Standard & Poor’s Maintains Alaska’s AA+ Credit Rating and Removes CreditWatch

Juneau – Standard & Poor’s (S&P) Global Ratings has removed Alaska’s general obligation, appropriation and moral obligation from CreditWatch while maintaining the AA+ rating on Alaska’s general obligation debt. In their analysis S&P notes that although Alaska’s legislature did not approve the fiscal reforms sought by Governor Walker as part of the 2016-2017 budget process, nevertheless from a fiscal standpoint, the state may achieve results similar to what it might have if the reforms had been approved because the governor vetoed $1.29 billion in spending. With reduced spending, the state will draw $3.2 billion from its budget reserves this year—the same amount shown under Governor Walker’s original December 2015 reform proposal. In the absence of the vetoes, which included halving the permanent fund dividend (PFD) paid to state residents, the state’s fiscal gap and related draw on its reserves would have approached $4.5 billion.

This is good news for Alaska as there is now no expectation of a negative rating action in the near term. S&P acknowledges Governor Walker’s fiscal discipline and commitment and Alaska’s strong credit quality. Although Governor Walker’s vetoes provide additional time before the state’s reserves would be depleted, S&P will likely lower the state’s debt ratings in the absence of structural fiscal reform during the 2017 legislative session.

Questions can be directed to Deputy Commissioner Jerry Burnett at (907) 465-2300.

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