

# EXECUTIVE SUMMARIES

AIDEA's March to Autonomy

AIDEA Loan Participation  
Program — A Closer Look

The AIDEA Endowment: A  
Short History of a Disputed  
Resource

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PREPARED FOR



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# ABOUT THE AUTHORS

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## **Milt Barker**

has worked as a fiscal, financial, and economic analyst in Juneau, Alaska since 1971 — first as staff for the Alaska State Legislature, Legislative Finance Division, then as Deputy Commissioner for Treasury, for the Alaska Department of Revenue, and subsequently as a consultant. While head of the State Treasury, Barker served on the Board of the Alaska Industrial Development and Export Authority, as the Commissioner of Revenue’s designee.



## **Gregg Erickson**

is an economic consultant with offices in Juneau and Bend, Oregon. A graduate of West Anchorage High School, Erickson is a former staff member at the U.S. Senate’s Permanent Subcommittee on Investigations, and a former Research Fellow with Resources for the Future in Washington, DC. He formerly served as the Alaska Legislature’s Director of Research, as senior economist in the Office of the Governor, and headed the state’s restoration efforts following the Exxon Valdez oil spill. In 1991 he co-founded the Alaska Budget Report, an award-winning weekly newsletter. Erickson frequently testifies as an expert witness, and in 2018 was elected to the board of the American Academy of Economic and Financial Experts.



In 1967, the Alaska Industrial Development and Export Authority (AIDEA) was created to establish industry in Alaska by borrowing money at low interest rates in the municipal bond market and issuing revenue bonds “payable solely from the income and receipts or other funds or property of the authority.” (Chapter 64, Session Laws of Alaska, 1967). The organic statute required AIDEA to obtain approval from local governments prior to issuing bonds.

Since establishment, legislative oversight, local government approval, and public transparency have been rolled back and AIDEA has progressively operated more autonomously.

- AIDEA is exempt from legislative approval in issuing bonds up to \$25 million.
- AIDEA is authorized to put money in special funds, making them purportedly off limits for appropriations.
- No legislative approval required for AIDEA to refund bonds.
- No legislative approval required for AIDEA to create corporate subsidiaries.
- AIDEA received exemptions from local taxes for projects, such as the DeLong Mountain Transportation System and Ketchikan Shipyard.
- AIDEA is exempt from portions of the Alaska Public Records Act, Alaska Open Meetings Act, and Alaska Administrative Procedures Act. This has led to a lack of transparency in the agency’s decision-making and the elimination of public participation in the development of regulations.
- Many AIDEA decisions are exempt from the Procurement Code, providing AIDEA expansive contracting authority with no oversight or procedures to ensure a level playing field when engaged in contracting with private businesses.
- AIDEA is exempt from provisions of the Executive Budget Act governing the investment of public funds by state agencies.
- AIDEA is exempt from the Public Employment Relations Act procedures that dictate fair hiring decisions, prevent arbitrary or discriminatory firing, and protect the rights of employees to organize a union.

Our previous report, AIDEA Cost & Financial Performance — A Long, Hard Look, found that AIDEA’s loan programs have cost the State **\$5.8 billion in lost revenues** since 1980.

**What did Alaska get in return? Apparently, not much.**

AIDEA’s flagship loan program — its Loan Participation Program (LPP) — is highly inefficient. From 2008 to 2023, large loans approved by AIDEA’s Board under LPP, created at most 15 new FTE Alaska resident jobs a year. To do this, AIDEA spent \$417,446,271 to purchase participations in commercial loans being made by banks and credit unions.

**Public waste is private gain. \$363,788,004 of the money spent on participations served mostly to enrich borrowers, with no increase in Alaska jobs or economic development. AIDEA’s mission — not accomplished.**

The \$363.8 million serving only to transfer income to borrowers is made up of:

- \$347.0 million of AIDEA participations producing no new jobs, consisting of:
  - \$90.1 million with no jobs claimed;
  - \$54.1 million with only retained jobs claimed;
  - \$180.2 million with construction workers on the job before AIDEA loan approval;
  - \$22.6 million with only tenant jobs, where construction followed loan approval; and,
- \$16.8 million AIDEA overpaid for its \$70.4 million of participations that may have produced jobs.



94 percent of the jobs AIDEA claims it created with its 2008–2023 large loan participations are **inflated numbers of jobs** that would have been created by bank lending without AIDEA.

**From 2008-2023, AIDEA Inflated jobs numbers created by LPP**

<b>AIDEA’s Jobs claimed</b>	<b>3,627</b>
<b>Actual FTE Jobs</b>	<b>277</b>
<b>Actual FTE Alaska Jobs</b>	<b>218</b>

1967

The Alaska Industrial Development Authority (AIDA) was established in 1967, and for its first 15 years had essentially no money of its own. AIDA was authorized to issue revenue bonds “payable solely from the income and receipts or other funds or property of the authority,” but was strictly prohibited from pledging the faith or credit of the state. (ch. 42 SLA 1987).

Starting 40 years ago, the State of Alaska endowed the Alaska Industrial Development and Export Authority (AIDEA) with economic development funds. At last accounting, the value of that endowment stood at \$1.4 billion. Since the 1990s the citizens of Alaska and public officials have discussed how to set an appropriate annual “AIDEA dividend” that would return a portion of AIDEA’s endowment to the state treasury.

AIDEA officials and its defenders have for years argued that the “dividend” the state gets is the economic development and jobs the Authority generates. Yet, AIDEA has never produced even the simplest accounting of full-time-equivalent jobs that it claims to have generated, let alone a rigorous economic analysis of its direct, indirect, and induced impacts on employment. **Most egregiously, the job numbers AIDEA touts include jobs that would have materialized anyway.**

1996

In 1996, when AIDEA had a net worth of \$700 million, the state legislature imposed a “dividend” for annual payments by AIDEA to the state of “not less than 25 percent nor more than 50 percent” of AIDEA’s unrestricted net income. In doing so, the legislature also made it clear that the dividend formula was established so “the financial integrity of the Alaska Industrial Development and Export Authority remain secure so the authority can continue to fulfill its vital economic development mission for the state.”



**\$1.4 Billion Endowment  
hoarding state money**

## 2000

In the early 2000s, as AIDEA development projects failed and the Authority racked up losses and write-offs, the state legislature secured the state's dividend by removing those write-offs from the AIDEA net income calculations. Ultimately, AIDEA dividend obligations have had no discernable effect on AIDEA's ability to issue bonds or lend money for economically feasible developments anywhere in Alaska.

In addition, the nine times the legislature appropriated more than the dividend formula from AIDEA had no effect on AIDEA's ability to sell revenue bonds or on its interest rates. AIDEA's concerns that unrestricted transfers from the endowment would negatively affect its bond rating, overlooks AIDEA's ability to issue revenue bonds, including conduit revenue bonds. Even more important, it overlooks the \$631.3 million in cash and near-cash assets AIDEA has stashed in its endowment.

**If policy makers believe that there are better ways to deploy the financial resources now sequestered in AIDEA's endowment, there is no reason to believe that redeploying some of those assets would compromise AIDEA's ability to carry on with any of its current economic development programs.**

### AIDEA project failures



Mustang oil production



Alaska Seafood  
International, Inc.



Healy Clean Coal project



Seward Coal Facility &  
Skagway Ore Terminal