

Fiscal Note

State of Alaska
2026 Legislative Session

Bill Version: HB 124
Fiscal Note Number:
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Identifier: HB124-DCCED-AIDEA-02-03-26
Title: AIDEA
Sponsor: CARRICK
Requester: (H) STATE AFFAIRS

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)

	FY2027 Appropriation Requested	Included in Governor's FY2027 Request	Out-Year Cost Estimates				
			FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
OPERATING EXPENDITURES	FY 2027	FY 2027	358.8	8,660.3	358.8	358.8	358.8
Personal Services				258.3			
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	1,518.8	11,410.7	408.8	408.8	408.8	408.8	408.8

Fund Source (Operating Only)

1004 Gen Fund (UGF)			12,929.5	12,929.5	12,929.5	12,929.5	12,929.5
1061 CIP Rcpts (Other)		941.7	(941.7)	(941.7)	(941.7)	(941.7)	(941.7)
1102 AIDEA Rcpt (Other)	1,518.8	10,469.0	(11,579.0)	(11,579.0)	(11,579.0)	(11,579.0)	(11,579.0)
Total	1,518.8	11,410.7	408.8	408.8	408.8	408.8	408.8

Positions

Full-time	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Part-time							
Temporary							

Change in Revenues

1102 AIDEA Rcpt (Other)			(33,000.0)	(33,000.0)	(33,000.0)	(33,000.0)	(33,000.0)
1140 AIDEA Div (UGF)			(16,500.0)	(16,500.0)	(16,500.0)	(16,500.0)	(16,500.0)
Total	0.0	0.0	(49,500.0)	(49,500.0)	(49,500.0)	(49,500.0)	(49,500.0)

Estimated SUPPLEMENTAL (FY2026) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2027) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? No

(Supplemental/Capital/New Fund - 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? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 01/01/27

Why this fiscal note differs from previous version/comments:

Updated to reflect fiscal year 2025 financial results and fiscal year 2027 budget information.

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Division:	Alaska Industrial Development and Export Authority	Date:	02/02/2026
Approved By:	Hannah Lager, Administrative Services Director	Date:	02/03/26
Agency:	Department of Commerce, Community, and Economic Development		

FISCAL NOTE ANALYSIS

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Analysis

House Bill 124 (HB 124) would significantly reduce the ability of the Alaska Industrial Development and Export Authority (AIDEA) to finance job-creating commercial and industrial projects throughout Alaska. This legislation would cap the amount of funds and accounts that AIDEA could hold and require AIDEA to liquidate its income generating assets. This legislation becomes effective January 1, 2027, and it would require AIDEA's assets not exceed \$500 million by June 30, 2027. Due to the limited time window to divest assets and because the composition and value of AIDEA's portfolio at the end of FY2027 is not known. Although the amount of funds that would be transmitted to the state after June 30, 2027, cannot be predicted at this time, AIDEA projects that there will be approximately 50% loss compared to the book value, which translates to 50% less cash than the current book value of AIDEA's assets that would be available for transfer to the State of Alaska general fund.

Based on AIDEA's 2025 fiscal year end balance of funds and accounts of approximately \$1.7 billion, AIDEA would need to liquidate \$1.2 billion of its revenue generating assets to reduce its assets to \$500 million. The fiscal impact of liquidating \$1.2 billion of AIDEA's assets would be a loss of approximately \$70 million in annual revenues, which would lead to negative dollars in annual net income and eliminate AIDEA's ability to provide an annual dividend to the State treasury. Selling \$1.2 billion of AIDEA's assets would result in write-downs to the value of these assets due to sale prices being below the book value of the assets. Most of AIDEA's assets are outstanding loan balances and fixed assets which are not easily liquidated. For example, if AIDEA sold the Ketchikan Shipyard, which currently has a book value of approximately \$50 million, the cash value from the sale would likely be less than \$25 million. Although the full fiscal impact cannot be predicted at this time, the requirement to liquidate assets each fiscal year would remove negotiating leverage from AIDEA and result in "Fire sale" prices for AIDEA's assets. The liquidation of \$1.2 billion of AIDEA's income generating assets will not result in a transfer of \$1.2 billion to the State of Alaska general fund. Instead, liquidation of AIDEA's assets is more likely to result in a 50% loss in value of \$600 million, which ultimately reduces the cash available for transfer to the State of Alaska general fund to less than \$600 million.

The fiscal impact of HB124's asset reduction requirement would result in a significant reduction to AIDEA's annual revenues, which would eliminate the AIDEA's annual dividend payment to the State of Alaska general fund. AIDEA would also become reliant on general fund appropriations to pay the costs of ongoing operations. Additionally, the increased reporting and cross-divisional coordination requirements would increase AIDEA's operating costs and require the addition of two new full-time equivalent positions and increased costs for contractual services.

The reduction in revenues would force AIDEA to withdraw the loan applications currently under review, and AIDEA would not have sufficient funds available to finance any new loans. Without this financing, these business investors would not have the capital they need to create new businesses, and this would harm Alaska's economy and reduce the number of jobs available to Alaskans. AIDEA would no longer be able to provide financing for new commercial enterprises or engage in public-private-partnerships that create jobs and advance Alaska's economic prosperity. The requirement to make proprietary information available to the public, which includes market competitors, will deter applicants from seeking financing from AIDEA. AIDEA's financing programs create jobs and support economic growth in Alaska.

HB 124 will undermine AIDEA's ability to finance commercial and industrial enterprises and will result in lower revenues and higher costs. Other consequences of this legislation include constricting Alaska's capital market and making it harder for businesses to get financing, discouraging economic growth, and reducing jobs for Alaskans. The fiscal consequences of asset liquidation will also harm AIDEA's credit rating and reduce its ability to issue bonds. AIDEA recently received a credit rating from Standard and Poor (S&P) of AA+. This rating was based on the \$1.7 billion in assets and AIDEA's projected ongoing revenue stream. Liquidation of AIDEA's assets would result in a substantial downgrade to AIDEA's

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credit rating, which increases the cost of debt and severely limits the amount of financing that AIDEA could provide to business enterprises in Alaska.

FISCAL IMPACTS

BOARD COSTS

This legislation increases the size of the AIDEA board by two public members. For purposes of this fiscal note, board members are projected to be based in Anchorage and incur no travel costs. Public board members receive a daily stipend and the incremental cost for two new board members for ten one-day board meetings per year is projected to be \$0.2 thousand.

REVENUE CHANGES

This legislation will result in significantly reduced revenues to AIDEA resulting from the requirement to liquidate its income generating asset balances above \$500 million. To meet this requirement, AIDEA would need to sell its capital assets, loan portfolio, and liquidate unobligated balances in its investment portfolio. The loss of these income generating capital assets would be insufficient revenues to continue to be self-sustaining or provide an annual dividend payment to the State of Alaska general fund.

Currently, AIDEA's operating costs are funded by its earned revenues without any appropriation of general funds. AIDEA operating receipts are comprised of 1102 AIDEA Receipts for operating costs, 1061 CIP Receipts for board-authorized investment projects and capital activity, and 1007 Interagency receipts for personal service costs of staff shared with the Alaska Energy Authority. The liquidation of over two thirds of AIDEA's income generating assets would result in a significant reduction to AIDEA's revenue stream. In addition to the foregone revenue resulting from a smaller, less diverse asset portfolio, an appropriation of State of Alaska general funds would be needed to fund ongoing operating costs.

Since 1997, AIDEA has provided an annual dividend payment to the state treasury. Including the FY2027 dividend payment, AIDEA will have provided the state \$512 million to the general fund. Over the last 31 years, the maximum dividend payment amount was \$29.5 million, and the average amount was \$16.5 million. The liquidation of AIDEA's income generating assets would result in insufficient earnings to provide an annual dividend payment to the State of Alaska general fund.

For purposes of this fiscal note, revenue changes are projected based on AIDEA's annual declared income from inception to date and are reflected as changes to the general fund for dividends that would not be declared, and changes to AIDEA Receipts for income that would not be earned, retained, and reinvested in Alaska's economy. Foregone revenues are projected as two times the average dividend in recognition that the board may declare a dividend between 25% and 50% of statutory net income. The revenue impacts are discussed further below.

Capital Assets: AIDEA's capital assets include its headquarters building, the Ketchikan Shipyard, the FedEx Hanger, the Department of Military and Veteran Affairs building, and the Delong Mountain Transportation System. AIDEA would need to liquidate 99% of its capital assets to meet the requirements of HB 124. The sale of AIDEA's capital assets would also result in the loss of AIDEA's lease assets, which was \$181.7 million at the end of fiscal year 2025, and generates approximately \$30 million in annual revenues, which would be foregone. The pool of buyers for these assets is extremely limited. There are very few investors in the marketplace who have the financial capacity to purchase these capital assets and their associated leases. Liquidation of AIDEA's \$369.2 million balance of capital assets, including its construction work in progress, is likely to result in 50% to 100% value loss of \$241.4, or \$117.9 million to \$0 million transferred to the State of Alaska general fund.

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Loan Portfolio: The sale of AIDEA's loan portfolio to other financing entities is likely to have a negative impact on Alaskan borrowers because the purchasers of these loans may require higher interest rates and/or repayment terms that cost more than borrowers are able to pay. The liquidation of most of AIDEA's existing loan portfolio would reduce AIDEA's annual loan interest revenues by approximately \$20 million.

Liquidation of AIDEA's fund balances could impact cash balances available for the recently approved direct financing loans to Alyeschem, HEX, and Greensparc. These loans are expected to generate 250 construction jobs and 70 permanent jobs, generate annual interest revenues of \$25 million, and the financed projects would make significant contributions to the State of Alaska general fund through taxes and royalties.

To meet the asset balance reduction requirements of HB 124, AIDEA would most likely prioritize selling the outstanding loans that generate less interest revenue, such as the loan to the Interior Gas Utility (\$139m). To meet the \$1.2 million liquidation requirement, AIDEA would also have to liquidate a large portion of its Loan Participation program loans, and all of the loans made under AIDEA's other loan programs. The balance of AIDEA's loan portfolio at fiscal year-end 2025 was \$564.4 million. AIDEA would be required to liquidate approximately 90% of this portfolio, or \$506.1 million. The purchase price for these loans is expected to lower than the book value and will result in an estimated value loss of \$298 million, which will result in only \$200.6 million available to be transferred to the State of Alaska general fund.

Investment Funds: To meet the requirements of HB 124, AIDEA would need to liquidate its unobligated investment fund balances which would result in AIDEA not having funds to pay for operating costs, new loan financing, and payment of AIDEA's annual dividend to the State of Alaska. Additionally, the loss of AIDEA's investment portfolio would reduce AIDEA's revenues by \$20 to \$25 million annually.

REPORTING REQUIREMENTS

This legislation creates new requirements for performance metrics and financial activity, as well as additional coordination requirements with other agencies. Two new full-time positions are needed to support this activity, as well as ongoing support costs. One-time setup costs of \$10.0 per position are also included in the first year only. Contractual support costs will also be needed to support policy and performance metric development, as well as new regulation adoption and enhanced performance metrics implementation.

FISCAL IMPACT SUMMARY

Personal Services:

\$169.0	One full-time Project and Policy Coordinator (range 22) located in Anchorage
\$189.8	One full-time Performance Measurement and Technical Assistant (range 24) located in Anchorage

Contractual Services:

\$ 2.0	Board member stipends for two members for ten meetings per year
\$ 50.0	Ongoing support costs, including core and allocated services (\$25.0 per position per year)
\$325.0	Contractual support for personnel policy and performance metric development in FY2027 only
\$450.0	1,000 Legal hours x \$450.00/hour in FY2027 only
\$ 90.0	200 Human Resources hours x \$450.00/hour in FY2027 only
\$225.0	500 Economist hours x \$450.00/hour in FY2027 only

Commodities:

\$ 20.0	One-time setup costs for positions (computer, office furniture, equipment) in FY2027 only
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General funds will replace AIDEA Receipts and CIP receipts beginning in FY2028.