

---

**From:** Tom Boutin <b0utin@alaska.net>  
**Sent:** Monday, February 14, 2022 1:28 PM  
**To:** Rep. Neal Foster; Rep. Kelly Merrick; Rep. Grier Hopkins  
**Subject:** Comment to Hse Fin and Hse Transportation on HB 285, GO Bonds

Good afternoon,

Please oppose HB 285. My strong belief is that this is the wrong time for new GF or GO debt. Most of the ideas and concepts expressed in the Governor's recent newspaper editorial should be financeable with stand-alone revenue debt. Throughout the US, ports are routinely expanded and maintained with revenue bonds. The Anchorage and Fairbanks airports have used revenue bonds for what may have been 20 times or more, for example. A port that reportedly brings in 80 percent of the freight in the entire state would easily qualify for revenue bonds if it had a solid plan. I believe that rather than asking Alaska voters to pledge the General Fund, the Permanent Fund, etc. we should evaluate projects for structuring financings that look to project users and bond buyers for assuming some project risks, and that has been done successfully in Alaska very often.

Whether the credit backstop for a financing – bonds, if you like – is to be the state General Fund or project revenues a project needs to be very ready for construction before the trigger is pulled on financing. Many of the HB 285 prospective projects are really just concepts at this point. Talking about financing authorization when even a port organizational structure has not been decided and agreed is exactly how governments get themselves into debacles.

When the Legislature has enacted a GO bond authorization to go to the voters there is no way to call it back, or even slow the process no matter what is subsequently learned or what may happen. Once a financing is authorized there is tremendous pressure from all quarters to award the projects for construction and to have the money flowing. In the instance of tax-exempt financings there are very rigid and relatively short windows for spending bond proceeds, and the penalties for missing those windows are very severe.

Expanding the AK RR to Point McKenzie should be able to use revenue bonds. The RR has used public debt often, sometimes with the required legislative authorization and sometimes without it. But with every enterprise, if the income is projected to be inadequate then the project needs to be revised or abandoned.

At a time of record federal spending in the state, very high oil prices, a run of high investment returns, and full employment the last option for anyone to consider should be long-term debt that will have first call on future unrestricted revenues. Perhaps that is more true for Alaska, given our economic outlook, than for any other state today. That is, we should be in a mode of preparing for a potential period of lower expectations and results. By any measure we're in the tall corn now, and we should not pledge future and uncertain income so we can spend even more today.

I have been involved in at least 100 issuances of State of Alaska debt, including making numerous state and state agency credit rating agency presentations, drafting debt authorization legislation and taking it through the legislative process, holding auctions for state debt, etc. etc. I've worked in Alaska public finance in the private sector as well as for the State of Alaska.

I am grateful that the Legislature has turned down previous new GO debt authorization requests from the executive. As we look back at those requests it's evident that the Alaska Legislature made the right decision. Clearly Legislators are very aware of the responsibility to be the grown-ups in the political economy, looking out for future Alaskans. Legislators see beyond the 4-year and 8-year political cycles, but not everyone does. You don't come to Juneau to make poor decisions. I know there are proponents and constituencies that want to see new construction no matter the fiscal details, the state economy, or the business cycle.

It's the job of the Alaska Legislature to prioritize spending. Some construction projects may be a higher priority for spending than operations, and that is fine. Mortgaging future GF income so money can be spent today is not fine however. With investment income high and ANS selling for about \$90 this is a time for adding to financial reserves, not borrowing money. With one-third of Alaskans on Medicaid, the terrible education results we realize on standardized tests, and net out-migration of people seeking family-wage private sector jobs there is very likely no state that does as well as Alaska does in proving that the path to ruin for a state is spending way above its weight in economic production.

Thank you for your time. Thank you for all the hard work you do for Alaska.

Tom Boutin  
Juneau