

SENATE FINANCE COMMITTEE  
April 3, 2025  
9:32 a.m.

[9:32:03 AM](#)

CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at 9:32 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair  
Senator Donny Olson, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Mike Cronk  
Senator James Kaufman  
Senator Jesse Kiehl  
Senator Kelly Merrick

MEMBERS ABSENT

None

ALSO PRESENT

Fadil Limani, Deputy Commissioner, Department of Revenue;  
Ryan Williams, State Debt Manager, Department of Revenue.

SUMMARY

HB 56        APPROP: SUPPLEMENTAL; FUND CAP

HB 56 was SCHEDULED but not HEARD

PRESENTATION: DEPARTMENT OF REVENUE - STATE DEBT SUMMARY  
and CREDIT REVIEW

Co-Chair Hoffman discussed the agenda.

^PRESENTATION: DEPARTMENT OF REVENUE - STATE DEBT SUMMARY  
and CREDIT REVIEW

[9:33:12 AM](#)

FADIL LIMANI, DEPUTY COMMISSIONER, DEPARTMENT OF REVENUE, introduced himself and his team.

[9:33:58 AM](#)

Mr. Limani discussed a presentation entitled "State of Alaska - Credit Rating Outlook and Debt Summary" (copy on file). He looked at slide 2, "Introductions":

Fadil Limani  
Deputy Commissioner, DOR  
Ryan Williams  
State Debt Manager

Mr. Limani spoke to slide 3, "Framework":

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

[9:34:41 AM](#)

Mr. Limani referenced slide 4, "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. Limani reiterated that his office had been very busy with aggressive measures over the previous fiscal year to refinance the state's outstanding debt. He conveyed that historically the state had done one to two transactions, every other year, but in 2025 the department had executed 5 transactions within the last five months.

[9:37:34 AM](#)

Mr. Limani turned to slide 5, " 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
  - o 5.4X across the board

Mr. Limani he said that in previous testimony the Legislative Finance Division (LFD) alluded to the department's intent surrounding the refinancing transactions, suggesting that while the department was looking toward net present value savings while extending the maturities of the debt. He contended that this was not that case. He said that the debt had not been restructured or extended. He recounted that the Build America Bonds (BAB) had been issued in 2010 as part of the ARRA following the 2008-2009 financial recession.

Mr. Limani said that the subsidy rates had been reduced year over year starting in 2013, prompting states to worry about the subsidy rates over time. He stated that following the court ruling, there was an opinion issued by bond councils across the country, which referenced a provision that allowed for "extraordinary redemption provision." The provision allowed debt to be retired. The bonds had been taxable when issued, and the state saved approximately \$4 million by taking the debt at that time.

[9:40:56 AM](#)

Mr. Limani continued that since refinancing significant savings had been realized.

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Mr. Limani considered slide 6, "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
  - o 6.3 times across the board - 35 Investment Groups (i.e., Vanguard, Fidelity, Susquehanna, JPMIM, Brown Brothers, Blackrock)

[9:45:03 AM](#)

Mr. Limani displayed slide 7, "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
  - o \$67,750,000 Revenue Refunding Bonds 2025A Bonds (Bond Tender)
  - o \$50,210,000 Revenue Refunding Bonds 2025B Bonds (Forward Delivery)
  - o 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)

[9:47:14 AM](#)

Mr. Limani highlighted slide 8, "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)

[9:48:26 AM](#)

Senator Kiehl asked about the initial net administrative balance to refinance.

Mr. Limani deferred to Mr. Williams.

RYAN WILLIAMS, STATE DEBT MANAGER, DEPARTMENT OF REVENUE, recalled that the bonds were initially issued in 2008, and refinanced in 2015 and 2016. He said that at each of points in time, when the bonds were refunded, there had been advantageous savings on the annual payment. He offered to get back to the committee with information on the exact interest rate.

Senator Kiehl asked about the duration of the debt.

Mr. Williams believed it might have been 25 years. There was a ten-year call, and in 2015 and 2016 bonds could still be advance refunded. He said that the department had recently undergone the tender and forward delivery transaction in anticipation of the upcoming call date of the 2015 bonds.

Senator Kiehl thought the transaction had a 1.1-time subscription level while the others had 5 and 6. He asked if the difference signified that that the state "hit the pricing right."

Mr. Limani relayed that many of the other transactions had been earlier in the year and The Goose Creek Correctional transaction had been more recent. He lamented that the market had been volatile due to the current administration's tariffs. He stated that the treasury market had been "all over the place." He said that when the bonds had been well timed.

[9:51:47 AM](#)

Mr. Williams added that some investors did pass on prison credits. He said that purchase of the prison bonds versus GO bonds - there could be different sentiment.

[9:52:10 AM](#)

Senator Kiehl asked whether there was any reflection on pricing when considering demand.

Mr. Limani noted that there was a process for pricing. He said that based on the market feel, prices were set on the bonds. He said that variable prices were the trend, but fixed pricing still existed. With the Goose Creek transaction, the department had gone aggressive early in the process. He said that the state had maximized on the

savings. He spoke to the 5 and 5 subscription levels. He said that if many investors were interested in the bonds, the state would negotiate the pricing upward. He said that the pricing was market driven.

[9:54:50 AM](#)

Mr. Limani looked at slide 9, "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)

[9:56:17 AM](#)

Mr. Limani addressed slide 10, " 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
- Bond Rating General Information

[9:58:47 AM](#)

Mr. Limani advanced to slide 11, " 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

[10:00:19 AM](#)

Mr. Limani looked at slide 12, "State's Bond Rating Overview Bond Rating Scale," which showed an illustration of the bond rating scale, including Kroll, Moody's, S&P, and Fitch. The agencies had their own criteria and differed slightly. He noted that the evaluation metrics could be different but all focused on government framework, financial management, and budgetary performance.

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Mr. Limani showed slide 13, " State's Credit 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 transactions, 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.

Mr. Limani discussed efforts to obtain state credit rating improvements. He stated that messaging had been tailored to conform with rating agency criteria. He said that Alaska was a unique credit and agencies often had to use a separate criterion due to Alaska's uniqueness.

[10:03:40 AM](#)

Mr. Limani referenced slide 14, "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

**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

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Mr. Limani continued to address slide 14:

**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

[10:08:45 AM](#)

Senator Merrick noted that the governor had proposed using about half of the Constitutional Budget Reserve (CBR) to fill the deficit. She wondered whether that would affect the bond rating.

Mr. Limani relayed that the CBR was one element of the rating agency perspective. He thought that it was hard to distinguish how using the CBR would affect the rating. He said that rating agencies would take a holistic view of the state's finances. He thought it was hard to pinpoint an impact due to other factors. He felt depletion of financial resources would be an indicator that would be examined to determine the financial health of the state.

[10:10:23 AM](#)

Mr. Limani turned to slide 15, "State's Bond Rating Overview," which had a snapshot of the historical ratings for the state:

**Moody's Investor Service**

July 13, 1961 - Baa  
September 12, 1969 - Baa1  
August 29, 1974 - A1  
June 13, 1980 - Aa  
November 26, 1998 - Aa2  
November 22, 2012 - Aaa  
February 29, 2016 - Aa1  
July 25, 2016 - Aa2  
July 13, 2017 - Aa3

**S&P Global Ratings**

June 4, 1971 - A  
January 23, 1975 - A+  
Juneau 14, 1980 - AA-  
August 5, 1992 - AA  
March 27, 2008 - AA+  
January 5, 2012 - AAA  
January 5, 2016 - AA+  
July 18, 2017 - AA  
April 17, 2020 - AA-  
April 30, 2024 - AA

**Fitch Ratings**

May 3, 1994 - AA  
March 25, 2010 - AA+  
January 7, 2013 - AAA  
June 14, 2016 - AA+  
November 2, 2017 - AA  
September 5, 2019 - AA-  
May 6, 2020 - A+

### **Kroll Bond Rating Agency**

July 20, 2023 - AA

February 25, 2025 - AA+

- 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. Limani said that in 2018-2019, there had been an analyst from Fitch Ratings that had taken exceptions to some of the state's budgetary policies and had done forward looking assessments that had then been reflected into the credit profile. Mr. Limani shared that the practice was questionable and had led to the state receiving a lower score. The analyst was no longer with Fitch, but the state had not used them since 2020.

[10:12:47 AM](#)

Co-Chair Stedman noticed that back in 2010, Moody's had given a AAA, and noted similar scores from S&P and Fitch. He wondered how the state could get a AAA score from Kroll.

Mr. Limani thought there were some indicators provided through feedback. He said having ample reserves and pension system funding were a significant factor. He summarized that there were many elements that were looked at when determining the rating.

Co-Chair Stedman asked how the rating agencies dealt with submitted budgets with a deficit and then later balanced.

Mr. Limani conveyed that rating agencies recognized that it was a process. He said that ratings were based on the information available when the budget was released on December 15<sup>th</sup>. He furthered that rating agencies followed the budget through the legislative process as the legislative branch worked to deliver a balanced budget.

10:15:54 AM

Senator Kaufman asked about the "Improved economic demographics" bullet point on the bottom of slide 14.

Mr. Limani replied that historically the state had been under the national average when it came to employment opportunities in the state, unemployment, and GDP. He said that for the first time many of those trends were trending above the national average, which was an indicator that the state was "moving in the right direction."

Senator Kaufman thought it was nice to hear some good news.

10:17:04 AM

Senator Kiehl asked about the same point. He understood from testimony earlier in the week that non-resident jobs were up in all highest income industries, the working age population was falling, and out-migration was slowing. He wondered whether these things factored into the demographics as defined by that bullet point.

Mr. Limani replied that employment numbers were above the national average, much of it driven by projects on the North Slope. He relayed that he was not sure how much the rating agencies investigated the composition of the workforce.

Senator Kiehl surmised that the rating was not a reflection of the state's economy and demographics for residents.

Mr. Limani affirmed that agencies did look at the overarching demographics, but he was uncertain as to the level of granularity for each factor.

Senator Kaufman asked whether the bond markets had offered feedback on what a good gas pipeline package would be structured.

Mr. Limani responded that rating agencies had been monitoring the gasline project for a while and had always considered it in the long-term outlook for the state. The current federal administration was excited about the project, which had rating agencies attention. He said that agencies were watching closely to see how the project advanced.

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Senator Merrick asked whether rating agencies would have access to the contract between Glenfarne and the Alaska Gasline Development Corporation (AGDC) to examine the kind of risk and liability state was taking on.

Mr. Limani responded that he could not answer the question. He noted confidentiality provisions and said that the rating agencies had not asked for the information.

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Mr. Limani considered slide 16, "State's Bond Rating Overview," which showed where Alaska was in comparison to other state's credit ratings.

[10:22:43 AM](#)

Mr. Limani displayed slide 17, "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

10:24:09 AM

Mr. Williams highlighted slide 18, " Current Municipal Market Update\*," which showed already outdated information due to rate volatility. He noted that there was about a 20-basis point differential as of the current moment. The chart and graphs offered a snapshot showing that rates were still low but were higher than five years ago.

10:25:02 AM

Mr. Williams looked at slide 19, "State's Debt Profile," which offered a bulleted list of the 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
    - o 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
    - o 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
      - o 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

- o Unfunded actuarially assumed liability (UAAL) for defined benefit employees is guaranteed by the constitution
- o Annual payments on the UAAL of other employers is reflected as State debt in the Annual Comprehensive Financial Report (ACFR)
- o Some flexibility in how payments are made

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Mr. Williams addressed slide 20, " State's Debt Profile

Types of Alaska Public Debt

- State Debt
- State Guaranteed Debt
- State Supported Debt
- Unfunded Actuarial Accrued Liability (UAAL)
- State Moral Obligation Debt
- State Supported Municipal Debt - Eligible for State Reimbursement
- State and University Revenue Debt
- State Agency Debt
- State Agency Collateralized or Insured Debt
- Municipal Debt

[10:27:19 AM](#)

Mr. Williams advanced to slide 21, "Debt Service Profile," which showed the types of debt obligation, par remaining, int. remaining, year of final maturity, FY2025 UGF payment, and total debt service to maturity. He noted that the "as-of date" was February 1, 2025, which signified that the payments had already gone out. The bottom of the slide offered Debt Activity Updates:

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.

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Co-Chair Stedman asked to go back to slide 20. He reflected that it would be nice to put a numeric value to the public debt types listed on the slide. He thought that this would give a better picture of the various debt levels.

Co-Chair Hoffman agreed.

Mr. Limani agreed to provide the information to the committee.

[10:28:50 AM](#)

Mr. Williams looked at slide 22, "Debt Service Profile,":

**Recent Activity:**

- o 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)
- o Net debt service of \$64.2 million in FY2025 declining to final payment of \$6.1 million in FY2041bonds outstanding decline through FY2041

Mr. Williams commented on the total general obligation debt currently outstanding as of February 1, 2025. He discussed the 10-year paydown of 86.8 percent of total outstanding principal and highlighted the annual GO debt service by fiscal year in the millions.

[10:29:25 AM](#)

Co-Chair Stedman referenced the chart on the lower left, which showed the 10-year paydown. He thought it would be helpful to know the previous debt levels, prior to FY2025.

Mr. Williams agreed to provide the information.

[10:29:58 AM](#)

Mr. Williams spoke to slide 23, "State's Debt Profile," which showed an excerpt from the Alaska Public Debt Book. He listed the numerical values for each individual type of state debt, specifically the principal outstanding debt (millions) as of June 30, 2024:

State Debt

State of Alaska General Obligation Bonds - \$523.5

State Guaranteed Debt

Alaska Housing Finance Corporation Collateralized Bonds (Veterans' Mortgage Program) - \$86.5

State Supported Debt - \$149.5

State Supported Municipal Debt - \$379.1

Pension System Unfunded Actuarial Accrued Liability - \$4,404.0

State Moral Obligation Debt - \$1,179.7

State Revenue Debt - \$227.9

University of Alaska Debt - \$456.7

State Agency Debt - \$1,464.8

State Agency Collateralized or Insured Debt - \$1,292.5

Total State Agency Debt - \$9,936.2

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AT EASE

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RECONVENED

Mr. Williams turned to slide 25, "State's Debt Profile," which showed the total Alaska public debt, outstanding as of June 30, 2024, at \$11,627.2.

Mr. Williams considered slide 26, "State's Debt Profile," which addressed 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)

He noted that the graphs on the right of the slide illustrated the bullet points on the left-hand side.

[10:33:29 AM](#)

Co-Chair Stedman asked for Mr. Williams to enlarge the graphs on slide 26.

Mr. Williams agreed.

[10:33:49 AM](#)

Mr. Williams displayed slide 27, "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

Mr. Limani added that the estimated debt capacity for 2024-2025 had increased approximately \$2 million from the previous year.

Co-Chair Hoffman asked Mr. Limani to provide the committee with historical debt capacities for the previous decade.

Mr. Limani agreed.

[10:35:15 AM](#)

Senator Kiehl asked about more information on the debt ratios.

Mr. Limani agreed to provide the information.

Mr. Limani showed slide 28, "Questions?":

Contact					
Fadil Limani,	DOR	Deputy	Commissioner	-	
Fadil.Limani@alaska.gov					
Ryan Williams,	DOR	Debt	Manager	-	
Ryan.Williams@alaska.gov					

[10:35:47 AM](#)

Co-Chair Stedman wondered about the parameters for what the state could or could not issue debt for.

Mr. Williams asked whether Co-Chair Stedman was looking for what the state could issue debt for.

Co-Chair Stedman asked whether the state could borrow money in the bond market for day-to-day operations.

Mr. Limani replied in the negative.

Mr. Williams relayed that the state could issue revenue anticipation notes that would have to be paid back in the following fiscal year.

Co-Chair Hoffman thought it should also be noted that GO Bonds were issued by the legislature and went directly to

voters for approval. The bonds did not require the governor's approval.

[10:38:06 AM](#)

Senator Kaufman wondered if there were any recommendations to help the state present well to the bond market.

Mr. Limani thought timing was significant. He said that an understanding of which areas of the state would be the focus and which projects.

Mr. Limani thanked the committee.

Co-Chair Hoffman discussed housekeeping.

#

ADJOURNMENT

[10:40:25 AM](#)

The meeting was adjourned at 10:40 a.m.