

HOUSE FINANCE COMMITTEE
May 1, 2025
9:07 a.m.

[9:07:20 AM](#)

CALL TO ORDER

Co-Chair Schrage called the House Finance Committee meeting to order at 9:07 a.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Calvin Schrage, Co-Chair
Representative Jamie Allard
Representative Jeremy Bynum
Representative Alyse Galvin
Representative Sara Hannan
Representative Nellie Unangiq Jimmie
Representative DeLena Johnson
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

Representative Andy Josephson, Co-Chair

ALSO PRESENT

Ryan Williams, State Debt Manager, Department of Revenue.

PRESENT VIA TELECONFERENCE

Adam Crum, Commissioner, Department of Revenue.

SUMMARY

PRESENTATION: STATE DEBT SUMMARY AND CREDIT REVIEW

Co-Chair Schrage reviewed the meeting agenda.

^PRESENTATION: STATE DEBT SUMMARY AND CREDIT REVIEW

[9:08:35 AM](#)

Co-Chair Schrage reviewed the meeting agenda.

RYAN WILLIAMS, STATE DEBT MANAGER, DEPARTMENT OF REVENUE, introduced the PowerPoint presentation "State of Alaska: Credit Rating Outlook and Debt Summary" dated May 1, 2025 (copy on file). He continued on slide 3 that included the contents of the presentation titled "Framework:"

Recent Bond Refinancing Transactions

- State's Bond Rating Overview
- State's Recent Bond Rating Improvements
- Credit Rating and Market Feedback
- Current Municipal Market Update
- State's Debt Profile
- State's Debt Capacity

Mr. Williams moved to slide 4 titled "State of Alaska Recent Bond Refinancing Transactions:"

Summary of Bond Refinancing Transactions

- In the last year, DOR has successfully undertaken five refinancing transactions
- Total par amount - \$582,990,000
- Total net present value savings - \$36,893,604
- Release of Debt Service Reserve Fund for Airport System Refinancing Transaction \$7.5 million

Mr. Williams delineated that the terms of the refinanced loans remained intact.

Representative Johnson wondered what airport debt was for. Mr. Williams responded that the prior airport debt issue was for multiple types of projects like building maintenance, terminal projects, paving, etc. The revenue bond debt was issued over time to support airport activities. The transaction refinanced bonds issued in 2016 reducing annual debt service payments to roughly \$23 million. Without the transaction, the debt service payment would ramp up in 2026 and ensuing years. He mentioned that the transaction ensured a streamlined and smooth annual debt payment.

[9:12:49 AM](#)

Representative Johnson asked how much of the bond was unspent and if it was for specific projects. Mr. Williams answered that there were no projects on refinancing

transactions, it was merely refinancing the debt. He elaborated that all of the proceeds of the bonds pay off old bonds and reduced interest rates and therefore, did not reflect project fund transactions that were prior issuances. Representative Johnson assumed that the refinancing was not specific to a particular airport. She asked if lacking any STIP issues how quickly the funding could be spent. Mr. Williams replied that he was not the right person to comment on the Department of Transportation and Public Facilities (DOT) involvement in obtaining federal grants. He was aware that there was potential to utilize debt as a tool for certain types of projects.

Co-Chair Schrage noted that Representative Galvin joined the meeting.

Representative Johnson asked how quickly the money was available after a bond issuance. Mr. Williams replied that the project was reviewed by the state bond committee for the airport system and could take anywhere from 2 to 6 months.

Representative Hannan asked if the debt service bonds were for the international airports or rural airports or whether they were not differentiated. Mr. Williams responded that it was for the international airport system and was for projects at the Anchorage International Airport. Representative Hannan asked if Undesignated General Fund (UGF) money expended or was the enterprise income paying off the bond. Mr. Williams answered that the airport revenue bonds were paid off by various contracts the airport undertook with airlines. Representative Hannan asked whether the bonds were a risk for the state. She deduced that they were not because the airport enterprises generated sufficient revenue to pay off the bonds. Mr. Williams responded in the affirmative. The bonds were secured by the gross revenues of the airport along with other security mechanisms like a reserve fund.

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AT EASE

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RECONVENED

Co-Chair Foster took over chairing the meeting.

Mr. Williams discussed slide 5 titled "State of Alaska Recent Bond Refinancing Transactions:"

General Obligation Refunding Bonds-Series 2024 A - Build America Bonds

- Refund all the State's outstanding General Obligation Bonds Series 2010 A - Build America Bonds (BABs)
 - State of Alaska exercised optional extraordinary provision
 - Par Amount of Refunded Bonds \$119,570,000
 - Tax-Exempt Refinancing from the previously issued taxable BABs
- Transaction Highlights
 - Gross Savings - \$4,506,834
 - Net Present Value Savings - \$3,999,992 or 3.35 percent
 - Subscription Levels - \$578 Million
 - 5.4X across the board

Mr. Williams advanced to slide 6 titled " State of Alaska Recent Bond Refinancing Transactions Cont.:"

General Obligation Refunding Bonds Series 2024B and 2025A

- Refund all the State's outstanding General Obligation Bonds Series 2015B and 2016 A&B Bonds
 - Par Amount of Refunded Bonds \$190,430,000
 - \$82,940,000 General Obligation Refunding Bonds-Series 2024B (Bond Tender)
 - \$107,490,000 General Obligation Refunding Bonds - Series 2025A (Forward Delivery)
 - Tax-Exempt Refinancing

- Transaction Highlights

- Aggregate Net Present Value Savings - \$16,533,796 or 8.10 percent
- Series 2024B (Tender) - \$8,236,891 or 9.14 percent
- Series 2025A (Forward Delivery) - \$8,296,904 or 7.29 percent
- Subscription Levels - \$1,210,400 billion
- 6.3 times across the board - 35 Investment Groups (i.e., Vanguard, Fidelity, Susquehanna, JPMIM, Brown Brothers, Blackrock)

Mr. Williams continued to slide 7 titled "State of Alaska Recent Bond Refinancing Transactions Cont.:"

Alaska International Airport System

- Refund all the Airport System's 2016A&B Bonds

- Par Amount of Refunded Bonds \$117,960,000
- \$67,750,000 Revenue Refunding Bonds 2025A Bonds (Bond Tender)
- \$50,210,000 Revenue Refunding Bonds 2025B Bonds (Forward Delivery)
- Tax-Exempt Refinancing

- Transaction Highlights

- Aggregate Net Present Value Savings - \$8,876,618 or 6.53 percent
- Series 2025A (Tender) - \$5,303,723 or 7.16 percent
- Series 2025B (Forward Delivery) - \$3,572,895 or 5.77 percent
- Debt Service Reserve Fund Release \$7.5 million

- Subscription Levels - \$696.2 million
- 5.9 times across the board - 31 Investment Groups (i.e., Vanguard, Fidelity, Wilmington Trust, Brown Brothers, Boston Company, Capital Research and Management)

Representative Johnson asked if the airport revenue was generated from landing fees, etc. Mr. Williams responded in the affirmative.

Mr. Williams continued on slide 8 titled "State of Alaska Recent Bond Refinancing Transactions Cont.:"

Goose Creek Correctional Facility

- Refund lease revenue refunding bonds 2025A&B Bonds

- Par Amount of Refunded Bonds \$99,460,000
- \$63,025,000 Lease Revenue Refunding Bonds 2025A Bonds (Bond Tender)
- \$36,435,000 Lease Revenue Refunding Bonds 2025B Bonds (Forward Delivery)
- Tax-Exempt Refinancing

- Transaction Highlights

- Aggregate Net Present Value Savings - \$5,589,231 or 5.35 percent
- Series 2025A (Tender) - \$3,745,758 or 5.63 percent
- Series 2025B (Forward Delivery) - \$1,843,472 or 4.85 percent
- Subscription Levels - \$106.6 million
- 1.1 times across the board - 11 Investment Groups (i.e., J.P. Morgan, Vanguard, Breckenridge Capital, Goldman Sachs, PIMCO)

Mr. Williams added that the net present value savings of about \$5.6 million decreased the subject to appropriation

commitments for the lease purchase of the Goose Creek Correctional Facility.

Mr. Williams advanced to slide 9 titled " State of Alaska Recent Bond Refinancing Transactions Cont.:"

Alaska Municipal Bond Bank

- General Obligation and refunding bonds 2025 Series One and Two

- Par Amount of Refunded Bonds \$55,570,000
- \$41,900,000 General Obligation and Refunding Bonds, 2025 Series One
- \$13,675,000 General Obligation and Refunding Bonds, 2025 Series Two
- Tax-Exempt Refinancing

- Transaction Highlights

- Aggregate Net Present Value Savings - \$1,893,967 or 3.8 percent
- 2025 Series One - \$1,790,158 or 3.9 percent
- 2025 Series Two - \$105,866 or 2.1 percent
- Subscription Levels - \$198 million
- 3.5 times across the board - 10 Investment Groups (i.e., Breckenridge Capital, PIMCO, Fidelity, Vanguard, Appleton, Loomis, Norther Trust)

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Representative Johnson asked about the Municipal Bond Bank and to list the municipalities that had access to it. Mr. Williams replied that all political subdivisions of the state were able to issue bonds through the bond bank. He furthered that there was a recent expansion of the bond bank's authority to fund projects for regional health organizations, the University of Alaska (UA), and joint action agencies like the Southeast Alaska Power Agency. Representative Johnson asked Mr. Williams to name another

joint action agency. Mr. Williams offered to follow up. Representative Johnson requested a list of all of the agencies that had authority under the bond bank.

Co-Chair Foster requested that Mr. Williams follow up with the info.

Mr. Williams continued on slide 10 titled "State's Bond Rating Overview:"

Bond Rating General Information

- A bond rating is a way to measure the creditworthiness of a bond, which corresponds to the cost of borrowing for an issuer. These ratings typically assign a letter grade to bonds that indicates their credit quality.
- Bond ratings are provided by third-party independent rating agencies such as:
 - Standard & Poor's Global Ratings
 - Moody's Investors Service
 - Fitch Ratings Inc.
 - Kroll Bond Rating Agency
- Rating Agencies conduct a thorough financial analysis of the issuer based on their published Public Finance Criteria that generally focus on different but similar primary credit factors.
 - Government Framework
 - Financial Management
 - Economy
 - Budgetary Performance
 - Debt and Liability profile
- Bond ratings are critical to alerting investors to the quality and stability of the bonds and the issuer.
 - Higher rated bonds "investment grade" provide lower risk and lower borrowing cost
 - Lower rated bonds "non-investment grade" provide for higher risk and higher borrowing cost

Mr. Williams examined slide 11 titled "State's Bond Rating Overview:"

Importance of Credit Ratings to State of Alaska

Cost of borrowing on capital improvement projects

State bond rating benefits and/or impacts the Alaska Municipal Bond Bank and underlying issuers

Positive bond ratings attract national and global investors to the State

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Mr. Williams continued to slide 12 titled "State's Bond Rating Overview:" The slide contained a chart of the Bond Rating Scale for each bonding agency that began at AAA and ended at a C rating.

Representative Galvin understood that Moody's current rating stood at Aa3 which put Alaska at average or below average to other states. She cited slide 16. She believed her statement provided context to the state's current bonding rating. Mr. Williams responded that he would address the ratings in further detail in later slides. He indicated that Alaska was only a "few notches off the highest grade."

Mr. Williams continued to slide 13 titled "State Credit Bond Rating Improvements:"

Over The Last Year, We Have Seen Six Credit Rating Improvements

Department of Revenue engaged Kroll Bond Rating Agency (KBRA) in 2023.

KBRA assigned an AA (Stable Outlook) to the State's General Obligation Bonds and AA- for the Alaska Municipal Bond Bank Authority.

In connection with the 2024 A Bonds transaction the State saw credit improvements.

S&P improved the State's rating from AA- to AA with Stable outlook.

- Moody's improved the State's rating from Aa3 Stable to Aa3 Positive.
- On March 4, 2024, Moody's upgraded the State of Alaska Airport System Revenue Bonds to Aa3 from A1 with Stable outlook.

On February 25, 2025, KBRA upgraded the State of Alaska General Obligation Bonds to a rating of AA+ with a stable outlook. Highest Bond Rating Since 2016.

Representative Tomaszewski observed that there had been a lot of recent refinancing. He asked whether the amount of refinancing was normal. Mr. Williams answered that it was an extremely active year of refinancing and it had been years since the bond bank had been so active. He delineated that part of the reason was a function of when the prior bonds were issued. The bonds were typically issued with a 10 year par call and many of the refinanced loans were at 10 years of issuance. Analysis of the bonds demonstrated that it was advantageous to refinance the debt and decrease future debt service payments. Representative Tomaszewski inquired whether the bond bank would engage in additional debt refinancing. Mr. Williams responded that the bank continually reviewed and monitored outstanding debt and voiced that it exhausted all debt worth refinancing.

[9:33:18 AM](#)

Representative Stapp commented that he had never heard of Kroll but had heard of Moody's, S&P, and Fitch. He asked when the agency was established and why the state engaged with them. Mr. Williams replied that the agency was established roughly 10 years prior. He furthered that the impetus for engaging Kroll was for its descriptive and well written reports and having a good reputation in the marketplace. He indicated that as part of the initial engagement, Kroll conducted a robust review of the state.

Mr. Williams continued to slide 14 titled "Recent Bond Rating Meetings-Credit Summary:"

Diversified and Resilient Revenue Streams

Significant project developments to build and diversity State revenue stream

- Percent of market value transfer has been in place for seven fiscal years and is a consistent source of unrestricted general fund (UGF) revenue
- Total petroleum revenue was 37.2 percent of UGF in FY2024 and is estimated to be 29.7 percent in FY2025

Deeply Experienced Management and Highly Conservative Debt Program

- 30+ years of combined experience between Deputy Commissioner Limani and Debt Manager Williams
- Commitment towards a sustainable and long-term comprehensive Fiscal Plan
- Present value savings of over \$36.9 million achieved since June 2024 through issuance of general obligation and revenue refunding bonds
- Ample Reserves: Constitutional Budget Reserve Fund (CBRF) \$2.8 billion, Permanent Fund balance \$80.8 billion
- Low debt load and no new bond authorization
- Rapid paydown of general obligation debt in the next 10 years
- Well-funded pension obligations - PERS 89 percent and TERS 95 percent

Fiscal Discipline

- Demonstrated commitment to structural budgetary balance, including expenditure constraints
- Semi-annual revenue forecast that includes outlook for oil price, oil production, and state revenues
- Annual public debt report, including debt management policy and debt affordability analysis

Very Strong Financial Position

- Ample Reserves: Constitutional Budget Reserve Fund (CBRF) \$2.8 billion, Permanent Fund balance \$80.8 billion
- Low debt load and no new bond authorization
- Rapid paydown of general obligation debt in the next 10 years
- Well-funded pension obligations - PERS 89 percent and TERS 95 percent

Robust Outlook for Near-Term, Statewide Economic Development

- Executive Orders will expand immense opportunities and ensure the nation's energy security
- Prominent ongoing resource development projects impacting economic growth
- Improved economic demographics

Representative Johnson asked whether the size of the Earnings Reserve Account (ERA) of the Permanent Fund impacted the bond ratings. Mr. Williams responded that it was observed as part of all the state savings and financials. Representative Johnson wondered whether changing to a single account structure for the Permanent Fund would impact the bond ratings. Mr. Williams responded that the rating agencies were definitely interested in hearing about a different approach to the current structure. He was unsure whether it would have any impact.

[9:38:03 AM](#)

Representative Stapp asked pointed to the bullet point stating, "Well-funded pension obligations - PERS 89 percent and TERS 95 percent." He offered that the state was prohibited from using the overfunded health care portion of the pension to pay the unfunded liability. He wondered why a rating agency would view it as a strong financial position. Mr. Williams answered that the state reported the information on slide 14 to the rating agencies. The state reported on each trust in detail. Representative Stapp reiterated his statement and inquired why the state

presented the pension position as blended. Mr. Williams responded that all rating agencies undertook their own analysis on every states' pension systems and Alaska's information was merely a way to present the information. Mr. Williams advanced to slide 15 titled "State's Bond Rating Overview:"

- July 20, 2023: Initiation of "AA" rating on State GO Debt by Kroll Bond Rating Agency
- April 30, 2024: Upgrade by S&P Global Ratings to "AA," Outlook revised to Stable
- March 4, 2024: Outlook revised to Positive by Moody's Investor's Service, "Aa3" rating maintained
- September 27, 2024: Outlook revised to Positive by Fitch Ratings, "A+" rating maintained
- February 25, 2025: Kroll Bond Rating Agency upgraded the State of Alaska General Obligation Bonds to a rating of AA+ with a stable outlook

Mr. Williams continued to slide 16 titled "State's Bond Rating Overview:" that contained a list of the state of Alaska compared to other states and reported that the state was in the mid-range of other states. He addressed Representative Galvin's question and explained that Alaska had a unique credit rating because the state did not fit in with the general criterion of rating agencies.

Mr. Williams quickly advanced to Slide 17 titled "Credit Rating and Market Feedback:"

Initial Rating Agency Feedback

- Percent of Market Value (POMV) transfer has been in place for seven fiscal years and is a consistent source of UGF revenue
- Recent budgetary surplus and deposits to State savings accounts, including the Constitutional Budget Reserve Fund
- Significant reduction in State general fund spending since 2013

- Recently stable oil price environment and significant available natural resources under development
- Well-funded pension obligations
- Low debt load and no new bond authorizations, rapid paydown of GO debt in the next 10 years
- Improved economic demographics
- Prominent ongoing resource development projects impacting further economic growth
- Ample reserves and recent positive investment performance Market Feedback on Recent Transaction
- Institutional investors "love" Alaskan paper, very high-quality credit, highly secured
- More frequency in the market and larger bond issuances

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Representative Galvin acknowledged that the state was unusual in that the savings were not great, the economy was not diverse, that state did not have a broad based tax, and had a volatile and limited revenue stream from oil and investments. She asked him to discuss what made Alaska unique compared to other states. Mr. Williams agreed with her assessment. He related that the state's reliance on oil and gas was reduced to 30 percent significantly less than the roughly 80 percent in the past, which was viewed positively by rating agencies. However, 30 percent was still fairly high when compared to states with a broad based tax and it was a more volatile revenue stream to predict. Representative Galvin asked how many other states did not have any broad based tax. Mr. Williams would follow up. Representative Galvin voiced that it was important to understand why the states were in the middling ratings. She thought it would save the state money if the ratings were higher. Mr. Williams cited the Alaska Public Debt Book published in January 2025. The data contained the metric that a state used to determine the amount of debt it could tolerate compared to revenue. He delineated that the state fit well within the metrics at 4 percent to 7 percent. The

"hurdle" was to prove to the rating agencies that its debt was high quality but unique compared to other states structures.

[9:48:07 AM](#)

Representative Stapp surmised that if the Permanent Fund was removed from the equation the state clearly did not have enough revenue for its debt based on taxation. The value of the state's investment fund was likely why the state's credit rating was favorable. Mr. Williams agreed that the Point of Market Value (POMV) structure was a credit strength.

Mr. Williams continued to slide 18 titled "Current Municipal Market Update" and noted the data represented on the chart and graphs were collected in February 2025 and was outdated due to the market's recent extreme volatility. He pointed to the graph in the lower right corner that showed a spread of 25 to 35 basis points or .25 or .35 percent differential between an AAA to AA rating.

Representative Allard requested an updated version of the data with the acknowledgment that the market had remained volatile. Mr. Williams agreed to follow up with the information.

Mr. Williams continued on slide 19 titled "State's Debt Profile:"

Authorization Process

- All forms of State debt are authorized first by law
 - May be a one-time issuance amount or a not-to-exceed issuance limit in statute
 - General obligation bonds must then also be approved by a majority of voters
- General obligation bonds are the only debt secured by full faith credit and taxing authority
- All State debt must be structured and authorized by the State Bond Committee

- Includes general obligation bonds, subject to appropriation issues, and state revenue bonds

The State Bond Committee determines method and timing of debt issues to best utilize the state's credit and debt capacity while meeting the authorized project's cash flow needs

The State has established other debt obligations

- Reimbursement Programs

The School Debt Reimbursement Program ("SDRP") or HB 528 reimbursement, administered by Alaska Department of Education and Early Development and Department of Transportation and Public Facilities, respectively

SDRP: Not currently authorized for new debt and periodically funded (was most recently partially funded in 2017, 2020 and 2022, and no appropriation in 2021; however, supplemental budget appropriations offset prior year reductions)

- Retirement Systems

Unfunded actuarially assumed liability (UAAL) for defined benefit employees is guaranteed by the constitution

Annual payments on the UAAL of other employers is reflected as State debt in the Annual Comprehensive Financial Report (ACFR)

Some flexibility in how payments are made

Mr. Williams continued to slide 20 titled "State's Debt Profile:"

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

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Representative Johnson wondered how Alaska Industrial Development and Export Authority (AIDEA) debt factored into state debt. She asked whether a wall existed between AIDEA and the state. Mr. Williams answered that AIDEA debt was not included in state debt. Representative Johnson relayed that the potential of using AIDEA reserves for funding the budget could have an impact on its bond rating. She wondered how AIDEA's bond rating was separate from the states. Mr. Williams responded that AIDEA's debt was not a general obligation debt of the state. He recalled that AIDEA likely had its own security structure.

Representative Hannan asked how much was left on the debt for the Goose Creek bond. She asked whose obligation was it to pay it off bond debt if a prison was shuttered. Mr. Williams responded that the bonding was a Mat-Su Borough lease revenue bonds that included a subject to appropriation commitment by the state of Alaska to pay to lease purchase the facility. Therefore, it was "extremely important" to make the appropriation payment to purchase the facility. Representative Hannan asked how much was left on the debt. Mr. Williams responded that it was about \$100 million.

[9:55:58 AM](#)

Mr. Williams continued on slide 21 titled "Debt Service Profile:"

□ Debt Activity and Updates

- On 6/4/2024, the State closed on the GO Series 2024A Bonds, which refunded the outstanding GO Series 2010A, which contained a Federal (Build America Bond) subsidy. The state achieved total debt service savings of approximately \$4.5 million.

- On 8/15/2024, the State closed on the GO Series 2024B Bonds, and on 8/6/2024, the state priced the GO Series 2025A Bonds (Forward Delivery) to refund the outstanding GO Series 2015B, 2016A, and 2016B Bonds. Upon closure of the GO Series 2025A (Forward Delivery), the overall transaction reduces total debt service payments over the next 12 years by approximately \$19.5 million.

- SDRP Update: The enacted fiscal year 2025 budget funded the SDRP program at 100%, with an appropriation of approximately \$57.5 million to the Department of Education and Early Development, including an estimated \$44.4 million from UGF and \$13.1 million from the School Fund.

Mr. Williams relayed the information on the chart regarding General Obligation Bonds (GO) and noted the total remaining GO debt was approximately \$470 million. He pointed to the Subject to Appropriation: Certificated of Participation (COP's) and Lease Revenue, including Goose Creek and the Anchorage Parking facility that was approximately \$140 million which totaled \$608 million in remaining debt. He added that the School Debt Reimbursement Program totaled roughly \$368 million. He indicated that there were no remaining authorizations to issue GO debt at the state level.

Mr. Williams advanced to slide 22 titled "Debt Service Profile:"

GO bonds outstanding decline through FY2041

Recent Activity:

□ The State does not have unissued GO bonding authority and the State's remaining 2012 GO bond authorization was sold in FY2021 (\$453.2 million funded since 2012)

□ Net debt service of \$64.2 million in FY2025 declining to final payment of \$6.1 million in FY 2041

Mr. Williams highlighted that the state had a "modest debt program" with an "extremely accelerated principal paydown" of approximately 87 percent within a 10 year window. The annual debt payments were \$40 million to 60 million over the next seven years or so.

Mr. Williams moved to slide 23 titled "State's Debt Profile:" Outstanding Debt as of June 30, 2024 - By Type." He reported that the slide was an excerpt from the Alaska Public Debt book and broke down the outstanding debt for each type of bond.

Representative Bynum related that the school bond debt reimbursement moratorium was being lifted. He wondered what impact it would have on the state's debt service and bond ratings. Mr. Williams answered that the program had been in moratorium for around 10 years. The state's debt appropriation reimbursement was declining as no new entrants were allowed in the program. He thought that if it were reopened, communities could work with Department of Education and Early Development (DEED) on necessary projects. He was unsure of any impact or what would transpire.

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Representative Tomaszewski pointed to the Pension System Unfunded Actuarial Liability (UAAL) and asked about the unfunded liability of \$3.5 billion for the Public Employees' Retirement System (PERS) and \$1 billion for the Teachers Retirement System (TRS). He noted that on the previous slide it was reported as 98 percent funded. He asked for an explanation of the numbers. Mr. Williams responded that the reporting was combined with the pension and healthcare trusts. He reiterated that the numbers were further broken down in the annual actuarial reports and financial statements. It was common practice to combine both trusts in the UAAL totals. Representative Tomaszewski

asked how the number totaling \$4.4 billion was derived. Mr. Williams replied that the figure was accepted by the ARMB board in June 2024, from the 2023 actuarial report. Representative Tomaszewski ascertained that the ARMB board was looking at ways to retire debt. He asked what were the suggestions for "getting rid of the pension debt." Mr. Williams responded that there was a system to pay it down overtime and it was the decision of the Alaska Retirement Management Board.

[10:02:10 AM](#)

Mr. Williams turned to slide 24 titled "State's Debt Profile:" Outstanding Debt as of June 30, 2024 - By Type (cont.)" Mr. Williams underlined the University of Alaska's (UA) debt of \$229 million outstanding. The Alaska Housing Finance Corporation (AHFC) outstanding debt consisted of State Agency and Agency Collateralized or Insured Debt including Capital Project Bonds and Home and General Mortgage Revenue Bonds.

Mr. Williams continued to slide 25 titled "State's Debt Profile:" Outstanding Debt as of June 30, 2024 - By Type (cont.)," He noted that the total of Alaska's public debt was approximately \$11.6 billion. He discussed slide 26 titled "State's Debt Profile:"

Historical and Future Debt Service

- GF payment peaked in 2018 at approximately \$229 million
- FY2025 GF Debt service payments include approximately \$87.0 million in State GO and State Supported debt, and approximately \$60.0 million for State Supported municipal debt
- \$683.7 million in remaining debt service to maturity of outstanding GO debt (principal + interest, as of June 30, 2024, and \$599.9 million as of February 1, 2025, unaudited)

Mr. Williams continued on slide 27 titled " State's Debt Capacity:"

Debt Affordability Analysis

- Annual analysis required by AS 37.07.045 to be delivered by January 31
- Discusses credit ratings, current debt levels, history and projections
- Relies upon debt ratios, limit of four percent for directly paid state debt, and seven percent when combined with municipal debt that the state supports
- Identifies currently authorized, but unissued debt
- Establishes refinancing parameters
- Determines a long-term debt capacity at current rating level and debt profile
- Discusses, but doesn't define, a capacity for short-term debt
- The 2024-2025 analysis determined that the State had a debt capacity of approximately \$1,625 million - Adjustments made to base analysis to account for recognition of a POMV split for PFDs vs state budget, recognition of special funding for PERS/TRS and future budget uncertainty and volatility in the State's revenue sources

[Secretary Note: Mr. Williams stated the state's debt capacity at approximately \$1.6 billion and not million as noted on the slide.]

Co-Chair Foster asked Commissioner Crum if he had closing comments.

[10:04:27 AM](#)

ADAM CRUM, COMMISSIONER, DEPARTMENT OF REVENUE, (via teleconference), commented that it had been an active year in the capital markets. He reported that the state's recent activity had saved the state money and enhanced the overall economic market. He commended the debt manager and debt team for its hard work.

Co-Chair Foster reviewed the agenda for the afternoon meeting.

#

ADJOURNMENT

10:06:03 AM

The meeting was adjourned at 10:05 a.m.