



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

**Department of Commerce, Community,  
and Economic Development**

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## **MEMORANDUM**

TO: Senator Anna MacKinnon  
Senator Lyman Hoffman  
Co-Chairs, Senate Finance Committee

FROM: Mike Navarre, Commissioner

DATE: Tuesday, May 08, 2018

RE: Scheduling request for HB 119

Please accept this request to calendar HB 119 – AIDEA: Dividend to State; Income; Valuation, exemption from property tax for certain assets – for consideration in Senate Finance pending referral.

Current and upcoming changes in accounting requirements and application of the existing Governmental Accounting Standards Board Statement No. 31 have and will continue to increase the volatility in the AIDEA dividend available to the state treasury due to the impact of “mark-to-market” adjustments and entries relating to pensions and other post-employment benefits on statutorily defined “net income”. While AIDEA is required to make these accounting adjustments to issue audited financial statements, the Legislature previously determined it was prudent to “exclude” certain adjustments prior to calculation of the AIDEA dividend. Unfortunately, the accounting requirement changes mentioned above were not anticipated when the previous policy was implemented.

The impact of certain write-downs and impairment losses on projects is revisited in this legislation in order to better reflect the real operational impact of such losses on the AIDEA dividend calculation. This is being suggested in order to not penalize the state or AIDEA in the rare instances when such entries are appropriate. The most recent dividend to the state treasury from AIDEA’s Revolving Fund was suppressed due to mark-to-market and pension related adjustments. If the statutory adjustments proposed in HB 119 had been in place, the dividend could have been as high as \$11,135,500. Without the adjustment the dividend was artificially suppressed to \$4,597,000; a difference of \$6,538,500.

The House Finance CS for HB 119 adds language to extend the existing statutory property tax exemption that has been in place for the AIDEA owned assets of the Delong Mountain Transportation System (Red Dog Mine road and port facilities) and grant similar treatment to the AIDEA owned Ketchikan Shipyard facilities. AIDEA supports the desire for consistent valuation of its assets that are managed under operating or nonexclusive use agreements. Under the amended wording of the House Finance CS, the exemption would sunset on November 30, 2027.

If you have any questions or concerns regarding this legislation, please contact Gene Therriault at 907-347-3300.