

ALASKA LEGISLATURE

1872

HOUSE and SENATE FINANCE COMMITTEE FILES, 1999 - 2000

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Just think about ...
 the one person who stands out in your life as a great mentor. Do you recall a teacher whose advice you could always count on? Was it a friend who would drop everything when you had a problem and just needed someone who would listen? Or, does a family member fit the description of that close confidante who can always be counted for non-judgemental support? Maybe you are, or can be, that person for someone else!

Can you imagine...
 where you might be if you didn't have a network of friends, family members or others to lean on every once and a while — someone to provide you with moral support, personal and professional experience, referrals to services, practical advice, and sounding boards for your own ideas.

You just feel better knowing they are a part of your life and you are a part of their's. After all, personal and professional contacts are among the most important ingredients to a productive and successful life.

Family Pathfinders.

The Family Pathfinders project supports families in their path from welfare dependence to independence. Mentor teams work with selected families to provide a support system and help ensure their chances for success.

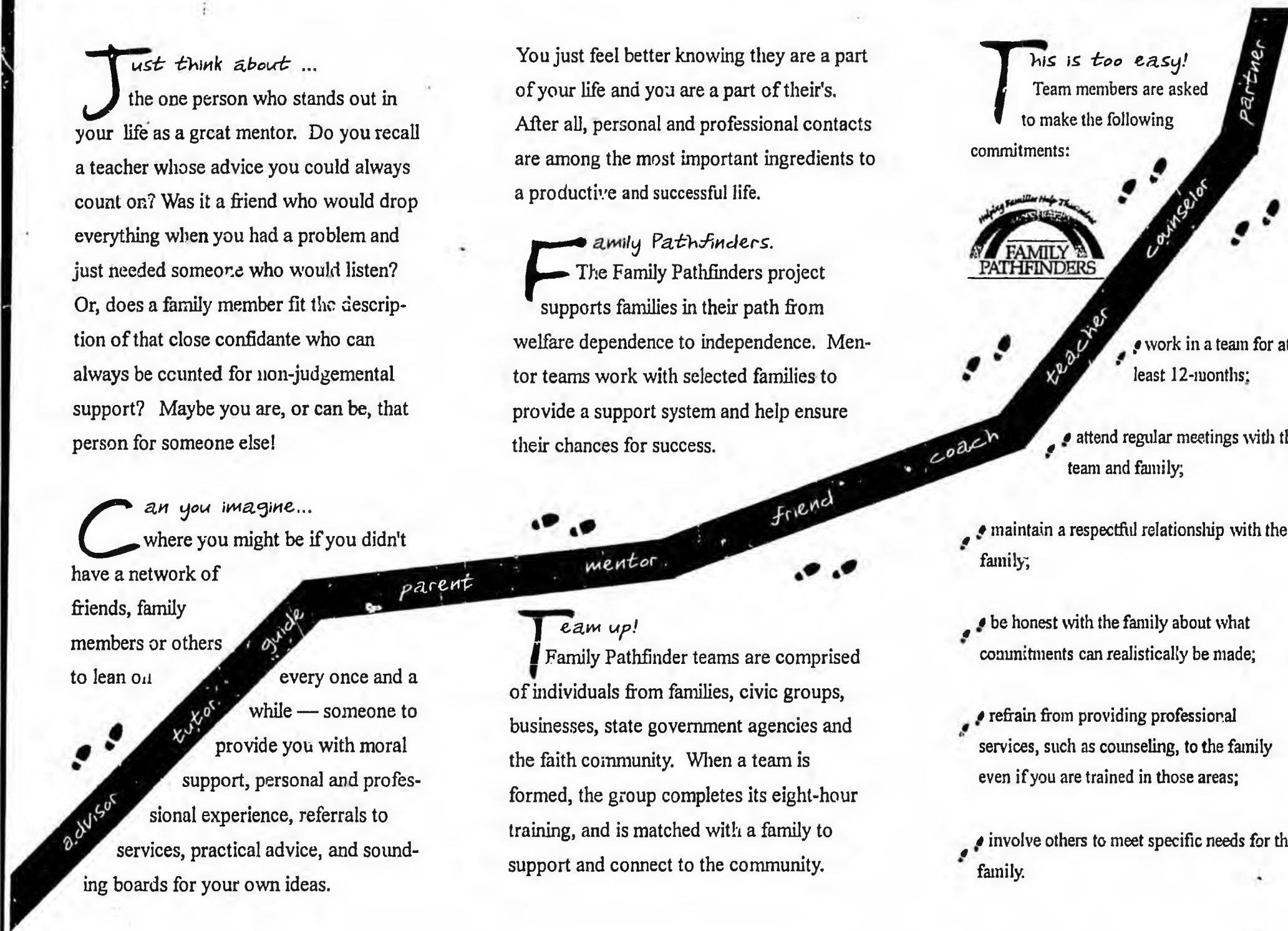
Team up!

Family Pathfinder teams are comprised of individuals from families, civic groups, businesses, state government agencies and the faith community. When a team is formed, the group completes its eight-hour training, and is matched with a family to support and connect to the community.

This is too easy!
 Team members are asked to make the following commitments:



- work in a team for at least 12-months;
- attend regular meetings with the team and family;
- maintain a respectful relationship with the family;
- be honest with the family about what commitments can realistically be made;
- refrain from providing professional services, such as counseling, to the family even if you are trained in those areas;
- involve others to meet specific needs for the family.



1/25/00

**Alaska Department of Health & Social Services
Division of Public Assistance
Performance Measures**

PROGRAM OBJECTIVE: Client reaches highest level of economic self-sufficiency.

DESIRED OUTCOMES	PERFORMANCE MEASURES
Increase the percentage of Temporary Assistance clients who obtain paid employment.	Percentage of Temporary Assistance adults with earned income. Percentage of closed Temporary Assistance cases with earned income. Percentage of Temporary Assistance clients with hours of paid employment greater than an average of 30 hrs./week. Rate of job-entry for Temporary Assistance adults in the fiscal year.
Increase the percentage of current and former clients who retain paid employment.	Rate of increase in total earnings of employed Temporary Assistance adults. Rate of job retention of Temporary Assistance adults.
Increase the percentage of Temporary Assistance children who receive Child Support from absent parents.	Percentage of Temporary Assistance families receiving child support. Percentage of Temporary Assistance families with earned income <u>and</u> child support. Percentage of <u>closed</u> Temporary Assistance cases with earned income <u>and</u> child support.
Clients obtain high quality jobs.	Percentage of employed Temporary Assistance families with employer provided health insurance. Average hourly wage of working Temporary Assistance adults.

PROGRAM OBJECTIVE: Responsible stewardship.

DESIRED OUTCOMES	PERFORMANCE MEASURES
Benefits are timely.	Percentage of Customer Service Assessments reflecting timely benefits.
Benefits paid are accurate.	Food Stamp payment accuracy rate. Temporary Assistance payment accuracy rate.
Clients participate in work activities.	Percentage of Temporary Assistance families participating in federally countable work activities. Percentage of clients not participating in work activities because of lack of child care
All overpayments are repaid.	Percentage of overpaid Temporary Assistance dollars collected from families. Percentage of overpaid FS dollars collected from families.
Clients become self-sufficient before the 5 year Temporary Assistance time limit.	Percentage of families with benefits for 60 months or more.

Alaska Temporary Assistance Program Evaluation

Purpose of the project:

- To learn more about the status of families that have left the Temporary Assistance Program, and the reasons why some have returned.
- The information will be used to strengthen the program in the goal of moving families toward self-sufficiency.

Evaluators: Institute for Circumpolar Health Studies and the UAA School of Social Work, in consultation with a Citizens Advisory Committee. The Advisory Committee will work with the evaluators to:

- monitor the course of the evaluation project,
- assist the evaluators in the analysis and interpretation of data,
- review and comment on evaluation findings and recommendations.

Timelines: October 1999 – August 2000 (first draft report)

Budget: \$249,625

Primary research question:

- Is the Department of Health and Social Services achieving the goal of moving recipients into jobs so they can support their families?

Evaluation Objectives:

- To assess the characteristics of families who have left the welfare roles (leavers) since July 1997.
- To learn more about families who have moved into jobs to support their families.
- To identify those factors associated with staying off welfare.
- To compare leavers with those families that have returned to the welfare roles after a period of absence (returners).

What are we measuring? – evaluation constructs:

- | | | |
|----------------------------|-----------------------------|---------------------------|
| ▪ Basic leaver information | ▪ Current & past employment | ▪ ATAP services received |
| ▪ Leaver demographics | ▪ Other sources of income | ▪ Other services received |
| ▪ Child care | ▪ Housing | ▪ Transportation |
| ▪ Health factors | ▪ Client perceptions | ▪ Rural issues |

Method:

- Conduct client survey
- Review case files
- Analyze with DPA administrative data and other data available to DPA

1/26-1/27/00

Overview:

GO

Bonds

HFIN

FILE

Presentation to

**Joint House and Senate Finance Committee
State of Alaska Twenty-First Legislature**

Bond Financing Presentation

2/30/00
Go Bond
Joint H+G
H Fin
1999-2000

March 30, 2000

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SALOMON SMITH BARNEY

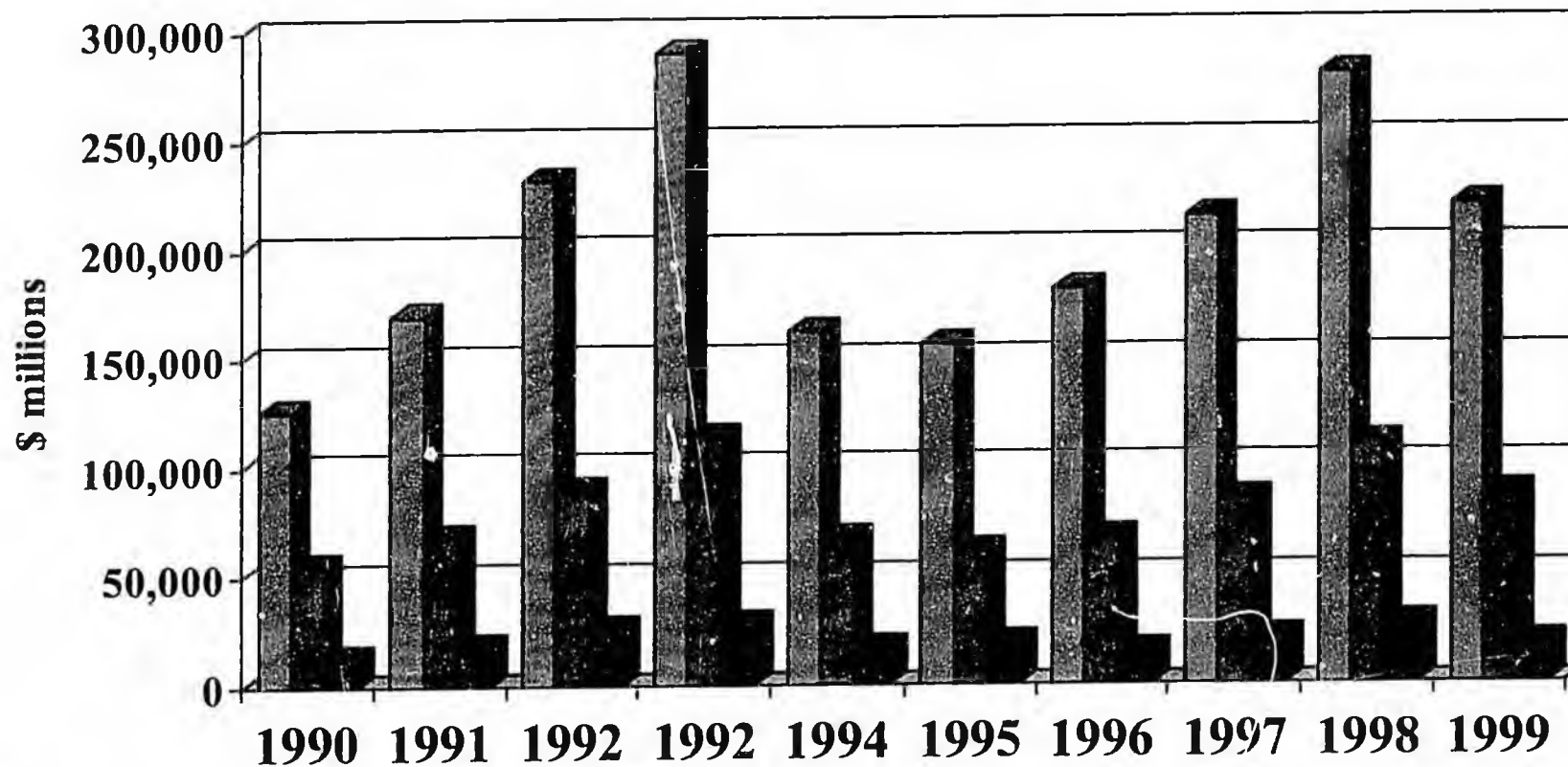
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Bond Market Overview

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Overview of the Municipal Bond Market



Overall Municipal Volume
 State Issued Volume
 State Issued G.O. Bond Volume

Average Annual Volume: \$203.0 billion
 Average Annual State Bond Volume: \$80.3 billion
 Average Annual State G.O. Bond Volume: \$19.9 billion

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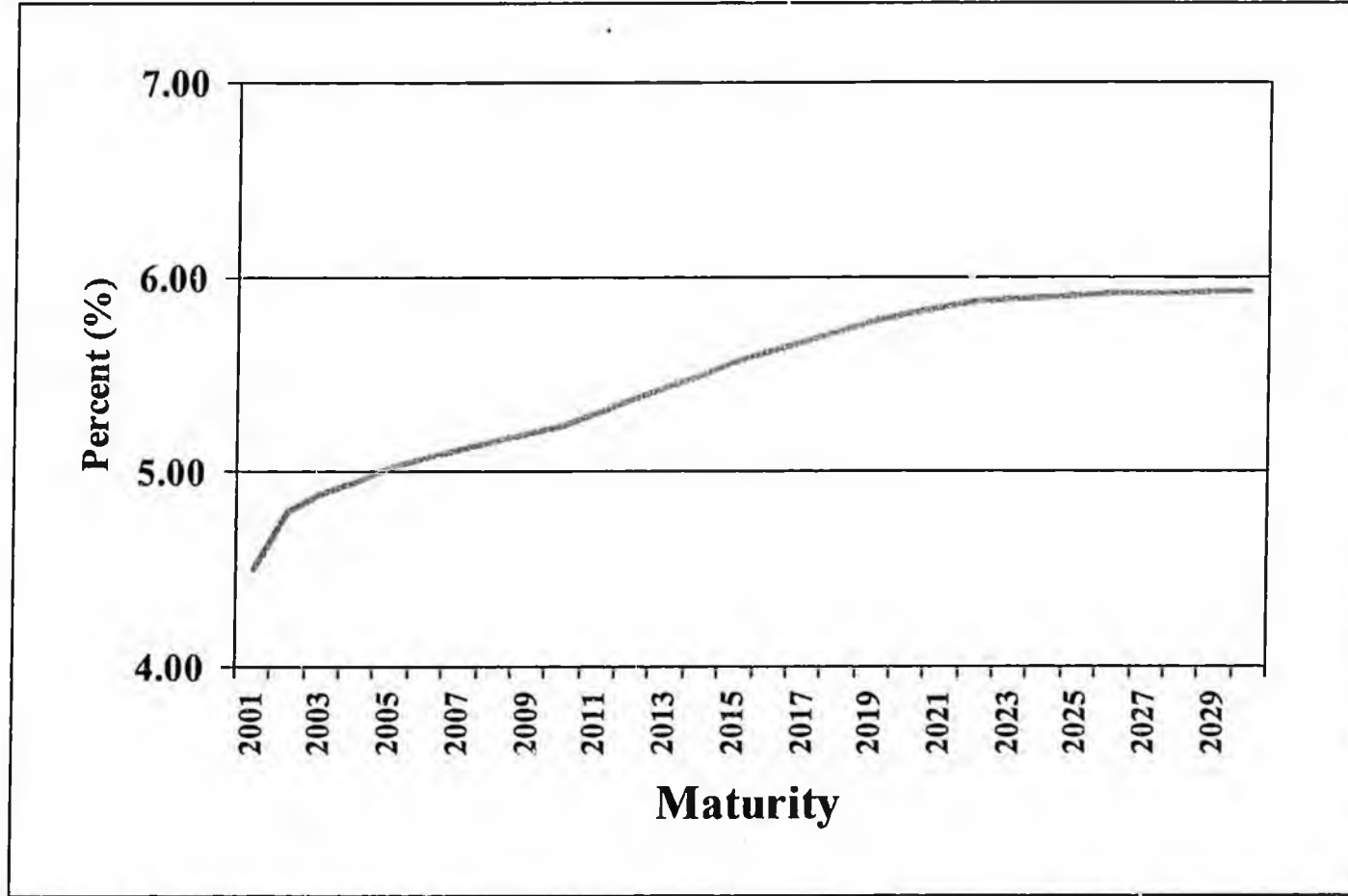
Historical Municipal Market Interest Rates

Bond Buyer General Obligation Bond Index
1984 to Present



Indicative Interest Rates for State of Alaska Bonds

(As of March 27, 2000)



Types of Debt Instruments

- ✦ General Obligation Bond
 - full faith and credit pledge of issuer
- ✦ Certificates of Participation and Lease Revenue Bonds
 - limited obligation pledge subject to annual legislative appropriation
- ✦ Revenue Bonds
 - pledge of enterprise revenues or revenues from pledged collateral
 - limited recourse by bondholders to pledged revenues
- ✦ Other Bonds and Securitizations
 - non-recourse obligations
 - credit risk is shifted entirely to investor

Bond Ratings Discussion

- ◆ A bond rating is:
 - A shorthand symbol denoting credit quality and expresses the level of risk of repayment
 - An assessment of the ability, willingness and legal obligation of an issuer to make full and timely payments of principal and interest
 - An objective assessment of relative creditworthiness
 - An independent opinion about the future
 - Designed to rank within a consistent framework, the relative repayment risk of each debt issuer

- ◆ A bond rating is not:
 - A rating of government, but a rating of relative credit quality
 - An audit
 - Denoting quality of life
 - A measure of the relative worth of an issuer

Investment Grade Rating Categories

- ◆ Bond ratings for the majority of municipal bonds are in the investment grade categories

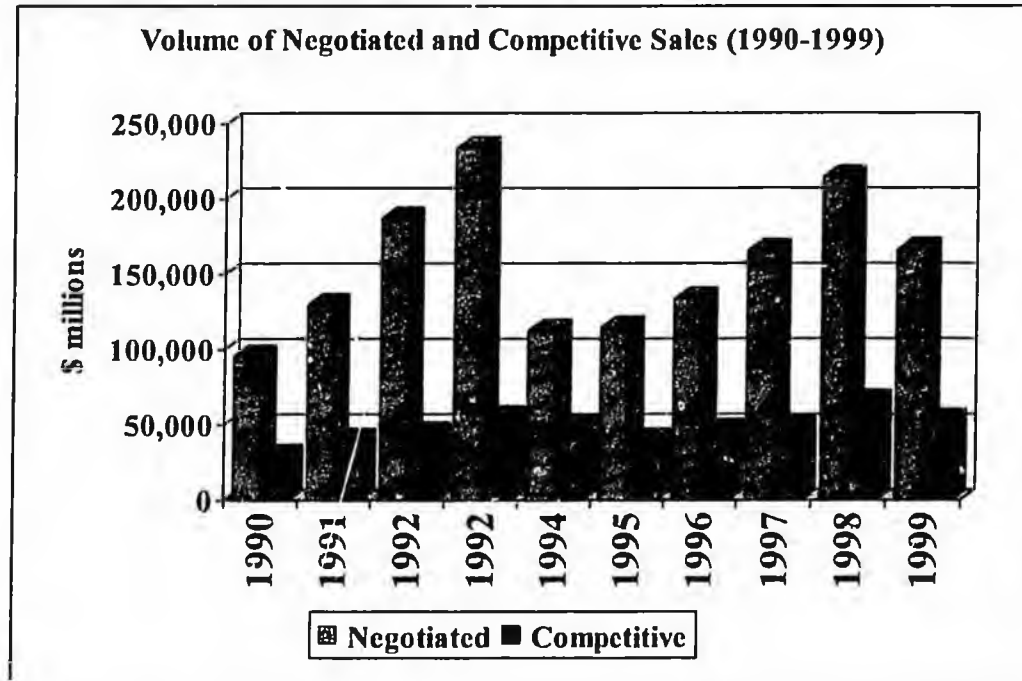
Investment Grade Rating Symbols for the Three Major Rating Agencies

	<u>Moody's</u>	<u>Standard & Poor's</u>	<u>Fitch</u>
Prime Grade	Aaa	AAA	AAA
High Grade	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
Upper Medium High Grade	A1	A+	A+
	A2	A	A
	A3	A-	A-
Medium Grade	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-

- ◆ State of Alaska's General Obligation bonds have been rated Aa2/AA(prior)/AA and its limited obligations and certificates of participation are rated A1/A+/NR
- ◆ A majority of state general obligations are rated prime grade or high grade
- ◆ Only three states have ratings in the medium grade category

Method of Bond Sales: Negotiated vs. Competitive

- ◆ **Negotiated Underwriting** - The sale of bonds is by negotiation with an underwriter rather than by competitive bidding
- ◆ **Competitive Underwriting** - A sale of bonds in which underwriters or syndicates of underwriters submit sealed bids to purchase securities and award is based solely on interest cost



- ◆ Issues to consider:
 - Frequency of issuance
 - Ratings/credit issues
 - In-state priority
 - Size
 - Market familiarity
 - Complexity/structuring issues

Impact of Amortization Schedule on Annual Debt Service

\$100,000,000 of Bonds

<u>Amortization</u>	<u>Level Debt Annual Debt Service</u>
10 years	\$13,586,000
15 years	10,296,000
20 years	8,718,000
30 years	7,264,000

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General Obligation Bonds

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General Obligation Bonds

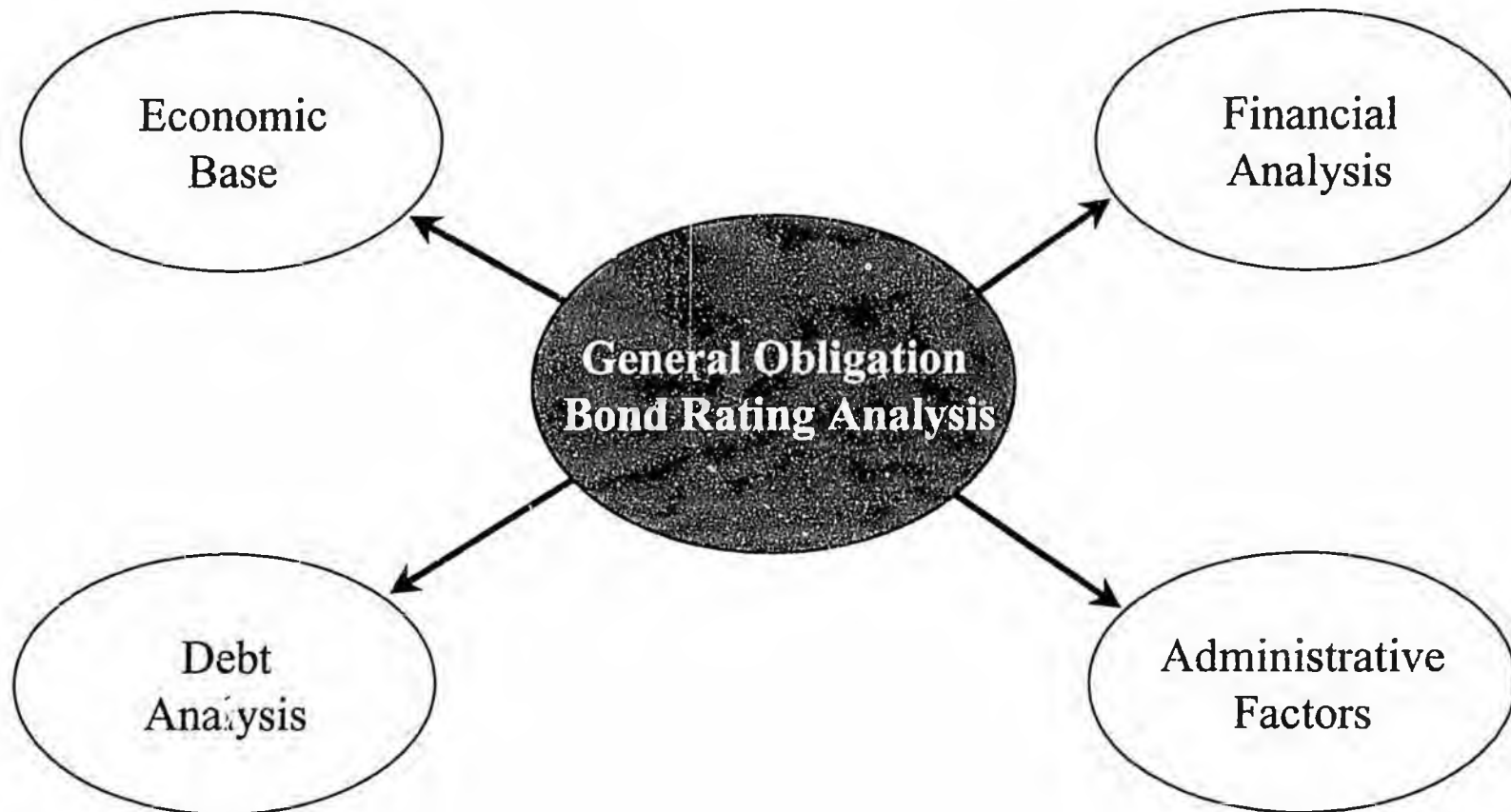
◆ Overview

- Strongest form of repayment and generally lowest borrowing cost
- Secured by the full faith and credit of an issuer
- Issuer pledges to repay the debt with all revenues and resources within its powers
- The issuer pledges to repay general obligation debt without limitation as to rate or amount

◆ State General Obligation Bonds

- Frequent financing vehicle for states
- Forty states currently have outstanding General Obligation Bonds
- Ten states that do not issue General Obligation Bonds generally issue other types of bonds and/or lease obligations
- State General Obligation Bonds are the highest rated class of bonds and generally the most secure debt offered in the municipal bond market

Rating Analysis Factors for General Obligation Bonds



Rating Factors for General Obligation Bonds

- ◆ Economic Base
 - Income levels
 - Rate of income growth
 - Employment mix analysis
 - Population growth
- ◆ Financial Analysis
 - Historical budget and audit report analyses
 - Ability to meet present needs as well as its future needs
 - Concentrate on the main operating funds that are basically tax-supported
- ◆ Debt Analysis
 - Debt history
 - Debt payout schedules
 - Ability to operate within a budget that meets the ongoing capital needs along with the debt obligations
 - Past voter-approved bond authorization trends
- ◆ Administrative Factors
 - Management controls
 - Long-range planning
 - Budgeting techniques
 - Tax rates, levies, collection and property valuation and assessment trends

Rating Factors for Alaska's General Obligation Bonds

- ◆ **Economic Base**
 - Dependent on natural resource industries
 - non-renewable oil extraction industries
 - renewable resources fishing and timber
 - Tourism
 - Military bases

- ◆ **Financial Analysis**
 - Trend in expenditures
 - Revenue dependency and volatility and the Prudhoe Curve
 - Reserves (Constitutional Budget Reserve and Alaska Permanent Fund)

- ◆ **Debt Analysis**
 - Very low net debt after deductions for self-supporting and guaranteed debts
 - Debt conservatively managed and structured to the Prudhoe Curve

- ◆ **Administrative Factors**
 - Forecasting ability
 - Investment strategies and performance
 - Reserving policies
 - Services provided

Total Net Tax-Supported Debt (\$ millions)

1	New York	\$36,924	17	Wisconsin	\$3,602	34	New Mexico	\$1,087
2	California	21,690	18	Kentucky	3,009	35	Oregon	1,042
3	Massachusetts	16,129	19	North Carolina	2,624	36	Oklahoma	946
4	New Jersey	14,691	20	Mississippi	2,453	37	Nevada	842
5	Florida	13,087	21	Minnesota	2,451	38	New Hampshire	681
6	Connecticut	10,016	22	Louisiana	2,206	39	Maine	612
7	Illinois	9,136	23	Alabama	2,196	40	Vermont	549
8	Ohio	7,518	24	Arizona	1,688	41	Arkansas	441
9	Washington	7,351	25	Rhode Island	1,646	42	Montana	310
10	Pennsylvania	7,203	26	Kansas	1,595	43	Iowa	303
11	Texas	5,917	27	Utah	1,477	44	South Dakota	242
12	Georgia	5,427	28	South Carolina	1,347	45	Alaska	161
13	Maryland	4,627	29	Indiana	1,337	46	Wyoming	114
14	Michigan	3,931	30	Missouri	1,337	47	Idaho	105
15	Virginia	3,918	31	Tennessee	1,247	48	North Dakota	93
16	Hawaii	3,619	32	Delaware	1,164	49	Nebraska	37
			33	West Virginia	1,159	50	Colorado	33

Source: Moody's 2000 State Debt Medians

Net Tax-Supported Debt per Capita

1	Hawaii	\$3,054	17	Wisconsin	\$686	34	South Carolina	\$347
2	Connecticut	3,052	18	Ohio	668	35	North Carolina	343
3	Massachusetts	2,612	19	California	654	36	South Dakota	330
4	New York	2,029	20	West Virginia	641	37	Oregon	314
5	New Jersey	1,804	21	New Mexico	625	38	Texas	295
6	Rhode Island	1,661	22	Kansas	601	39	Oklahoma	282
7	Delaware	1,544	23	Pennsylvania	601	40	Alaska	260
8	Washington	1,277	24	Virginia	570	41	Missouri	245
9	Vermont	925	25	New Hampshire	567	42	Wyoming	238
10	Maryland	895	26	Minnesota	513	43	Tennessee	227
11	Mississippi	886	27	Louisiana	505	44	Indiana	225
12	Florida	866	28	Alabama	503	45	Arkansas	173
13	Kentucky	760	29	Maine	488	46	North Dakota	147
14	Illinois	753	30	Nevada	466	47	Iowa	106
15	Georgia	697	31	Michigan	398	48	Idaho	84
16	Utah	693	32	Arizona	353	49	Nebraska	22
			33	Montana	351	50	Colorado	8

Source: Moody's 2000 State Debt Medians

Mean: \$727
Median: \$540

Net Tax-Supported Debt as a % of 1998 Personal Income

1	Hawaii	11.6%	17	Georgia	2.8%	34	Michigan	1.5%
2	Connecticut	8.1%	18	Wisconsin	2.7%	35	South Dakota	1.5%
3	Massachusetts	8.0%	19	Ohio	2.7%	36	North Carolina	1.4%
4	New York	6.4%	20	Illinois	2.6%	37	Oklahoma	1.3%
5	Rhode Island	6.2%	21	Kansas	2.4%	38	Oregon	1.3%
6	New Jersey	5.3%	22	California	2.4%	39	Texas	1.2%
7	Delaware	5.2%	23	Louisiana	2.4%	40	Wyoming	1.0%
8	Mississippi	4.7%	24	Alabama	2.3%	41	Alaska	1.0%
9	Washington	4.6%	25	Pennsylvania	2.2%	42	Missouri	1.0%
10	Vermont	3.8%	26	Maine	2.1%	43	Tennessee	1.0%
11	Kentucky	3.5%	27	Virginia	2.1%	44	Indiana	0.9%
12	Florida	3.4%	28	New Hampshire	2.0%	45	Arkansas	0.9%
13	Utah	3.3%	29	Minnesota	1.9%	46	North Dakota	0.7%
14	West Virginia	3.3%	30	Nevada	1.8%	47	Iowa	0.4%
15	New Mexico	3.1%	31	Montana	1.7%	48	Idaho	0.4%
16	Maryland	3.0%	32	South Carolina	1.6%	49	Nebraska	0.1%
			33	Arizona	1.6%	50	Colorado	0.0%

Mean: 2.7%
Median: 2.2%

Source: Moody's 2000 State Debt Medians

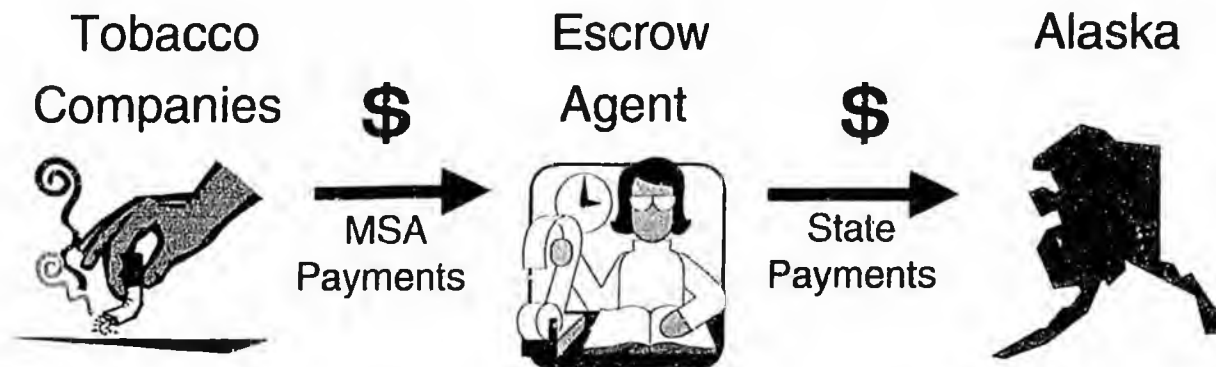
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Tobacco Securitization

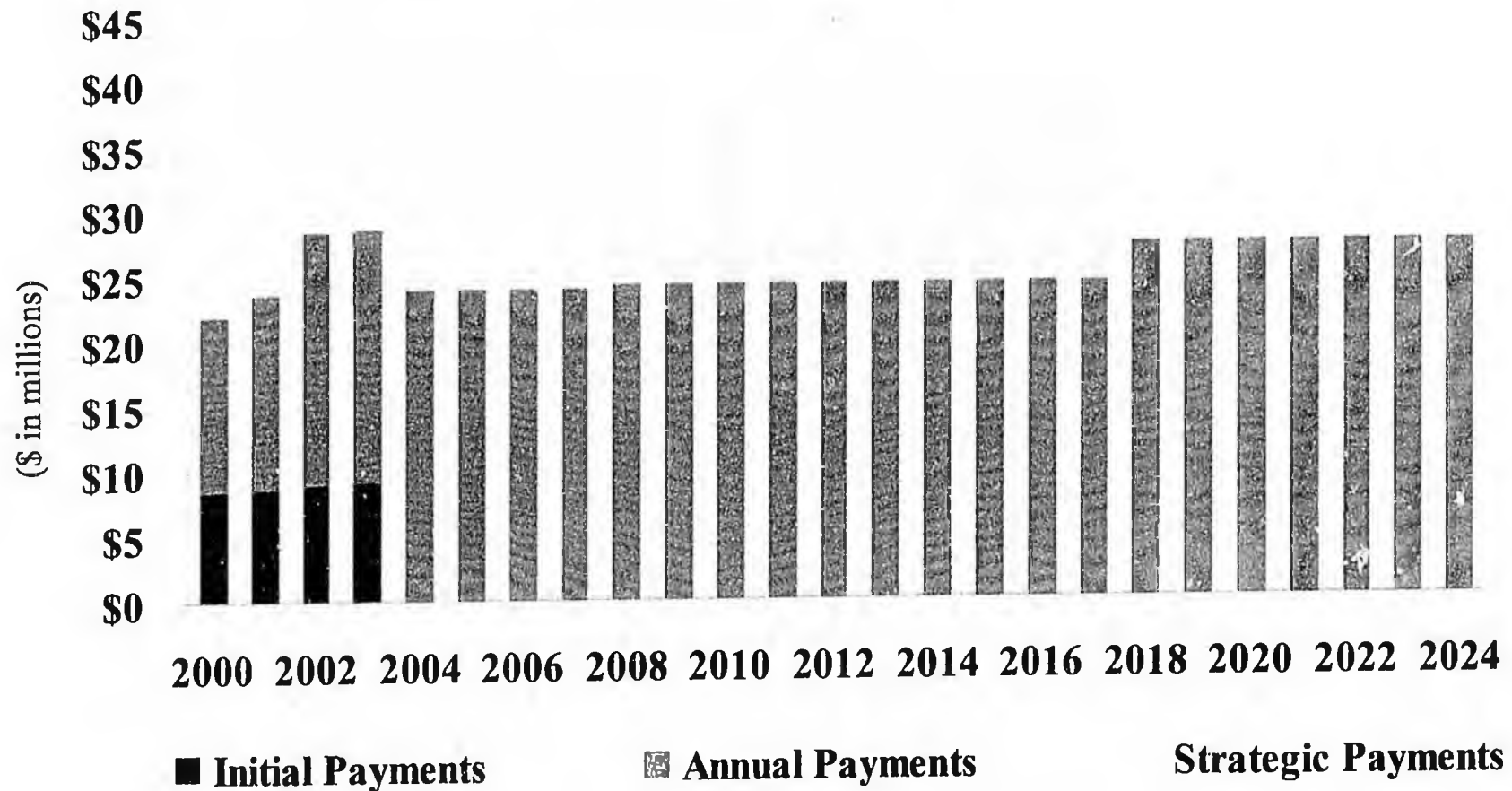
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Tobacco Master Settlement Agreement

- The Master Settlement Agreement (“MSA”) is an agreement between settling tobacco companies and 46 states, including Alaska
- The settling companies have agreed to make payments to the states in perpetuity, based on domestic cigarette consumption
- The State of Alaska is entitled to receive 0.3414187% of the base payments under the MSA

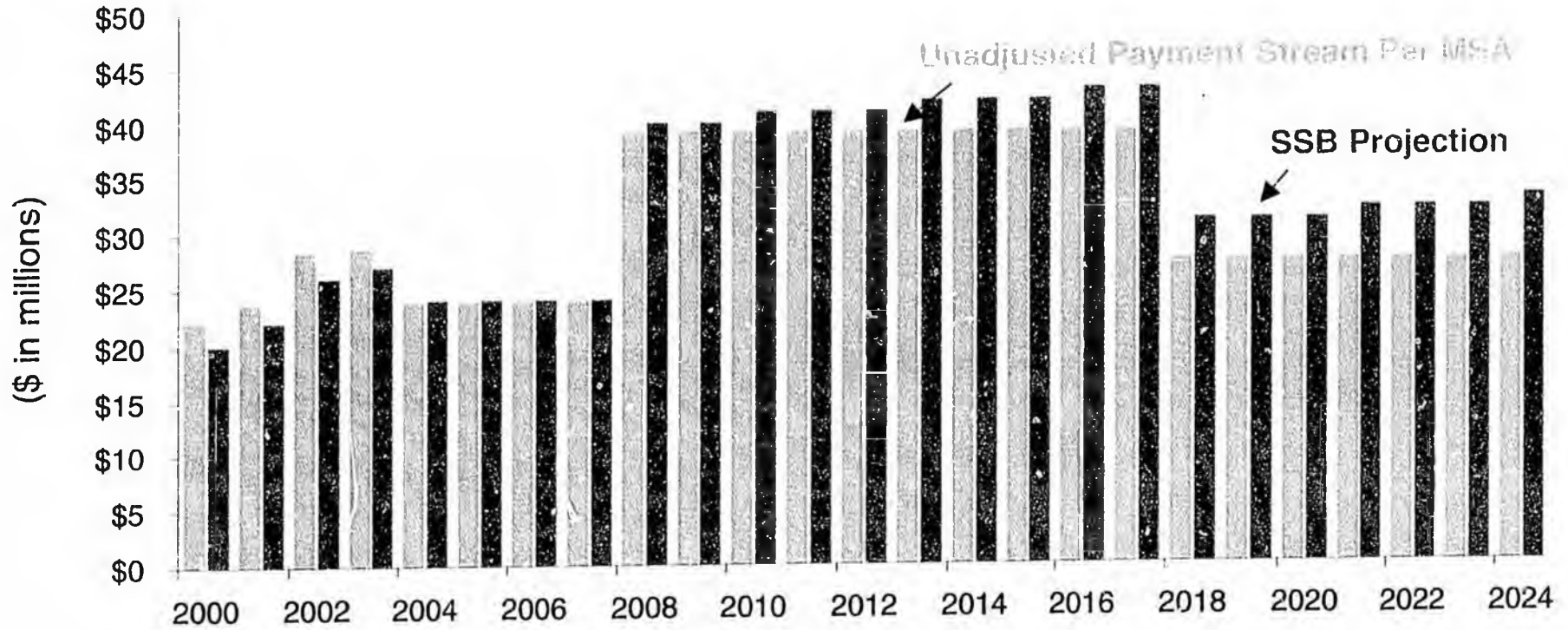


Unadjusted MSA Payments to Alaska



These payments do not include those made to the Previously Settling States

MSA Payments to Alaska: Unadjusted vs Adjusted



These payments do not include those made to the Previously Settling States

Payment Adjustments

Original Participating Manufacturer Payments

Initial Payment Adjustments

- Volume Adjustment
- Non-Settling States Reduction
- Offset for Miscalculated or Disputed Payments

Annual Payment Adjustments

- Inflation Adjustment
- Volume Adjustment
- Previously-Settled States Reduction
- Non-Settling States Reduction
- Non-Participating Tobacco Manufacturers Adjustment
- Offset for Miscalculated or Disputed Payments
- Federal Tobacco Legislation Offset
- Litigating Releasing Parties Offset

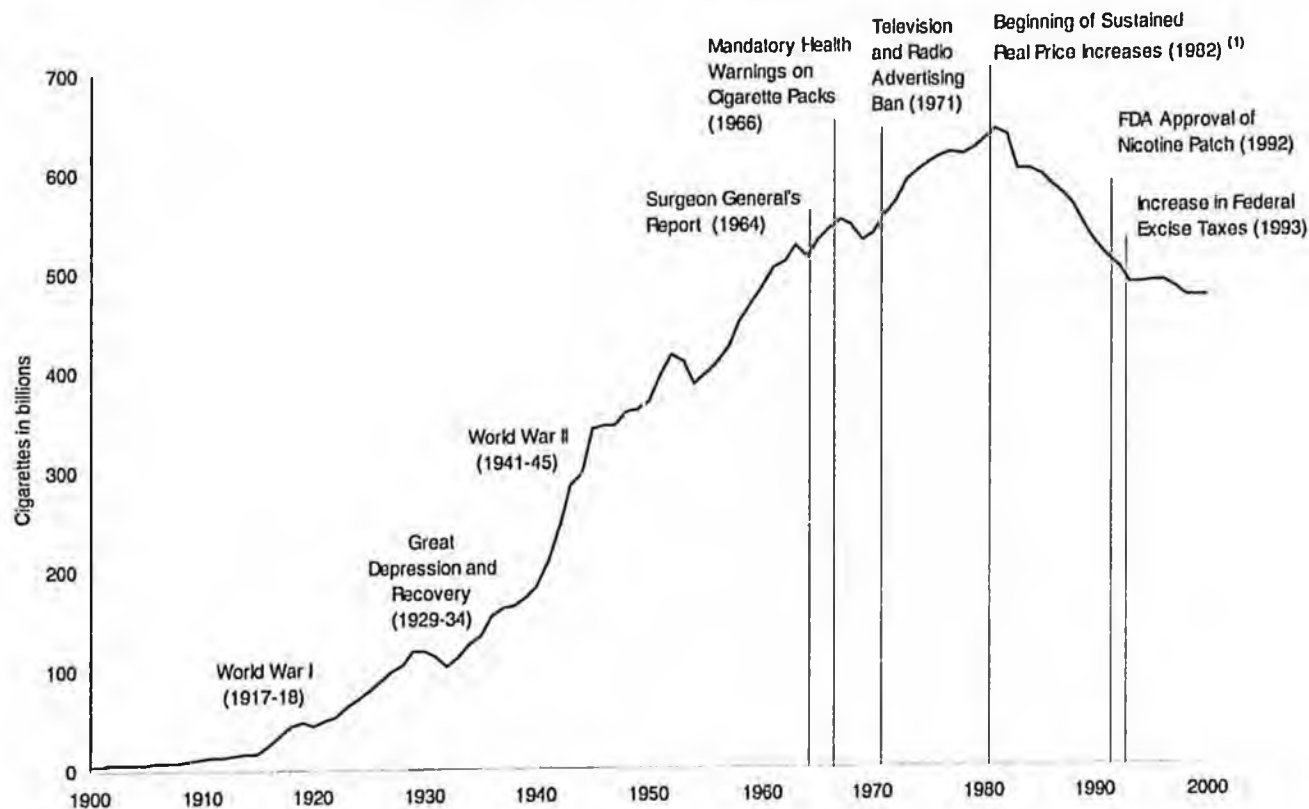
Subsequent Participating Manufacturer Payments

Annual Payment Adjustments

- Inflation Adjustment
- Volume Adjustment
- Non-Settling States Reduction
- Non-Participating Tobacco Manufacturers Adjustment
- Offset for Miscalculated or Disputed Payments
- Federal Tobacco Legislation Offset
- Litigating Releasing Parties Offset

U.S. Cigarette Consumption Trends

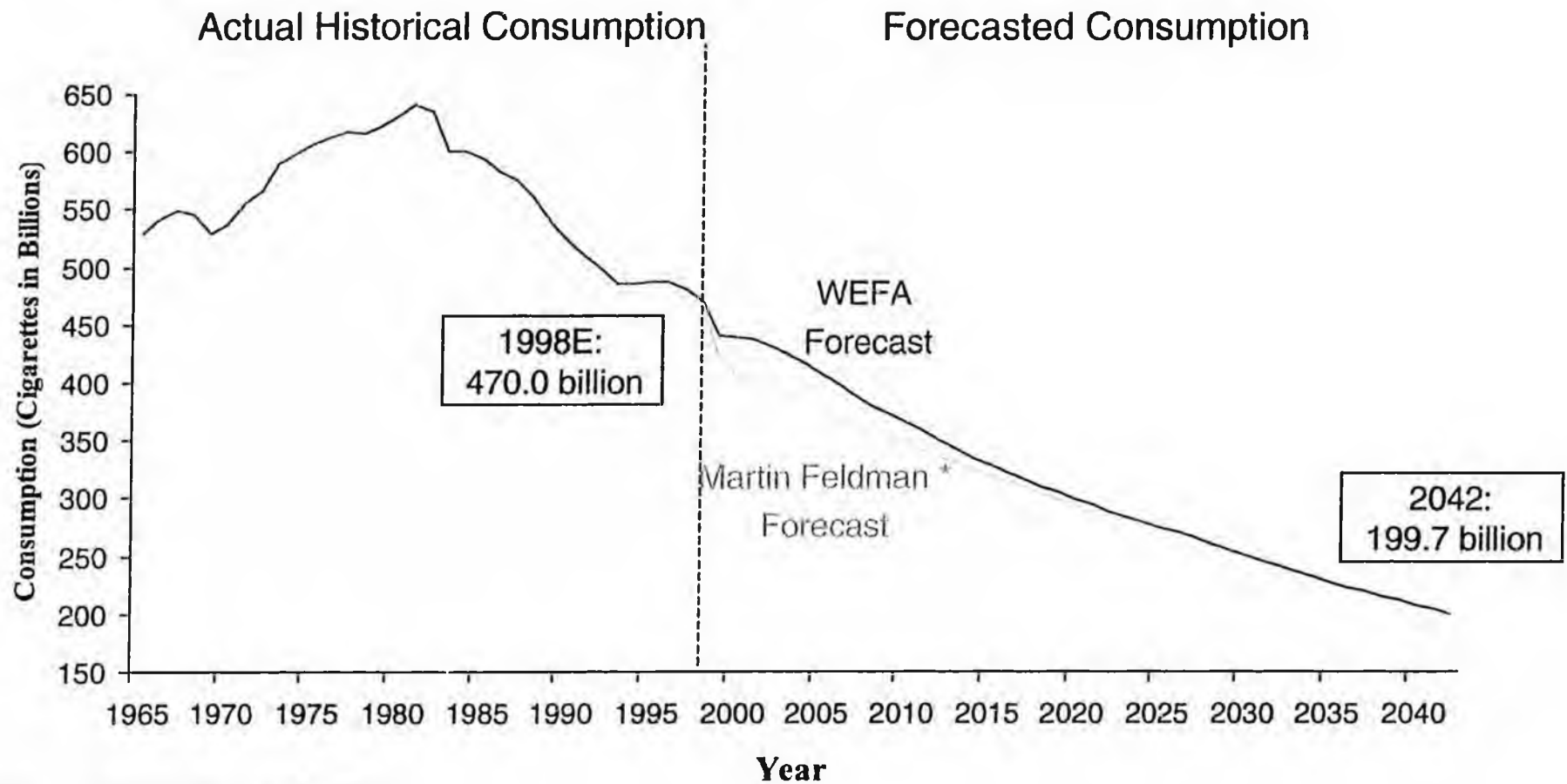
Cigarette Consumption, 1900-1998



Source: U.S. Department of Agriculture

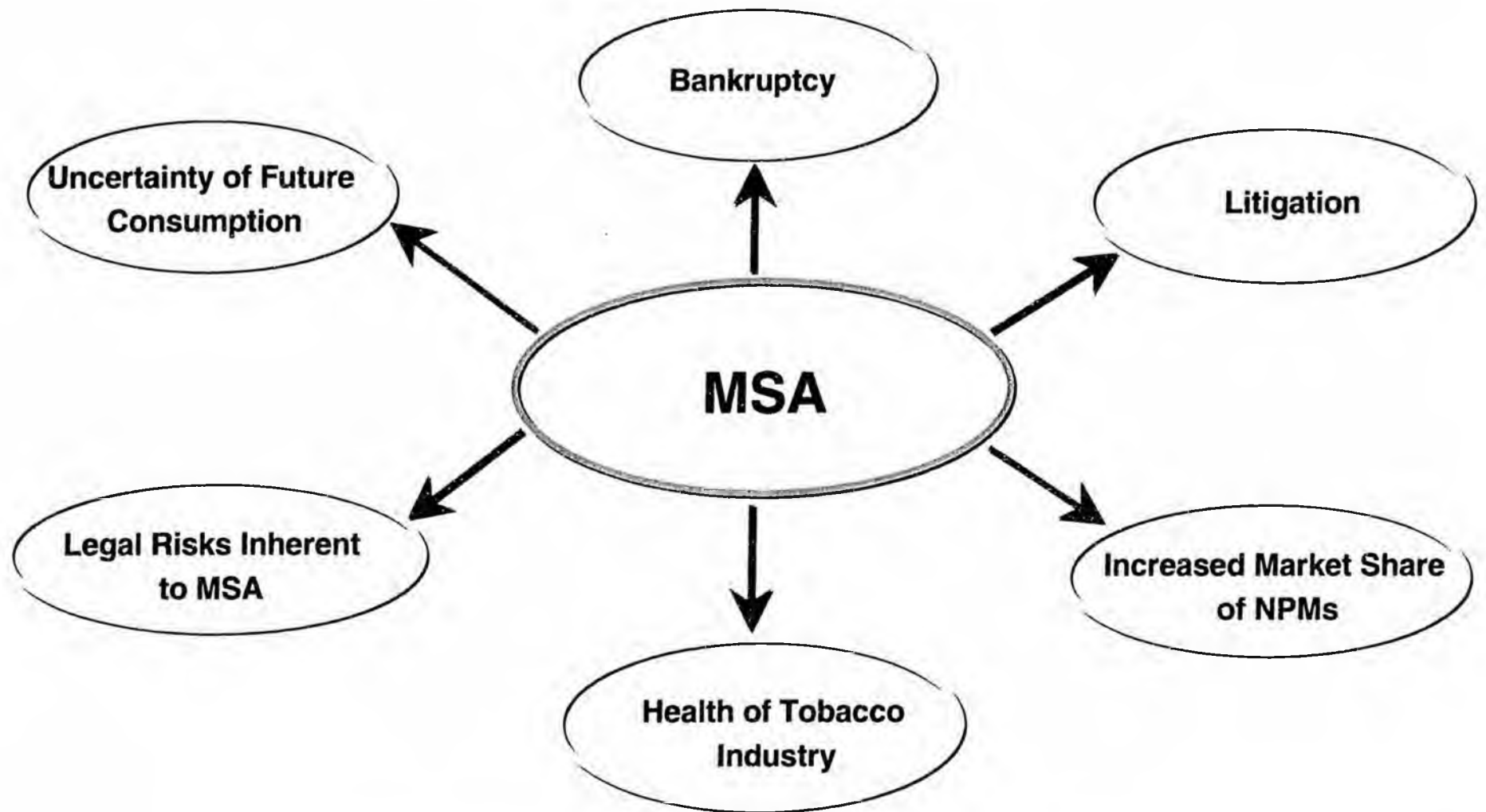
(1) Jeffrey E. Harris, "A Working Model for Predicting Consumption and Revenue Impacts of Large Increases in the U.S. Federal Cigarette Excise Tax" 1994

WEFA Forecasts a 58% Decline in Total U.S. Consumption of Cigarettes Over the Next 43 Years



* Salomon Smith Barney Tobacco Equity Analyst

Credit Concerns Regarding Payments under the MSA



Credit Concerns Regarding Payments under the MSA

Credit Concerns

Uncertainty of future cigarette consumption

Bankruptcy of a PM

Increased NPM market share

Legal risks inherent to the MSA

Mitigating Factors

- Utilize an independent consultant
- Provide potential investors objective and accurate forecasts
- Strategic bankruptcy is unlikely due to benefits of MSA
- Credit bankruptcy is uncertain
- The widespread enactment of the model statute and the strong incentives of MSA
- Viewed as an executory contract, reducing risk of nonpayment in bankruptcy

Credit Concerns Regarding Payments under the MSA

Credit Concerns

Class Litigation

Individual Litigation

Federal Litigation

Health of Industry

Mitigating Factors

- Florida Supreme Court is reviewing class-wide punitive damages issue in Engle case; Phase II expected imminently
- Third party provider suits largely unsuccessful
- 36 states require more than 50% comparative fault for recovery
- Trend in individual awards
- Still pending, under RICO
- Participating Manufacturers profitable
- Credit quality greater than rating of individual companies

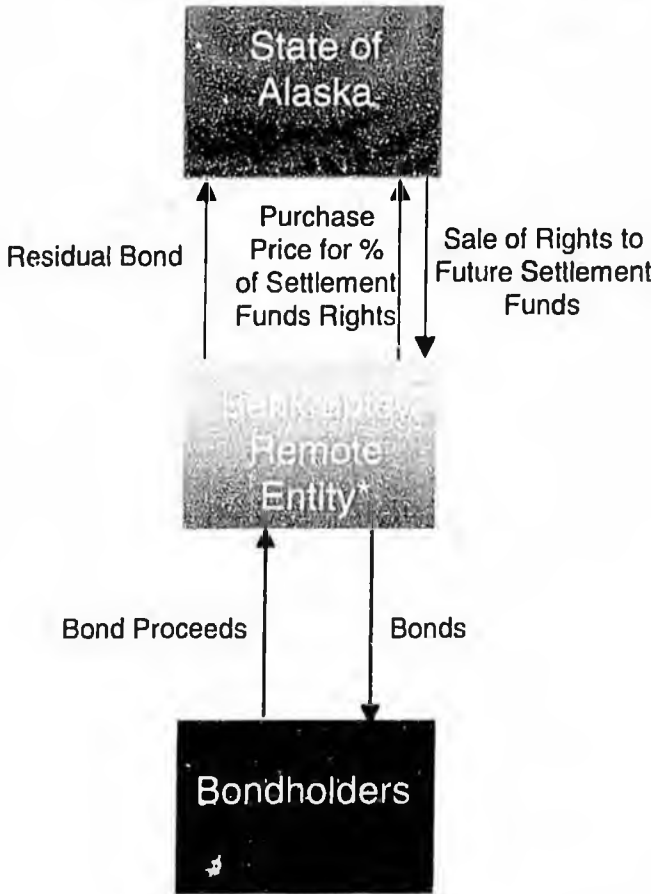
Should Alaska Leverage Its Funds?

Securitization Benefits

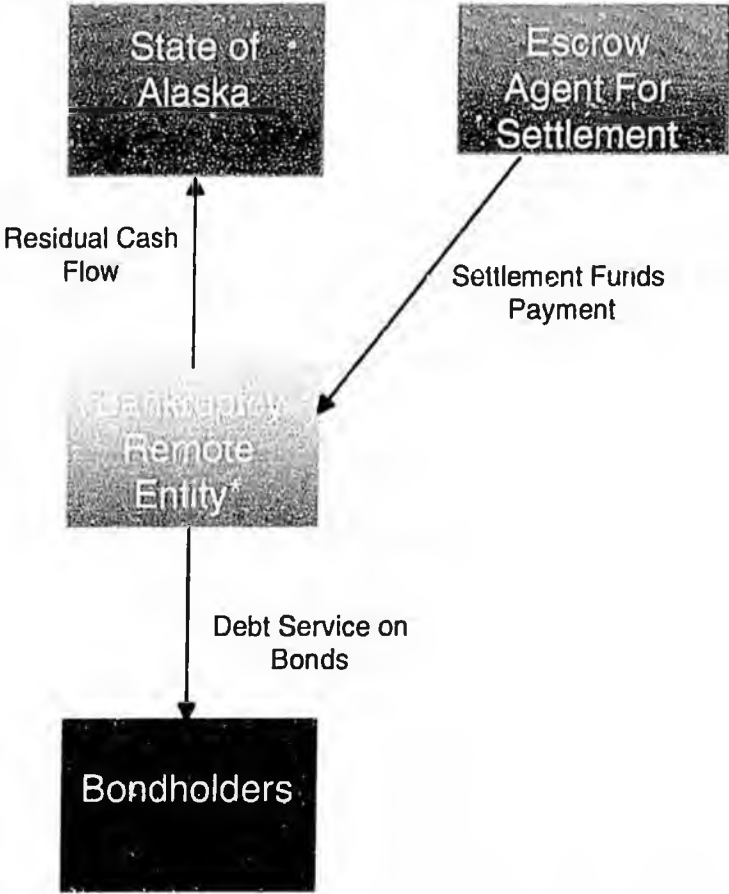
- Keep upside of residuals
 - Eliminate downside risks of Tobacco Settlement Revenues
-
- Future receipt of tobacco settlement revenues uncertain
 - Tobacco settlement revenues are not a diversified source of income for the state
 - Alaska can receive residual tobacco settlement revenues after debt service payments
 - Alaska can choose whether to issue the funds for capital spending or invest them
 - Alaska may employ an endowment strategy to diversify revenue from tobacco settlement payments
 - Securitization affords a mechanism to combine general obligation borrowing with revenue borrowing to meet current capital needs

Structured Credit or Securitization

STRUCTURE AT ISSUANCE



ONGOING DEBT SERVICE



* Could be an existing State authority/issuer or a newly created not-for-profit corporation

Why Securitize?

State of Alaska Results

		WEFA Base Case Scenario		Drop in Consumption Scenario	
		GROSS VALUE	PRESENT VALUE	GROSS VALUE	PRESENT VALUE
A	Tobacco Settlement Revenues over 30 years	\$ 1,009,029,562	\$ 411,828,528	\$ 492,814,860	\$ 245,836,913
B	Securitization Proceeds	339,257,748	339,257,748	339,257,748	339,257,748
C	Additional Tobacco Settlement Revenues after Debt Service	<u>174,888,788</u>	<u>67,404,419</u>	<u>2,377,747</u>	<u>2,296,858</u>
B+C	Total	514,146,536	406,662,166	341,635,494	341,554,606
A-(B+C)	Difference between Tobacco Settlement Revenues and Total Receipts	494,883,026	5,166,362	151,179,365	-95,717,693

* Discounted at annualized arbitrage yield of 6.865%.

Legislative Considerations

- Must direct payments to a bankruptcy-remote or separate state entity
 - Occurs through a “sale” or non-recourse transfer of Settlement Funds
 - Should clarify that the State no longer “owns” the Settlement Funds
- Legislation should include non-impairment covenants
 - Alaska will enforce MSA
 - State will not impair the Settlement Funds, the financing structure or the rights of bondholders
 - State will not allow the Authority (or the entity issuing bonds) to file for bankruptcy
- Declare the Corporation or issuing entity does not have authority - today or in the future - to file for bankruptcy
- Authorize Corporation or issuing entity to create a non-profit entity to serve purely as a financing vehicle
 - This will enable future transfers of Settlement Funds
 - Non-impairment covenants would be necessary again

Appendix

APPENDIX

Alternative State Transportation
Financing Techniques

March 30, 2000

Highway Revenue Bonds

- ◆ Supported by dedicated revenue stream rather than unlimited full faith and general obligation pledge
- ◆ Typically secured by State highway user tax receipts and/or excise taxes
 - Motor fuel taxes
 - Motor vehicle registration fees
 - Motor vehicle license fees
 - Penalties and fines
- ◆ Rating criteria
 - Diversity and stability of the pledged revenue stream
 - Governmental support
 - Program management, quality of planning, construction management, maintenance and inspection
 - Coverage of debt service (both historic and projected)
 - Legal and practical restrictions to additional debt issuance

Grant Anticipation Revenue Vehicles (“GARVEEs”)

Two Types of GARVEEs

- ◆ Direct and Indirect
- ◆ **Direct:** Only Federal Aid Highway Projects are eligible; state must abide by federal statutes and regulations
- ◆ **Indirect:** Both federal and state projects are eligible; state subject to its own statutes and regulations

Grant Anticipation Revenue Vehicles (“GARVEEs”)

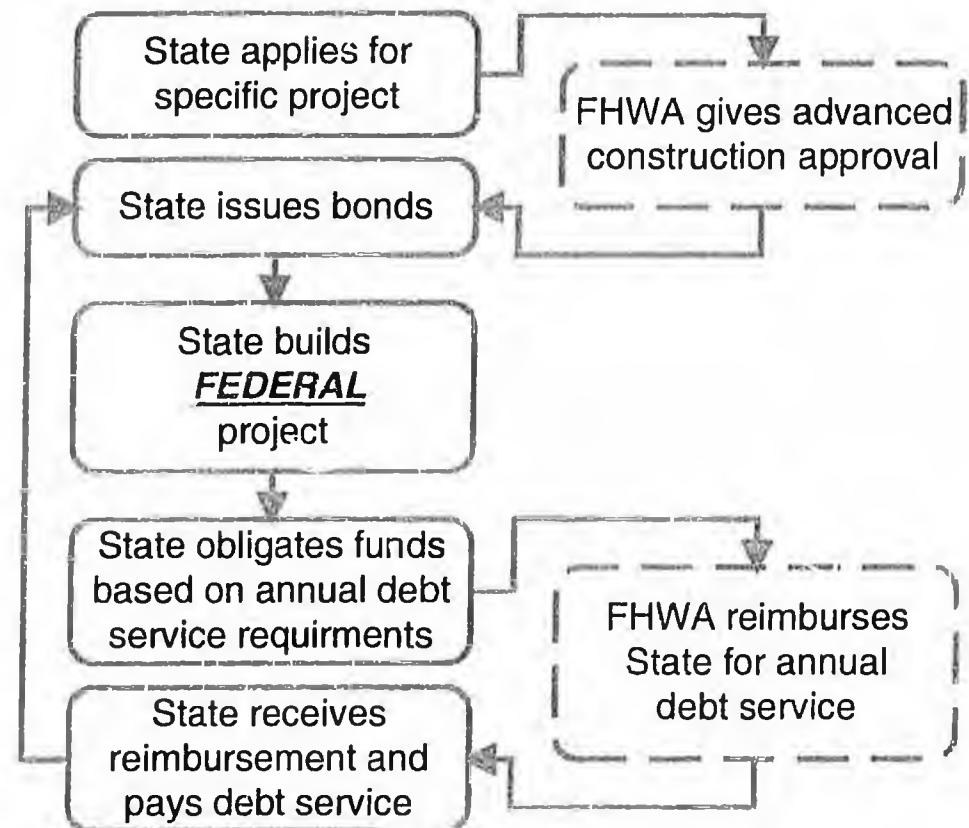
Direct GARVEEs

- ◆ Program FHWA funds for debt service payments
- ◆ Only Federal Aid Highway Projects are eligible
- ◆ Principal and interest payments are reimbursed by the FHWA
- ◆ Secured only by FHWA funds

Grant Anticipation Revenue Vehicles (“GARVEEs”)

Direct GARVEEs

- ◆ Used to finance a specific project or projects
- ◆ DOT submits the debt service schedule for approval (this is called “programming”)
- ◆ All proceeds need to be spent on the specific project or projects that were approved leaving no spending discretion or flexibility
- ◆ DOT submits for reimbursement three days before each principal/interest payment and DOT receives a reimbursement before the payment is actually made



Grant Anticipation Revenue Vehicles (“GARVEEs”)

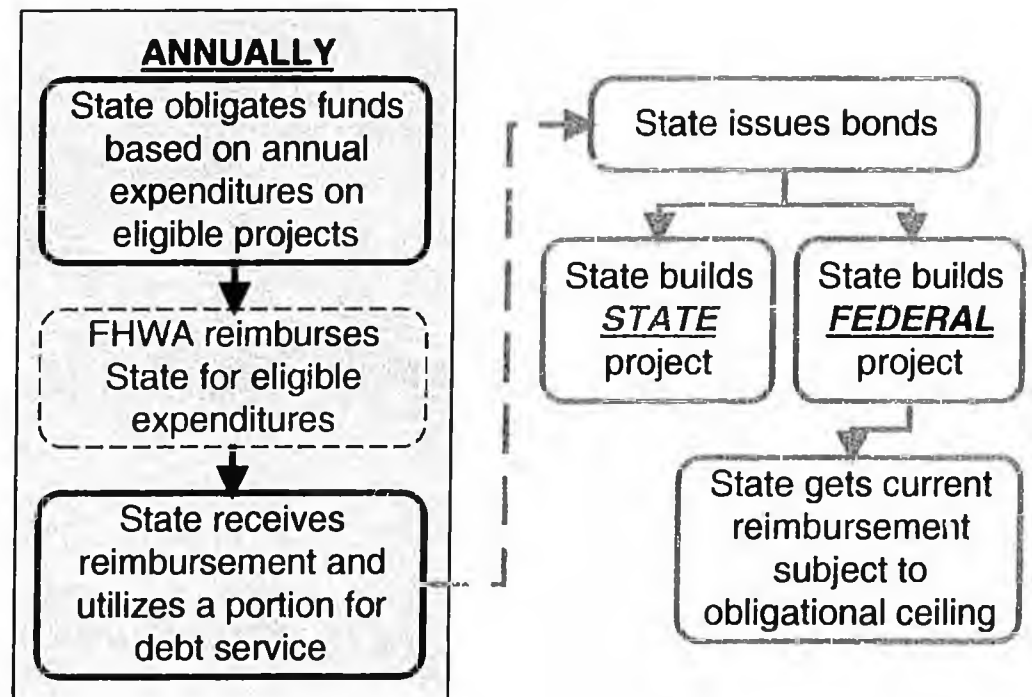
Indirect GARVEEs

- ◆ After receiving FHWA reimbursements, State DOT repledges those funds to pay principal and interest on a new series of GARVEEs
- ◆ Federal interest in FHWA reimbursements has been extinguished
 - Both state and federal projects are eligible
 - State labor wage rates, environmental law and regulations, construction standards and WBE/MBE goals are used - not federal
- ◆ GARVEEs can be secured only with FHWA funds
- ◆ State DOT management of projects is critical since a timely flow of reimbursements is necessary

Grant Anticipation Revenue Vehicles (“GARVEEs”)

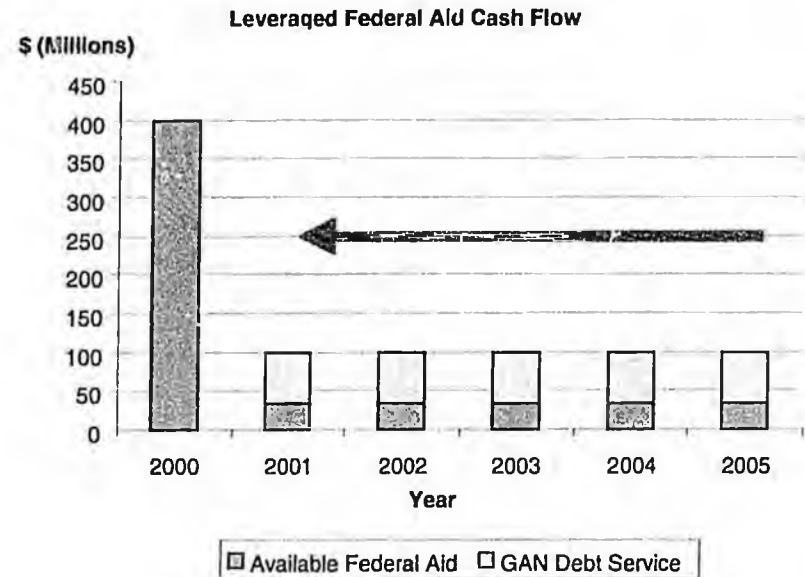
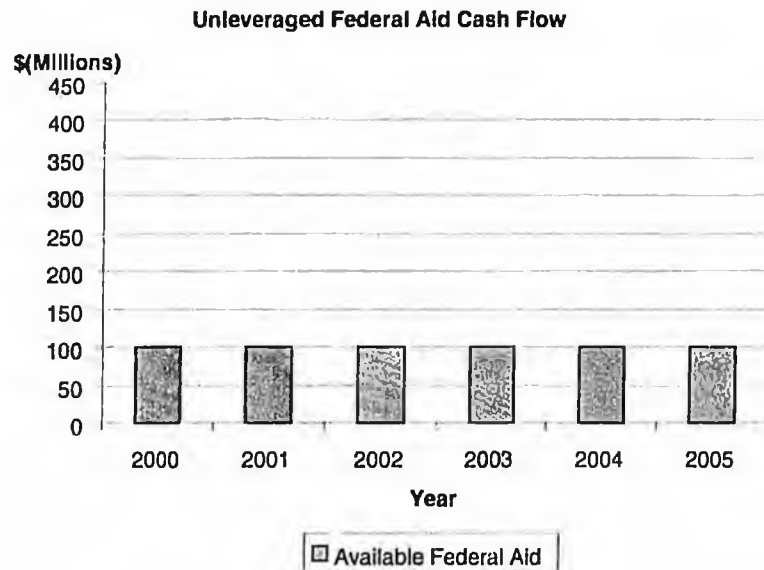
Indirect GARVEEs

- ◆ No restrictions on the usage of bond proceeds - treated as any other State funds - can spend on either Federal or State projects
- ◆ Issued without FHWA approval
- ◆ Backed by future federal reimbursements for future federally eligible expenditures
- ◆ DOT continues its federal aid program, seeking annual reimbursements for eligible expenses
- ◆ Reimbursements used to amortize the GARVEE bonds



Example of Leveraging Federal Funds

Utilizing GARVEEs can allow a state to bring forward approximately \$300 million of additional Federally Funded Projects into 2000 from FY 2001-2005 for every \$100 million to be received annually



Note: These cash flows are exemplary of leveraging of Federal highway funds and do not reflect either specific project related leveraging or specified cash flow leveraging

Credit and Ratings Issues

- ◆ Federal Aid Highway Program
 - Multi-year program authorization and support
 - Annual review and obligation levels
 - Congressional authorization/appropriation
 - Structural change in program

- ◆ Structural Issues
 - Single project versus program
 - State's ability to match
 - Reimbursement cash flow and lien
 - Coverage stress tests for future potential FHWA \$ reductions

Credit and Ratings Solutions

- ◆ Conservative approach aimed toward high credit quality
 - Authorizes low cost revenue debt financing of the State's transportation projects for short-term or long-term borrowing
 - Project-specific or programmatic
- ◆ Structured around the FHWA and federal budget principle of contract authority (creditworthy funding commitment)
 - Passage of Federal Transportation Equity Authorization Act for the 21st Century (TEA-21) creates Federal commitment for the apportioned amounts for the current authorization period of five years plus two additional years
- ◆ Distinctions made between bonds maturing within the current authorization period and those maturing beyond the current authorization period
- ◆ Capital markets acceptance:
 - Standard & Poor's, Moody's and Fitch will provide investment grade ratings within and beyond the current reauthorization period in the A level
 - MBIA and AMBAC will insure debt issuance within and beyond the current reauthorization period

History of General Obligation Bonds in Alaska

By Deven Mitchell
Debt Manager
Department of Revenue
465-3409

*General
obligation
Bonds*

1-26-00

At the print shop

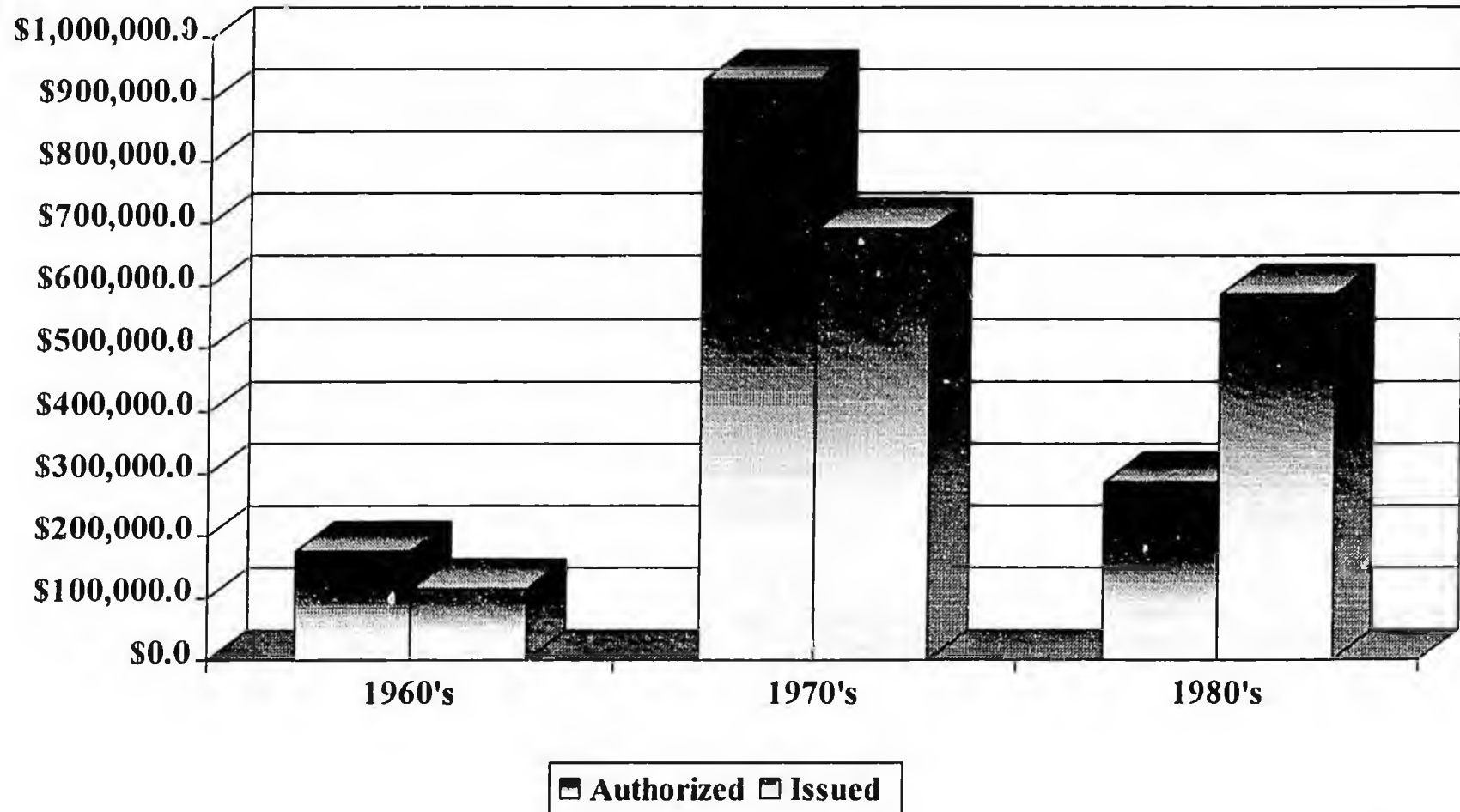
H. Fin 1998-2000

1/26/00

Department of Revenue
Deven Mitchell
January 27, 2000

General Obligation Bonds Authorized and Issued

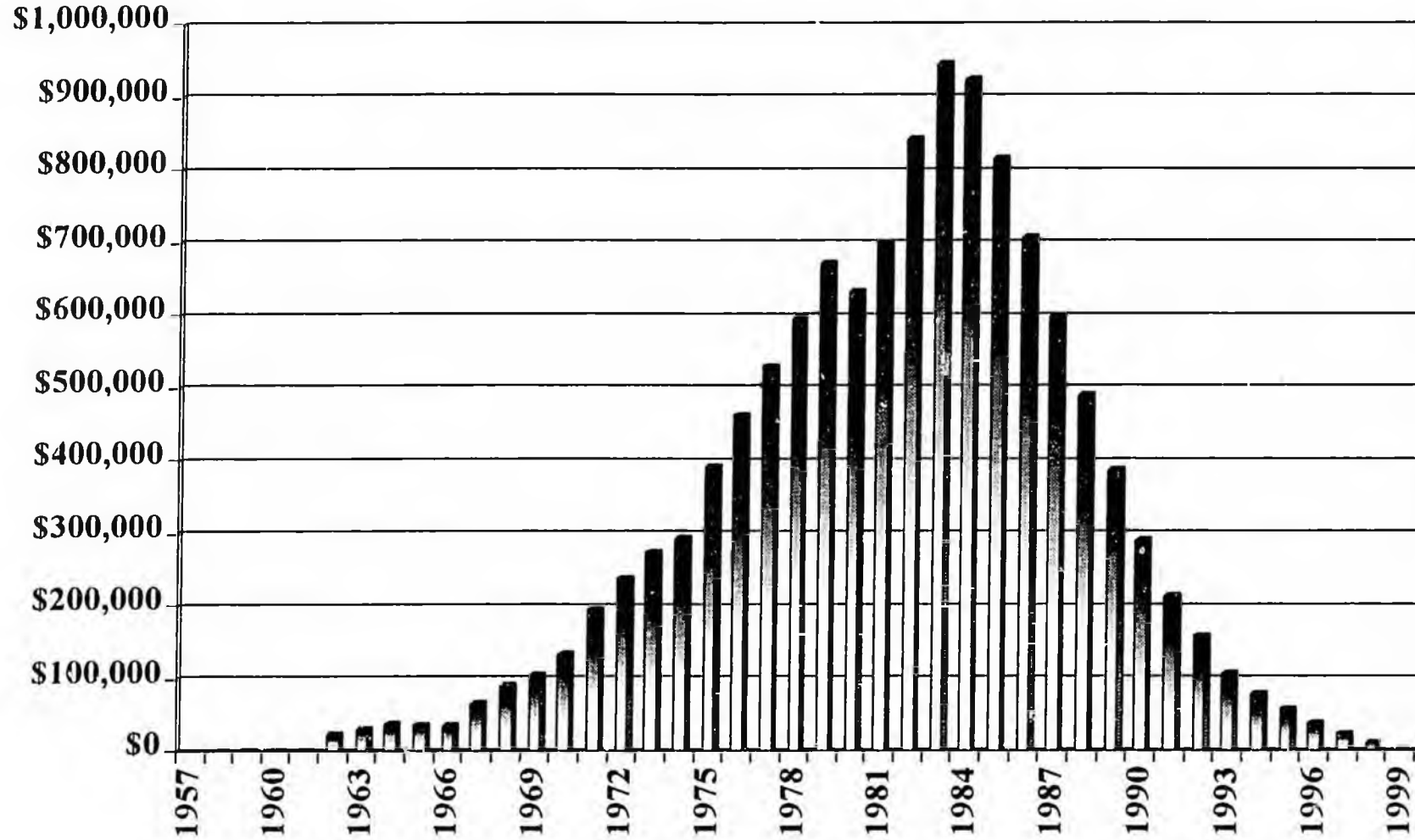
(\$ thousands)



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Deven Mitchell
January 27, 2000

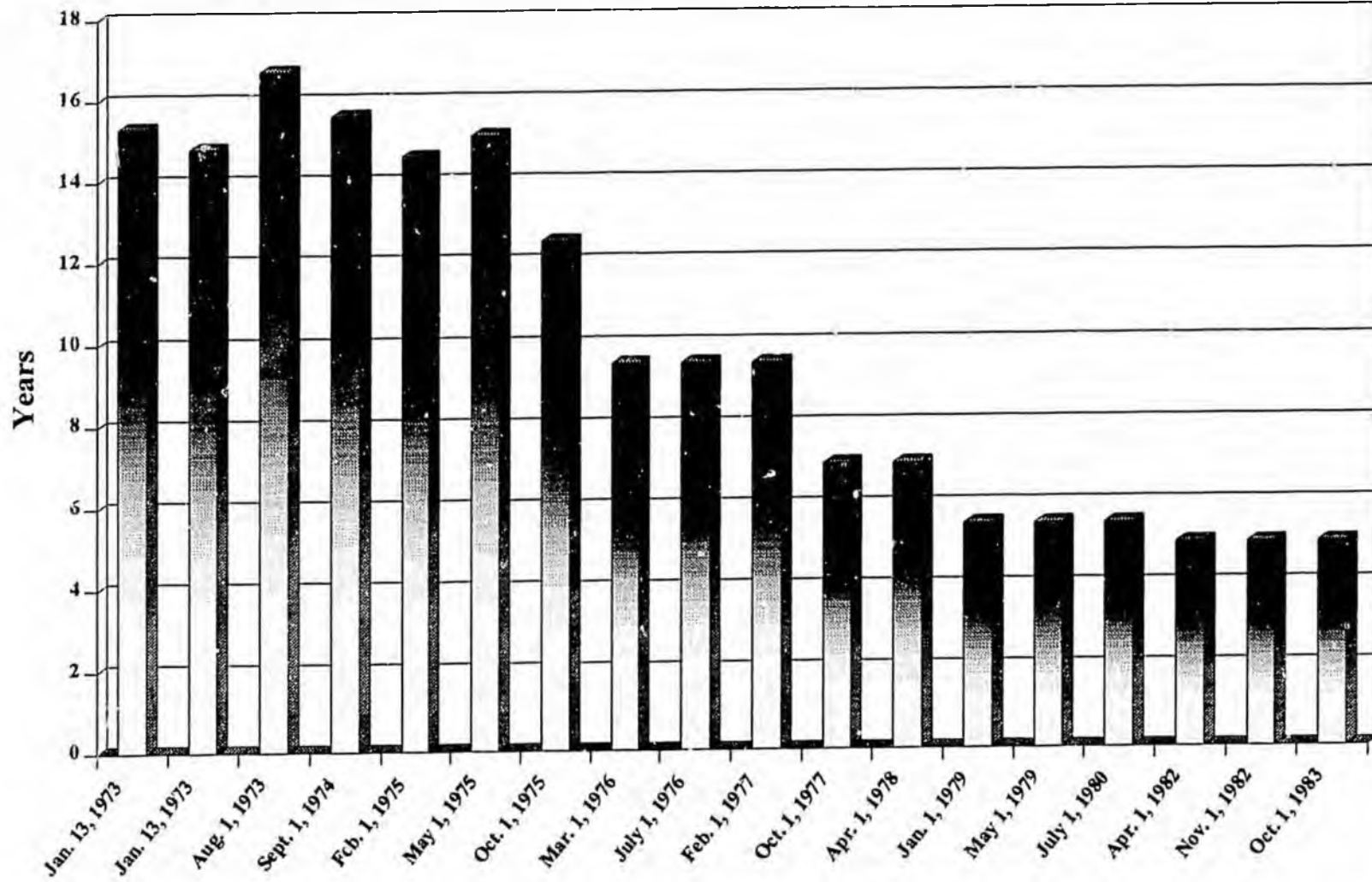
Bonds Outstanding at Year End

(\$ thousands)



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General Obligation Bond Sales Average Life



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Deven Mitchell
January 27, 2000

State Debt Capacity Policy

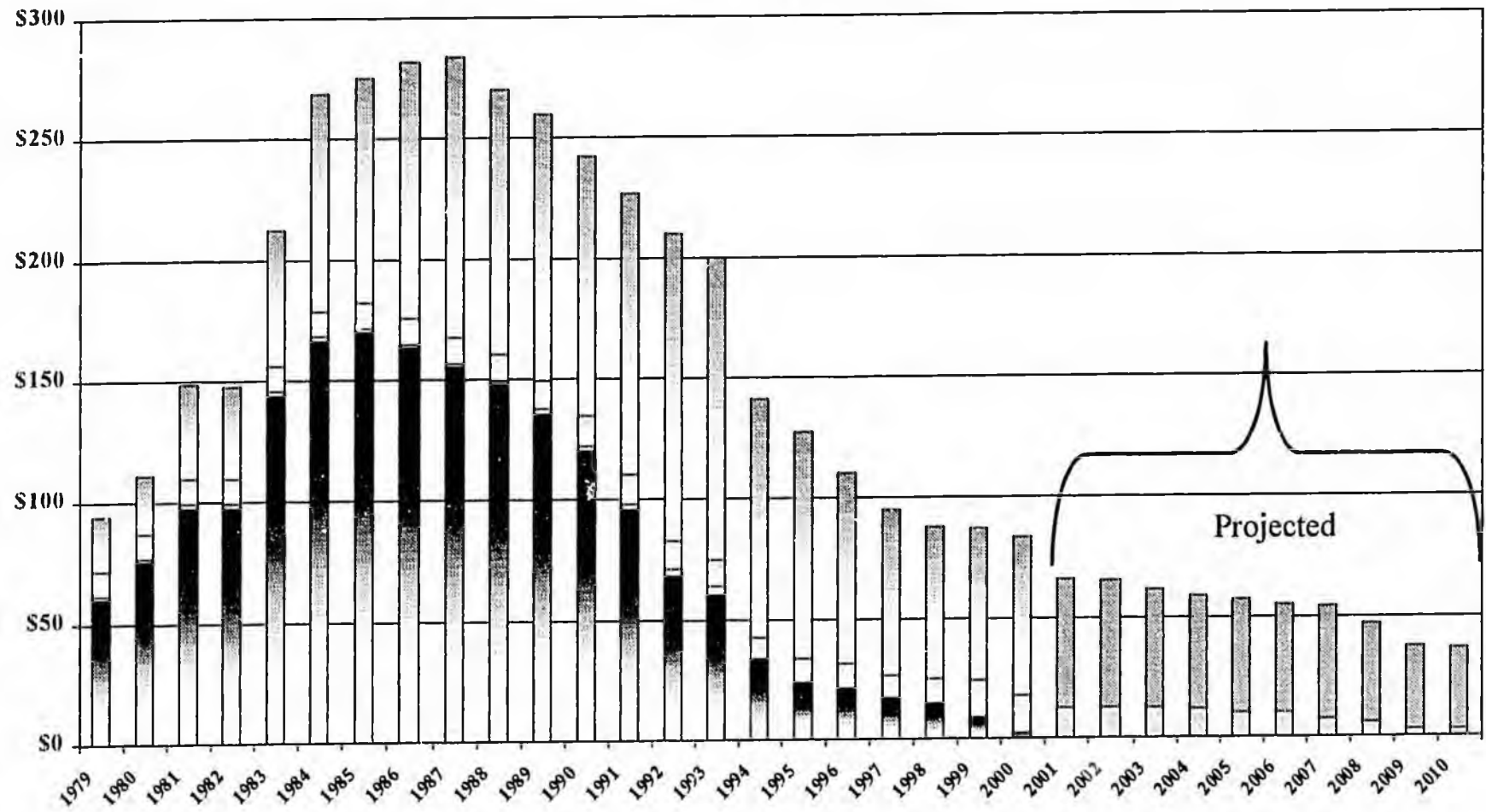
- The ratio of debt service to revenues is used as a guideline
- Include debt service on state and state supported debt
- Applied to unrestricted general fund revenues
- 5% to 8% guideline for AA rating

Alaska has exceeded 8% guideline in the past.

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 Deven Mitchell
 January 27, 2000

Debt Service on State Supported Debt

(\$ millions)



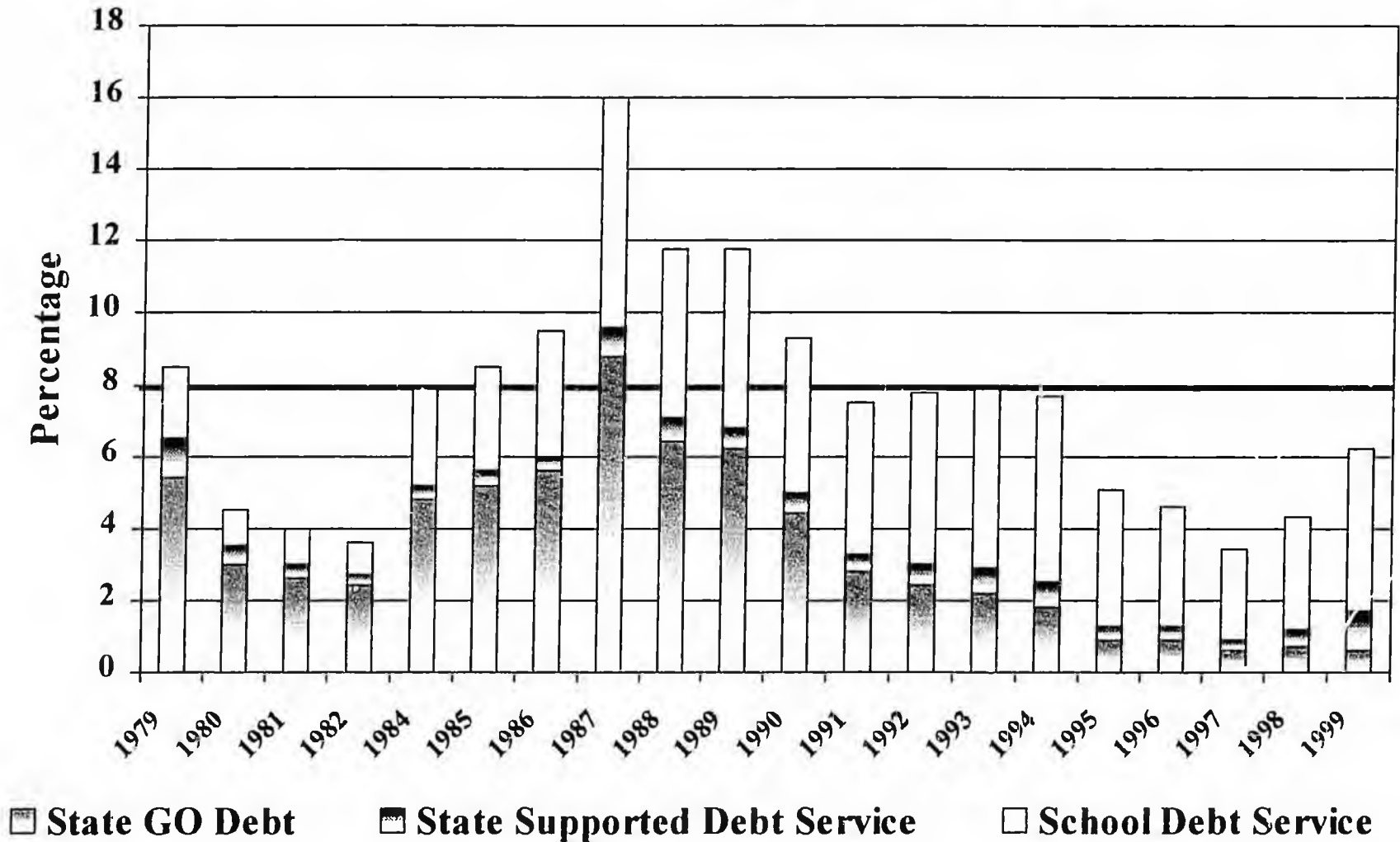
■ State G.O. Debt

□ University of Alaska

□ Lease/Purchase Obligations

□ School Debt (1) Reimbursement 6

Types of Debt Service as a Percentage of Unrestricted Revenues



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State Debt Capacity

Observations

- Projected fiscal gap is limiting factor
- 68% of revenues from oil is a limiting factor
- Debt issuances of \$100 to \$125 million per year over the next five years probably feasible as G.O. debt

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January 27, 2000

State Debt Capacity

\$ millions

Debt Service/Unrestricted Revenues (Fall 1999 Revenue Sources Book)

Fiscal Year	5%	8%
2001	\$145.8	\$684.7
2002	(49.6)	(81.4)
2003	25.5	13.9
2004	23.3	17.4
2005	(10.8)	(24.9)
2006	21	19.1
Cumulative Capacity	155.13	628.8

2/2/00

Overview:

Mental

Health

Trust

HFIN

FILE

Alaska Mental Health Trust Authority

presentation to the
House Finance Committee
February 2, 2000

Mission and Vision

The Alaska Mental Health Trust Authority administers the Mental Health Trust established in perpetuity. It has a fiduciary responsibility to its beneficiaries to enhance and protect the Trust and to provide leadership in advocacy, planning, implementation, and funding of a comprehensive integrated mental health program to improve the lives and circumstances of its beneficiaries.

Trustees

- *Caren Robinson, Chair*
- *John Pugh, Vice Chair*
- *Phil Younker, Jr., Secretary/Treasurer*
- *Tom Hawkins, Asset Management Chair*
- *Nelson Page, Budget Chair*
- *John Malone, Program & Planning Chair*
- *Susan LaBelle, Rural Outreach Ad Hoc Chair*

Our Customers: The Trust's Beneficiaries

- *People with mental illness*
- *People with mental retardation & similar disabilities*
- *Chronic alcoholics with psychosis*
- *People with Alzheimer's disease & other dementia*

Four boards Advise the Trust

- *Alaska Mental Health Board*
- *Governor's Council on Disabilities & Special Education*
- *Advisory Board on Alcoholism & Drug Abuse*
- *Alaska Commission on Aging*

Our Programs: Trust Responsibilities

- *Manage the land and cash assets of the Trust in perpetuity*
- *Provide leadership & advocacy for beneficiaries*
- *Recommend the state's budget for the Comprehensive Integrated Mental Health Program*
- *Spend Trust income to improve lives and conditions of beneficiaries*

Trust Fund Assumptions

January 18, 1996

• Estimated payout over 10 years for Trust beneficiaries	\$71,487,403
• Value of principal in year 10	\$313,454,996
• Inflation adjusted principal	\$222,214,144
• Assumptions	
– Inflation	3.5%
– Rate of return	8.0%
– Payout rate	3.0%

Trust Fund Actuals

November 1999

Total Fund	\$320,807,100
Principal	\$259,946,200
Principal Reserve	\$40,291,900
Liabilities	\$20,569,000
APFC avg. rate of return, FY95-98	15.34%
Disbursement rate	3.5%
<i>Disbursements FY96 to 01</i>	<i>\$61,457,232</i>

Land Management FY95-04

	Op & Cap Costs	Revenue
FY95	\$268.0	\$380.5
FY96	\$557.7	\$1,453.0
FY97	\$751.8	\$2,042.8
FY98	\$1,096.5	\$2,550.7
FY99	\$1,269.9	\$3,497.8
FY00	\$1,552.1	\$3,500.0
FY01	\$1,808.5	\$4,100.0
FY02 (est)	\$1,838.5	\$4,900.0
FY03 (est)	\$1,888.5	\$5,900.0
FY04 (est)	\$1,938.5	\$6,800.0

Results We Look For

- Are Trust beneficiaries healthy?
- Are they safe?
- Are they economically secure?
- Are they productively engaged or in school?
- Are they living with dignity, as valued members of their communities?

Some Evaluation Criteria

- Did they do what they agreed to do?
- Did they do it when they said it would get done?
- What was the effect on the people they served?
- Did the program/service cost less than "doing nothing?"
- If the product isn't what we hoped for, what can we learn?

Fairbanks Chronic Inebriate Program

1998 to present

- Funded by Fairbanks, Trust, AHFC
- What they did
 - Expanded Community Service Patrol
 - New Transfer Station
 - Domiciliary treatment for public inebriates
- How they did in first year:
 - 22 individuals entered program.
 - 100 fewer detox admissions for those 22.
 - About 984 fewer calls to Police Department about public inebriates.