

HB

361

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB 361
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title AK Housing Finance Corp Dividend RDU Alaska Housing Finance Corp.
Component Operations
Sponsor House Rules Committee
Requester Governor Component No. 110

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	42,500.0	40,000.0	40,000.0	40,000.0	40,000.0	40,000.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1139 AHFC Dividend	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The passage of HB 361 will not have an impact on AHFC's operating budget.

This bill would amend the agreement between AHFC and the State calling for the transfer of AHFC's net income to the state general fund in the form of an annual dividend. Due to changes in accounting standards, the outdated term "Net Income" in the transfer plan will need to be changed to "Adjusted Change in Net Assets." This legislation will also reverse out changes made in financial reporting required by GASB 34 to comply with the intent of the original legislation. As a result of this change, the change in the dividend paid to the State by AHFC would increase from \$38.1 million to \$80.6 million.

The FY07 increase to fund code 1139 AHFC Dividend is \$42.5 million. These increased funds are accounted for in the Governor's FY07 budget request.

Prepared by: Bryan Butcher, Director, Govt. Relations/Public Affairs Phone 330-8445
Division Alaska Housing Finance Corporation Date/Time 2/1/06 9:35 AM
Approved by: _____ Date 02/01/06
Agency _____



Headquarters:
4300 Boniface Parkway
Anchorage, AK 99504
907-338-6100

Mailing Address:
PO Box 101020
Anchorage, AK 99510

Internet Web Site:
<http://www.ahfc.state.ak.us>

Sponsor Statement HB 361

"An Act relating to a dividend payment to the state made by the Alaska Housing Finance Corporation each fiscal year"

House Bill 361 would amend the agreement between the Alaska Housing Finance Corporation and the State calling for the transfer of AHFC's net income to the State General Fund in the form of an annual dividend that funds debt service for certain bonds and capital projects.

Under the current plan, 18.56.089(c) calls for an annual transfer (with a phase in beginning in FY 2007) from AHFC to the State equal to:

(1) the lesser of \$103,000,000 or 75 percent of the net income of the corporation for the base fiscal year;

The Governmental Accounting Standards Board ("GASB") has adopted statement number 34, which AHFC implemented in FY 2002. GASB 34 changed the financial statement presentation of the net income of governmental entities to "change in net assets". Since the current Statute refers to "net income", the first required change is to replace all references to net income.

Another change is more involved and begins with what used to be the Balance Sheet, now called the Statement of Net Assets. Pre GASB 34 accounting by AHFC involved multiple equity accounts including contributed capital and retained earnings. Contributed capital represented the original investment by the State in AHFC and retained earnings was accumulated profits.

In determining the transfer prior to GASB 34, net income was the baseline. Using the change in net assets line item from the current financial presentation incorporates items that, before GASB 34, were not included in net income. Such items were the direct cash transfers to the State that were presented as direct reductions in contributed capital as they did not represent operating activity of AHFC. GASB 34 does not allow that accounting treatment for those items and requires that they



flow through the Statement of Net Assets as Expenses of one form or another.

Therefore, in order to conform to the intent of the original legislation, the Governor is proposing to modify the transfer plan statute to use an "Adjusted Change in Net Assets" as the baseline for the transfer. That adjusted change in net assets incorporates all of the expenses that were under pre-GASB 34 rules included in net income and excludes those expenditures that were not.

Without the passage of HB 361, the dividend paid to the State by AHFC will be 38.1 million. With the legislation, the dividend will be \$80.6 million.



24-GH2058\G
Cook
2/1/06

called
for final

CS FOR HOUSE BILL NO. 361() 2:20 pm

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to subsidiary corporations of the Alaska Housing Finance Corporation
2 and to the dividend paid to the state by the Alaska Housing Finance Corporation; and
3 providing for an effective date."

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

5 * Section 1. AS 18.56.086 is amended to read:

6 Sec. 18.56.086. Creation of subsidiaries. The corporation may create
7 subsidiary corporations for the purpose of financing or facilitating the financing of
8 school construction, facilities for the University of Alaska, [OR] facilities for ports
9 and harbors, or other capital projects. A subsidiary corporation created under this
10 section may be incorporated under AS 10.20.146 - 10.20.166. The corporation may
11 transfer assets of the corporation to a subsidiary created under this section. A
12 subsidiary created under this section may borrow money and issue bonds as evidence
13 of that borrowing and has all the powers of the corporation that the corporation grants
14 to it. Unless otherwise provided by the corporation, the debts, liabilities, and

1 obligations of a subsidiary corporation created under this section are not the debts,
2 liabilities, or obligations of the corporation.

3 * Sec. 2. AS 18.56.089(c) is amended to read:

4 (c) The corporation shall make a dividend available to the state each fiscal
5 year. The corporation shall pay the dividend for a current fiscal year to the state before
6 the end of that fiscal year. The legislature may appropriate the dividend for capital
7 projects. The corporation shall notify the commissioner of revenue of the amount of
8 each dividend under this subsection for inclusion in the state operating budget and
9 shall also notify the commissioner when each dividend is available for payment to the
10 state. The amount of the dividend for a current fiscal year is calculated as follows:

11 (1) the lesser of \$103,000,000 or 75 percent of the adjusted change in
12 net assets [NET INCOME] of the corporation for the base fiscal year;

13 (2) minus the amount of money from the corporation used during that
14 current fiscal year for bond repayment and other costs related to the bonds issued
15 under

16 (A) ch. 26, SLA 1996, up to a maximum of \$1,000,000;

17 (B) sec. 10(b), ch. 130, SLA 2000;

18 (C) sec. 1, ch. 1, SSSLA 2002;

19 (D) sec. 4, ch. 120, SLA 2004; and

20 (3) minus any appropriation of unrestricted unencumbered money of
21 the corporation during the current fiscal year, other than an appropriation for the
22 corporation's operating budget.

23 * Sec. 3. AS 18.56.089(d) is amended by adding a new paragraph to read:

24 (4) "adjusted change in net assets" means the change in net assets from
25 the base fiscal year, adjusted for capital expenditures incurred during the base fiscal
26 year.

27 * Sec. 4. The uncodified law of the State of Alaska enacted in sec. 2, ch. 76, SLA 2003, as
28 amended by sec. 3, ch. 120, SLA 2004, is amended to read:

29 Sec. 2. TRANSITION: PHASE-IN OF AMOUNT OF DIVIDEND. (a)
30 Notwithstanding the amount of the annual dividend under AS 18.56.089(c), the
31 dividend is calculated as follows for the following years:

1 (1) fiscal year 2004:

2 (A) \$103,000,000;

3 (B) minus the amount of money from the Alaska Housing
4 Finance Corporation used during fiscal year 2004 for bond repayments and
5 other costs related to the bonds issued under

6 (i) ch. 26, SLA 1996, up to a maximum of \$1,000,000;

7 (ii) sec. 2, ch. 129, SLA 1998;

8 (iii) sec. 10(b), ch. 130, SLA 2000;

9 (iv) sec. 1, ch. 1, SSSLA 2002;

10 (v) sec. 4, ch. 120, SLA 2004 [OF THIS ACT]; and

11 (C) minus any appropriation of unrestricted, unencumbered
12 money of the corporation during fiscal year 2004, other than an appropriation
13 for the corporation's operating budget;

14 (2) fiscal year 2005:

15 (A) \$103,000,000;

16 (B) minus the amount of money from the Alaska Housing
17 Finance Corporation used during fiscal year 2005 for bond repayments and
18 other costs related to the bonds issued under

19 (i) ch. 26, SLA 1996, up to a maximum of \$1,000,000;

20 (ii) sec. 2, ch. 129, SLA 1998;

21 (iii) sec. 10(b), ch. 130, SLA 2000;

22 (iv) sec. 1, ch. 1, SSSLA 2002;

23 (v) sec. 4, ch. 120, SLA 2004 [OF THIS ACT]; and

24 (C) minus any appropriation of unrestricted, unencumbered
25 money of the corporation during fiscal year 2005, other than an appropriation
26 for the corporation's operating budget;

27 (3) fiscal year 2006:

28 (A) \$103,000,000;

29 (B) minus the amount of money from the Alaska Housing
30 Finance Corporation used during fiscal year 2006 for bond repayments and
31 other costs related to the bonds issued under

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- (i) ch. 26, SLA 1996, up to a maximum of \$1,000,000;
- (ii) sec. 2, ch. 129, SLA 1998;
- (iii) sec. 10(b), ch. 130, SLA 2000;
- (iv) sec. 1, ch. 1, SSSLA 2002;
- (v) sec 4, ch. 120, SLA 2004 [OF THIS ACT]; and

(C) minus any appropriation of unrestricted, unencumbered money of the corporation during fiscal year 2006, other than an appropriation for the corporation's operating budget;

(4) fiscal year 2007:

(A) the lesser of \$103,000,000 or 95 percent of the adjusted change in net assets [NET INCOME] of the Alaska Housing Finance Corporation for fiscal year 2005;

(B) minus the amount of money from the Alaska Housing Finance Corporation used during fiscal year 2007 for bond repayments and other costs related to the bonds issued under

- (i) ch. 26, SLA 1996, up to a maximum of \$1,000,000;
- (ii) sec. 10(b), ch. 130, SLA 2000;
- (iii) sec. 1, ch. 1, SSSLA 2002;
- (iv) sec. 4, ch. 120, SLA 2004 [OF THIS ACT]; and

(C) minus any appropriation of unrestricted, unencumbered money of the corporation during fiscal year 2007, other than an appropriation for the corporation's operating budget;

(5) fiscal year 2008:

(A) the lesser of \$103,000,000 or 85 percent of the adjusted change in net assets [NET INCOME] of the Alaska Housing Finance Corporation for fiscal year 2006;

(B) minus the amount of money from the Alaska Housing Finance Corporation used during fiscal year 2008 for bond repayments and other costs related to the bonds issued under

- (i) ch. 26, SLA 1996, up to a maximum of \$1,000,000;
- (ii) sec. 10(b), ch. 130, SLA 2000;

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(iii) sec. 1, ch. 1, SSSLA 2002;

(iv) sec. 4, ch. 120, SLA 2004 [OF THIS ACT]; and

(C) minus any appropriation of unrestricted, unencumbered money of the corporation during fiscal year 2008, other than an appropriation for the corporation's operating budget.

(b) For purposes of this section, "adjusted change in net assets" ["NET INCOME"] has the meaning set out in AS 18.56.089(d).

* Sec. 5. AS 18.56.089(d)(3) is repealed.

* Sec. 6. This Act takes effect July 1, 2006.

HB 361



FRANK H. MURKOWSKI
GOVERNOR

GOVERNOR@GOV.STATE.AK.US

P.O. Box 110001
JUNEAU, ALASKA 99811-0001
(907) 465-3500
FAX (907) 465-3532
WWW.GOV.STATE.AK.US

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 13, 2006

The Honorable John Harris
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Harris:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the dividend paid to the state by the Alaska Housing Finance Corporation.

As a result of the Governmental Accounting Standards Board Statement No. 34 (GASB 34), governmental entities no longer are allowed to report contributed capital and retained earnings on their balance sheets. In addition, the balance sheet itself has now been renamed to "Statement of Net Assets." Under the rules of pre-GASB 34 generally accepted accounting principles, capital grants and other transfers to or on behalf of the state were considered a return of capital to the state and were shown as a reduction of contributed capital -- thus, not affecting net income. The GASB 34 requires these same amounts to be included in net income (now called "Change in Net Assets").

The bill would permit the Alaska Housing Finance Corporation to remove those expenditures from "Change in Net Assets" before the dividend is calculated. It further would allow the Alaska Housing Finance Corporation to remove prior year capital appropriations from "Change in Net Assets" before the dividend is calculated.

The primary objective of these changes is to bring the corporation's reconciliation and calculation of the dividend into compliance with GASB 34 rules.

I urge your prompt and favorable action on this measure.

Sincerely yours,

Frank H. Murkowski
Governor

Enclosure

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 361
(H) Publish Date: 1/13/06

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title The act relating to the dividend paid to the State RDU _____
By the Alaska Housing Finance Corp Component _____
Sponsor Rules Committee _____
Requester Governor Component No. _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Kevin Jardell, Legislative Director
Division: Governor's Legislative Office
Approved by: Tom Boutin, Deputy Commissioner
Agency: Department of Revenue

Phone _____
Date/Time 1/12/06 12:00 AM
Date 1/12/2006

COMMITTEE COPY