

# Summary of Alaska Public Corporations and Public Debt

Document was prepared by Senator Myers office staff.

## Alaska Marine Highway Corporation

The proposed legislation under SB 170 would create the Alaska Marine Highway Corporation. The proposed corporation will be housed within the Department of Commerce and Economic Development, but with separate and independent legal existence. The proposed corporation would be authorized to issue bonds by resolution of the board to provide money to carry out the purposes of the corporation. The board shall determine the types and amounts of the bonds that the proposed corporation may issue. Bonds issued by the corporation would not bear the full faith and credit of the State, and its political subdivisions are not liable for the debts of the corporation. Bonds issued by the corporation are payable solely from the revenue or assets of the corporation. The proposed AMH corporation would be able to issue debt in a more flexible manner and with limited oversight as compared to other public corporations in the state of Alaska.

## Alaska Railroad Corporation (ARRC) - AS 42.40

The Alaska Railroad Corporation (ARRC) was established in 1984 as a public corporation of the State to manage the Alaska Railroad upon its acquisition from the Federal Government. The corporation is housed within the Department of Commerce and Economic Development, but with separate and independent legal existence. The ARRC has the power to issue bonds if specific legislative authorization is given. Legislative authorization for ARRC bonds can be repealed if approved by law.

Upon receiving legislative approval ARRC may issue bonds by board resolution to provide money to carry out its purposes. The principal and interest on bonds of ARRC is payable from corporation money or assets. Bonds may be additionally secured by a pledge of a grant or contribution from the federal or state government, a municipality, a corporation, an association, an institution, or a person, or a pledge of money, income, or revenue of the corporation from any source. Bonds issued by ARRC do not bear the full faith and credit of the State, and state and its political subdivisions are not liable for the debts of the corporation. As of June 30, 2021, the ARRC had \$49.5 million of revenue bonds outstanding.

## Alaska Aerospace Development Corporation – AS 26.27

The Alaska Aerospace Development Corporation was created in 1991 as a public corporation of the State to stimulate a high technology aerospace industry in the state. It is housed within the Department of Military and Veterans Affairs and affiliated with the University of Alaska, but with a separate and independent legal existence.

Funds deposited in the Alaska Aerospace Corporation Fund may be pledged to the payment of bonds of the corporation. The revenue and receipts of the corporation, to the extent they are not needed to pay bonds or other obligations of the corporation, shall be invested by the commissioner of revenue in cooperation with the corporation.

The Corporation may issue moral obligation bonds and otherwise incur indebtedness in order to pay the cost of a project or projects to construct or improve launch facilities or other space

and aerospace projects or in order to provide money for the Corporation's purposes. Original bond issues in excess of \$1,000,000 each calendar year must have legislative approval. In addition, legislative approval is required if the annual debt service on all outstanding bonds issued and bonds proposed to be issued exceeds \$1,000,000 in a fiscal year. As of January 2022, the Alaska Aerospace Development Corporation has not issued any bonds.

### **Alaska Housing Finance Corporation – AS 18.56**

The Alaska Housing Finance Corporation (AHFC) is a public corporation that was chartered in 1971 and is housed within the Department of Revenue but possesses a separate and independent legal existence. The AHFC provides financing for low- and moderate-income housing and housing located in remote, underdeveloped, or blighted areas of the State. The corporation has emerged as a major supplier of mortgage funds in the State, in addition to being the largest issuer of debt (taxable and tax-exempt).

The AHFC may by resolution, issue bonds and bond anticipation notes to provide funds to carry out its purposes. Issued bonds are secured by the general obligation pledge of the corporation and mortgages purchased with bond proceeds or, in the case of collateralized debt, by mortgage-backed securities. AHFC subsidiary issued debt is not secured by the general obligation of the corporation but rather by pledged receipts paid to the state under the Master Settlement Agreement.

The Federal Tax Reform Act of 1984 established a ceiling of \$302.5 million, in the case of Alaska, for annual issuance of qualified veterans' mortgage bonds on a tax-exempt basis. The Act also establishes a more restrictive the definition of those who qualify as veterans. Since 1980, when the Mortgage Subsidy Bond Tax Act was enacted, Alaska also had been subject to a \$200 million annual ceiling on tax-exemption for qualified mortgage revenue bonds.

In FY 1982, the state established a statutory ceiling on AHFC annual bond issuance in which the corporation may not issue bonds in any 12-month period in an amount that exceeds the amount of bonds authorized to be issued during the preceding period unless a different amount is authorized by the legislature. The annual issuance amount currently authorized is \$1,500 million. Bonds and notes for the AHFC is further defined in detail under AS 18.56.110.

### **Alaska Industrial Development and Export Authority – AS 44.88**

The Alaska Industrial Development and Export Authority (AIDEA) is a public corporation housed in the Department of Commerce, Community and Economic Development but possesses separate and independent legal existence. Created in 1967, AIDEA promotes economic development within the State by providing various means of financing and assistance and by facilitating the financing of industrial, manufacturing and energy facilities, infrastructure, commercial real estate and equipment within the state.

Bonds shall be authorized by resolution of the authority. An issue of bonds may be secured by a trust indenture or trust agreement between AIDEA and a corporate trustee or by a secured loan agreement or other instrument or under a resolution giving powers to a corporate trustee. The full faith and credit of the Authority's Revolving Fund secures the bonds currently outstanding under the resolution. Bonding authority for AIDEA is described in detail in AS 44.88.090; and bonding limitations are described in AS 44.88.095.

The types of facilities the AIDEA may finance include those for use in manufacturing, natural resource extraction, transportation of products or materials, and infrastructure for tourism destination facilities. Bonds for projects may be secured by the project, project revenues, specific assets of AIDEA's economic development account, or AIDEA's general assets. They can be general obligations or revenue bonds of the AIDEA.

Until 1990, AIDEA was able to issue bonds secured by a capital reserve fund with a State moral obligation. Currently, AIDEA can issue bonds with a State moral obligation on a capital reserve fund only if the bonds are issued to finance a power transmission intertie and are legislatively approved. AIDEA may issue bonds with reserve funds, but they will not have the moral obligation of the State of Alaska. Currently, AIDEA has no general obligation bonds with a capital reserve fund requirement outstanding.

## University of Alaska – AS 14.40

The University of Alaska was first established in 1917 as a land-grant college system and was formally established under Article VII of the Alaska State Constitution to operate as a body corporate. The Board of Regents of the University of Alaska are tasked with governing the university including the finance and business management of the University. The mission of the University of Alaska is to inspire learning, and advance and disseminate knowledge through teaching, research, and public service, emphasizing the North and its diverse peoples.

The University of Alaska may borrow money, issue debt, or enter into long-term obligations for the purchase of facilities, goods, or services. The State of Alaska may also issue general obligation bonds to finance University related projects. The Board of Regents may issue revenue bonds and enter into an agreement with a trustee or bond owner for the purpose of securing payment of revenue bonds issued by the University of Alaska to acquire, construct, or equip a facility that the board determines is necessary. The agreement may include the fixing and collection of fees, charges, or rentals pledged to secure payment of the revenue bonds and agreement regarding the use of the proceeds of the revenue bonds. University general revenue bond debt is not a general obligation of the State nor does the State provide security for the debt in any other manner.

Legislative notice is required if the University of Alaska intends to enter into an obligation with an annual payment anticipated to exceed \$2,500,000. The university's annual debt service, including any proposed issue, shall not exceed 5 percent of the university's unrestricted revenues. All facilities and other real property debt issuances must be approved by the board. Facilities that have been financed include Anchorage, Juneau and Fairbanks student centers, student housing units, research facilities, student recreation centers, and utility system. Net investment in capital assets amounted to \$1.29 billion as of June 30, 2021.

## Sources

- Alaska Railroad Corporation Act ("ARCA") Annotated. AS 42.40.* (2019). Alaska Railroad Corporation. 1984; last revised in March 2019. <<https://www.alaskarailroad.com/corporate/legislation>>
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- University of Alaska. 2022. *Regent's Policy Part V – Finance and Business Management. Chapter 05.04 - Debt and Credit.* Last updated on March 8<sup>th</sup>, 2022. <<https://www.alaska.edu/bor/policy-regulations/index.php>>

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