

THE BOND BUYER

In inaugural rating of Alaska, Kroll gives state's GOs its AA

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Alaska received what state officials called its highest rating since 2018 when Kroll Bond Rating Agency assigned its AA to the state's general obligation bonds in its inaugural rating of the state.

Kroll also assigned a stable outlook to the GOs and its AA-minus rating and stable outlook to the Alaska Municipal Bond Bank Authority's GOs in Thursday's rating reports.

The rating "reflects the fundamental strength of the state's general obligation pledge as well as the state's consistent maintenance of very strong reserves," Kroll analysts wrote in the report.



The Kroll rating "is a vote of confidence in the work we have done to manage the state's finances," Alaska Gov. Mike Dunleavy said in a statement. **Bloomberg News**

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The state has Aa3, A-plus and AA-minus GO ratings from Moody's Investors Service, Fitch Ratings and S&P Global Ratings, respectively.

It was rated triple-A across the board entering 2016, before a [series of downgrades](#) amid structural budget imbalance and volatile prices for the resource extraction that underpins the state's budget and economy.

Fitch revised its outlook to stable from negative in March 2022 saying "it reflected stabilization of Alaska's financial resilience driven by the recent surge in energy prices, which should begin replenishing budgetary reserves."

The Alaska economy is dependent on its abundant natural resource sectors, which can cause wide swings.

Kroll analysts cited the state's exposure to commodity pricing volatility as a credit challenge, and its fluctuating budgetary performance, buoyed by the reliance on

accumulated reserves to balance fiscal operations, and its elevated pension liability, particularly when measure against its gross domestic product.

According to Fitch, energy and mining comprise about one-quarter of gross domestic product, while tourism, transportation activity and government, including a sizeable military presence, are also significant to the economy.

"After severe price shocks in 2014-25 and again at the start of the pandemic, energy prices have recently rebounded to levels near \$100/bbl," Fitch analysts wrote. "Both the state and Fitch forecast that prices over the medium-term gradually fall by the middle of the decade."

Kroll analysts said they assigned the rating based on the state's ample reserve balances and direct liquidity available to support budgetary operations, and its robust natural resource base, which will likely continue to serve as a key economic driver.

If the state wants to achieve a higher Kroll rating, it would need to decrease its reliance on permanent fund earnings withdrawals to balance budgetary operations, diversify its revenue sources and improve the state's socioeconomic metrics, notably personal income.

Adam Crum, the state's department of revenue commissioner, referred to the new rating as an "increase," saying it.

"is a significant achievement and a win for the state, and is indicative of the state's positive standing in the financial markets.

"Our favorable rating has yielded positive results, which will enable the state to obtain favorable interest rates in future bond deals and attract new investments in our great state."