

Sponsor Statement for House Bill 203 – AIDEA Dividend Definitions

[AS 44.88.088](#) requires the Alaska Industrial Development and Export Authority ([AIDEA](#)) to adopt a policy for payment of a dividend to the State each fiscal year and defines the amount to be between 25 percent and 50 percent of the net income of the authority. The dividend shall not exceed the unrestricted net income of the authority.

The 22nd Alaska Legislature modified the definitions of “net income” and “unrestricted net income” to accommodate technical changes that had been made by the accounting profession to the reporting standards AIDEA is required to follow. The legislature defined Income to exclude intergovernmental transfers, capital contributions and grants. These are items included by accounting standard, but which are not actually part the authority’s operating income. The legislature desired to consider only recurring cash flow in the dividend calculation.

[House Bill 203](#) further clarifies the definition of income to exclude expenses recorded as a result of recognizing impairment losses on development projects owned and operated by the authority. Impairment losses do not require current or future cash expenditure. Impairment losses recognize a write-down of the carrying value of physical assets paid for in the past.

Under current statute there will be no AIDEA income available for a dividend in fiscal 2004 as a result of impairment losses recognized on the Healy Clean Coal Project and Alaska Seafood International. Still, AIDEA has \$789 million in unrestricted net assets and \$356 million of unrestricted cash and investments from which a dividend could be paid. The dividend formula proposed in House Bill 203 would make \$9 to \$18 million of this money available for a dividend to the State in Fiscal 2004.

House Bill 203 results in a comprehensive dividend formula that provides a more consistent, stable and predictable business environment for AIDEA, the financial community and the State of Alaska. The amended AIDEA dividend policy is sound financial practice and good fiscal policy.