

Fiscal Note

State of Alaska
2017 Legislative Session

Bill Version:	SB 57
Fiscal Note Number:	1
(S) Publish Date:	2/13/2017

Identifier: DCCED-AIDEA-12-19-16
 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)

	FY2018	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2018 Request	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
OPERATING EXPENDITURES	FY 2018	FY 2018					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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Estimated SUPPLEMENTAL (FY2017) cost: 0.0 (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2018) 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 If yes, by what date are the regulations to be adopted, amended or repealed? N/A

Why this fiscal note differs from previous version:

Not applicable; initial version.

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Division:	Alaska Industrial Development and Export Authority	Date:	12/19/2016 02:00 PM
Approved By:	Catherine Reardon, Director	Date:	01/13/17
Agency:	Division of Administrative Services, DCCED		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2017 LEGISLATIVE SESSION

Analysis

AIDEA pays an annual dividend to the State of Alaska based upon its statutorily defined net income for general state government use. The average dividend paid in FY2007-FY2017 was \$18.3 million. Currently, the statutorily defined net income includes mark-to-market adjustments as required by GASB 31. These mark-to-market adjustments are the actual posting of gains or losses that did not actually occur, resulting in an increase or decrease to AIDEA's real net income.

Implementation of GASB 31, by itself, created volatility in AIDEA's dividend to the State of Alaska. A historical analysis of the past ten years demonstrates that the effect of GASB 31 mark-to-market entries have impacted AIDEA's net income by up to \$22.0 million in one year, with the dividend impact being up to \$11.0 million for FY2013.

The future impacts of AIDEA's net income from implementing GASB 68 (pension obligations) in FY2015, GASB 72 (fair value measurement) in FY2016 and GASB 75 (other post-employment benefits) in FY2018 are indeterminate, but are anticipated to contribute to the GAAP based net income volatility. The ten year history of booking GASB 31 entries and their impact 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
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	(0.5) 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	(0.8) MM
2016	12.1 MM	4.1 MM

The legislation also includes language to limit the scope of impairment losses (the re-evaluation 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. Additionally, the legislation seeks to stabilize AIDEA's dividend to the State by removing these market value entries from the statutory net income calculation. A prediction of future market conditions, future actuarial estimates, or potential impairments, and thereby, their effect on AIDEA's dividend to the State of Alaska cannot be made.