COMMONWEALTH OF KENTUCKY

KENTUCKY ASSET/LIABILITY COMMISSION

SEMI-ANNUAL REPORT

For the period ending December 31, 2023

54th Edition

KENTUCKY
ALCo
ASSET/LIABILITY
COMMISSION

Andy Beshear, Governor of the Commonwealth of Kentucky

Holly M. Johnson, Secretary of the Finance and Administration Cabinet

Ryan Barrow, Executive Director, Office of Financial Management

Prior copies of this report:

https://finance.ky.gov/office-of-the-controller/office-of-statewide-accounting-services/financial-reporting-branch/Pages/annual-comprehensive-financial-reports.aspx

The Commonwealth's Annual Comprehensive Financial Report (ACFR):

https://finance.ky.gov/office-of-the-controller/office-of-statewide-accounting-services/financial-reporting-branch/Pages/annual-comprehensive-financial-reports.aspx

The Municipal Securities Rulemaking Board (MSRB)

Electronic Municipal Market Access (EMMA):

http://emma.msrb.org/

Commonwealth of Kentucky Investor Relations:

https://bonds.ky.gov/

Office of Financial Management (OFM):

https://ofm.ky.gov

TEAM KENTUCKY™

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INTRODUCTION

The Kentucky Asset/Liability Commission ("ALCo" or the "Commission") presents its 54th semi-annual report to the Capital Projects and Bond Oversight Committee and the Interim Joint Committee on Appropriations and Revenue pursuant to KRS 56.863 (11) for the period beginning July 1, 2023 through December 31, 2023.

Provided is the current structure of the Commonwealth's investment and debt portfolios and the strategy used to reduce both the impact of variable revenue receipts on the budget of the Commonwealth and fluctuating interest rates on the interest-sensitive assets and interest-sensitive liabilities of the Commonwealth. Additionally, an analysis of the Commonwealth's outstanding debt is provided as well as financial agreements entered into during the reporting period.

Numerous factors on the state and national level had an impact on activity during the reporting period. The most significant factors were:

On the national level

- The Federal Reserve Board of Governors raised the federal funds rate to a range of 5.25 percent to 5.50 percent during the second half of 2023.
- The unemployment rate rose to 3.7 percent in December 2023, from 3.6 percent in June 2023.
- The annual rate of economic growth as measured by the gross domestic product ("GDP") rapidly accelerated in the second half of 2023. The seasonally adjusted rate for the third quarter was 4.9 percent and fourth quarter was 3.3 percent.
- Inflation continued to fall and ended the fourth quarter with the core consumer price index ("CPI") rate (ex-energy and food) to 3.9 percent.

On the state level

- General Fund receipts totaled $7.744 billion for the first six months of Fiscal Year ("FY") 2024, representing a 4.1 percent increase over the same period in FY 2023. The official revised General Fund revenue estimate for FY 2024 calls for revenue to grow 2.7 percent compared to FY 2023 actual receipts. Based on the first half of the FY, General Fund revenue receipts need to grow 1.3 percent for the remainder of the FY to meet the official revised estimate of $15,554.5 billion.
- Road Fund receipts totaled $916.6 million for the first six months of FY 2024, representing an 8.8 percent increase over the same period in FY 2023. The official revised Road Fund revenue estimate for FY 2024 calls for revenue to grow 7.3 percent compared to FY 2023 actual receipts. Based on the first half of the FY, Road Fund revenue receipts must increase 6.0 percent over the remainder of the fiscal year to meet the official revised estimate of $1,881.7 billion.
- Kentucky non-farm employment rose by 2.1 percent in the second quarter of FY 2024 compared to the second quarter of FY 2023.
- Construction employment was the fastest growing employment sector in Kentucky in the second quarter of FY 2024, growing 4.7 percent over the second quarter of FY 2023.
- Kentucky personal income rose by 5.2 percent in the second quarter of FY 2024 compared to the second quarter of FY 2023.
- Kentucky wages and salaries income was the fastest growing income component in the second quarter of FY 2024, growing 7.8 percent compared to the second quarter of FY 2023.
- Large unfunded pension liabilities continue to put stress on the Commonwealth's credit rating.

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State Investment Commission

The State Investment Commission ("SIC") is responsible for investment oversight with members of the Commission being State Treasurer ("Chair"), Finance and Administration Cabinet Secretary, State Controller and two Gubernatorial Appointees. The investment objectives are three-fold: preservation of principal, maintain liquidity to meet cash needs and maximization of returns. The Office of Financial Management is staff to the SIC and follows KRS 42.500, 200 KAR 14.011, 14.081, and 14.091 when making investment decisions.

Market Overview

After an aggressive rate hiking campaign that lasted a year and a half, the Federal Open Market Committee ("FOMC") finally succeeded in driving down inflation close enough to the long-term 2 percent goal that the timing on the first potential rate cut was being discussed by the end of 2023. Once seen as unlikely, a "soft landing" scenario in which rates are normalized without causing a recession now seems within reach. Evidence lending credibility to this viewpoint include a surprisingly resilient jobs market and robust GDP growth in the second half of the year, two outcomes that are normally difficult to achieve in a high rate environment meant to slow down an inflationary economy.

The expected final rate hike of the current economic cycle occurred in July when the FOMC raised the federal funds target rate to a range of 5.25 percent to 5.50 percent. After that point, the stated goal of the FMOC was to stand put and evaluate economic data as it came in before proceeding further. The fear is that cutting rates too soon could reignite inflation that still hasn't quite reached the 2 percent objective, while leaving rates too high for too long could depress economic activity to the point that a recession is inevitable. FOMC members have repeatedly said that rate cuts will occur only when they are confident that economic conditions warrant them and there is little risk of excessive inflation returning in response. The FOMC has continued to let securities roll off the balance sheet as part of a quantitative tightening ("QT") strategy that began in 2022. While still significantly higher than where it was pre-2020, by the end of 2023 the balance sheet had shrunk over $1 trillion from the nearly $9 trillion high it carried before QT began.

Employment

Complicating the decision to begin easing financial conditions is a labor market that continues to defy conventional thinking by remaining strong during a period of high interest rates. While slowing during the first half of the year, the economy still added an average of 215,000 jobs per month while the unemployment rate remained near historic lows at 3.7 percent in December. Nominal income gains have come down from a more accelerated pace in the first half, however when combined with a lower inflation rate, real income growth has remained steady.

After peaking over 12 million in 2022, job openings declined to around 9 million by the end of the year, a still strong number compared to the roughly 7 million openings that existed at the beginning of 2020. Continuing to signal a remarkable and lasting shift in the American economy, the Labor Force Participation Rate ("LFPR") ended the year at 62.5 percent, nearly

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a full percentage point below where it was at the beginning of 2019 and almost 4 percent below where it was in 2008.

Inflation

High interest rates continue due to inflation as the headline CPI ended the year at 3.4 percent. While this marks an increase from 3.0 percent in June, the rate overall remains stable after three years of extreme volatility. The FOMC's preferred inflation gauge, core personal consumption expenditures ("PCE"), strips out more volatile categories like food and energy to present a more accurate picture of price increases. Unlike the CPI, the PCE continued to see significant declines throughout the last two quarters and ended the year at 2.9 percent and within target 2 percent long-term objective. Expectations for longer-run inflation continued to fall as extreme price increase appear to have finally been reined in.

Economic Growth

Strong real GDP growth was perhaps the biggest economic surprise of the third and fourth quarters. After averaging a respectable 2.2 percent in the first half of the year, GDP growth exceeded all expectations with a 4.9 percent rise in the third quarter followed by a 3.3 percent bump to end the year. This brings the full year average above three percent, a number not associated with an economy in recession. Personal consumption was the main driver of growth in both quarters with a large build in inventories also contributing to the third quarter result.

Interest Rates

At the end of June, the federal funds rate sat at 5.00 percent to 5.25 percent. The hiking cycle concluded in July with one final 25 basis point hike to make the upper bound 5.50 percent. After this, the rate remained unchanged for the remainder of the year as the FOMC waited to see what effect these rate hikes would have on the economic data. Inflation has continued to fall in the meantime, lending credence to the idea that a rate cut could be around the corner. While there is market consensus agreement that the first cut will happen in 2024, the timing is still up for debate. Specifically the latest FOMC dot plot shows a disparate view on where the federal funds rate will be at when the year ends. Most market participants foresee at least three-four cuts by the end of 2024, with additional cuts occurring in 2025.

Yields on treasury securities and corporate bonds endured a wild ride in the second half of 2023 as the market searched for the end of the hiking cycle. Yields peaked in October with the two-year treasury exceeding 5.2 percent and the ten-year treasury coming very close to 5.00 percent. From there the drop was swift with both ending December around 100 basis points lower than at the peak. Until the first rate cut actually happens, the yield curve will remain inverted as it has since the middle of 2022.

Equities

2023 was a blowout year for stocks across the board as all major equity indices posted large gains for the year. The S&P 500 gained almost 25 percent while the tech-heavy NASDAQ did even better with an incredible 44.5 percent rise for the calendar year. This has elevated price-to-earnings ratios to what many analysts are calling unsustainable levels and it remains to be seen if the market can hold on to these gains in 2024.

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Outlook

The FOMC is strongly committed to returning inflation to the 2 percent long-term objective. For now, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee's assessments will take into account a wide range of information, including readings on inflation and inflation expectations, wages, other measures of labor market conditions and financial and international developments.

In conjunction with the FOMC meeting held on December 13, 2023, meeting participants submitted their projections of the most likely outcomes for GDP, the unemployment rate, and inflation for each year from 2024 to 2026 and over the long-run.

For 2024, the median forecast for GDP, unemployment rate and inflation is 1.4 percent, 4.1 percent and 2.4 percent, respectively. The expected Federal funds rate at the end of 2024 is 4.6 percent.

For 2025, the median forecast for GDP, unemployment rate and inflation is 1.8 percent, 4.1 percent and 2.1 percent, respectively. The expected Federal funds rate at the end of 2025 is 3.6 percent.

For 2026, the median forecast for GDP, unemployment rate and inflation is 1.9 percent, 4.1 percent and 2.0 percent, respectively. The expected Federal funds rate at the end of 2026 is 2.9 percent.

Additionally, longer run projections are 1.8 percent for GDP, 4.1 percent for unemployment and 2.0 percent inflation with an expected Federal funds rate of 2.5 percent.

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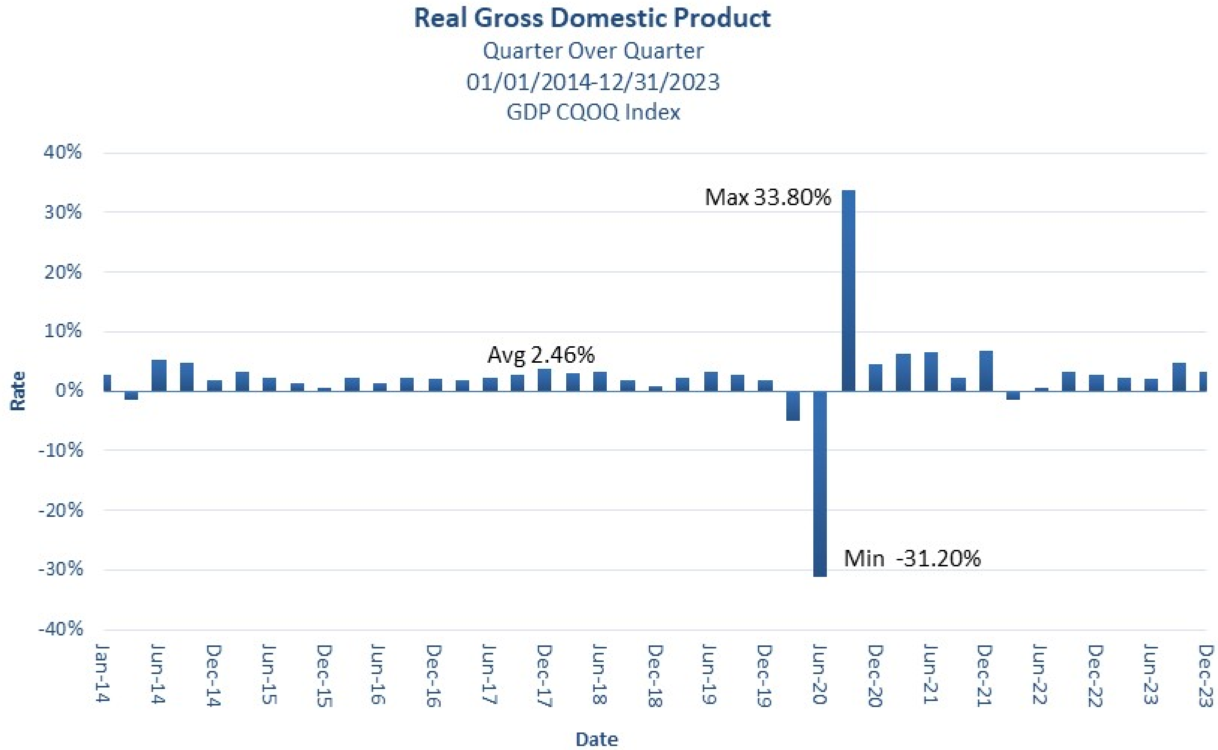
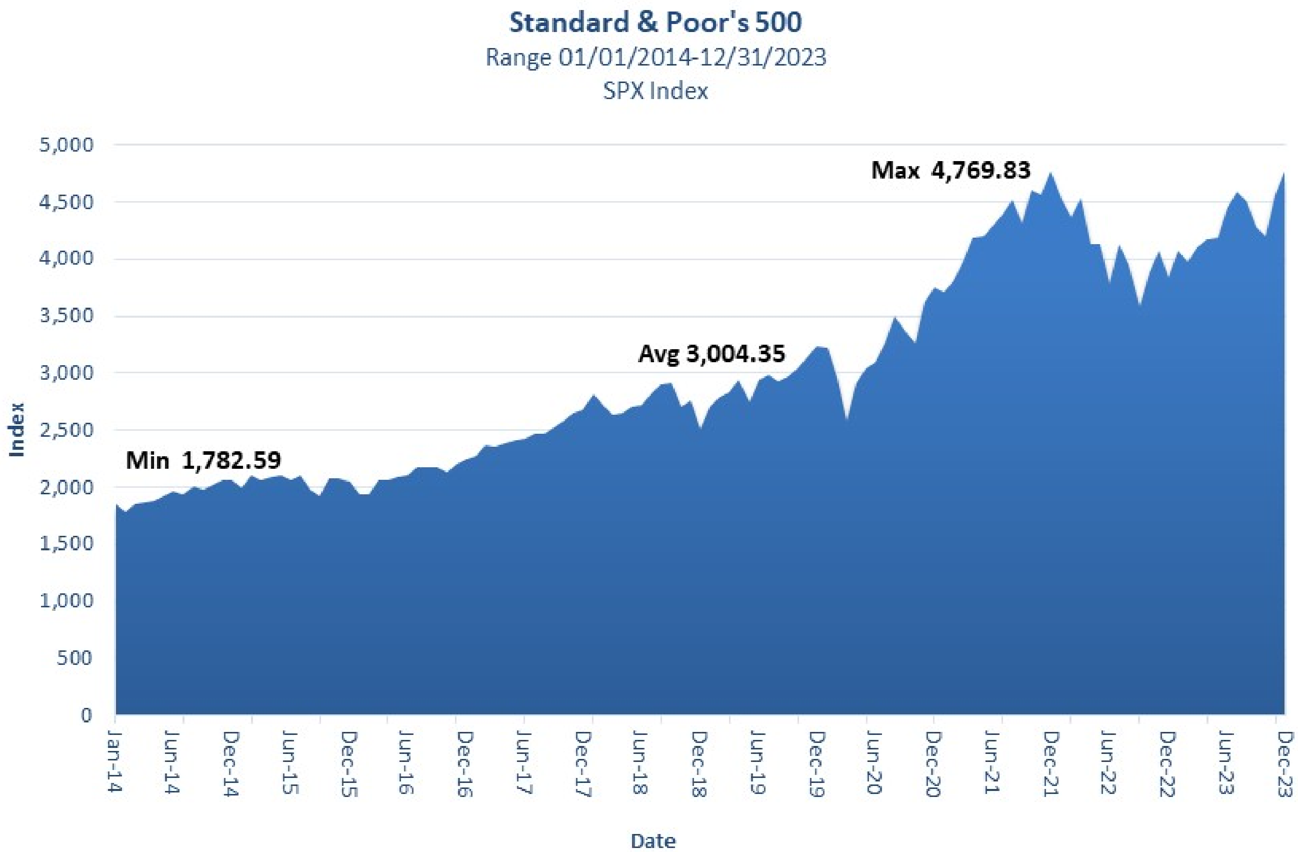
Real Gross Domestic Product & Standard & Poor's 500





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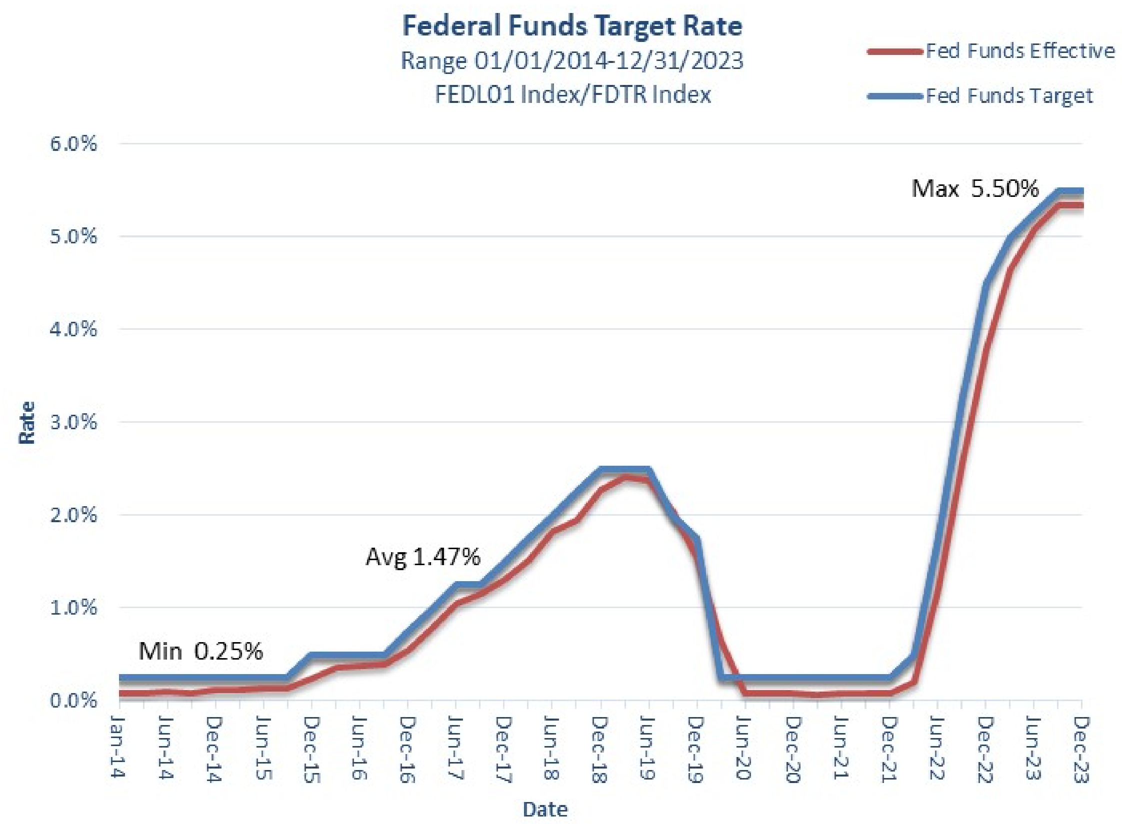
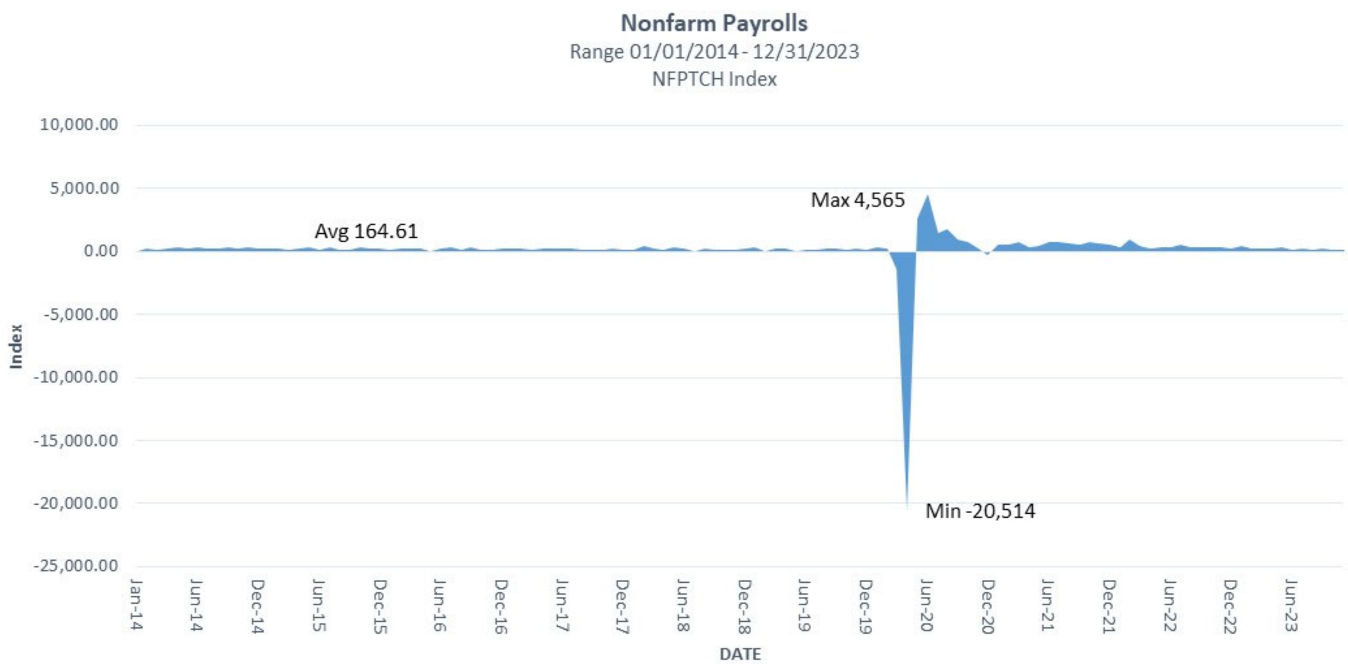
Federal funds Target Rate & NonFarm Payrolls





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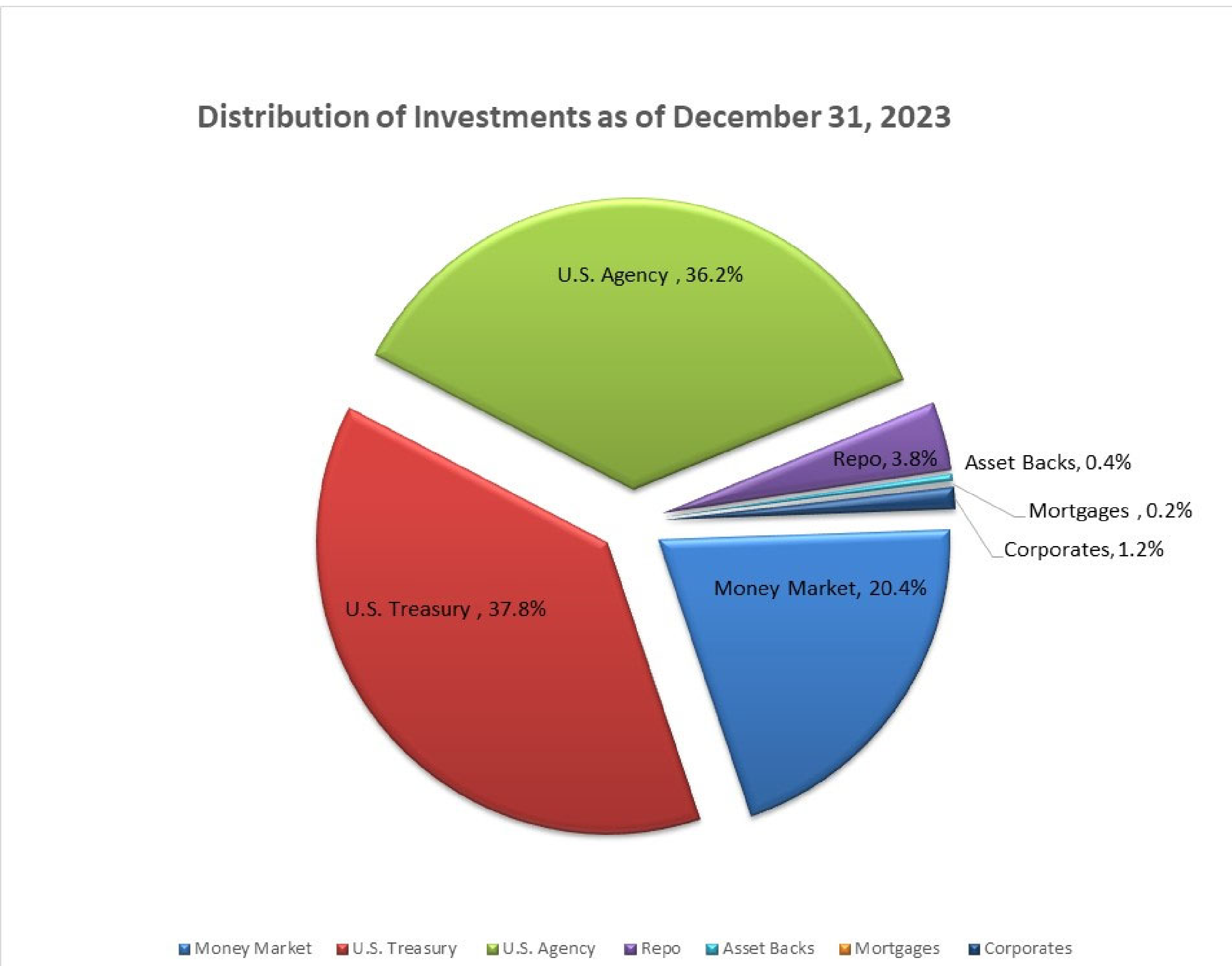
Portfolio Management

For six months ended December 31, 2023, the Commonwealth's investment portfolio was approximately $13.2 billion. The portfolio was invested in U.S. Treasury Securities (37.8%), U.S. Agency Securities (36.2%), Mortgage-Backed Securities (0.2%), Repurchase Agreements (3.8%), Corporate Securities (1.2%), Asset-Backed Securities (0.4%), and Money Market Securities (20.4%). The portfolio had a market yield of 5.26 percent and an effective duration of 0.44 of a year.

The total portfolio is invested in three investment pools. The pool balances as of December 31, 2023 were $6.7 billion (Short Term Pool), $2.7 billion (Limited Term Pool), and $3.9 billion (Intermediate Term Pool).



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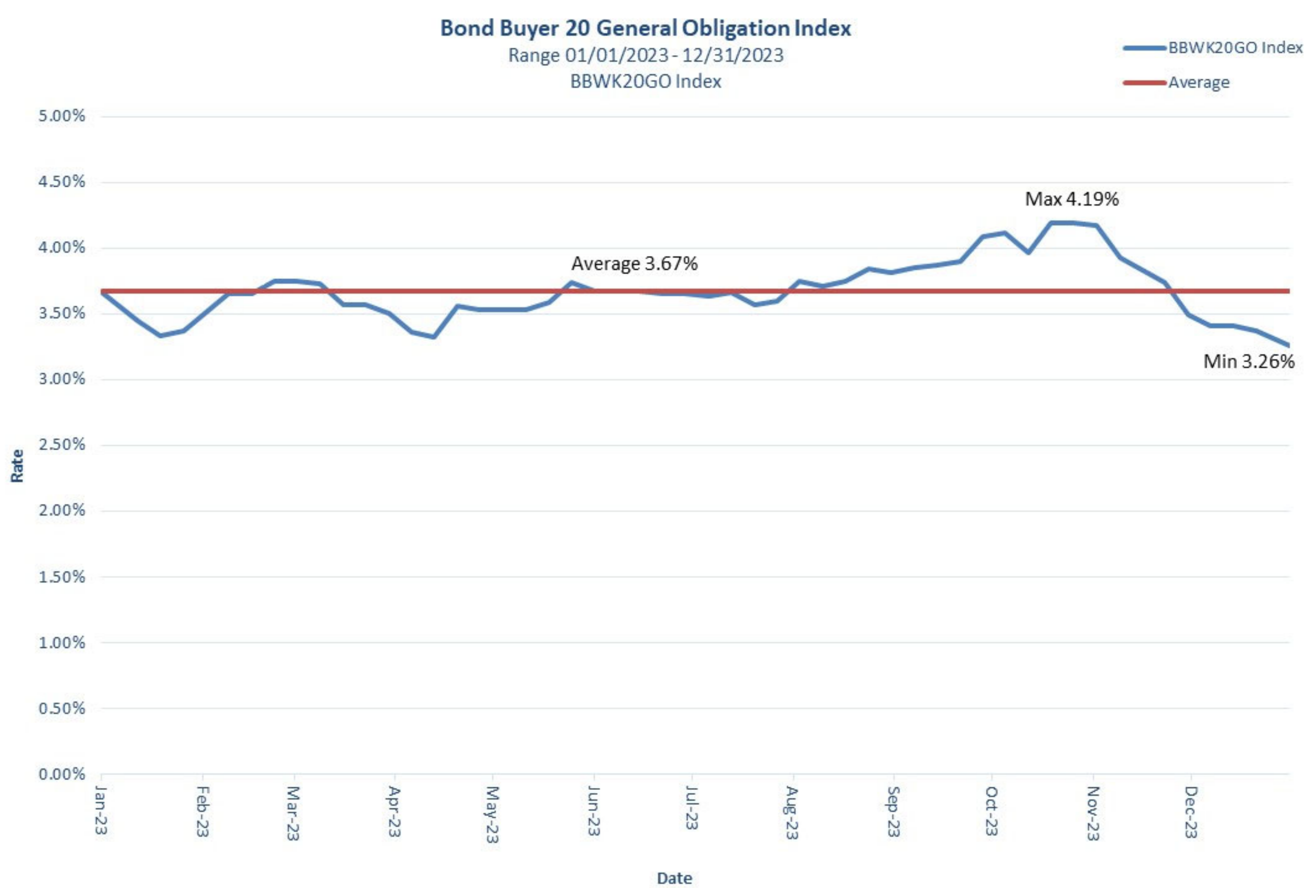
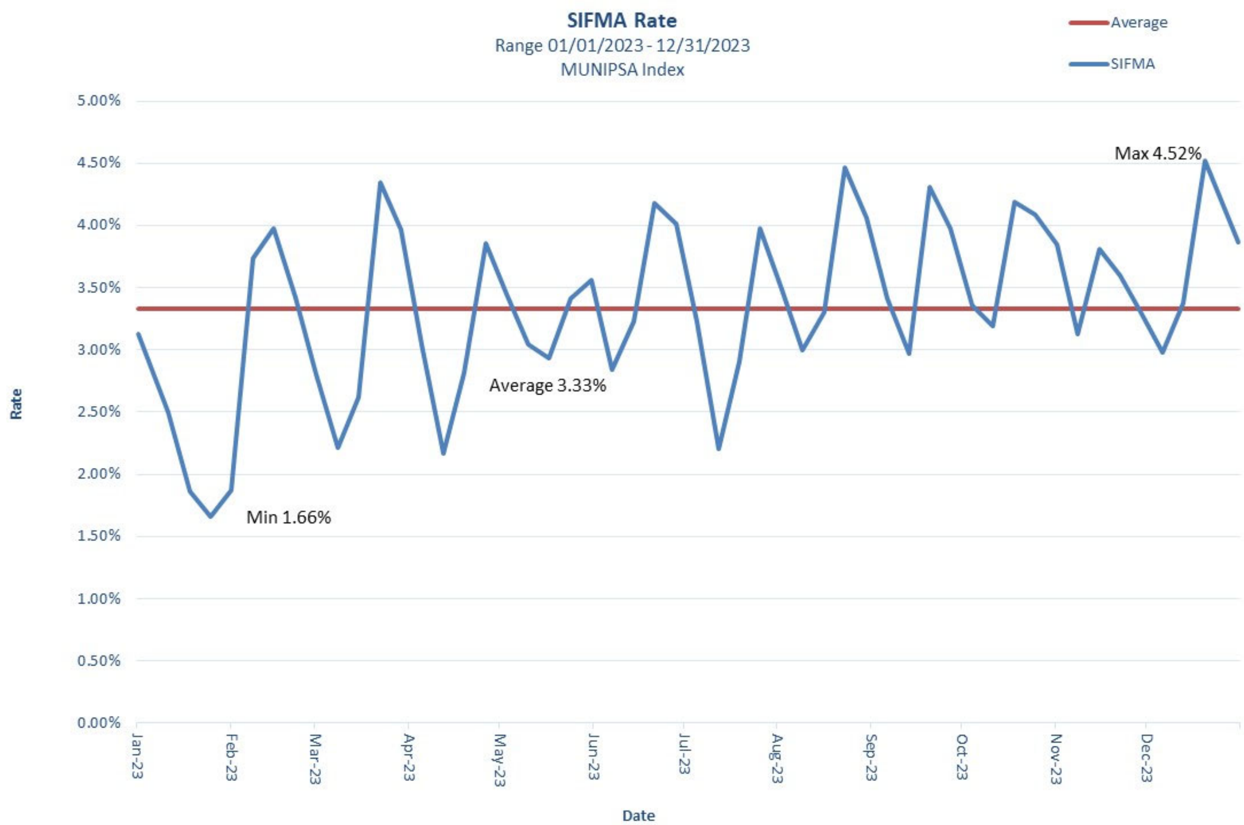
Tax-Exempt Interest Rates and Relationships

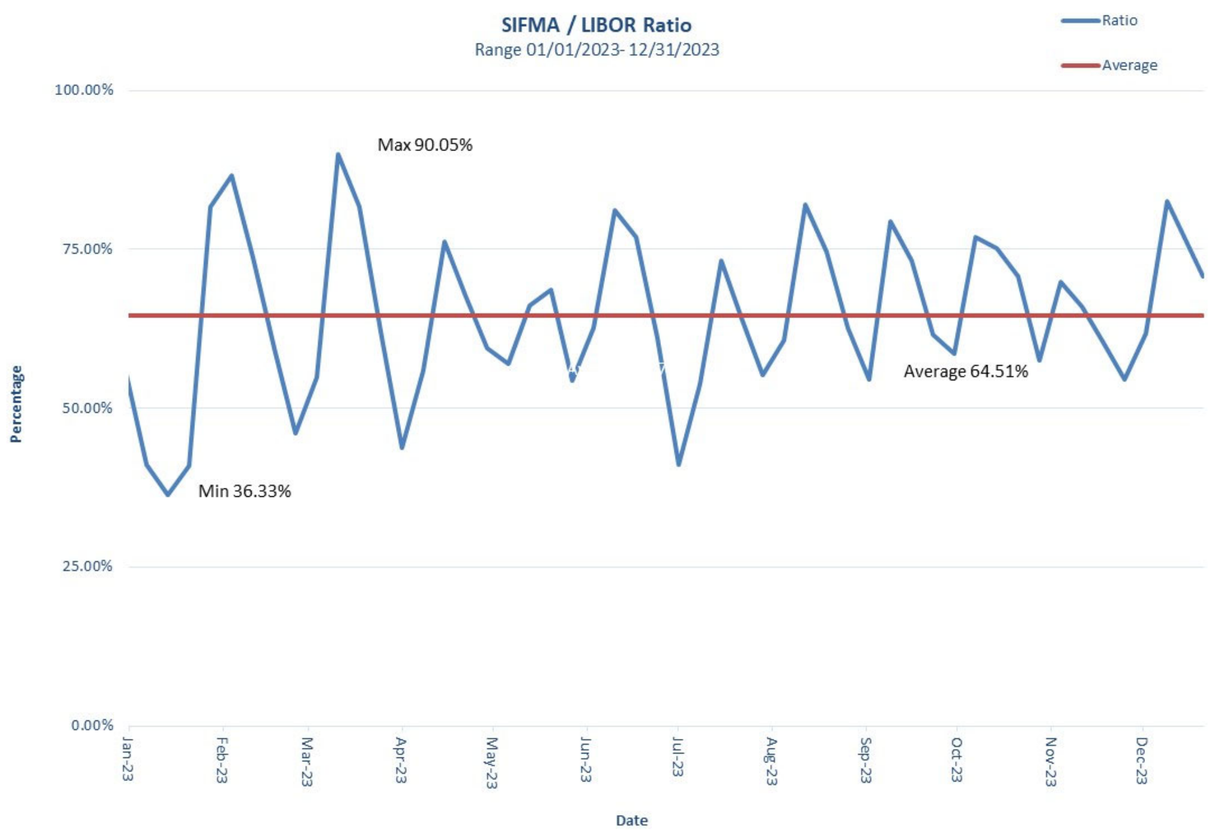
The Bond Buyer 20 General Obligation Index averaged 3.67 percent NTD above and below we just refer to the year for CY not we use CY. Fine with either but have to use one through full report) 2023. The high was 4.19 percent in October 2023 and the low was 3.26 percent in December 2023.

The Securities Industry and Financial Markets Association ("SIFMA") Municipal Swap Index averaged 3.33 percent for CY 2023. The high was 4.52 percent in December 2023, and the low was 1.66 percent in January 2023. The 30-day USD London Interbank Offered Rate ("LIBOR") averaged 5.15 percent for Calendar Year 2023. The high was 5.47 percent in December 2023 and the low was 4.40 percent in January 2023. During the year, SIFMA traded at a high of 90.05 percent of the 30-day LIBOR in March 2023, at a low of 36.33 percent in January 2023, and at an average of 64.51 percent for the CY.



SIFMA & SIFMA/LIBOR Ratio





CREDIT MANAGEMENT

Mid-Year Reflection

Credit

The second half of 2023 saw inflationary pressures easing in all aspects of the economy. As the headline inflation rate settled around 3.5 percent in the second half of the year, the Federal Reserve hiked the federal funds rate one final time in July to a range of 5.25 percent to 5.50 percent. At that point all eyes turned to when the first-rate cut would be, expected sometime in 2024. Producer prices paid rose around 1 percent year-over-year after peaking about 11 percent in 2022, signaling the end of supply chain restraints. Consumer spending finished the year strong, driving robust GDP growth for the final two quarters. While moderating some from the first half of the year, real personal incomes rose around 4.6 percent. In a worrying sign for the economy, household debt continued to expand to an excess of $17.5 trillion. This was driven primarily by rapid gains in credit card debt, which reached an all-time high in 2023. While delinquencies of all types are on the rise, credit card defaults in particular have risen 50 percent over the past year, as borrowers face both higher balances and average annual percentage rates in excess of 20 percent.

Non-financial corporations were undeterred by higher borrowing rates in the second half of 2023 as they increased their debt load to $21 trillion. Thanks to strong GDP growth, the ratio of corporate debt fell slightly. Investment grade debt remained the majority of new issuance even as the total amount of debt issued fell slightly in the second half of the year. Higher borrowing rates continued to negatively affect balance sheets as corporate bankruptcies rose to a 13-year high in 2023. Spreads on investment grade bonds compared to U.S. Treasuries fell moderately in the second half of the year and finished the year at the tightest point since the first quarter of 2022. The Senior Loan Officer Opinion Survey on Bank Lending Practices, or (“SLOOS”), reported that credit standards tightened for nearly all categories of consumer and business loans while demand decreased, continuing the trend from the first half of the year.

Credit Process

Our credit strategy invests in creditworthy corporate issuers having a long-term rating of A3/A/A- or better as rated by Moody’s, S&P, or Fitch, where the lowest rating of the three is used to determine credit rating compliance. The strategy focuses on adding value through a disciplined approach in the credit selection process. With independent research and prudent diversification with respect to industries and issuers, our goal is to deliver consistent longer-term investment performance over U.S. Treasuries.

Default Monitoring

The Bloomberg credit risk model is our main tool for default monitoring. The default likelihood model is based on the Merton distance-to-default (“DD”) measure, along with additional economically and statistically relevant factors. Firms are assigned a default risk measure as a high-level summary of their credit health using an explicit mapping from default likelihood to default risk.

A daily report is generated using our approved list and their peers enabling us to

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track market activity in selected names including Credit Default Swaps ("CDS").

Industry/Company Analysis

We use a combination top-down and bottom-up approach for investing. The top-down approach refers to understanding the current (and future) business cycle or the "big picture" of the economy and financial world in order to identify attractive industries. Once industries are identified, a bottom-up approach is utilized where Portfolio Managers focus on specific company fundamentals, picking the strongest companies within a sector.

Fundamental analysis is then performed by looking at competitive position, market share, operating history/trends, management strategy/execution, and financial statement ratio analysis.

Approved List

Once analysis has been completed, the State Investment Commission approves the list on a quarterly basis. During the second half of 2023, no names were removed from the Corporate Credits Approved list. The Corporate Credits Approved list as of December 2023 is located in Appendix A.

DEBT MANAGEMENT

Authorized but Unissued Debt Summary

As of December 31, 2023, the Commonwealth's 2023-2024 budget includes authorized debt service for over $3.8 billion of projects supported by the General Fund, Agency Fund, Road Fund, and Federal Fund, which were approved during prior sessions of the General Assembly. This pipeline of projects is anticipated to be financed over a number of future bond transactions. The speed at which this financing takes place is dependent upon factors managed by and between the project sponsors, the Office of the State Budget Director and the Office of Financial Management.

The balance of prior bond authorizations from 2010 through 2023 totals $3,812.48 million. Of these prior authorizations, $2,715.05 million is General Fund supported, $934.93 million is Agency Fund supported, $12.50 million is supported by Road Fund appropriations and $150.00 million is supported through Grant Anticipation Revenue Vehicle Bonds designated for the Brent Spence Bridge project.

The following table summarizes, in aggregate, the information in connection with authorized but unissued debt of the Commission as described in this section.

Summary of Authorized but Unissued Debt by Fund Type As of December 31, 2023:

Legislative Session (Year)	General Fund (millions)	Agency Fund (millions)	Road Fund (millions)	Federal Fund (millions)	TOTAL (millions)
2010	$ 22.05	$ 17.50	-		$ 39.55
2012	1.74	-	$ 12.50		14.24
2014	6.58	-	-		6.58
2016	17.86	-	-		17.86
2018	167.25	6.53	-		173.78
2019	33.25	-	-		33.25
2020-2021	361.63	80.43	-		442.06
2022-2024	2,254.69	830.47	-	$ 150.00	3,235.16
Bond Pool Proceeds	(150.00)				(150.00)
TOTAL	$ 2,715.05	$ 934.93	$ 12.50	$ 150.00	$ 3,812.48

Looking Forward

The Commission continues to monitor the municipal bond interest rate market and uses this information together with other relevant market data to evaluate whether or not the interim or variable rate financing program would provide and economic advantage in conjunction with the fixed rate bonds.

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Ratings Update

The rating agencies continually monitor the Commonwealth's budgetary policies and actual performance in areas such as revenue, the economy, pensions, and debt management. Pension unfunded liabilities have continued to put downward pressure on the Commonwealth's credit ratings.

During the reporting period, the remaining ratings below were either affirmed or remained unchanged from the previous reporting period.

The Ratings Picture at December 31, 2023:

	Moody's	S & P	Fitch	Kroll
General Obligation Issuer Rating (GO)	Aa3	A+	AA	AA-
General Fund Appropriation Rating (GF)*	A1	A	AA-	A+
Road Fund Appropriation Rating (RF)*	Aa3	A	AA-	AA-
Federal Highway Trust Fund Appropriation Rating*	A2	AA	A+	-

*All outstanding bonds do not necessarily receive a rating from every rating agency

DEBT MANAGEMENT

Cash Management Strategies

All cash management strategies are market and interest rate dependent. Historical alternatives are listed below:

Tax and Revenue Anticipation Notes ("TRANs")

TRANs can provide liquidity or leverage the difference between taxable and tax-exempt interest rate markets to create economies that provide a financial benefit to the Commonwealth. No TRANs were issued during the reporting period.

Inter-Fund Borrowing

Cash in one fund is loaned to another fund which is experiencing a short-term cash flow shortfall. Historically, funds are loaned to accounts in the short-term pool (General Fund Accounts) routinely.

As of December 31, 2023 the total available liquid resources available to the General Fund was $13.235 billion.

Bond Anticipation Notes ("BANs")

A short-term interest-bearing security issued in advance of a larger, future bond issue. Bond anticipation notes are smaller short-term bonds that are issued to generate funds for upcoming projects.

No BANs were issued during the reporting period

Notes or Direct Loans ("Notes")

"Funding notes" means notes issued under the provisions of KRS 56.860 to 56.869 by the commission for the purpose of funding:

(a) Judgments, with a final maturity of not more than ten (10) years; and

(b) The finance or refinance of obligations owed under KRS 161.550(2) or 161.553(2)

"Project notes" means notes issued under the provisions of KRS 56.860 to 56.869 by the commission with a final maturity of not more than twenty (20) years for the purpose of funding authorized projects, which may include bond anticipation notes.

No Notes were issued during the reporting period

Variable Rate Demand Obligation and Fixed Rate Notes ("VRDO" and "FRNs")

Inters on the borrowed funds have a interest rate payments adjusted at specific intervals. Generally, SIFMA is used as an index to set the interest rate plus or minus a set percentage and spread to index.

No VRDO or FRNs were issued during the reporting period.

Synthetic Fixed Rate

Synthetic Fixed Rate is an alternative to traditional fixed rate borrowing in which funds are borrowed on a variable rate basis then an interest rate swap is used to fix the interest rate.

No Synthetic Fixed Rate obligations were issued during the reporting period.

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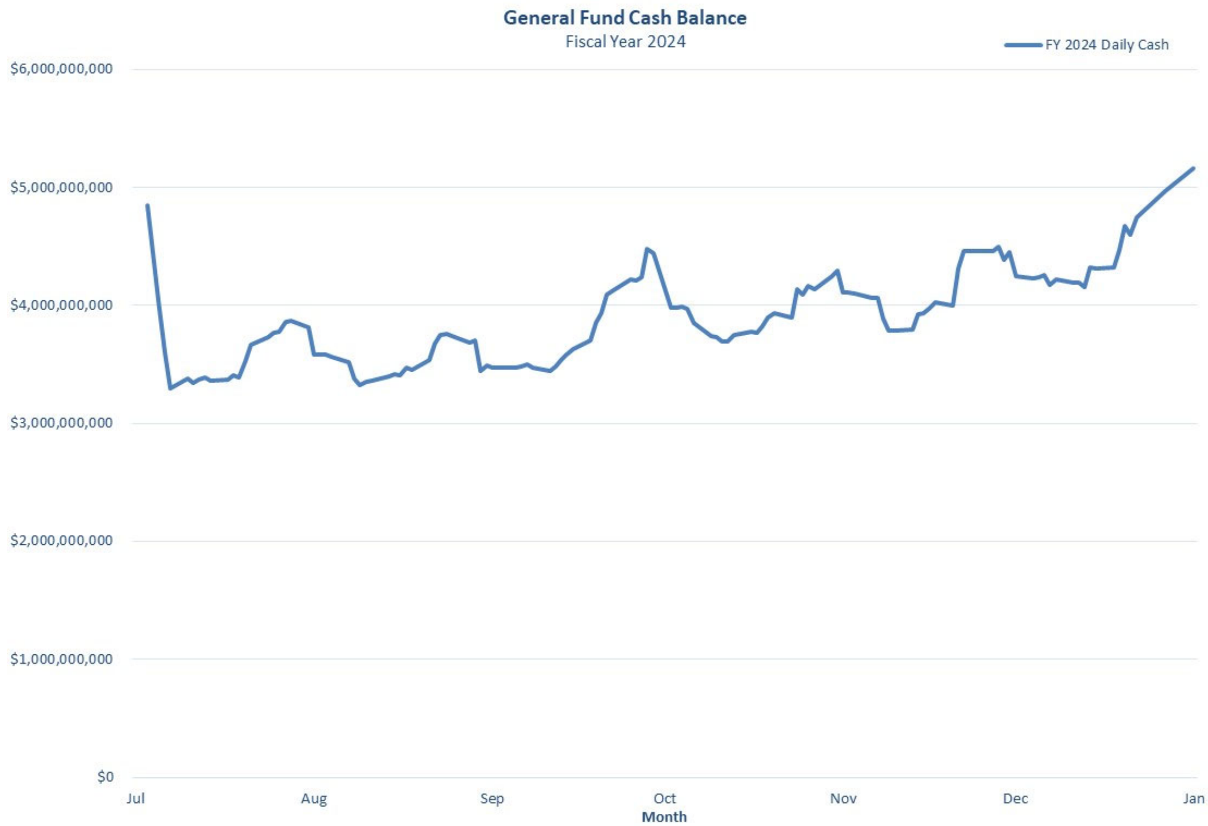

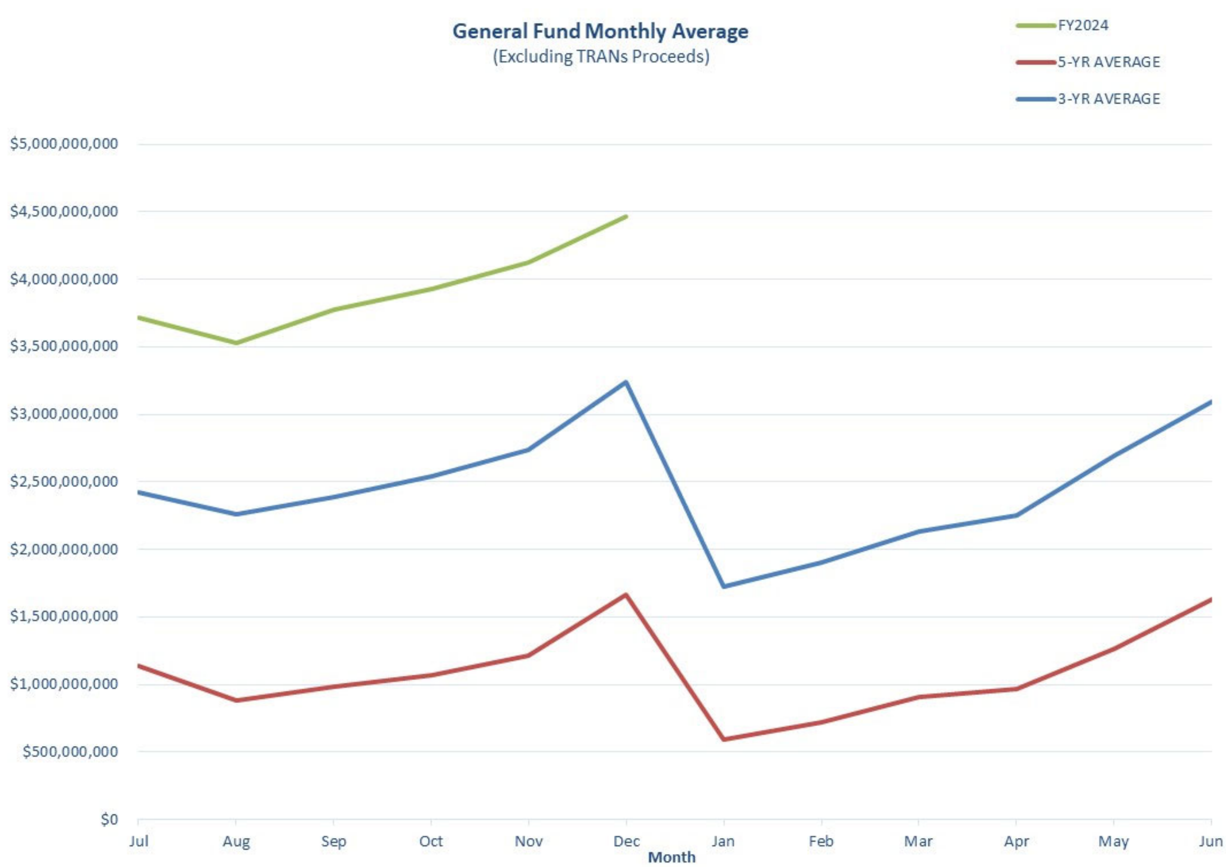

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ALCo Financial Agreements

As of May 3, 2021, ALCo retired all remaining outstanding financial agreements.

Asset/Liability Model

General Fund

The total State Property and Buildings Commission ("SPBC") debt portfolio as of December 31, 2023 had $2.654 billion of bonds outstanding with a weighted average coupon of 4.56 percent and a weighted average life of 5.96 years. The average coupon reflects an amount of taxable bonds, issued under the Build America Bond Program during 2009 and 2010, as well as continued investor preference for tax-exempt callable premium bonds in the current market at a yield lower than par or discount coupon bonds. The $1.335 billion callable portion had a weighted average coupon of 4.41 percent. The SPBC debt structure has 48.58 percent of principal maturing in 5-years and 74.70 percent of principal maturing in 10-years which is primarily influenced by the reduced amount of long-term new money permanent financings within the last several years.

The General Fund had a maximum balance of $5.162 billion on December 28, 2023, and a low of $3.298 billion on July 7, 2023. The average and median balances were $3.891 billion and $3.848 billion, respectively. Return on investable balances is impacted by investment earnings, fees and mark-to-market rules on the underlying investments.

From a liability management perspective, total Commonwealth General Fund debt service, net of credits is expected to be $474.60 million for FY 2024. In addition to the Commonwealth General Fund debt service, General Fund debt service of $9.810 million will be provided for an Eastern State Hospital financing that was first issued through the Lexington-Fayette Urban County Government in 2011. Also, General Fund debt service of $10.435 million will be provided for the 2015 and 2018 Certificates of Participation (related to the two Commonwealth State office Building projects). These projects are separately identified because they are not direct obligations of the Commonwealth, but they are General Fund supported.

SPBC 128

On November 8, 2023, SPBC closed $143,970,000 par of General Fund Revenue Bonds, Project No. 128, in a single series. The transaction provided permanent financing for approximately $150 million of General Fund supported capital projects authorized over multiple budget sessions of the General Assembly.

The SPBC Project No. 128 transaction achieved an All-In True Interest Cost of 4.6793 percent. The bonds were sold on a tax-exempt basis via negotiated sale with BofA Securities, Inc. serving as underwriter and Kutak Rock LLP as bond counsel. The bonds received ratings of A1/AA- from Moody's Investors Service, Inc. and Fitch Ratings, respectively.

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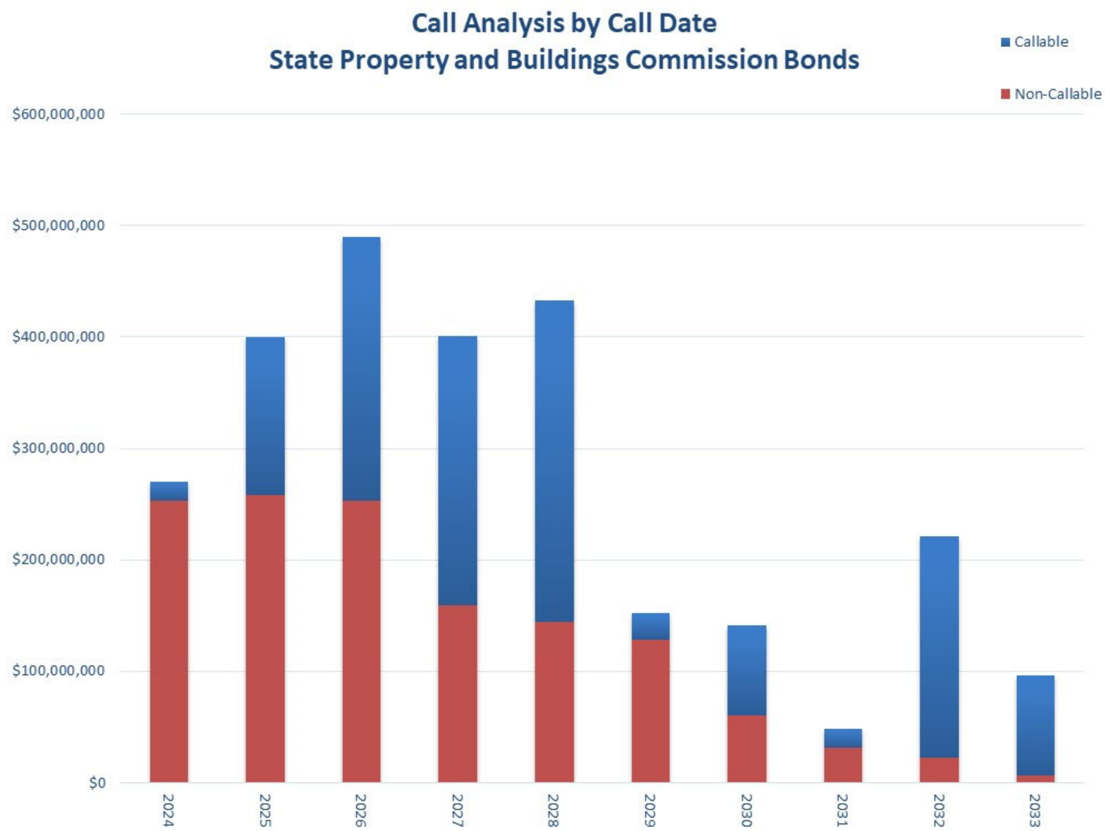

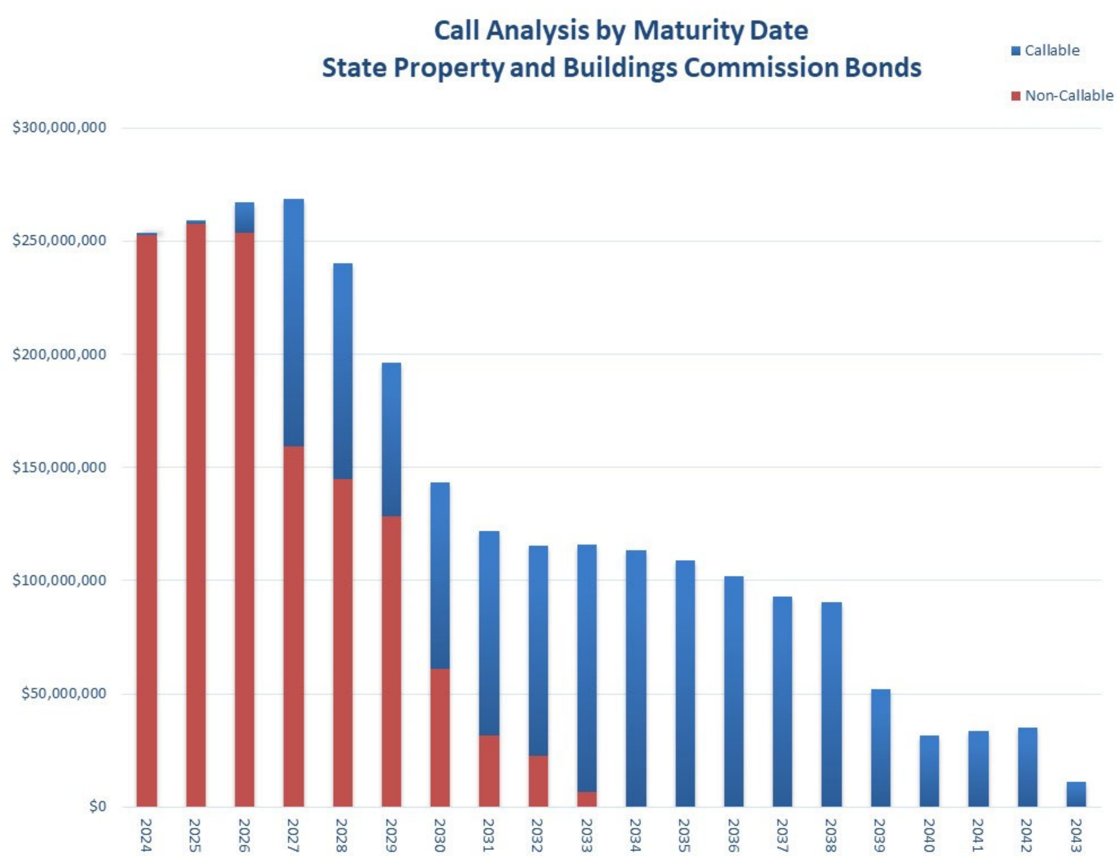

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Looking Forward

Since January 1, 2018, federal tax law has prohibited tax-exempt advanced refunding bonds. In response, the Commonwealth has added to the methods of evaluation for examining potential refunding candidates. The Commonwealth now gives consideration and has executed advance refunding its municipal bonds on a taxable basis through a forward delivery of tax-exempt bonds, convertible taxable to tax-exempt bonds, and through a tender and exchange. Additional diligence and financial modeling is necessary to ensure economic savings in these transactions.

Road Fund

The net Road Fund average daily cash balance for the first half of Fiscal Year 2024 was $278 million compared to $426 million for the first half of Fiscal Year 2023. The Road Fund cash was invested in the Intermediate Term Investment Pool which had a duration of 0.97 of a year as of December 31, 2023. The Road Fund earned $6.9 million on a cash basis for the first half of Fiscal Year 2024 versus negative $325 thousand for the first half of Fiscal Year 2023. The Road Fund earnings increased year over year because of higher short term rates. The continued relatively low level of investable balances at certain times during the fiscal year limits the investment opportunities.

As of December 31, 2023, the Turnpike Authority of Kentucky ("TAK") had $765.19 million of bonds outstanding with a weighted average coupon of 4.62 percent~~%~~ and an average life of 4.66 years.

Road Fund debt service expected to be paid in Fiscal Year 2024 is $134.34 million, resulting in a net interest margin (investment income earned year-to-date less debt service paid) of negative $127.44 million. The negative amount stems from the level of investable balances in addition to the limited callability of fixed rate obligations on the liability side.

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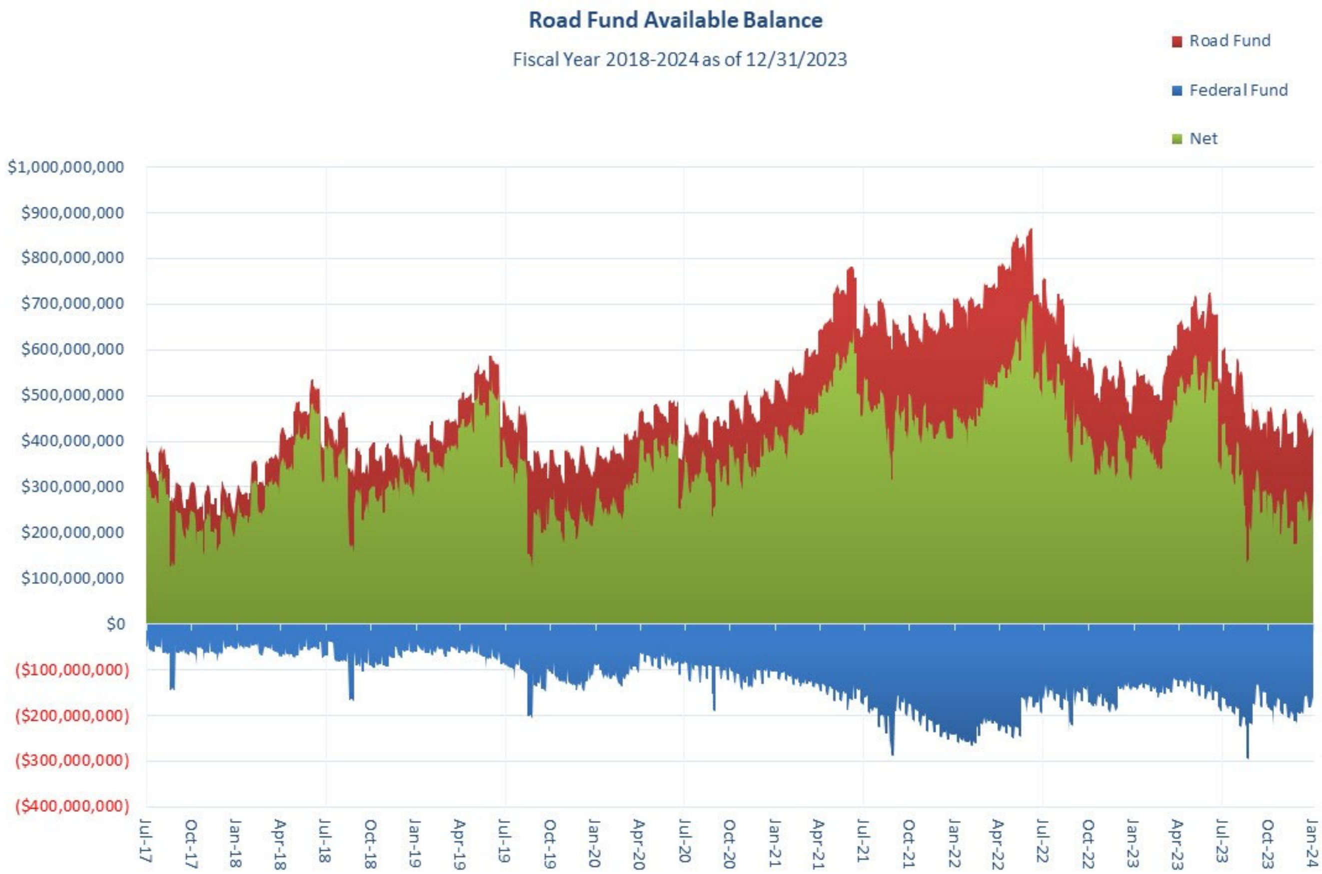


SUMMARY

During the reporting period for the 54th semi-annual report, the FOMC succeeded in driving down inflation close enough to the long-term 2 percent goal that the timing of the first potential rate cut was being discussed by the end of 2023. The interest rate hiking cycle concluded in July with one final 25 basis point hike and then remained unchanged for the remainder of the year. Yields on treasury securities and corporate bonds endured a wild ride as the market searched for the end of the hiking cycle. Until the first rate cut happens, the yield curve will remain inverted as it has since the middle of 2022. This contributed to a higher cost of capital across the Commonwealth but provided debt issuers numerous opportunities for investment income from banking deposits.

ALCo's approach to managing the Commonwealth's interest-sensitive assets and interest-sensitive liabilities has provided flexibility and savings in financing the Commonwealth's capital construction program. As always, ALCo continues to analyze potential opportunities for savings and to evaluate new financing structures which offer the Commonwealth the ability to diversify risk within its portfolio while taking advantage of market demand for various new or unique products. The Commission continues to monitor the municipal bond interest rate market and uses this information together with other relevant market data to evaluate whether or not the interim financing program would provide an economic advantage in conjunction with the fixed-rate bonds.

The balance of prior bond authorizations of the General Assembly from 2010 to 2023 totals over $3.81 billion with existing debt for SPBC of $2.65 billion, SFCC $932.18 million, ALCo GARVEEs $205.22 million, ALCo bonds $49.44 million and Turnpike bonds $765.19 million. Finaly, all bonds are monitored for potential refunding savings.

APPENDIX

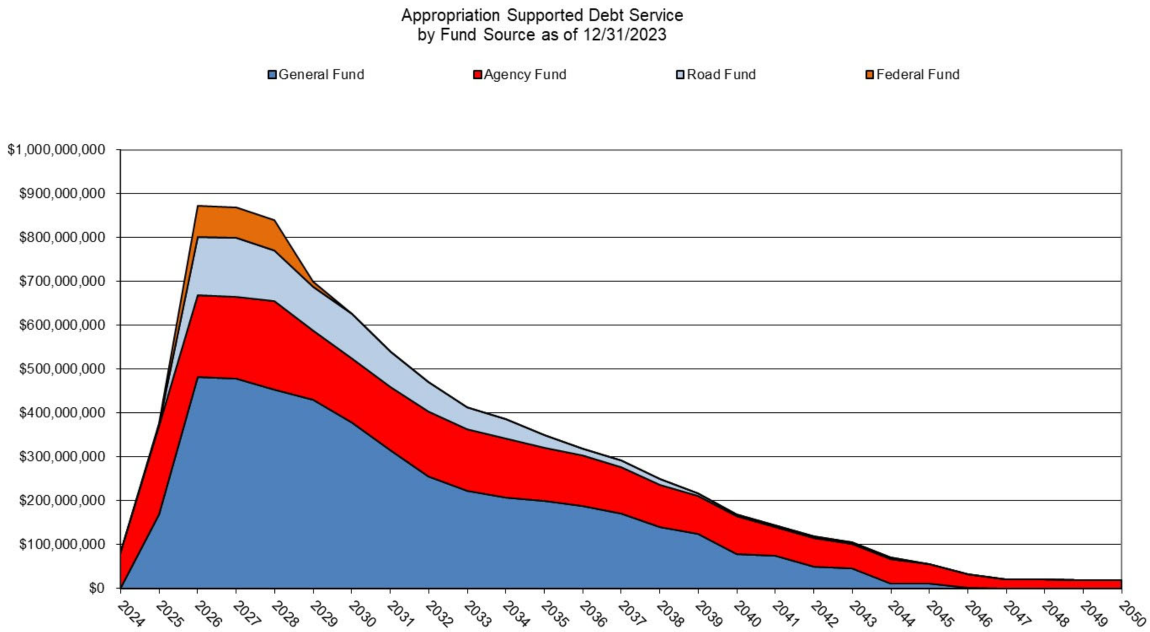
APPENDIX A

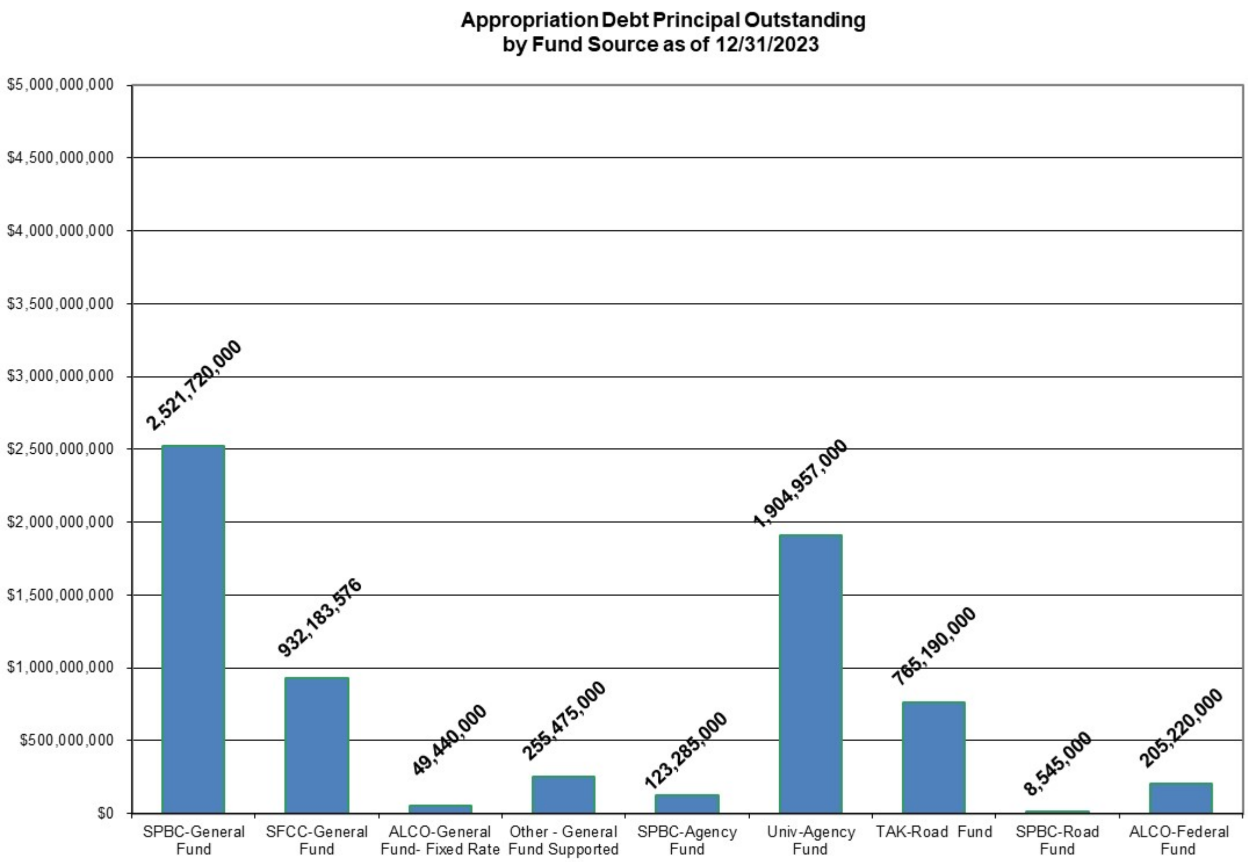
Corporate Credits Approved For Purchase

12/13/2023

Company Name	Repurchase Agreements	Commercial Paper	Bonds
Apple Inc		Yes	Yes
Bank of Montreal	Yes	Yes	Yes
Bank of Nova Scotia	Yes	Yes	Yes
Bank of Tokyo-Mitsubishi UFJ		Yes	Yes
Berkshire Hathaway Inc		Yes	Yes
BNP Paribas Securities Corp	Yes	Yes	Yes
BNY Mellon NA		Yes	Yes
Canadian Imperial Bank of Comm		Yes	Yes
Chevron Corp		Yes	Yes
Cisco Systems Inc		Yes	Yes
Cooperatieve Rabobank		Yes	Yes
Cornell University		Yes	No
Costco Wholesale Corp		Yes	Yes
Deere & Co		Yes	Yes
Exxon Mobil Corp		Yes	Yes
Guggenheim Securities, LLC	Yes	No	No
Home Depot Inc		Yes	Yes
IBRD - World Bank		Yes	Yes
Johnson & Johnson		Yes	Yes
Linde PLC		Yes	Yes
Merck and Co Inc		Yes	Yes
Microsoft Corp		Yes	Yes
MUFG Securities Americas Inc	Yes	No	No
Natixis SA/New York		Yes	Yes
Nestle Finance International		Yes	Yes
PepsiCo Inc		Yes	Yes
Pfizer Inc		Yes	Yes
Procter & Gamble Co/The		Yes	Yes
Royal Bank of Canada	Yes	Yes	Yes
Royal Dutch Shell PLC		Yes	Yes
Salvation Army		Yes	No
State Street Corp		Yes	Yes
Sumitomo Mitsui Trust Bank		Yes	Yes
Swedbank AB		Yes	Yes
Texas Instruments Inc.		Yes	Yes
Toronto-Dominion Bank/The		Yes	Yes
Total Energies		Yes	Yes
Toyota Motor Corp		Yes	Yes
Wal-Mart Stores Inc		Yes	Yes

APPENDIX B





*This data does not include debt issued for judicial center projects and paid for by the Administrative Office of the Courts in the Court of Justice or debt issued by the Lexington -Fayette Urban County Government for the Eastern State Hospital.

APPENDIX C

COMMONWEALTH OF KENTUCKY
ASSET/LIABILITY COMMISSION
SCHEDULE OF NOTES OUTSTANDING
AS OF 12/31/2023

FUND TYPE SERIES TITLE		AMOUNT ISSUED	DATE OF ISSUE	MATURITY DATE	PRINCIPAL OUTSTANDING
General Fund Project & Funding Notes					
2021 General Fund Refunding Project Notes		$113,940,000	5/2021	11/2027	$49,440,000
	FUND TOTAL	**$113,940,000**			**$49,440,000**
Federal Hwy Trust Fund Project Notes					
2014 1st Series		$171,940,000	3/2014	9/2026	$108,350,000
2015 1st Series		$106,850,000	10/2015	9/2027	$42,030,000
2023 Refunding Notes FHTF		$54,840,000	6/2023	9/2025	$54,840,000
	FUND TOTAL	**$333,630,000**			**$205,220,000**
ALCo NOTES TOTAL		**$447,570,000**			**$254,660,000**

REPORT PREPARED BY:

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Creating Financial Value for the Commonwealth

TEAM KENTUCKY