA	Negative
Connecticut	A	Stable	New York	AA+	Negative
Delaware	AAA	Stable	North Carolina	AAA	Stable
Florida	AAA	Stable	North Dakota (ICR)	AA+	Stable
Georgia	AAA	Stable	Ohio	AA+	Stable
Hawaii	AA+	Negative	Oklahoma	AA	Negative
Idaho (ICR)	AA+	Stable	Oregon	AA+	Stable
Illinois	BBB-	Negative	Pennsylvania	A+	Negative

Indiana (ICR)	AAA	Stable	Rhode Island	AA	Stable
Iowa (ICR)	AAA	Stable	South Carolina	AA+	Stable
Kansas (ICR)	AA-	Stable	South Dakota (ICR)	AAA	Stable
Kentucky (ICR)	A	Stable	Tennessee	AAA	Stable
Louisiana	AA-	Stable	Texas (ICR)	AAA	Stable
Maine	AA	Stable	Utah	AAA	Stable
Maryland	AAA	Stable	Vermont	AA+	Negative
Massachusetts	AA	Stable	Virginia	AAA	Stable
Michigan	AA	Negative	Washington	AA+	Stable
Minnesota	AAA	Negative	West Virginia	AA-	Stable
Mississippi	AA	Stable	Wisconsin	AA	Stable
Missouri	AAA	Stable	Wyoming (ICR)	AA	Stable

ICR-Issuer credit rating. All other ratings are for the state's general obligation debt. Ratings for other debt issued by the state will vary based on the security backing the bonds.

State Ratings Distribution

As of Dec. 11, 2020



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This report does not constitute a rating action.

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that these funding levels include both pension and accrued benefit costs otherwise known as Other Post-Employment Benefits (OPEB).

C. Credit Ratings of the State of Alaska

The State of Alaska's general obligation bond rating was re-established in 2003 with the issuance of the 2003 Series A and B bonds. The State received AA ratings from the three national bond credit rating agencies. On March 27, 2008 Standard & Poor's ('S&P') increased their credit rating on the State to AA+ with a stable outlook. March 25, 2010 Fitch Ratings upgraded the State to AA+. On November 22, 2010 Moody's upgraded the State to Aaa. On January 5, 2012 S&P upgraded the State to AAA. On January 7, 2013 Fitch upgraded the State to AAA. Moody's and S&P revised the *outlook* for the State to negative in December 2014, and August 2015 respectively, while affirming the State's Aaa/AAA rating. Since this peak in credit strength the State's general obligation bond rating has been downgraded ten times, beginning with the January 5, 2016 downgrade by S&P to AA+, the February 29, 2016 downgrade by Moody's Investors Service to Aa1, the June 14, 2016 downgrade by Fitch Ratings to AA+, the July 25, 2016 downgrade by Moody's to Aa2, the July 13, 2017 downgrade by Moody's to Aa3, the July 18, 2017 downgrade by S&P to AA, and the November 2, 2017 downgrade by Fitch to AA. On November 2nd and December 1st of 2017, Fitch and Moody's, respectively, revised their outlook on the State to stable from negative. On June 8, 2018, S&P revised their outlook on the State to stable from negative. On July 25, 2019, Moody's Investors Service revised their outlook on the State to negative from stable and affirmed their Aa3 rating on the State's general obligation bonds. On September 5, 2019, Fitch downgraded the rating on the State's general obligation bonds to AA- from AA. On April 17, 2020, S&P downgraded the State's rating to AA- from AA. On May 6, 2020, Fitch downgraded the State's rating to A+ from AA-. As of December 2020, the ratings on outstanding State of Alaska general obligation bonds are AA- / A+ / Aa3 from S&P, Fitch, and Moody's, respectively. The outlook on all ratings is negative.

Table 5.4 shows a summary of the State of Alaska's credit rating history.

TABLE 5.4
State of Alaska Credit Rating History
ratings as of date shown

Moody's Investor Service		S&P Global Ratings		Fitch Ratings	
July 13, 1961	Baa	June 4, 1971	A	May 3, 1994	AA
September 12, 1969	Baa1	January 23, 1975	A+	March 25, 2010	AA+
August 29, 1974	A1	June 14, 1980	AA-	January 7, 2013	AAA
June 13, 1980	Aa	August 5, 1992	AA	June 14, 2016	AA+
November 26, 1998	Aa2	March 27, 2008	AA+	November 2, 2017	AA
November 22, 2010	Aaa	January 5, 2012	AAA	September 5, 2019	AA-
February 29, 2016	Aa1	January 5, 2016	AA+	May 6, 2020	A+
July 25, 2016	Aa2	July 18, 2017	AA		
July 13, 2017	Aa3	April 17, 2020	AA-		

D. Private Activity Bond Ceiling

The Tax Reform Act of 1986 established a ceiling on annual issuance of Qualified Private Activity Bonds (PAB's), effective August 15, 1986, at the level of \$250 million for the remainder of 1986 and for 1987, and \$150 million thereafter. Effective in calendar year 2001 the PAB cap became subject to annual adjustment and has been increased each year since. In calendar year 2020 the cap was approximately \$321.8 million. The PAB ceiling encompasses qualified mortgage revenue bonds, student loan bonds some of the types of tax-exempt debt issued by AIDEA and AEA, and certain other types of tax-exempt bonds to promote industrial development.



State of Alaska

2020 Series A General Obligation Bonds

July 13, 2020



Agenda

- | | |
|--------------------------------------|---------|
| 1. Executive Summary | Page 2 |
| 2. Revenue Forecast & Budget Outlook | Page 5 |
| 3. Alaska's Economy & COVID-19 | Page 15 |
| 4. Pension Update | Page 24 |
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| 6. Conclusion | Page 29 |





1. Executive Summary

Executive Summary

Lucinda Mahoney Commissioner, DOR

- Appointed Commissioner of DOR in February 2020
- Municipality of Anchorage – Chief Financial Officer
- KPMG LLP – Director

Mike Barnhill Deputy Commissioner, DOR

- Alaska Department of Revenue – Deputy Commissioner
- Alaska Department of Revenue – Previously served as Acting Commissioner in 2019, Deputy Commissioner, and Investment Officer
- Office of Management and Budget – Recently served as Director of Policy

Deven Mitchell Debt Manager, DOR

- Alaska Department of Revenue – 28 Years
- Alaska Department of Revenue – Debt Manager
- Alaska Municipal Bond Bank Authority – Executive Director

Ryan Williams Operations Research Analyst, DOR

- Alaska Department of Revenue – 10 Years
- Alaska Department of Revenue – Operations Research Analyst
- Alaska Municipal Bond Bank Authority – Finance Director



Executive Summary

Fiscal Year 2021 Operating Budget

- The Legislature approved a \$4.73 billion UGF and \$10.28 billion total operating budget for FY 2021
- The Governor vetoed from the budget approved by the legislature: \$210 million of UGF and \$588 million in reductions to the total FY 2021 budget from FY 2020
- Relies upon CBRF for \$960.3 million of FY 2021 funding, leaving an estimated \$80.5 million balance
- The June 30, 2020, balance of the Permanent Fund remains robust at \$64.8 billion¹

Revenue Structure and Reserve Position

- Sustainable draw, from the Permanent Fund Earnings Reserve to UGF Revenue, is projected to increase from approximately \$3.1 billion in FY 2022 to approximately \$3.8 billion in FY 2029
- UGF Revenue (less PFER statutory draw) is projected to recover from approximately \$1.3 billion in FY 2022 to approximately \$1.8 billion in FY2029²
- The asset value of the CBRF as of May 31, 2020 was \$1.9 billion³
- The asset value of the GF as of May 31, 2020 was \$3.6 billion³
- The Permanent Fund Earnings Reserve (PFER) balance as of May 31, 2020 was \$17.6 billion¹

Governor is Focused on Preserving, Stabilizing and then Growing

Fiscal Planning for Alaska

- 1) Preserve our economy via cash infusions/stimulus funds into Alaska, regulation changes, relaxation of deadlines, fee management
- 2) Stabilize SOA budget by downward pressure on expenditures and use of savings
- 3) Grow the Economy and establish a balance budget approach using a combination of revenue diversification options and formula changes for expenditures

¹PFER and Corpus balances and PFER statutory draw based on APFC's June 30, 2020 unaudited fund financial statements, and fund financial history & projections and subject to change.

PFER balance stated includes statutory draw projection, and current and future fiscal year inflation proofing

²UGF Revenue (less statutory draw) based on most recent projections in the Spring 2020 Revenue Sources Book

³CBRF & GF based on unaudited asset values as of May 31, 2020





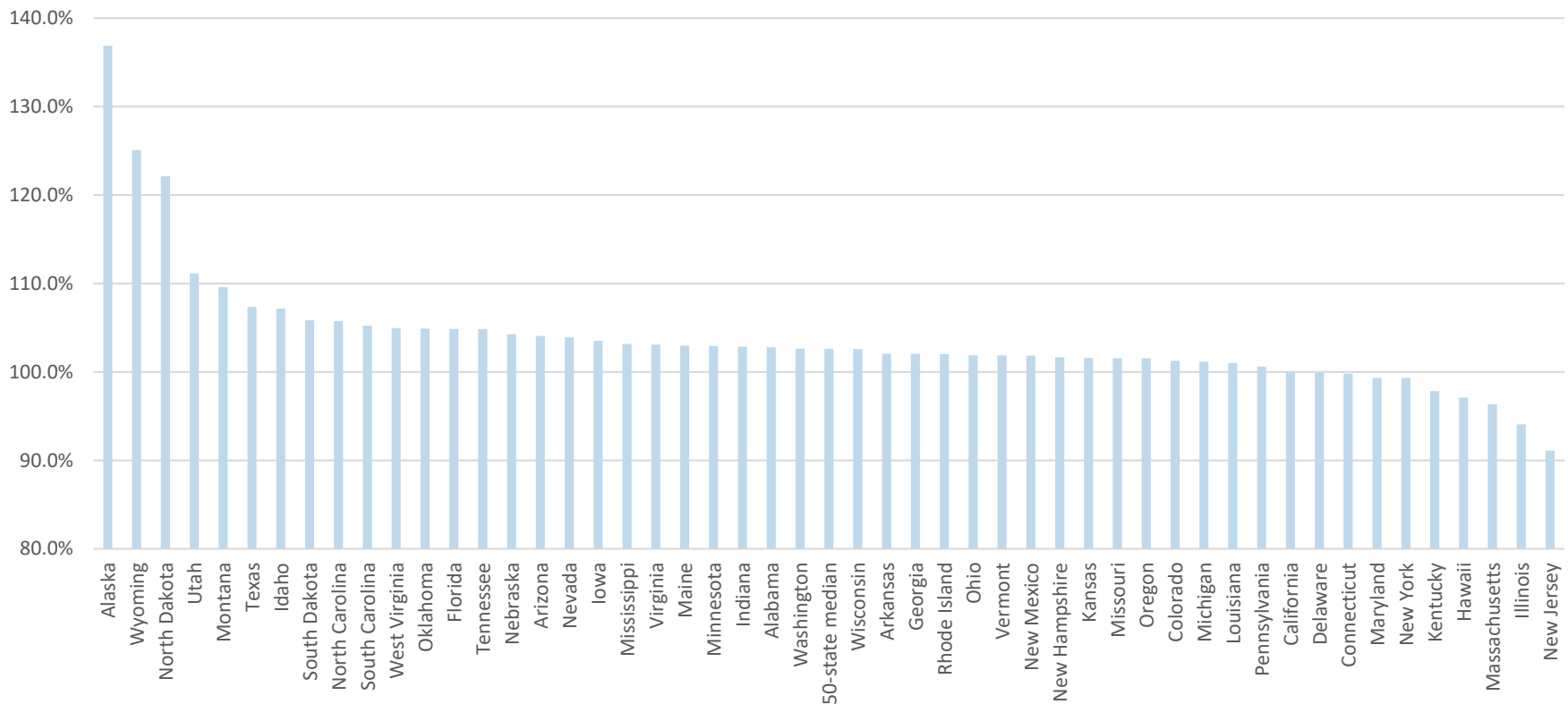
2. Revenue Forecast & Budget Outlook

State Fiscal Balance – According to Pew Charitable Trusts

Total Revenue as a Share of Total Expenses, FY 2004-18

Alaska Ranks best in the nation with Revenue failing to exceed expenditures in only 3 of the past 15 years. Gross revenues total 136.9% of expenditures over this time period

Total Revenue as a Share of Total Expenses, FY 2004-2018



*Source: Pew Charitable Trust – Fiscal Balance Indicator

<https://www.pewtrusts.org/en/research-and-analysis/data-visualizations/2014/fiscal-50#ind9>



Revenue Forecast & Budget Outlook

Budget Baseline Scenario – Status Quo

	2019 (Actual)	2020 (Preliminary & Actuals)	2021 (Enacted)	2022	2023	2024
FISCAL YEAR REVENUES (\$ millions)						
Oil Price and Production						
Forecast ANS West Coast Price (\$/barrel)	\$ 69.46	\$ 51.65	\$ 37.00	\$ 41.00	\$ 44.00	\$ 46.00
Forecast ANS Production (000's Barrels per Day)	496.9	486.4	486.5	458.0	438.2	433.2
Revenue Sources						
Permanent Fund Statutory Draw	2,722.8	2,933.0	3,091.0	3,094.0	3,260.0	3,372.0
Unrestricted General Fund Revenue (UGFR)	2,745.2	1,589.2	1,152.8	1,282.2	1,396.2	1,462.9
Subtotal Available Revenues	5,468.0	4,522.2	4,243.8	4,376.2	4,656.2	4,834.9
Spending						
General Fund Expense	(4,888.7)	(4,804.7)	(4,524.8)	(4,535.7)	(4,541.3)	(4,542.3)
Surplus / (Deficit) using only UGFR	579.3	(282.5)	(281.0)	(159.5)	114.9	292.6
PF Dividend, w/ Statutory Calculation Estimate starting FY 2022	(1,023.5)	(1,068.9)	(680.0)	(2,000.0)	(2,000.0)	(2,000.0)
Surplus/(Deficit) After Actual and Projected Dividend Payments	(444.2)	(1,351.4)	(961.0)	(2,159.5)	(1,885.1)	(1,707.4)
Other Available Income Projections						
Oil & Gas Dispute Resolution Deposits	181.2	235.0	75.0	50.0	50.0	50.0
Royalties to PF Beyond 25% Dedication	-	66.1	47.5	49.2	49.5	52.8
	2019 (Actual)	2020 (Preliminary & Actuals)	2021 (Enacted)	2022	2023	2024
FY (\$ millions)						
Constitutional Budget Reserve Fund	2,096.9	956.3	80.5	-	-	-

- Oil price, production, and unrestricted revenue for FY 2020 and forecast period as of the Spring 2020 Revenue Sources Book with preliminary actuals where available. Projections in the table do not represent a commitment by the Administration to propose spending or generate revenue, and use a combination of internal DOR and OMB projections for all future years. All stated FY 2020 balances and future projections subject to year-end closeout, audit adjustments, and finalized results of the FY 2020 CAFR. Short-term reserves shown in the CBRF use a projection from OMB, through the enacted FY 2021 budget fiscal summary, and the asset balance is subject to change based on actual cash flow activity and general fund borrowing.



Revenue Forecast & Budget Outlook

Spring 2020 Revenue Sources Book Forecast Assumptions

How the COVID-19 crisis will continue to unfold is unknown. The Department of Revenue has developed a scenario for COVID-19 and its economic impact, upon which to base the Spring 2020 Revenue Forecast

Key assumptions include:

Forecast	<ul style="list-style-type: none">• Forecast assumes widespread government mandated shutdowns begin reversing in first half of FY 2021.
Economic Activity Levels	<ul style="list-style-type: none">• Assumes overall economic activity back to pre-COVID levels beginning FY 2022.
Oil Price	<ul style="list-style-type: none">• Assumes ANS price averages \$51.65 in FY 2020, averages \$37 for FY 2021, and climbs to \$53 by FY 2029.
Oil Production	<ul style="list-style-type: none">• Production forecast developed prior to March price crash and has not been revised at this time.
Investment Returns	<ul style="list-style-type: none">• Based on Alaska Permanent Fund Corp's (APFC) "low projection" for FY 2020, with an overall 0.5% loss in value. Assumes APFC's median projection of 7% annual returns for FY 2021 and beyond.
Corporate Taxes	<ul style="list-style-type: none">• Assumes minimal net corporate oil and gas revenue for FY 2021 – FY 2022. Non-petroleum corporate tax revenue is expected to fall significantly for the most-impacted sectors.
Tourism	<ul style="list-style-type: none">• Assumes no cruise ships and minimal independent tourism in summer 2020. Assumes summer 2021 cruise visits at 75% of previously expected levels and summer 2022 resumes previously expected levels.
Mining	<ul style="list-style-type: none">• Reflects lower expected prices for industrial minerals such as zinc and lead, partly offset by higher gold prices. No adjustment to expected production.
Fisheries	<ul style="list-style-type: none">• Revenues reduced to reflect uncertainty in demand for fish and available labor supply.
Motor Fuel Taxes	<ul style="list-style-type: none">• Assumes 25% reduction in fuel use for rest of FY 2020, 5% reduction from baseline in FY 2021, and return to prior expected levels in FY 2022.
Federal Revenue	<ul style="list-style-type: none">• Based on federal receipts as of the enactment of the State budget For FY 2021. Additional federal revenue, including from Coronavirus Aid, Relief, and Economic Security (CARES) Act, not included in spring forecast.



Revenue Forecast & Budget Outlook

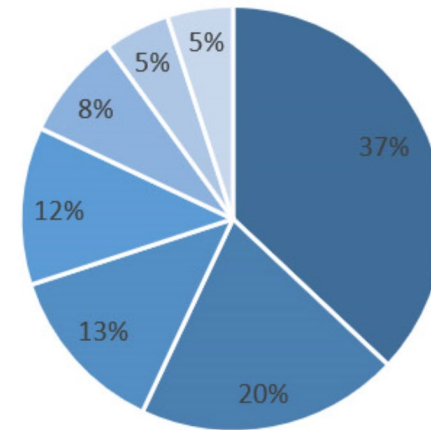
Unlike other States, the State of Alaska's Revenue Generation is Not Limited to Alaska's Economy

- **The Alaska Permanent Fund Provides Alaska an Unparalleled Revenue Source Diversification**
- **As of June 30, 2020 Alaska's Permanent Fund endowment had an unaudited total fund balance of \$64.8 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 in certain circumstances
 - The APFC Board independently directs investments and has established a 10-year total return projection of approximately 7.00%
 - 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



- Public Equities
- Fixed Income Plus
- Private Equity and Special Opportunities
- Real Estate
- Private Income: Infrastructure & Income Opportunities
- Absolute Return
- Asset Allocation



Revenue Forecast & Budget Outlook

Alaska Permanent Fund – Fund Financial History & Projections as of May 31, 2020

Projections extend ten years, and are based on best available information (\$millions)

Nonspendable Fund Balance - Principal							Assigned Fund Balance - Earnings Reserve								TOTAL FUND
	FY-Begin	Dedicated ⁽¹⁾	Inflation	FY-End	Unrealized	FY-End Non-	Acct.	Distributions			FY-End	Unrealized	FY-End		FY-End Balance
	Contrib.	State	Proofing	Balance	Gain (Loss)	spendable	Net	Div/POMV	Inflation	Balance	Gain (Loss)	Assigned			
FY	Balance	Revenues	& Special Approp.	Contributions	FY-End Balance	Balance	Income ⁽²⁾	Transfer ⁽⁹⁾	Prfg & Spec Approp.	ACIF	Realized	FY-End Balance	FY		
77-10	0	11,868	19,756	31,624	421	32,045	47,635	18,385	16,458	421	1,194	16	1,210	77-10	33,255
11	31,624	887	533	33,044	4,788	37,833	6,812	801	533	13 ⁽⁵⁾	2,016	292	2,308	11	40,141
12	33,044	915	1,073	35,033	3,220	38,253	(100)	605	1,073	17	1,905	175	2,081	12	40,333
13	35,033	840	743	36,615	4,184	40,800	4,314	604	743	30	3,487	567	4,054	13	44,854
14	36,615	779	546	37,941	7,062	45,002	6,848	1,235	546	32	5,237	975	6,212	14	51,214
15	37,941	600	624	39,165	6,473	45,638	2,384	1,373	624	24	6,147	1,016	7,163	15	52,801
16	39,165	284	0	39,449	4,750	44,199	398	696 ⁽⁷⁾	0 ⁽⁸⁾	18	7,649	921	8,571	16	52,770
17	39,449	365	0	39,814	7,155	46,969	6,676	0	0 ⁽⁸⁾	25	10,863	1,952	12,816	17	59,785
18	39,814	353	0	40,167	5,863	46,030	5,526	726	0 ⁽⁸⁾	43	16,461	2,403	18,864	18	64,894
19	40,167	385	989	41,541	6,278	47,820	3,766	2,723	989	22	16,053	2,426	18,481	19	66,300
20	41,541	316	4,758 ⁽¹⁰⁾	46,615	3,958	50,573	(515)	2,933	4,758 ⁽¹⁰⁾	22	11,588	984	12,574	20	63,146
20	41,541	316	4,758 ⁽¹⁰⁾	46,615	6,905	53,520	4,119	2,933	4,758 ⁽¹⁰⁾	28	12,414	1,839	14,255	20	67,775
20	41,541	316	4,758 ⁽¹⁰⁾	46,615	9,795	56,410	8,902	2,933	4,758 ⁽¹⁰⁾	34	13,337	2,803	16,730	20	73,139
21	46,615	213	0	46,828	6,757	53,585	4,476	3,091	0 ⁽⁸⁾	30	13,769	1,987	15,758	21	69,343
22	46,828	226	1,059	48,113	6,755	54,867	4,582	3,094	1,059	30	14,168	1,989	16,159	22	71,027
23	48,113	230	1,088	49,431	6,763	56,194	4,689	3,260	1,088	30	14,480	1,981	16,463	23	72,657
24	49,431	241	1,118	50,789	6,776	57,565	4,794	3,372	1,118	30	14,755	1,968	16,725	24	74,290
25	50,789	264	1,149	52,202	6,789	58,991	4,902	3,450	1,149	30	15,028	1,955	16,985	25	75,976
26	52,202	288	1,181	53,671	6,804	60,476	5,012	3,530	1,181	30	15,300	1,940	17,242	26	77,717
27	53,671	317	1,215	55,203	6,820	62,023	5,127	3,612	1,215	30	15,571	1,924	17,497	27	79,519
28	55,203	347	1,250	56,799	6,837	63,636	5,245	3,695	1,250	30	15,841	1,907	17,750	28	81,386
29	56,799	380	1,287	58,466	6,843	65,308	5,501	3,780	1,287	30	16,245	1,901	18,149	29	83,457
Cumulative Totals															
Proj. for FY20-FY29		2,822	14,103				48,447	33,818	14,103	295					

1. Projections extend ten years, and are based on best available unaudited information from the Alaska Permanent Fund Corporation as of May 31, 2020. For additional notes to financial projections, and preliminary information for fiscal year 2020 please visit apfc.org directly, or visit history and projections reporting at <https://apfc.org/report-archive/#41-history-and-projections>



Revenue Forecast & Budget Outlook

Reserve Snapshot

		Balance as of June 30, 2017 (\$mm)	Balance as of June 30, 2018 (\$mm)	Balance as of June 30, 2019 (\$mm)	Current Balance as of May 31, 2020 (\$mm)
Funds	Description				
Reserves	Constitutional Budget Reserve ⁽¹⁾ <ul style="list-style-type: none"> Established November 6, 1990 All money received by the State after July 1, 1990, through resolution of disputes concerning the amount of certain mineral-related income, must be deposited in the CBRF The Legislature may, under certain conditions, appropriate funds from the CBRF to fund the operations of state government The State historically has borrowed from the CBRF to address timing mismatches between revenues and disbursements within a fiscal year and also to balance the budget 	\$3,896	\$2,360	\$1,831	\$1,933
	Permanent Fund Earnings Reserve ⁽²⁾ <ul style="list-style-type: none"> Legislatively available portion of Permanent Fund Annual appropriations are made to the General Fund for governmental purposes, to pay dividends to qualified Alaska residents and to the Permanent Fund for inflation proofing Requires simple majority to appropriate 	\$12,816	\$18,864	\$18,481	\$17,600
	Permanent Fund ⁽²⁾ <ul style="list-style-type: none"> Source for earnings and budget stability The principal portion of the Permanent Fund may not be spent without amending the State Constitution 	\$46,970	\$46,030	\$47,820	\$46,118
	TOTAL	\$63,682	\$67,254	\$68,132	\$65,651

Source: State of Alaska & APFC

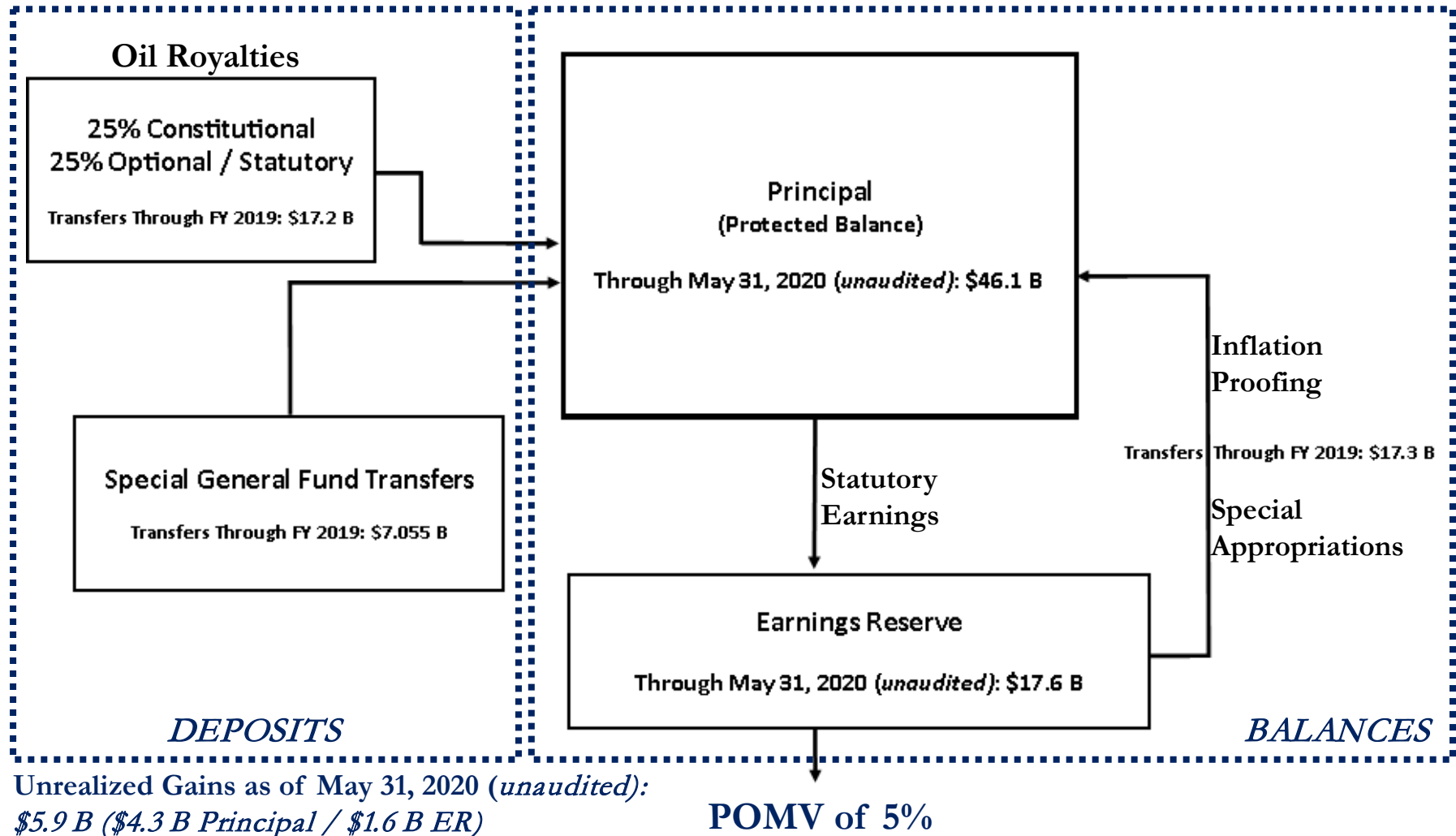
(1) Current and historical balances use an asset value as of the date shown. Asset value is unaudited as of May 31, 2020.

(2) Current and historical balances include amounts committed to the General Fund for the POMV draw as well as amounts committed through appropriation for inflation proofing. Value shown as of May 31, 2020 is unaudited.



Revenue Forecast & Budget Outlook

Alaska Permanent Fund – Flow of Funds



Revenue Forecast & Budget Outlook

Other State Funds - Unobligated balances as of May 31, 2020

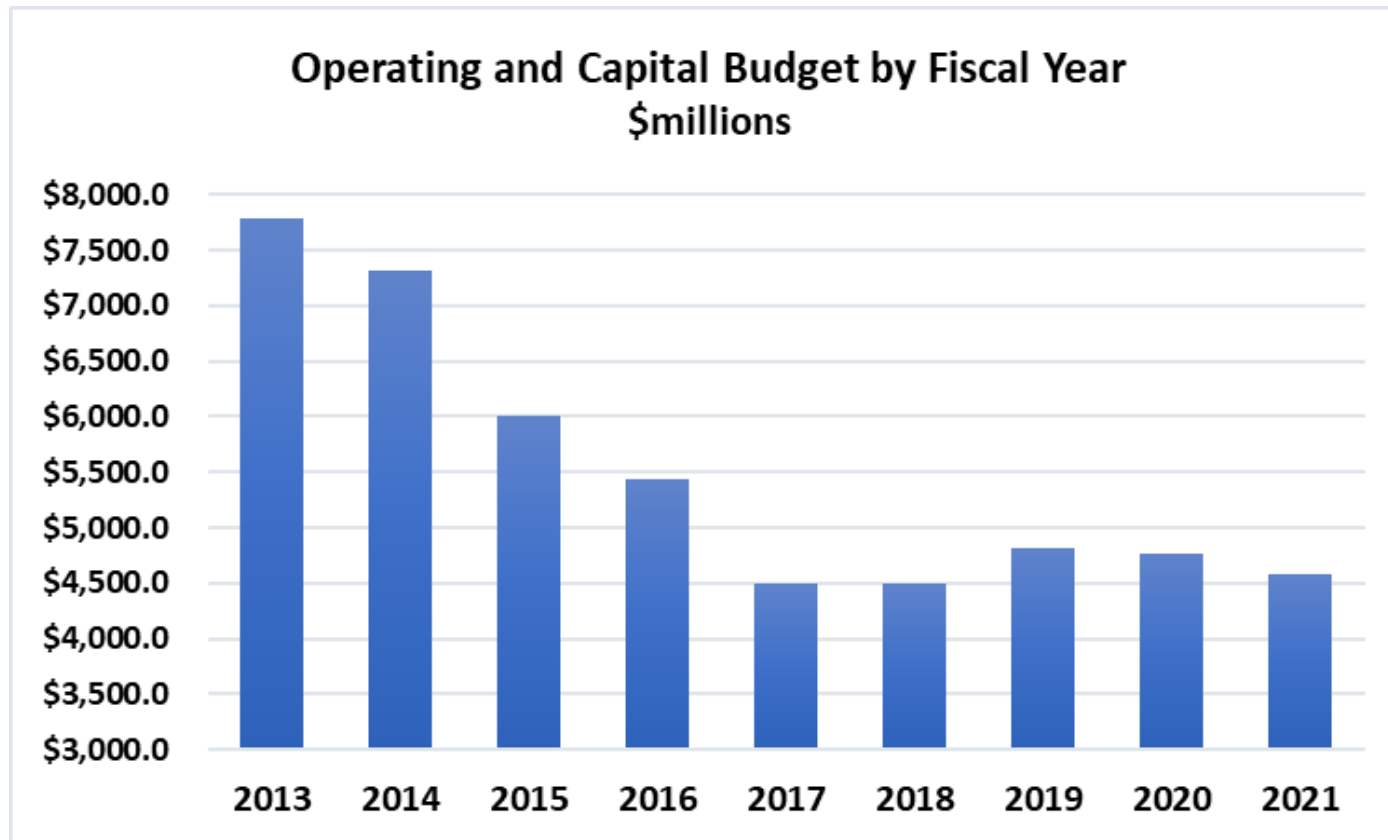
Fund	Approximate Balance
Alaska Energy Authority - Power Cost Endowment	\$ 1,014,686,562
Alaska Higher Education Investment	\$ 331,334,265
Fisheries Enhancement Revolving Loan	\$ 33,427,247
Commercial Fishing Revolving Loan	\$ 32,726,647
AMHS Vessel Replacement	\$ 19,130,967
Bulk Fuel Loan	\$ 16,419,205
Tobacco Use Education & Cessation	\$ 15,132,407
Agricultural Revolving Loan	\$ 13,347,431
Alaska Gasline Development - LNG	\$ 11,570,613
Bulk Fuel Bridge Loan	\$ 7,893,811
Alaska Capstone Avionics Revolving Loan	\$ 5,089,330
Mariculture Revolving Loan	\$ 4,448,400
AIDEA - Rural Development Initiative	\$ 3,914,447
Employment Training & Assistance Program	\$ 3,849,804
Railbelt Energy	\$ 3,409,185
AIDEA - Small Business Economic Development Revolving Loan	\$ 3,030,904
Land Disposal Income	\$ 2,749,430
Legal Services Account	\$ 2,633,600
Alaska Marine Highway System	\$ 2,629,444
Alaska Microloan Revolving Loan	\$ 2,460,810
Alaska Technical & Vocational Education Program	\$ 2,418,654
Investment Loss Trust	\$ 1,644,969
Alaska Housing Finance Corporation Investment	\$ 1,497,077
Civil Fines & Penalties	\$ 1,289,796
Commercial Charter Fisheries Revolving Loan	\$ 1,147,008
Various Smaller Funds < \$1.0 million Each	\$ 3,157,326

Unobligated Fund Balances shown are unaudited as of May 31, 2020



Revenue Forecast & Budget Outlook

Disciplined Approach to Annual Operating and Capital Budget Outlays



- 41.2% decrease in operating and capital budget expenditures since 2013
- Expenditures have been under \$5 billion since 2017, and the administration continues to seek out efficiencies





3. Alaska's Economy & COVID-19

Alaska's Economy & COVID-19

Alaska GDP Estimates

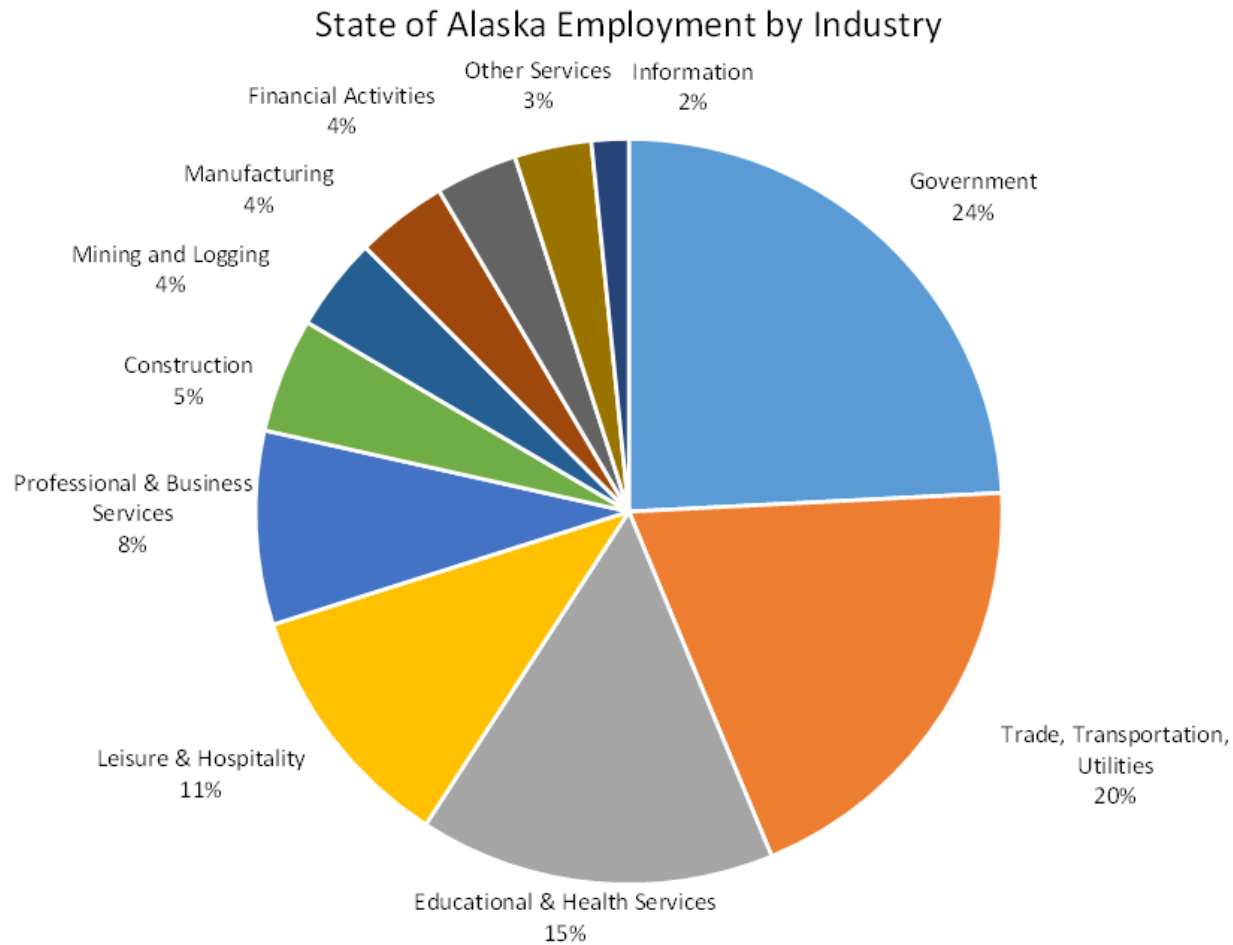
Alaska

- Estimated GDP Decline from 2019 – 7% or \$4B to date
 - Seafood – 50% drop in export value – \$1B estimated
 - Tourism – 50% – 80% drop in bookings - \$3.5B estimated through end of year
 - 62% of businesses are confident they will remain open, 31% have laid off employees, 16% at risk of closing

Federal Reserve Forecasts - US						
	2018	2019	2020	2021	2022	Long Run
Change in Real GDP	2.9%	2.3%	-6.5%	5.0%	3.5%	1.8%
Unemployment Rate	3.9%	3.5%	9.3%	6.5%	5.5%	4.1%
Alaska						
	2018	2019	2020	2021	2022	Long Run
Alaska GDP	53.09B	54.44B	50.90B	N/A	N/A	N/A
Alaska Unemployment	6.10%	6.2%	12.6%	N/A	N/A	N/A



Alaska's Economy & COVID-19



- Approximately 24 percent of the State's total nonfarm employment is derived from government
- Other major industries include Trade, Transportation, and Utilities (20%), and Educational & Health Services (15%)



Alaska's Economy & COVID-19

Employment By Industry, May 2020

	Average Monthly Employment			Compared to May 2019	
	May 2020*	April 2020*	May 2019	Change	Percent
Total Nonfarm Employment	293,600	279,800	334,500	-40,900	-12.2%
Total Private	219,600	203,900	253,100	-33,500	-13.2%
Mining and Logging	12,400	12,300	13,300	-900	-6.8%
Oil and Gas	8,700	8,900	9,700	-1,000	-10.3%
Construction	14,700	13,500	17,100	-2,400	-14.0%
Manufacturing	9,500	10,800	10,200	-700	-6.9%
Trade, Transportation, Utilities	61,000	55,300	66,600	-5,600	-8.4%
Wholesale	6,200	6,100	6,500	-300	-4.6%
Retail	33,400	30,400	36,000	-2,600	-7.2%
Transportation, Warehousing, Utilities	21,400	18,800	24,100	-2,700	-11.2%
Information	4,900	4,900	5,400	-500	-9.3%
Financial Activities	11,100	10,900	11,700	-600	-5.1%
Professional and Business Services	26,600	24,700	28,100	-1,500	-5.3%
Education and Health	46,200	46,000	51,000	-4,800	-9.4%
Health Care	35,600	35,000	38,500	-2,900	-7.5%
Leisure and Hospitality	23,200	16,800	38,500	-15,300	-39.7%
Other Services	10,000	8,700	11,200	-1,200	-10.7%
Total Government	74,000	75,900	81,400	-7,400	-9.1%
Federal ¹	15,000	15,200	15,200	-200	-1.3%
State ²	21,600	22,700	22,600	-1,000	-4.4%
Local ³	37,400	38,000	43,600	-6,200	-14.2%

*Estimate

¹Excludes uniformed military

²Includes the University of Alaska

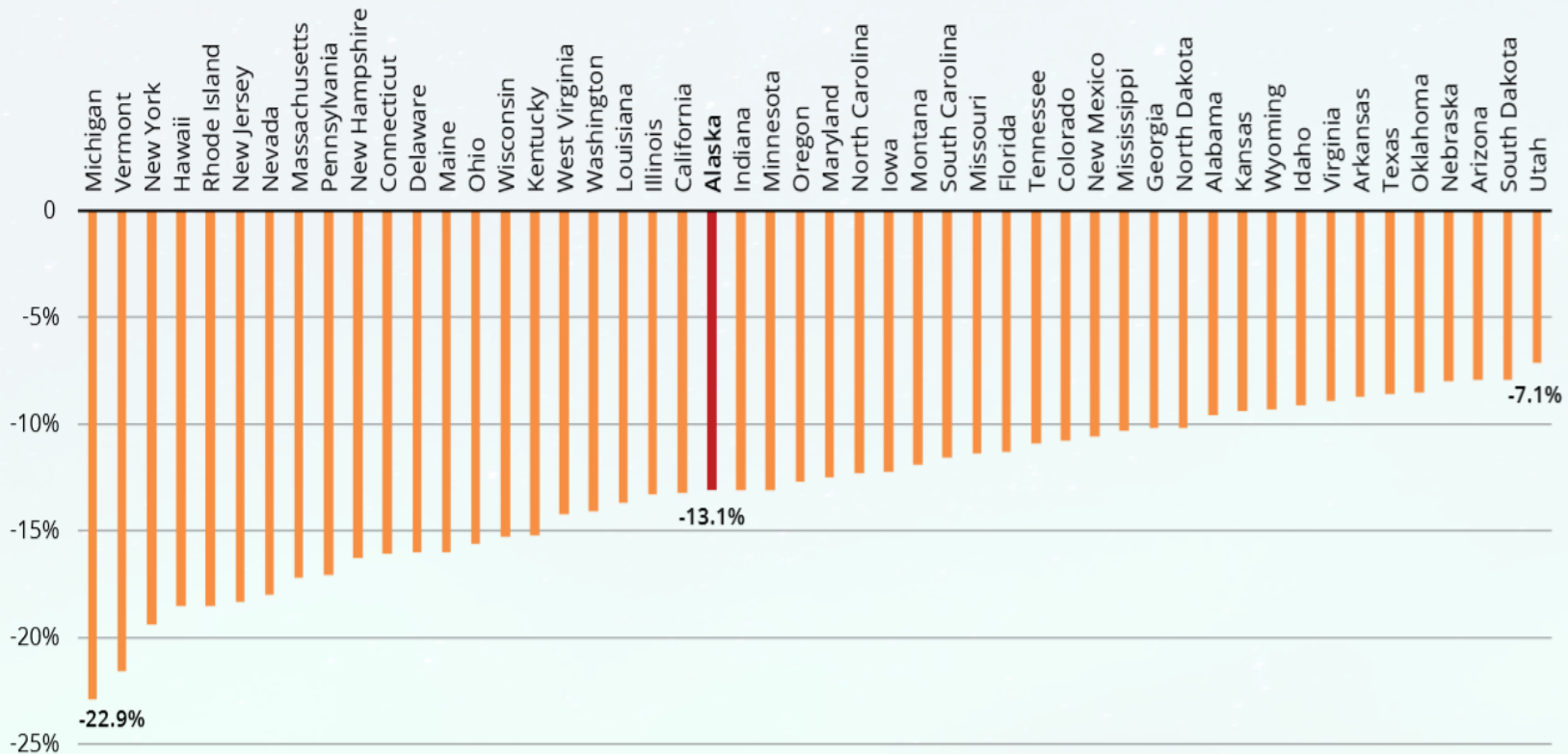
³Includes public schools and tribal government

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section



Alaska's Economy & COVID-19

April 2020's job losses by state, compared to April 2019



Source: U.S. Bureau of Labor Statistics



Alaska's Economy & COVID-19

Natural Resource Development – Abundant natural resources with significant future development potential

- **Alaska is a world-class energy basin**

- Since 1977, the Trans-Alaska Pipeline System has transmitted approximately 18.1 billion barrels of oil from the North Slope to the market
- Alaska is estimated to have 52 billion barrels of technically recoverable oil and 247 trillion cubic feet of technically recoverable natural gas, plus heavy and viscous oil as well as shale oil and gas
- The State has been in pursuit of developing a natural gas pipeline from the North Slope of Alaska to tidewater in southcentral Alaska

- **Alaska benefits from significant mineral resources¹**

- 17% of the world's coal
- 8% of the world's gold
- 5% of the world's zinc
- 4% of the world's copper
- 2% of the world's silver

- **State revenues from natural resources**

- The State obtains significant revenues from companies that lease State-owned lands for extraction of natural resources
- Alaska shares with the federal government revenues from oil, natural gas and other assets extracted from federal lands leased by private companies
- The State's revenues from mining are derived primarily from mining license taxes, corporate income taxes, annual rentals and production royalties



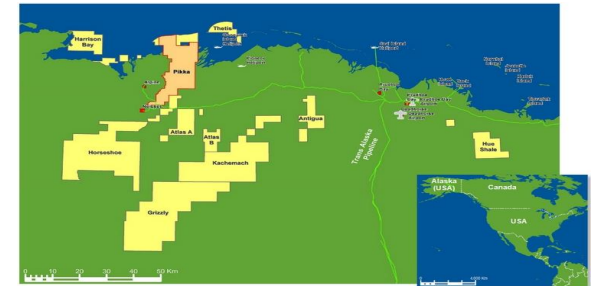
1) United States Geological Survey



Alaska's Economy & COVID-19

Recent announcements look promising for future oil and gas development projects

- **Oil Search is Pursuing the Largest Onshore Oil Discovery in the US in Three Decades in the Pikka Development**
 - A 1.2 billion barrel find on Alaska's North Slope
 - First oil could come as early as 2025
 - Potential to produce 120,000 barrels per day
- **Hilcorp is Progressing the “Liberty” Project in OCS**
 - Well known resource that has faced several logistical hurdles
 - Final EIS and ROD issued in 2018
 - Up to 70,000 barrels per day of production as early as 2022
- **ConocoPhillips is Developing the Greater Mooses Tooth Unit and Willow development in the NPR-A**
 - First phase production began October 2018
 - Second phase first oil projected in 2021 (potential overall production of 35,000 to 40,000 barrels per day)
 - “Greater Willow” first oil 2025-2026 (potential 100,000+ barrels per day)
- **Several Additional Projects are in Various Stages of Exploration and Development**
 - Fiord West, Nuna, Nuiqsut Expansion-Oooguruk Unit, Cosmopolitan, Mustang-Southern Miluvecch Unit, Moraine, Moose Pad, Raven, Placer, Smith Bay, Ugnu Development, PTU Expansion, Umiat, Guitar



Phase	Lease Category	Oil Search	A	GMT Exploration	REPOF
Current transaction	Pikka Unit	25.5 %	19.125 %	6.375 %	49 %
	Horseshoe	37.5 %	28.125 %	9.375 %	25 %
	Exploration ⁽¹⁾	25.5 %	37.125 %	12.375 %	25 %
	Grizzly	51 %	0 %	0 %	49 %
	Hue Shale	37.5 %	62.5 %	-	49 %
Post OSH's option to acquire balance if exercised ⁽²⁾	Pikka Unit	51 %	-	-	49 %
	Horseshoe	75 %	-	-	25 %
	Exploration ⁽¹⁾	51 %	18 %	6 %	25 %
	Grizzly	51 %	0 %	0 %	49 %
	Hue Shale	75 %	25 %	-	-

(1) Includes various Bels, Tethys, Allen A, Allen B, Kochenack and Andoga blocks.
(2) OSH's option to exercise on an individual project basis.



Alaska's Economy & COVID-19

Stimulus Funds Received in Alaska - \$4.5 Billion – 8.6% of GDP

Federal Stimulus

- Unemployment Insurance - \$256.2 M paid,
 - \$71.2M - regular UI
 - \$177.9M - \$600.00 weekly Stimulus
 - \$7.0M - Self Employed
- Small Business Association (SBA) Loans - \$85.7M
- Paycheck Protection Program (Forgivable) - \$1,208.7M
- Economic Impact Payments (\$1,200 Stimulus from IRS) - \$580.8M
- **CARES ACT - \$1.5B**
- **Alaska Natives Support- \$162M**

State Stimulus

- \$50 million AIDEA
- \$680 million PFD – distributed July 1, 2020. The State of Alaska provided an economic stimulus of \$992 directly to residents through the Permanent Fund Dividend, an action no other state has taken during the pandemic.

Private Sector Stimulus - \$14.0M

Stimulus per capita in Alaska - \$6,202 Per Alaskan



Revenue Forecast & Budget Outlook

Stabilization Plan in relation to the COVID-19 Pandemic



COVID-19
Your Health &
Safety is our Top
Priority.

COVID-19 Economic Stabilization Plan Office of Governor Mike Dunleavy

- ❖ \$562.5 million for local communities. Details of allocation to jurisdictions found at the link below:
<https://gov.alaska.gov/wp-content/uploads/sites/2/CARES-Community-Distribution-4.21.20-002.pdf>
- ❖ \$300 million to bolster existing loan programs to help fund small businesses
- ❖ \$337.5 million for coronavirus-related health care costs
- ❖ \$50 million for nonprofits to help, among other things, food banks and emergency shelters

Governor Dunleavy is focusing on six areas to provide stability to the economy and ensure Alaskans have the resources needed during this unprecedented time. You can find the plan at:

<https://gov.alaska.gov/home/covid-19-economic-plan/>

\$250 million to bolster Transportation, Fisheries, and Other Programs ⁽¹⁾

Alaska Received a total of approximately \$1.5 billion of CARES-Act Funding

1) Includes CARES Relief Program for Transportation, Fisheries, Education, Agriculture, and Public Safety





4. Pension Update

Pension Update

The DB Funded Ratio has increased for PERS and TRS at 78.4% and 85.9%, respectively

Funded Status as of June 30 (\$ in 000's)	PERS			TRS		
	2017	2018	2019	2017	2018	2019
DB - Pension						
Actuarial Accrued Liability	13,832,130	14,606,033	15,039,180	7,217,525	7,276,290	7,388,020
Valuation of Assets	9,229,703	9,430,192	9,576,693	5,476,835	5,541,600	5,563,931
Unfunded Liability	4,602,427	5,175,841	5,462,487	1,740,690	1,734,690	1,824,089
Funded Ratio	66.7%	64.6%	63.7%	75.9%	76.2%	75.3%
DB - Healthcare						
Actuarial Accrued Liability	8,049,265	7,658,104	7,151,694	2,927,093	2,684,150	2,518,644
Valuation of Assets	7,557,068	7,686,509	7,810,491	2,836,802	2,898,709	2,947,562
Unfunded (Overfunded) Liability	492,197	(28,405)	(658,797)	90,291	(214,559)	(428,918)
Funded Ratio	93.9%	100.4%	109.2%	96.9%	108.0%	117.0%
DB - Total						
Actuarial Accrued Liability	21,881,395	22,264,137	22,190,874	10,144,618	9,960,440	9,906,664
Valuation of Assets	16,786,771	17,116,701	17,387,184	8,313,637	8,440,309	8,511,493
Unfunded Liability	5,094,624	5,147,436	4,803,690	1,830,981	1,520,131	1,395,171
Funded Ratio	76.7%	76.9%	78.4%	82.0%	84.7%	85.9%

- FY2017 returns of 13.35% were above actuarial assumptions
- FY 2018 returns of 9.61% were above actuarial assumptions
- FY 2019 returns of 6.40% were below actuarial assumptions
- Effective January 11, 2019, the Alaska Retirement Management Board voted to change the actuarially assumed rate of investment return from 8% to 7.38%





5. State Debt

State Debt

As of June 30, 2020

Type of Debt Obligation	Par Amount or Current Valuation	Year of Final Payment	FY 2021 UGF Payment	Total Debt Service to Maturity
General Obligation*				
	\$624,900,000	2038	\$77,000,000	\$870,700,000
Subject to Appropriation (COP/Lease Revenue)	\$203,200,000	2033	\$22,350,000	\$272,700,000
Total	\$828,100,000		\$99,350,000	\$1,143,400,000

As of June 30, 2019

Type of Debt Obligation	Par Amount or Current Valuation	Year of Final Payment	FY 2021 UGF Payment
School Debt Reimbursement**			
	\$704,800,000	2038	\$0

*Does not include a projection of debt service for \$110,348,242 in remaining 2012 Transportation Act authority, all dates assume fiscal year basis. G.O. bonded debt service is shown net of Federal BAB and QSCB subsidy

**This is only the portion of the local communities outstanding general obligation bonds paid by the State of Alaska, with a 100% reduction in reimbursement in the enacted FY 2021 budget

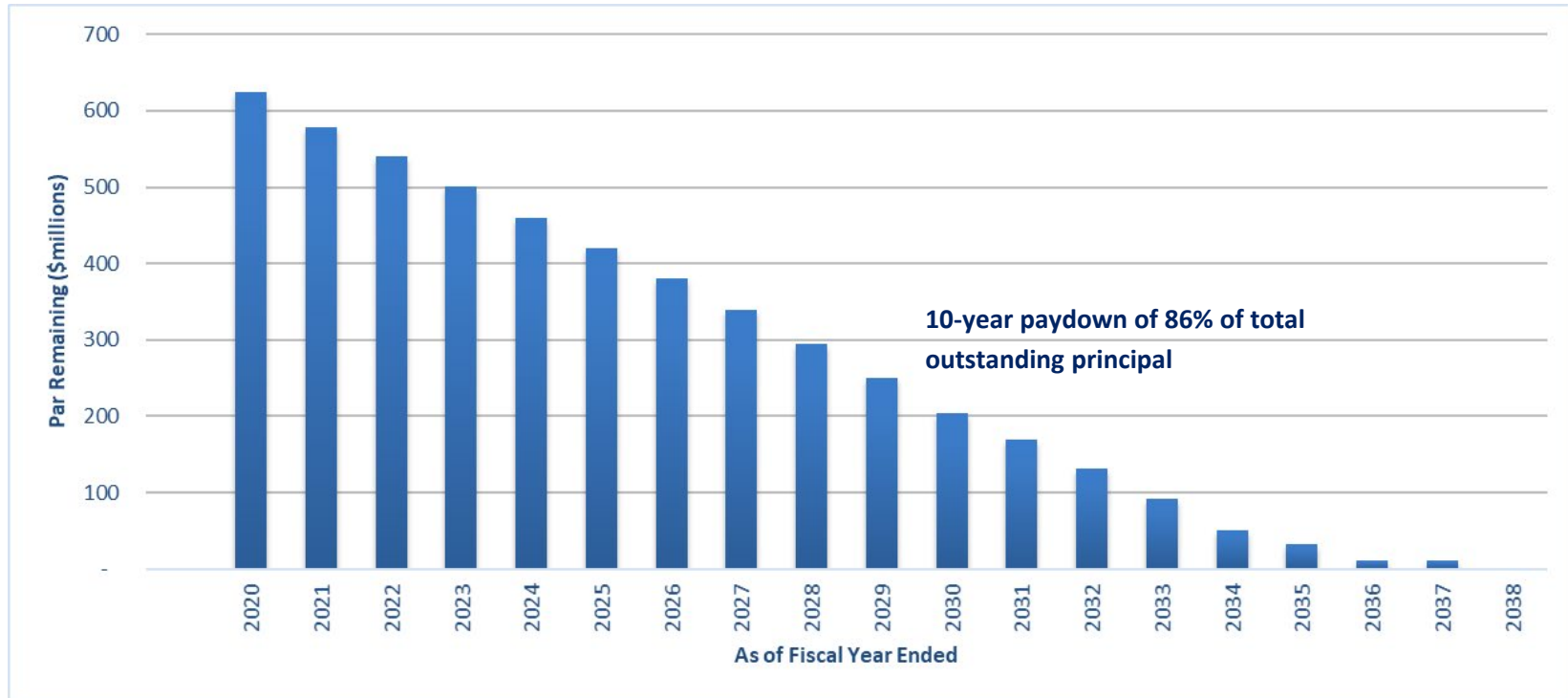


G.O. bonds outstanding gradually decline through FY 2038

Recent Activity:

- To date, \$342.8 million of the State's 2012 GO bond authorization (\$453.2 million) has been funded.
- Net debt service of \$77.0 million in fiscal year 2021 declining to final payment of \$12.2 million in fiscal year 2038.

Total General Obligation Debt Currently Outstanding at June 30* (\$ millions)



*Source: State of Alaska, Department of Revenue, all dates assume fiscal year basis with end of fiscal year principal to maturity. G.O. bonded debt service is shown net of any Federal (BAB and QSCB) subsidies.





6. Conclusion

Conclusion

Preserve, Stabilize and then Grow/Balance

Fiscal Planning for Alaska

- 1) Preserve our economy via cash infusions/stimulus funds into Alaska, regulation changes, relaxation of deadlines, fee management
- 2) Stabilize SOA budget by downward pressure on expenditures and use of savings
- 3) Grow the Economy and establish a balance budget approach using a combination of revenue diversification options
 - Governor Dunleavy is willing to consider all options available to provide for Alaska's fiscal stability

Robust Liquidity and Investment Income

- Alaska continues to possess tremendous financial and natural resources
- Minimum balance of liquid reserves projected over \$13 billion (Earnings Reserve, CBRF, & other funds)
- Even the FY 21-30 budget baseline results in a projection of reserve balances growing into the future
- Investment income has replaced oil and gas as the largest contributor to the State's revenues

Demonstrated Leadership

- Governor Dunleavy has shown his willingness to make the difficult decisions that he believes are necessary for the future of Alaska





End of slides

Rating Action: Moody's assigns Aa3 to State of Alaska's General Obligation Bonds, Series 2020A; outlook negative

22 Jul 2020

New York, July 22, 2020 -- Moody's Investors Service has assigned a rating of Aa3 to the State of Alaska's planned issuance of \$88.9 million General Obligation Bonds, Series 2020A. The outlook is negative.

RATINGS RATIONALE

The state's credit profile is supported by an ability to fund operations to a significant extent from investment earnings generated by the approximately \$65 billion Alaska Permanent Fund. In recent years the state has relied increasingly on the Permanent Fund's Earnings Reserve Account (ERA) to fund its operating expenses, compensating for greatly diminished oil revenue. The state's capacity to generate available reserves held in the ERA to fund operations will offset its continued high economic and revenue vulnerability to its North Slope-based oil production industry, as well as its comparatively large unfunded pension burden.

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. The coronavirus crisis is not a key driver for this rating action. We do not see any material immediate credit risks for the State of Alaska. However, the situation surrounding coronavirus is rapidly evolving and the longer term impact will depend on both the severity and duration of the crisis. If our view of the credit quality of the state changes, we will update the rating and/or outlook at that time.

RATING OUTLOOK

The state's negative outlook reflects the risk of deterioration of financial metrics or governance practices particularly if political paralysis impedes policymakers from agreeing on effective approaches to the state's key credit challenges.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Demonstration of ability to fund operations from recurring resources even during economic downturns
- Reduction in unfunded pension liabilities

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Persistent operating imbalances that deplete financial reserves
- Budgetary commitments that cast doubt on state's ability to use investment income to fund state operating needs
- Significant worsening of unfunded pension liability

LEGAL SECURITY

Alaska's general obligation bonds are backed by the state's full faith, credit and resources. The bonds are issued under a constitutional provision that requires authorization by both a public vote and legislation. The authorizing legislation, called the State Transportation Bond Act, was approved by voters on November 6, 2012.

USE OF PROCEEDS

The bonds will generate estimated proceeds of \$110.6 million, including premium amount. Net proceeds will be placed in the 2012 State Transportation Project Fund to help pay for a broad range of projects under the legislation. The largest projects include expansion of the Port of Anchorage, reconstruction of a portion of the Glenn Highway, and extension of Alaska Railroad Corporation rail lines connecting Matanuska-Susitna Borough to two destinations (Port MacKenzie and Bogard Road).

PROFILE

Although Alaska is by far the largest state in terms of area - double the size of Texas - its economy is comparatively small, ranking 46th among states based on its \$55.4 billion gross domestic product (GDP) in 2019. It also is among the least populous: Alaska's 2019 population - 731,545 - ranked 48th, according to US Census Bureau estimates. The state is among the richest in natural resources, with large amounts of oil and natural gas, as well as deposits of gold, zinc, lead and copper.

METHODOLOGY

The principal methodology used in this rating was US States and Territories published in April 2018 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1084466 . Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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Summary:

Alaska; General Obligation

Credit Profile

US\$88.925 mil GO bnds ser 2020A due 08/01/2035

<i>Long Term Rating</i>	AA-/Negative	New
Alaska GO (AGM)		
<i>Unenhanced Rating</i>	AA-(SPUR)/Negative	Affirmed
Alaska GO		
<i>Long Term Rating</i>	AA-/Negative	Affirmed
Alaska GO		
<i>Long Term Rating</i>	AA-/Negative	Affirmed

Many issues are enhanced by bond insurance.

Rating Action

S&P Global Ratings has assigned its 'AA-' rating to the State of Alaska's series 2020A general obligation (GO) bonds. At the same time, we affirmed our 'AA-' rating on the state's outstanding GO debt. The outlook is negative.

Our negative outlook on the state reflects narrowing fiscal options beyond fiscal 2021 as the enacted budget virtually depletes the state's traditional reserve balance, its Constitutional Budget Reserve Fund (CBRF), by the end of the fiscal year. However, the state maintains vast reserves in its Earnings Reserve Account (ERA). Alaska has identified a structural gap for fiscal 2020 of nearly 25% and an adopted structural gap of about 21% for fiscal 2021 resulting from a collapse in oil prices. The drop in prices is largely due to a demand shock as a result of efforts to mitigate health and safety risks posed by the COVID-19 pandemic and an oversupply of oil in the market. If actual results end up at worse-than-enacted levels, the state will be left with limited options to return to structural balance other than significant reform of its fiscal profile or further drawing on its ERA for operations. We estimate total available reserves (at the end of fiscal 2021) should result in an ability for the state to cover 200% of unrestricted general fund expenditures if projections hold.

The series 2020A GO bonds are being issued pursuant to the 2012 State Transportation Bond Act to pay or to make grants to pay costs of transportation projects throughout the state. When issued, the bonds will be GOs of the state, of which it has pledged its full faith, credit, and resources to the payment of the principal of and interest. The bond proceeds will fund approximately \$110 million of related transportation projects.

Credit overview

Immediate implications of collapsing oil prices have eased over the past three months as global demand and prices have improved in recent weeks. However, barring a significant increase in oil demand, we expect the state's fiscal profile to remain under stress for the foreseeable future. Significant outyear budget gaps exist as the state grapples with how to fund the annual permanent fund (PF) dividend to residents and government services. The ability of the state to

return to structural balance, matching recurring revenues with recurring expenditures, is a key credit consideration.

The onset of the sudden-stop recession and shock to the state's oil-related revenues has effectually ended Alaska's ability to rely on reserves to balance its budgets beyond fiscal year 2021. The enacted budget virtually depletes the state's CBRF to just \$61 million, leaving it to rely solely on its ERA for available reserves. Depending on how Alaska North Slope (ANS) oil price and production perform for the year, the effect on the CBRF balance may be better or worse than projected.

The adoption of structurally imbalanced budgets, in our view, from fiscal years 2014 to 2021 provided time for the state to reform its fiscal profile. While it regularly reduced expenditures over this period (a 41.2% decrease in operating and capital budget expenditures since 2013), the state made limited changes to its revenue profile. Despite conversations around greater revenue diversification, it only adopted planned use of its ERA for operations in fiscal 2019. While the ERA as a new revenue source was welcomed, introduction of new or expanded revenue streams or more significant expenditure cuts will be needed for the state to return to structural balance.

Complicating revenue reform, in our view, are political considerations that prevent the state from taking action despite having the legal flexibility to do so. Such limitations have prevented Alaska from enacting revenue reforms in past years. The governor has advocated for several measures that, in our opinion, may limit budgetary flexibility. These initiatives include voter approval of new or increased revenues, restrictive expenditure caps, and protecting the state's PF dividend payment to residents with a constitutional amendment (currently in statute). Even as the state's only remaining reserve fund, the ERA, is likely to decrease, the governor continues to advocate for further reductions in its balance to pay residents a full annual dividend and backpayments for prior years.

Absent the state's budgetary pressures, it continues to have ample liquidity, supported by an estimated \$17.6 billion in the ERA and the remaining \$1.9 billion in the CBRF at May 31, 2020. However, the ERA balance will be reduced by \$4 billion at fiscal year-end 2020 to inflation-proof the PF and reductions in the CBRF are expected to balance out the year. In our estimation, the planned draw on the ERA for fiscal years 2020 and 2021, depending on investment earnings, may leave the state with reserves to cover approximately 200% of unrestricted general fund expenditures, down from an average 375% of expenditures from fiscal years 2015-2019.

Based on the analytic factors evaluated for Alaska, on a four-point scale of '1.0' (as the strongest) to '4.0' (as the weakest), S&P Global Ratings has assigned a composite score of '2.1' to the state, which is associated with an 'AA-' credit level.

Environmental, social, and governance factors

We consider Alaska to have higher environmental and social risks compared to others in the U.S. states sector. However, we view its governance risks as being in line with the sector and it has historically maintained a strong management and policy framework to respond to developing risks.

Environmental risks stem from its high concentration in the oil and gas industry and potential for increasing regulatory challenges that may affect that sector of the economy. In addition, Alaska has more coastline than any other state--over 6,500 miles--and is exposed to rising sea levels. We also view social risks as higher than those of other states due to Alaska's below-average population growth and elevated unemployment levels that typically rank it

among the top states nationally due to its countercyclical economy.

We view the risks posed by the COVID-19 pandemic to public health and safety as a social risk, which, if sustained, could weaken the state's economy, liquidity, and budgetary performance. For more information on the potential effects of the COVID-19 pandemic on state credit conditions, see "The COVID-19 Outbreak Weakens U.S. State And Local Government Credit Conditions" (published on April 2, 2020 on RatingsDirect) and "U.S. States Mid-Year Sector View: States Will Continue To Be Tested In Unprecedented Ways" (published on July 13, 2020).

Negative Outlook

Generally, our rating outlook timeframe is up to two years. Given the current uncertainty around the pandemic, our view of the credit risks to Alaska and its obligations centers on the more immediate budget effects in fiscal 2021 is subject to change.

Downside scenario

We could take additional downward rating actions on the state over the next two years if structural alignment of its budget does not occur. Alaska has narrowing time and tools available to adjust its budgetary performance and if revenue estimates prove worse than expected, credit deterioration could occur more rapidly. The current oil price collapse occurs during a significant global supply-and-demand shock on top of a global recession. A prolonged period of oil markets in their current state is likely to create lingering recessionary effects even if the rest of the country were to begin its recovery.

Return to stable scenario

If the state is able to return to near structural balance with a plan to build its traditional reserves, we may revise the outlook back to stable.

Credit Opinion

The spring revenue forecasts project significant year-over-year declines in oil-related revenue to the state to \$1.1 billion in fiscal 2020 from \$2.0 billion in fiscal 2019 (a 46% decline) and a further decline to \$716.6 million for fiscal 2021 (a 35% decline). The revenue forecast is based on ANS oil prices remaining below \$30.00 per barrel for the remainder of fiscal 2020, resulting in an annual average price of \$51.65 per barrel and an ANS price forecast of \$37.00 for fiscal 2021. Should the projected price forecast prove optimistic and Alaska fail to meet its estimate, the state's structural gap would only increase.

The fiscal 2021 budget presents an unwelcome revenue profile for Alaska. We view the enacted fiscal 2021 budget as significantly imbalanced as the state's main operating fund, its unrestricted general fund, relies on \$952.9 million from the CBRF, or 21% of budget. Based on the spring revenue forecast, projected unrestricted general fund revenue was reduced by \$815 million (\$693 million oil-related and \$121 million nonoil-related). Annual unrestricted general fund revenues total \$3.6 billion and consist of \$2.4 billion related to the statutory draw from the PF ERA for operations (68% of revenues); \$716 million is oil-related (20%); and \$411.5 million nonoil-related (12%). An additional \$680 million was drawn from the PF ERA to pay the PF dividend.

Alaska's budgetary framework is adequate with established budget monitoring. The agreed-on ERA draw in SB 26 during fiscal 2019 allowed the legislature to spend up to 5.25% of the PF's average balance at June 30 over the prior five years before dropping to 5% in 2021. The legislation provided needed guidance for how the state intends to fund its operating deficit. However, the current administration views use of the ERA under SB 26 as more limited than what was adopted in 2018. The current legislature and administration consider only the full percentage of market value amount as available for appropriations, split between the PF dividend payment and the general fund.

The current economic environment and differences over use of the ERA leave fewer resources available for general fund operations. As a result, Alaska will need to reduce its operating budget, reduce the PF dividend, and make additional revenue and expenditures changes to mitigate its structural deficit. In our opinion, the possibility of the state to using the remaining balance in the ERA (outside of the annual percent of market value draw) is unlikely and would significantly diminish its flexibility.

For more information, see our analysis on Alaska, published April 17, 2020.

Related Research

- Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020

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Fiscal Year	Historical General Purpose UGF Revenue	Permanent Fund POMV Transfer	Dividend Payment (from POMV Transfer) ¹	Recurring & Discretionary GF Expenditures	Unrestricted Surplus / (Deficit)	CBRF Asset Balance	SOA Total Primary Government Net Position	Change in Net Position (YOY)
2013	6,929	-	-	7,455	(526)	11,564	76,005	5,882
2014	5,390	-	-	7,314	(1,924)	12,780	82,103	6,098
2015	2,256	-	-	4,760	(2,504)	10,101	73,540	(8,563)
2016	1,533	-	-	5,213	(3,680)	7,331	68,078	(5,462)
2017	1,355	-	-	4,498	(3,143)	3,896	71,997	3,919
2018	2,414	-	-	4,489	(2,075)	2,360	74,203	2,206
2019	2,627	2,723	(1,024)	4,889	(563)	1,832	76,743	2,540
2020	1,604	2,933	(1,069)	4,805	(1,337)	956*	TBD	TBD
2021	1,336	3,092	(680)	4,616	(868)	1,074*	TBD	TBD

1. Dividend Payment represents a portion of the annual POMV ERA draw. For FY2020, a portion of the dividend payment was the remaining account balance in the SBRF.

* Fiscal Year 2019-2021 use projected revenues as of the Fall 2020 RSB, and carryforward and adjustments for 2021 per OMB. The dividend payment appropriations, adjustments, and estimated expenditures are projections from OMB fiscal summaries. Stated CBRF balance in the FY2019 CAFR did not have adjustments. FY2020 CBRF balance per OMB projections, and for FY2021 the Governor's budget proposed drawing approximately \$40 million from the CBRF for FY2022. 'TBD' signifies an unreleased CAFR.

AIDEA redemption of revolving fund bonds, Series 2010B:

i. Tax-Exempt Loan Participation Program

The Tax-Exempt Loan Participation Program can provide up to \$250 million for financing economic development projects. This program in the past was previously referred to as the "tax-exempt umbrella bond program" because many small projects financed under this program were grouped together when AIDEA issued bonds under an "umbrella". The bonds are tax-exempt by virtue of provisions in the federal tax code.

Proceeds of the bonds or Authority funds are generally used to purchase up to 90 percent of an eligible loan from financial institutions. The Tax-Exempt Loan Participation Program combines the previous Economic Development and Consolidated Bond Programs that were separate and which financed participations under and over \$1,000,000, respectively. In December 2010, \$14,470,000 of Tax-Exempt Bonds were issued to fund a loan participation purchase. At June 30, 2020 no amounts were outstanding. On October 1, 2019 the Authority defeased \$10,245,000 Revolving Fund Bonds, Series 2010B by deposit of \$10,751,081 of U.S. Treasury securities purchased with AIDEA's general assets into an irrevocable trust. The bonds were redeemed on the call date, April 1, 2020.

GF Debt Service Payments by Category (\$millions)

