

SCOMM

101:42

RANKING THE 50 STATES

	(1) State solvency index— per capita net financial assets	(2) Bond ratings— Standard & Poor's	(3) State & local spending per capita	(4) State's share of state & local tax revenue
1	Alaska \$21,344	Maryland AAA	Alaska \$11,226	Delaware 82.9%
2	Wyoming 5,572	Missouri AAA	New York 6,841	Hawaii 79.9
3	New Mexico 2,812	North Carolina AAA	Wyoming 5,862	New Mexico 79.3
4	Oregon 1,138	Utah AAA	Hawaii 5,753	West Virginia 78.3
5	North Dakota 801	Virginia AAA	New Jersey 5,733	Kentucky 77.1
6	Colorado 784	Delaware AA+	Washington 5,388	Arkansas 75.6
7	Iowa 723	Georgia AA+	Connecticut 5,253	Idaho 73.9
8	Kansas 582	Maine AA+	California 5,191	North Carolina 72.7
9	North Carolina 545	Minnesota AA+	Rhode Island 5,106	Mississippi 72.1
10	South Dakota 527	New Jersey AA+	Massachusetts 5,081	Oklahoma 71.8
11	Nebraska 498	New Mexico AA+	Minnesota 5,052	Montana 71.1
12	Arkansas 483	South Carolina AA+	Nevada 4,823	Alabama 71.0
13	Utah 359	Tennessee AA+	Delaware 4,749	Washington 71.0
14	Texas 352	Alabama AA	Oregon 4,617	Alaska 70.5
15	Montana 259	Alaska AA	Nebraska 4,614	South Carolina 69.0
16	Wisconsin 251	Arkansas AA	Vermont 4,527	North Dakota 67.5
17	Delaware 200	Florida AA	Pennsylvania 4,422	Minnesota 67.2
18	Minnesota 179	Hawaii AA	Michigan 4,382	Nevada 67.2
19	Tennessee 142	Kentucky AA	Wisconsin 4,381	Massachusetts 64.7
20	Georgia 137	Michigan AA	Colorado 4,356	Utah 64.5
21	Idaho 137	Nevada AA	North Dakota 4,245	Indiana 64.1
22	Arizona 97	New Hampshire AA	Maine 4,233	California 64.0
23	Alabama 46	Ohio AA	Maryland 4,199	Wisconsin 63.6
24	Missouri -19	Oklahoma AA	New Mexico 4,168	Iowa 63.2
25	New York -134	Texas AA	Arizona 4,162	Maine 62.6
26	Ohio -178	Washington AA	Ohio 4,137	Arizona 62.3
27	Indiana -233	Wisconsin AA	New Hampshire 4,113	Pennsylvania 61.9
28	Mississippi -256	Connecticut AA-	Louisiana 4,108	Tennessee 61.2
29	Virginia -292	Illinois AA-	Montana 4,036	Connecticut 60.4
30	Nevada -319	Mississippi AA-	Illinois 4,022	Louisiana 60.1
31	Kentucky -339	Montana AA-	Florida 4,014	Wyoming 59.5
32	Florida -424	North Dakota AA-	Utah 4,008	Missouri 59.3
33	Pennsylvania -474	Oregon AA-	Iowa 3,944	Georgia 58.7
34	California -512	Pennsylvania AA-	Tennessee 3,930	Vermont 58.6
35	New Hampshire -521	Rhode Island AA-	South Carolina 3,871	Nebraska 58.4
36	Washington -767	Vermont AA-	Georgia 3,863	Rhode Island 58.2
37	Oklahoma -782	Massachusetts A+	Kansas 3,807	Ohio 56.8
38	Illinois -854	West Virginia A+	West Virginia 3,765	Kansas 56.7
39	South Carolina -877	California A	North Carolina 3,708	Maryland 56.7
40	New Jersey -884	Louisiana A-	Virginia 3,689	Florida 56.0
41	Maryland -951	New York A-	Texas 3,677	New Jersey 56.0
42	Vermont -1,061	Arizona None	Alabama 3,648	Virginia 55.4
43	Michigan -1,097	Colorado None	Oklahoma 3,619	Michigan 55.0
44	Hawaii -1,119	Idaho None	Kentucky 3,513	Oregon 53.2
45	Rhode Island -1,649	Indiana None	Indiana 3,510	Illinois 52.6
46	West Virginia -1,657	Iowa None	South Dakota 3,446	Texas 51.9
47	Maine -1,802	Kansas None	Idaho 3,418	South Dakota 51.0
48	Louisiana -2,206	Nebraska None	Missouri 3,273	Colorado 50.2
49	Connecticut -2,895	South Dakota None	Mississippi 3,224	New York 47.1
50	Massachusetts -2,943	Wyoming None	Arizona 3,053	New Hampshire 35.5

(1) The state solvency index was calculated to reflect what states would have left besides land and buildings if they ceased operations. It includes balances, excess pension fund assets, rainy day funds and permanent funds used by some states for resource revenues from which are subtracted outstanding debt and unfunded liabilities of pension funds. (2) General obligation bond ratings are from Standard & Poor's as of November 1994. Where ratings are identical, states are listed in alphabetical order. (3) State and local direct expenditures per capita were calculated from *Government Finances: 1991-92 (Preliminary Report)* from the U.S. Census Bureau. (4) State percentage of state and local tax revenue was calculated by the Center for the Study of the States from *Government Finances*.

ON THESE TWO PAGES, GOVERNING ranks the 50 states from highest to lowest in eight categories that provide snapshots of fiscal and governmental performance. No attempt has been made to come up with an overall, composite ranking for the states based on these measures. In several categories, combined state and local figures were used since the level of government that is responsible for certain functions (such as education, Medicaid and highway maintenance) varies among states. The rankings were compiled for GOVERNING by Hal Hovey of State Policy Research Inc.

(5) State & local taxes as % of personal income		(6) State and local employees per 10,000 residents		(7) Average pay of state & local employees		(8) Total government units per 10,000 population		
Alaska	18.8%	Wyoming	785	Alaska	\$40,956	North Dakota	43.5	1
New York	15.8	Alaska	784	California	39,744	South Dakota	25.1	2
Hawaii	14.1	Montana	658	Connecticut	38,460	Nebraska	18.2	3
Wyoming	14.0	New Mexico	648	New York	37,752	Montana	15.5	4
Minnesota	13.7	New York	635	New Jersey	36,876	Kansas	15.2	5
Wisconsin	13.1	Kansas	622	Michigan	35,652	Vermont	12.0	6
Vermont	12.8	Nebraska	620	Maryland	34,008	Wyoming	11.8	7
New Mexico	12.5	Mississippi	594	Rhode Island	33,912	Idaho	10.2	8
Arizona	12.5	North Dakota	590	Minnesota	33,420	Minnesota	8.0	9
Maine	12.3	Georgia	588	Nevada	33,144	Iowa	6.7	10
Washington	12.2	Oklahoma	585	Wisconsin	33,048	Maine	6.5	11
Oregon	12.1	Louisiana	582	Washington	32,952	Missouri	6.4	12
Idaho	11.9	Alabama	569	Massachusetts	32,832	Arkansas	6.0	13
Utah	11.9	Idaho	563	Illinois	31,980	Illinois	5.8	14
Iowa	11.8	South Carolina	560	Hawaii	31,932	Oklahoma	5.6	15
Michigan	11.7	Texas	560	Pennsylvania	31,704	Wisconsin	5.5	16
Connecticut	11.7	Hawaii	556	Oregon	31,212	Indiana	5.1	17
West Virginia	11.7	Iowa	554	Colorado	31,104	Colorado	5.1	18
Rhode Island	11.6	South Dakota	551	Delaware	30,744	Oregon	4.9	19
New Jersey	11.5	Delaware	547	Arizona	30,048	New Hampshire	4.8	20
Montana	11.5	Virginia	541	Ohio	29,820	Pennsylvania	4.3	21
Nebraska	11.5	North Carolina	539	New Hampshire	29,328	Delaware	4.0	22
Delaware	11.4	Washington	536	Iowa	28,716	West Virginia	3.8	23
California	11.4	Arkansas	536	Vermont	28,284	Kentucky	3.5	24
Pennsylvania	11.4	New Jersey	536	Virginia	27,660	Utah	3.5	25
Kentucky	11.4	Vermont	536	Indiana	27,480	Washington	3.4	26
North Dakota	11.3	Minnesota	536	Florida	27,264	Mississippi	3.3	27
Massachusetts	11.1	Colorado	534	North Dakota	27,036	Ohio	3.2	28
Louisiana	11.1	Maine	528	Maine	26,592	Alaska	3.0	29
Texas	11.0	Indiana	526	Nebraska	26,340	Michigan	2.9	30
Ohio	11.0	Kentucky	525	North Carolina	26,220	Texas	2.7	31
North Carolina	10.9	Wisconsin	522	Texas	25,980	Alabama	2.7	32
Kansas	10.8	Oregon	521	Utah	25,896	New Mexico	2.2	33
Colorado	10.7	Arizona	520	Wyoming	25,872	New Jersey	1.9	34
Georgia	10.7	Utah	513	Kansas	25,812	South Carolina	1.9	35
Illinois	10.7	West Virginia	509	Missouri	25,380	Georgia	1.9	36
Nevada	10.7	Tennessee	506	Kentucky	25,356	Tennessee	1.8	37
Maryland	10.6	Nevada	497	Montana	25,080	New York	1.8	38
Oklahoma	10.6	Florida	492	Idaho	24,600	Connecticut	1.7	39
Indiana	10.5	Ohio	490	Tennessee	24,564	Nevada	1.6	40
Arkansas	10.5	Maryland	488	South Carolina	24,216	Arizona	1.5	41
South Carolina	10.4	Michigan	488	New Mexico	24,132	California	1.4	42
Florida	10.3	Illinois	488	Georgia	23,976	Massachusetts	1.4	43
Virginia	10.1	Missouri	477	West Virginia	23,880	North Carolina	1.4	44
Mississippi	10.0	Rhode Island	474	Alabama	23,616	Rhode Island	1.3	45
South Dakota	9.8	New Hampshire	466	Oklahoma	23,412	Louisiana	1.1	46
New Hampshire	9.7	California	463	South Dakota	23,400	Maryland	0.8	47
Alabama	9.4	Massachusetts	462	Louisiana	23,364	Florida	0.8	48
Missouri	9.4	Connecticut	461	Arkansas	22,704	Virginia	0.7	49
Tennessee	9.1	Pennsylvania	425	Mississippi	20,700	Hawaii	0.2	50

(5) State and local taxes as a percentage of personal income were calculated from *Government Finances*. (6) State and local employees per 10,000 residents was published by the Census Bureau in *Public Employment: 1992*. The calculation represents full-time equivalent employees. (7) Pay of state and local workers reflects October 1992 monthly payrolls shown in *Public Employment: 1992* multiplied by 12. (8) The number of governments (including school and special districts) per 10,000 population was calculated from the *Census of Governments, 1992* from the Census Bureau. State population estimates are from the Census for July 1, 1992, as printed in *State Government Finances: 1992* from the Census Bureau.

Statewide Library Electronic Doorway marks a year on-line

You may have forgotten it, or maybe weren't even aware of it. One of the most significant on-line anniversaries happened just a year ago in April. Pretty much all of Alaska got plugged into the information superhighway via SLED.

The Statewide Library Electronic Doorway, or SLED, opened its electronic doors and began to offer access not only to electronic library card catalogs around the state but also to a world of information via the Internet, all free of charge, accessible in over 40 communities via AlaskaNet. Whether you are in Anchorage or Yakutat, all you need is a computer, modem and terminal program to start "SLEDding."

Susan Elliott, Information Technology Librarian for the Alaska State Library (susane@mus-kox.alaska.edu), says the first year has been good. "Logins are well over 1,200 to 1,300 per day; an average of more than 50 per hour around the clock. People are accessing the Web, White House News, the UA's library catalog and the Economic Bulletin Board."

"We conducted a zip code survey during the last nine days of March. Alaskans accounted for 97 percent of SLED use, with 48 communities logging in an average of once a day during that nine-day period, with access from 37 other states plus Puerto Rico,



CHERYL KIRK

Washington, D.C., and the Virgin Islands. Juneau topped the list of logins, with Anchorage and Fairbanks close behind."

It's no wonder many use it. SLED offers a ton of information via computer, all free, available 24 hours a day. You can search the Loussac Library's card catalog, check out the latest news on the O.J. Simpson trial via the Tacoma News Tribune's Web page, search Bell's Alaska Travel Guide for places to take the relatives, read the latest lawyer bashing jokes from Nolo Press, look up someone's e-mail address, check job prospects, read up on Alaska Supreme Court decisions, find out what's going on with various legislative bills, or read the Department of Fish and Game's Spring newsletter, "Currents."

A simple menu system guides you from one place to another, so no special knowledge outside how to use your modem is needed.

Help is a telephone call away if you have problems connecting or just can't seem to find what you are looking for. For those who need a little bit more hand holding, training classes are held at the Loussac Library, 261-2976.

Over the last year, SLED has grown considerably. In the past few months SLED has added a guide to the U.S. Congress, the Children's Literature Web Guide, consumer product safety information, the Juneau Daily Newsminute, access to the National Public Radio, and profiles of Alaska communities. You can also use SLED to access the World Wide Web, meaning that every time you see those funky computer addresses like, <http://www.alaska.net/ckirk/hello.html>, you can login to SLED, select the Internet Connections menu, follow the instructions and read what's available at that address.

What's so great about SLED is that it is ever-changing. New sites are added all the time. "When a user suggests a new resource, or an information provider contacts us, we put a link to their Internet site on our test system.

GO SLEDDING

Anchorage Access: 258-7222
(Outside of Anchorage check local telephone directory listing for AlaskaNet number.)
Modem settings: 1200 to 9600 baud
No Parity
Eight Data Bits
One Stop Bit
Full Duplex

To Login: Type SLED and press return, then SLED for the password, or follow the directions on the screen.

Internet Access:
Telnet to sled.alaska.edu

Loussac Library (2nd Floor), or contact your local library for more information.

For more information on SLED, call 1-800-478-4867.

Then the advisory group evaluates it based on a set of criteria. In general we are looking for information that is of particular interest to Alaskans statewide. Sites that are stable and well organized. We are always actively seeking new sites, since SLED almost never 'hosts' anything. We just connect and encourage folks to put up good things!" Elliott said.

Even if you don't have a computer, modem access to SLED is as close as your library. "The state library funded a direct Internet connection to computers in the public libraries in Anchorage, Fairbanks and Juneau for high-speed access to SLED. SLED is also available via Telnet, (sled.alaska.edu), via dial-up to some local library systems and as a host on Alascom's AlaskaNet," she said. "The result is that most libraries and citizens around the state can use computers and modems to connect to SLED without being charged for a long-distance call."

But all this free access is not without a price. "The state library pays by the hour for each AlaskaNet connection to SLED," says Elliott.

□ Cheryl Kirk is a local computer, trainer and consultant. Her advice and opinion column appears every other Monday. Questions may be faxed to Cheryl at 258-2157 or mailed c/o Anchorage Daily News, P.O. Box 149001, Anchorage 99514-9001. Her e-mail addresses are CLKIRK@EWorld.COM, or KIRKCLK@AOL.COM, or CompuServe 76200,1660.

B-2

*Saturday June 17th issue of
Ketchikan Daily News*

End of the week

Deferred maintenance

By LEW M. WILLIAMS, JR.

For the Daily News

It's encouraging that the state's Long Range Fiscal Planning Commission, early in its life, is looking at deferred maintenance of state facilities. The goal is to figure a way to catch up on deferred maintenance of state facilities and to finance annual maintenance on a regular basis so it isn't deferred in the future.

The commission is considering maintenance as it does its main job — devising a plan to

close the money gap in state budgets in either three, five or 10 years.

It's no surprise that the commission is paying attention to maintenance. Chairman of the commission is Brian Rogers,

who was vice president for finance for the University of Alaska until last January. The university has been lobbying heavily for three years for funds to clean up \$156 million in deferred maintenance on university campuses. When Gov. Tony Knowles signs the budget bills this month, enough deferred maintenance will be funded that the University's deferred maintenance bill will be reduced to \$120 million, still the biggest amount of deferred maintenance for the state.

Facilities other than the University buildings have been neglected. The deferred maintenance for highways is about \$30 million, for airports \$12 million, for harbors \$30 million and for the ferry system \$8 million. The Office of Management and Budget estimates that it will take \$51 million a year to properly maintain all facilities, plus another \$22 million a year for the next 10 years at least to catch up on the deferred work.

Deferred maintenance for the university and all other state facilities totals

Finance Committee and Sen. Steve Rierger, an Anchorage financial advisor. With all of that money experience, plus the public and private experience of the other seven commission members, we expect some solid recommendations.

The other seven are Sen. Georgianna Lincoln, Mike O'Connor of Peak Oilfield Services, Rep. Sean Parnell, Bruce Ludwig of the Alaska Public Employees Association, Pat Purchot, the governor's legislative liaison, and Bob Loescher, Sealaska vice president for resources.

The governor and legislative leaders agreed early this year on forming the commission to review the state's income and expenses to find a way to bring them together.

A problem facing the commission, and which is not new to anyone, is that there are so many variables. There are fluctuating oil prices, the declining oil production rate and whether new fields will be developed. Oil pays 85 percent of state expenses so the concentration on oil is expected.

What happens if the state does nothing?

According to OMB, if the people of the state and their leaders do nothing, the Budget Reserve Fund will be used up between 1999 and 2003. The fund, near \$2 billion at the end of the fiscal year in two weeks, is built from revenue the state receives from settling oil tax cases.

The Legislature had to dip into the Budget Reserve for \$498 million to finance fiscal '96 that begins July 1. That is more than double the amount appropriated from reserve last year for the current fiscal year, \$242 million. OMB predicts that next year the Legislature will have to appropriate \$700 million from the reserve to finance state operations. At that rate, the Budget Reserve Fund goes dry between 1999 and 2003, even if the state picks up an expected \$1.1 billion in the next four years.

For those who say just cut government spending to close the gap, it should



\$331 million. It accumulates every year that \$51 million isn't spent on repair and maintenance.

The problem with maintenance in the past is that lawmakers and governors have been more inclined to put money into new projects for which they can take credit. Just fixing up something isn't as noticeable at election time. It's hard to put a plaque on a new sewer line or take credit for filling potholes that people expect to be filled anyway.

Thank goodness the new bi-partisan fiscal commission is going to consider maintenance of facilities as it figures a way to close the budget gap and put the state on a sound financial program.

The commission has met three times. It held a teleconference meeting Friday and Saturday. So far it is outlining the issue areas, such as maintenance, and working in subcommittees. A progress report is due out July 15.

The Aug. 26 meeting, however, may garner more attention than the progress report. That is when commission members get into the issue of more revenue — taxes, if and when. The final report goes to the governor and the Legislature by Oct. 1.

The Long Range Fiscal Planning Commission was appointed in March by Gov. Tony Knowles. House Speaker Gail Phillips and Senate President Drue Pierce. Each appointed five members. In addition to Chairman Rogers, there are others with extensive government financing experience, such as Marie Westfall of Ketchikan, former director of revenue and assessing for the borough; Lee Gorsuch, chancellor of the University of Alaska, Anchorage; Annalee McConnell, director of the state Office of Management and Budget; Judy Brady, former executive director of the Alaska Municipal Bond Bank Authority; Mary Nordale, former Commissioner of Revenue who also has served on the boards of the Permanent Fund, the Alaska Housing Finance Corporation and the Alaska Industrial Development and Export Authority; Rep. Mike Navarre, former chairman of the House

be noted that if every state employee were fired only about \$550 million would be saved, \$150 million less than it will take to close the gap next year.

When it is noted that the Legislature cut the budget for next year over this year by up to \$22 million (some say it wasn't even cut), the fiscal gap is serious. Legislatures have been trying to cut budgets for a half dozen years with little success compared to the size of the problem. The general fund budget for the past four years has been lingering in the \$2.3 billion area despite the best efforts to cut. Inflation, population and entitlement programs keep growing.

The commission, of course, will have its eye on the Alaska Permanent Fund earnings reserve and on new taxes. We are assured that commission members are a long way from deciding whether to recommend capping the dividend or tapping the Permanent Fund earnings. They also are a long way from deciding on new taxes.

The Department of Revenue is doing a review of all taxes and possible tax sources which it will give the commission by June 30. There will be public hearings as the commission proceeds with its work, especially after the August meeting to consider revenue sources, and before the final recommendations are made Oct. 1.

OMB has conducted financial reviews for past governors Steve Cowper and Walter Hickel, although not as extensive. But there appears to be no new ideas out there.

And the facts remain: the state is spending more than it takes in with no change in sight; the state is letting its facilities fall into disrepair while it hands out dividends to all Alaskans rather than collecting taxes from them.

There isn't going to be a painless way to correct the situation.

Sunday is father's day. It reminds us of the description of a modern dad.

He has a son who wears earrings. His daughter has a tattoo. His wife is the breadwinner. He is so confused he is thinking of going home to his father.

Happy Father's Day.

If derivatives are permitted, the issuer should ensure that the skills and systems are in place to monitor and manage the risks associated with derivatives. Also it is important that municipal issuers have the checks and balances in place to ensure that the investment guidelines and policies are being followed. Examples of prudent

checks and balances include board or committee oversight, frequent marking to market, and an independent third-party audit of the portfolio.

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ALASKA LEGISLATURE TO VOTE ON FUTURE OF AHFC

Legislation proposed on March 24, 1995 by Alaska Gov. Tony Knowles holds promise for the future financial stability of the Alaska Housing Finance Corp. (AHFC).

If the state legislature approves the bill in the form presented to S&P, the 'A+' G.O. and 'A-1' Eurocommercial paper ratings of the corporation will be removed from CreditWatch and assigned a stable outlook. If the legislation does not pass, AHFC's ratings will remain on CreditWatch, pending further review.

STATE TRANSFER PLAN

The governor's bill calls for enactment of an agreement between the state commissioner of revenue and AHFC, known as the State Transfer Plan. The plan fixes AHFC payments of \$270 million to the state's general fund over five years, beginning in fiscal 1996 with an initial payment of \$70 million. This payment, along with four \$50 million installments, cannot exceed the corporation's net income earned in the prior fiscal year. AHFC's earnings are projected to be more than \$100 million for fiscal 1995 and should remain strong, barring a precipitous economic decline. Should AHFC post losses such as during the 1986-1989 Alaskan recession, when the corporation lost \$124 million, payments to the state may not occur.

AHFC's \$1.7 billion equity base, \$908 million of which is unrestricted as of Dec. 31, 1994, will be substantially protected for bondholder security. The corporation relies on these reserves to absorb a significant level of loan losses resulting from unexpected fluctuations in the Alaskan economy.

Any payment made by the corporation to the state must be approved by AHFC's board of directors. The board must certify that the corporation's equity base will remain at the prior year's level or such a level to support the G.O. and Eurocommercial paper ratings. This requirement is in addition to meeting financial covenants under various bond indentures.

The security measures are important for maintaining long-term capital adequacy and liquidity, especially since AHFC pledges its G.O. to over \$2.51 billion of debt, including \$150 million of commercial paper. S&P rates only \$1.4 billion of this debt, based solely on the AHFC G.O. pledge (see list). Certain obligations, such as AHFC's veterans mortgage program, receive higher ratings due to the higher rated collateral or credit sup-

AHFC ratings will be CreditWatch; implications noted in accompanying

	Rating
\$366.95 mil. ins. rmp. prog. bonds, sec. 1977-1, 1977-2, 1977-3, 1978-1, 1980-1, 1982-1	A+
\$46.088 mil. ins. div. bonds, sec. 1991A, 1992A, 1993A-E	A+
\$218.3 mil. gen. ins. purpose bonds, sec. 1980A, 1984A	A+
\$228 mil. gen. rmp. rvt. bonds, sec. 1991A, 1991C	A+/A-1+
\$22.825 mil. gen. rmp. rvt. bonds, sec. 1991B	A+
\$150 mil. Eurocommercial paper prog.	A-1

ports underlying each issue (See Aug. 15, 1994 CreditWeek Municipal).

Included in the legislation is authorization for \$30 million of AHFC G.O. bonds to pay for deferred housing maintenance at University of Alaska campuses. If the legislation passes, bond proceeds will pay for renovations at university dormitories helping to pay down the \$150 million deferred maintenance backlog across the university system. Debt service payments for the bonds will be paid directly from AHFC's general account over the next 11 years. Although this outflow will put additional pressure on the corporation's general account, S&P does not expect that debt service will substantially decrease liquidity, impair AHFC's ability to support outstanding G.O.s, or make payments under the State Transfer Plan.

The G.O. and Eurocommercial paper ratings of AHFC were placed on CreditWatch with negative implications on Feb. 23, 1995 reflecting uncertainty over the scope and magnitude of future corporate asset transfers to the state's general fund. Rating implications were revised to developing on March 19, 1995 reflecting the introduction of the legislation, as well as efforts by the state to establish long-term solutions to ensure the state's future financial stability.

LONG-RANGE PLANNING

Recent efforts by Alaska ('AA' G.O. debt) to rectify financial instability resulting from volatile oil revenues could lead to decreased reliance on AHFC payments beyond the State Transfer Plan. On Feb. 10, 1995, the state legislature created a bipartisan Long-Range Financial Planning Commission. The commission's primary goal is to propose financial and capital planning procedures and to look for ways to promote economic stability and diversification, thereby lessening dependence on the oil industry.

The commission's proposals ultimately could lead to future G.O. debt issuance by the state, as

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declining oil revenues make it increasingly difficult for the state to continue its practice of funding capital projects on a pay-as-you-go basis.

THE FUTURE

S&P continues to have some concerns about additional AHFC payments and outright asset transfers to the state, beyond the proposed State Transfer Plan. AHFC payments represented 10% of the state's unrestricted revenue, the second-largest item in fiscal 1995. Moreover, since G.O. debt issuance requires voter approval, AHFC's equity base could be a more politically attractive alternative to remedy budget shortfalls resulting from lower-than-projected oil revenues. AHFC has repaid the state \$595 million of its \$1.07 billion contributed capital appropriation under various repayment plans, including the State Payment Plan (\$200 million) and the State Dividend Plan (\$114 million), which is being phased out.

Despite the concerns, the commission is expected to propose alternatives for the legislature to develop more stable revenue and expenditure budgeting procedures. S&P also expects that AHFC's management will successfully collaborate with Gov. Knowles' administration and the legislature over the next five years to devise longer-term and more predictable solutions to resource allocations involving AHFC. A downgrade could occur if agreements that ensure bondholder protection at AHFC's current rating level cannot be reached over the next several years. S&P will continue to monitor the legislation and assess the commission's findings, due July 15, 1996, for potential effects on AHFC's credit quality.

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GEORGIA INVESTMENT IN EDUCATION SPURS DEVELOPMENT

Under Gov. Zell Miller, Georgia has increased funding for primary and secondary education to levels that are unprecedented in the state's recent history. This investment has played an important role in the state's current economic strength and the revision last week of its G.O. rating outlook to positive from stable.

This effort has been dubbed the "Georgia Research Alliance." The state has used its private and public universities as tools for economic development by promoting a working alliance between the academic and corporate communities in fostering research into such areas as telecommunications, environmental technology, and biotechnology. In addition, the new Chancellor of the University System of Georgia, Stephen R. Porch, is reviewing the university system's administration standards with the goal of upgrading them.

Realizing that a large number of jobs created in the state's economy require more training than a high school education provides, the state also has increased resources to the state's technical schools over the past four years. These schools have become a key ingredient in the state's economic development efforts. Over \$130 million has been appropriated for the planning, design, and construction of new technical schools. Of this amount, nearly \$23 million came from lottery proceeds. This level of investment in technical education facilities in Georgia is unparalleled.

The Department of Technical & Adult Education's budget has increased to \$203 million in fiscal 1996, from \$120 million in fiscal 1993—a 69% increase in only three years. The number of full-time faculty added to the department during this period increased by 137 positions and non-faculty positions are up by 101 positions, a 12.7% increase.

EDUCATION HELPS ECONOMY

Georgia's economy is exhibiting solid growth, spurred by an expanding population, continued corporate relocations, and the impact of the 1996 Olympic Games. Total nonagricultural employment increased 8% in 1994—the seventh-fastest growth rate in the nation.

Georgia's four key industries—construction, transportation, trade, and services—have provided the bulk of this job growth. The state's service sector, which grew 7.6% in 1994, is expected to expand by over 180,000 jobs by the end of the decade and become the state's largest employment sector. This continued expansion in the state's economy has positive long-term implications for Georgia's G.O. rating. S&P rates Georgia's G.O. bonds 'AA+', and the outlook was revised to positive from stable only last week. Part of the reason for the outlook revision was the expansion of the state's economy and the prospects for continued growth over the next few years.

While much of this growth can be attributed to variables outside the control of state government, most economists believe a well-trained and educated work force plays a key role in economic expansion. This element of job creation can be severely affected by the policies and practices of the state.

GEORGIA RESEARCH ALLIANCE

The Georgia Research Alliance is a partnership among Georgia's public and private universities and private corporations designed to move Georgia to the forefront of growth in the high-technology industry. It already has had a demonstrated impact on economic development efforts.