

# Fiscal Note

State of Alaska  
2016 Legislative Session

Bill Version:	SB 149
Fiscal Note Number:	1
(S) Publish Date:	1/21/2016

Identifier: DCCED-AIDEA-11-20-15  
Title: AIDEA:DIVIDEND TO  
STATE;INCOME;VALUATION  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: Governor

Department: Department of Commerce, Community and  
Economic Development  
Appropriation: Alaska Industrial Development and Export  
Authority  
Allocation: Alaska Industrial Development and Export  
Authority  
OMB Component Number: 1234

## Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

	FY2017 Appropriation Requested	Included in Governor's FY2017 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2017	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Personal Services	***	***	***	***	***	***	***
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	***	***	***	***	***	***	***

## Fund Source (Operating Only)

None							
<b>Total</b>	***	***	***	***	***	***	***

## Positions

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>							
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**Estimated SUPPLEMENTAL (FY2016) cost:** 0.0 (separate supplemental appropriation required)  
(discuss reasons and fund source(s) in analysis section)

**Estimated CAPITAL (FY2017) cost:** 0.0 (separate capital appropriation required)  
(discuss reasons and fund source(s) in analysis section)

## ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No  
If yes, by what date are the regulations to be adopted, amended or repealed?

## Why this fiscal note differs from previous version:

Not applicable, initial version.

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Agency: Division of Administrative Services

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Date: 11/09/2015 03:26 PM  
Date: 11/20/15

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
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## Analysis

AIDEA pays an annual dividend to the State of Alaska (averaging \$18.7MM from FY06 - FY15) based upon its statutorily defined net income for general state government use. Currently that net income includes mark-to-market adjustments (the actual posting of gains or losses that never happened, which increase or decrease the real net income result).

Implementation of Governmental Accounting Standards Board (GASB) Statement 31, by itself, has created volatility in AIDEA's dividend to the State of Alaska. A historical analysis of the past ten years shows that the affect of GASB 31 mark-to-market entries have impacted AIDEA's net income by up to \$22.0MM, with the dividend impact being \$11.0MM.

The future impacts on AIDEA's net income from implementing GASB 68 (pension obligations) in FY15, GASB 72 (fair value measurement) in FY16, and GASB 75 (other post-employment benefits) in FY18 are indeterminate, but can only be expected to add to the GAAP-based net income volatility. The ten year history of booking GASB 31 entries and their impact, by itself, on net income and the dividend is shown below:

Historic GASB 31 Mark-to-Market Net Income and Dividend Impact

Fiscal Year	Net Income Gain/(Loss)	Dividend Impact
2006	(13.8) MM	(6.9) MM
2007	4.8 MM	2.4 MM
2008	1.8 MM	0.9 MM
2009	3.2 MM	1.6 MM
2010	18.1 MM	9.0 MM
2011	(0.9) MM	(0.4) MM
2012	7.1 MM	3.6 MM
2013	(22.0) MM	(11.0) MM
2014	4.7 MM	2.4 MM
2015	(3.3) MM	(1.7) MM

The legislation also includes language to limit the scope of impairment losses (the re-valuation of assets at the end of a fiscal year) to the extent that AIDEA has paid for the asset (excluding any state or federal grants or appropriations).

This legislation seeks to stabilize the dividend by removing these market value entries from the net income calculation. A prediction of future market conditions, future actuarial estimates, or potential impairments, and thereby, their affect on AIDEA's dividend to the State of Alaska , cannot be made.