

Fund Source Report

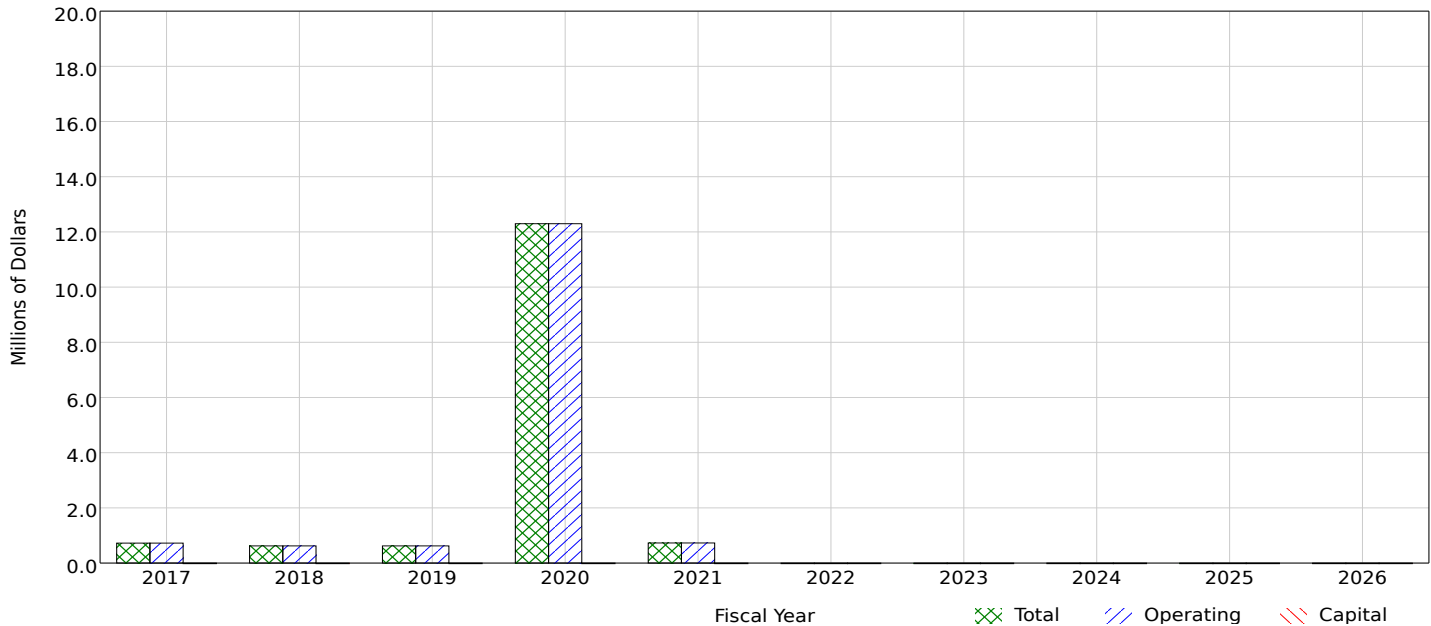
1008

G/O Bonds

General Obligation Bonds

Year Authorized 1959 Year Repealed 2002 Active? Yes Mental Health? No Duplicated? Yes Fund Group Bonds / Debt Service

Operating and Capital Appropriations



Legal Authority

Art. IX, Section 8 of the Alaska Constitution

Source of Revenue

Bond sale proceeds.

Restrictions on Use

General obligation bonds may be issued for capital improvements, housing loans for veterans, and other purposes under the conditions specified in section 8, Article IX. There is no statutory limit on the amount of general obligation debt that may be issued.

Description and History

Article IX, Section 8 of the Alaska Constitution reads:

No state debt shall be contracted unless authorized by law for capital improvements or unless authorized by law for housing loans for veterans, and ratified by a majority vote of the qualified voters of the State who vote on the question. The State may, as provided by law and without ratification, contract debt for the purpose of repelling invasion, suppressing insurrection, defending the State in war, meeting natural disasters, or redeeming indebtedness outstanding at the time this constitution becomes effective.

General obligation bonds are backed by the full faith, credit and resources of the state. Attorney General Opinion #39 (1959) ruled that the prohibition of debt applies only to obligations against the general credit of the state (i.e., to general obligation bonds but not to revenue bonds).

"Pure" general obligation bonds were not issued by the State during the 1980s or 1990s. Bonds issued through 1980 were designed to coincide with the "Prudhoe Bay revenue curve" and were paid off by 2001. In 2002, voters approved the first issue of GO bonds in over 20 years. Those bonds did not use code 1008; proceeds were coded to three separate codes representing project classifications. GO Bond proceeds spent in FY03 used the following codes:

- 1148 Alaska Accelerated Transportation Projects Fund (\$103 million)
- 1182 Educational and Museum Facility Design/Const/MajorMaint Fund (\$238 million)
- 1183 Transportation Project Fund (\$125 million)

In the 1982 general election, voters approved an amendment to Article IX, Section 8 of the Alaska Constitution that permits the State to guarantee

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the payment of principal and interest on revenue bonds issued by AHFC for the purpose of purchasing mortgage loans made for residences of qualifying veterans.

Veterans' mortgage bonds are sometimes referred to as "double barreled" bonds because they are secured by the loan portfolio (as standard revenue bonds) and by the unconditional guarantee of the state (as general obligations of the state).

Mortgage loans to veterans is the only purpose for which State Guaranteed Bonds may be issued. Because the bonds are general obligations of the State, they must be authorized by law, ratified by the voters and approved by the State Bond Committee.

In 1982, 1984, and 1986 general elections and a 1983 special election, voters approved propositions authorizing \$400 million (M), \$700 M, \$600 M, and \$500 M, respectively, of State Guaranteed Bonds for veterans' mortgages.

September 2011

Prior to FY11, debt retirement payments (if any) came from the Alaska Debt Retirement Fund (1044). Beginning in FY11, debt retirement was paid with appropriations from the GF (and other fund sources).

Any reports intended to track GO bonds should include codes 1148, 1182 and 1183.