

Report(s) Summary: *AIDEA – Cost and Financial Performance — A Long, Hard Look*, by Milt Barker and Gregg Erickson, with additional information from *Alaska Megaprojects Update* by Ginny Fay

The Alaska Industrial Development and Export Authority (“AIDEA”) is a state government corporation that subsidizes private commercial real estate and economic development projects in Alaska with public money. New reports by Barker, Erickson, and Fay show that AIDEA’s project decisions are more politically driven, losing gambles than they are investments. AIDEA has not only mostly failed to create jobs or wisely invest state funds, it has cost Alaskans billions of dollars.

The express purpose of AIDEA is to “promote, develop and advance the general prosperity and economic welfare of the people of the state, to relieve problems of unemployment, and to create additional employment.” AIDEA first received funds in 1980, and in 1984 it was authorized to directly invest in, own, or partially own and operate development projects. *AIDEA — Cost and Financial Performance* analyzes and delves into AIDEA’s performance — and failures — over the past 41 years.

The majority of AIDEA’s projects have floundered or foundered, failing to benefit Alaska’s economy or provide Alaskan jobs.

Less than half of AIDEA’s projects have made permanent additions to Alaska’s economy. In the 38 years since AIDEA ownership and operation of development projects was first authorized, AIDEA has invested in 26 projects. Four of these projects are no longer operating, seven were acquisitions of existing properties or operations, and three are still in the planning stages.

In fact, AIDEA’s investments in projects are more likely to cost rather than make money. Of the \$682 million AIDEA has invested in subsidizing development projects since 1987, \$294.1 million has since been written-off as worthless by AIDEA’s board. AIDEA’s project failures have lost almost as much money as the \$301.4 million in net contributions the State has made to AIDEA.

AIDEA’s subsidization of resource extraction projects also creates a major giveaway of public resources to foreign multinational corporations and nonresident workers. The loss to Alaskans is compounded by the fact that the state recoups very little of the mineral value in mineral licensing taxes and doesn’t offset the cost of public services required by the businesses, their workforces, and families.

Furthermore, AIDEA does not fill any void in the commercial mortgage market. What AIDEA does do is provide below-market financing rates and terms. Of the 39 AIDEA loan participants funded in the 16 months prior to October 31, 2020, 48% of the dollars were for loans that added no permanent jobs, and 65% entailed no construction jobs.

Had state funds wasted by AIDEA been invested in the Permanent Fund, Alaskans would have thousands of dollars more in their pockets — or Alaska would have billions more in the bank.

If the net \$301.4 million handed to AIDEA from the State of Alaska had been appropriated to and its earnings retained in the Alaska Permanent Fund, the State savings account would be richer by \$11.4 billion. Had a portion of those earnings been distributed to Alaskans as Permanent Fund Dividends (PFDs), recipients would have collected an additional \$1.3 billion. The Permanent Fund would be \$39.1 billion larger if the State of Alaska had invested the \$301 million state funds spent on AIDEA and those funds appropriated to large development projects reviewed by Ginny Fay in her 2022 *Alaska Megaprojects Update* report. **Bottom line: Alaska has better things to do with its money than give it to AIDEA.**