



March 25, 2022

The Honorable Jonathon Kreiss-Tomkins
 Chair, House State Affairs Committee
 Alaska State House
 State Capitol Room 411
 Juneau, AK 99801

Re: HB 271 – AIDEA Membership; Responsibilities

Dear Chair Kreiss-Tomkins,

On Thursday, March 17, 2022, the House State Affairs Committee held the initial hearing for HB 271 *AIDEA Membership; Responsibilities*. The proposed legislation, as presented by the bill’s sponsor and staff, seeks to make sweeping programmatic, operational, and administrative changes to the Alaska Industrial Development and Export Authority (AIDEA). Over the course of the initial hearing, several assertions or comments were made to AIDEA’s operations which are not representative of actual circumstances, procedures or policies of the organization.

We appreciate the common ground on the importance of AIDEA to economic development with the State of Alaska. However, this bill proposes sweeping programmatic, operational, and administrative changes that would have a significant, negative impact on AIDEA’s ability to fulfill its mission to promote economic development and support job growth for Alaskans. As this bill is now being further considered on Tuesday, March 29, I request the opportunity with this letter to address for the record some of the statements made during the initial hearing for the committee’s review and consideration.

Comment	Clarification
1. AIDEA acts as a “sovereign”	<p>Under AS 44.88.020, the Legislature created AIDEA as a public corporation and political subdivision within the Department of Commerce, Community, and Economic Development (DCCED).</p> <p>We do not act as a sovereign, but remain responsive as a leading investor in Alaskans and Alaska’s communities. Since its inception in 1967, the Authority has successfully directed over \$3.5 billion into economic development within the state through its loan and project development programs and has declared in aggregate more than \$446 million in dividends to the state’s Unrestricted General Fund.</p> <p>By statute (AS 44.88.190(b)), “the funds, income, or receipts of the authority may not be considered or constitute money of the state...” This serves to protect the State from the financial and contractual obligations undertaken by AIDEA in fulfilling its role as the state’s development finance authority with</p>

	<p>a mission for job growth and economic diversity through attracting and partnering with private capital for investment in the state.</p> <p>Under AS 44.88.205, while remaining a self-sustaining authority that does not draw on the State’s General Fund for ongoing operating expenses and project/program investment capital, AIDEA remains subject to the Executive Budget Act (AS 37.07) and the responsibilities to the Governor’s Office and Legislature.</p>
<p>2. AIDEA’s Board makes decision by motions and not resolutions.</p>	<p>The AIDEA Board makes decisions for budget allocations, capital project investments and loans via resolutions. Resolutions are attached to AIDEA’s publicly posted agendas for its meetings and are publicly available at www.aidea.org one week prior to the AIDEA Board meeting. Resolutions are accompanied by a Board Memorandum prepared by Staff which explains what is being proposed, the purpose for the proposal, the financial plan supporting the proposal and the economic benefits in fulfillment of AIDEA’s mission supporting the proposed resolution. Passed and signed resolutions with supporting documents are publicly available online and are archived going back to 2008.</p> <p>Decisions via motion are predominately for procedural matters as commonly taken in boardroom procedures, such as adopting the agenda, adopting previous board minutes, or selecting a vice chair.</p>
<p>3. AIDEA “capriciously terminates” employees and is being sued by multiple former employees.</p>	<p>A simple search of federal and Alaska state court websites would have shown that there are no active/open wrongful termination cases against AIDEA/AEA as is being asserted.</p>
<p>4. AIDEA doesn’t seem especially focused on local interests. If there isn’t local buy-in, that doesn’t deter AIDEA.</p>	<p>Our local city councils and borough assemblies (local governing bodies) remain an important voice for project development within their communities and should not be removed or relegated in the process. AIDEA works with communities to understand their unique economic requirements and fulfills its statutory obligations, one of which is to ensure that the Authority shall solicit the review and advice of the local governing body prior to formalizing a Development Finance Program investment (AS 44.88.177).</p> <p>Formal letters of support and/or resolutions from the local city/council/borough are critical components of AIDEA’s project management and investment approach, as well as Board oversight, and are made available for review by the public with each proposed resolution. For example, and with specific regard to recent development projects, this is evidenced by:</p> <p><u>Final Feasibility and Permitting Activities, Ambler Access Project:</u></p> <ul style="list-style-type: none"> • Joint Resolution C-2018 by the Northwest Arctic Borough and North Slope Borough,

	<ul style="list-style-type: none"> • Resolution No. R-18-08-09 City of Nome • Resolution 22-04 Hughes Village Council • Resolution 01-2022 Native Village of Shungnak • Resolution 01-2022 Native Village of Kobuk • Resolution 22-09 Native Village of Selawik • Resolution 22-24 Native Village of Deering • Resolution 2022-12 NANA Regional Corporation <p><u>Pre-Feasibility and Permitting, West Susitna Access Road:</u></p> <ul style="list-style-type: none"> • Resolution No. 14-025 Matanuska-Susitna Borough Assembly • Memorandum of Understanding signed between AIDEA and Matanuska-Susitna Borough dated October 23, 2019 • Resolution No. 20-066 Matanuska-Susitna Borough Assembly • SB 74 Capital Budget Appropriation of \$8.5 million • Resolution No. 21-134 Matanuska-Susitna Borough Assembly <p>Also, AIDEA’s investment in the Section 1002 Oil & Gas leases was supported by the North Slope Borough and Alaska’s Congressional Delegation. HJR 12 passed by the 32nd Legislature defends the lease sale and AIDEA’s rights as a leaseholder. AIDEA’s lawsuit pursuing these rights to develop the oil and gas leases in the non-wilderness Section 1002 Area of ANWR has been joined by the North Slope Borough, Kaktovik Inupiat Corporation, and Arctic Slope Regional Corporation.</p>
<p>5. AIDEA doesn’t have a personnel policy.</p>	<p>AIDEA is a political subdivision of DCCED. The Authority has official personnel guidelines predominately following the guidelines established by the Department of Administration. These guidelines establish hiring, payroll, leave, benefit and personnel conduct practices. They are provided during employee onboarding and observed/monitored through the Authority’s Human Resources personnel.</p>
<p>6. The public does not know when to participate in AIDEA Board meetings.</p>	<p>All AIDEA Board meetings for the calendar year are posted to www.aidea.org. Linked agendas with supporting documentation are posted seven days prior to an AIDEA Board meeting. Changes to these dates are infrequent and updated on the website in a timely manner.</p> <p>As of the December 1, 2021, AIDEA Board meeting, AIDEA began offering email and/or text notifications so members of the public could be notified at the start of an AIDEA Board meeting as well as when the Board returns to public session from executive session as a courtesy and convenience.</p>
<p>7. AIDEA is not transparent.</p>	<p>Under the auspices of transparency, this bill would remove AS 44.88.215 regarding confidentiality of records and information and defines that all records or information submitted to AIDEA are public records.</p> <p>The provisions of the bill regarding disclosure of information puts AIDEA in a position to disclose information by statute which conflicts with existing</p>

	<p>federal and state statutes protecting privacy, proprietary information, and property.</p> <p>These issues were extensively debated when Governor Knowles introduced legislation to adopt AS 44.88.215 to the 20th Legislature and as later revised by the 25th Legislature. In both cases it was determined as necessary to assist the mission of the Authority by assuring persons supplying records or information, and borrowers and applicants (e.g., of loan participations and development finance projects) that certain records and information they provide to the Authority will be kept confidential.</p> <p>At that time, the Authority and the Legislature heard concerns from borrowers, applicants and project developers that the existing provisions referenced under AS 40.25 did not clearly establish that the Authority can retain the confidentiality of the types of documents clearly defined under AS 44.88.215</p> <p>The removal of AS 44.88.215 will have considerable impact to AIDEA's commercial lending and development finance programs. Under the Loan Participation Program alone, more than 270 Alaska small private businesses who have loans or development finance agreements will be directly impacted and prohibit the sharing of information by Alaska financial institutions who conduct business with AIDEA.</p> <p>The anticipated economic effect would be a decline in the number and dollar value of new loans funded through AIDEA's programs or infrastructure projects receiving funding, resulting in declining revenues, with a subsequent decrease in the dividend paid to the State of Alaska. Additionally, the existing loan portfolio would likely see an increase in refinancing of loans with other institutions, further decreasing revenues.</p>
<p>8. Require AIDEA to provide a minimum 50% dividend vs. the current 25-50%, because "AIDEA has gone much more to 25% historically"</p>	<p>AIDEA is a self-sustaining public corporation of the State of Alaska (no GF, per AS 44.88.190(b)). Revenue generated by AIDEA's investments go to two places:</p> <ol style="list-style-type: none"> 1. reinvested in AIDEA programs and projects, and 2. issued as dividends to the State of Alaska. <p>Since the first declared dividends in 1995, AIDEA has issued dividends annually averaging in excess of \$16.5 million per year at <u>48%</u> of statutory net income, providing a total of \$446,137,500 to the state's Unrestricted General Fund for appropriation by the Legislature.</p> <p>Annually, AIDEA's Board in December discusses and adopts a resolution declaring the dividend which includes the reasoning for the level of dividend between 25-50% of statutory net income. In establishing the dividend requirement with the 25-50% range, the legislature stated its intent that: "the financial integrity of the [Authority] remains secure so the Authority can</p>

continue to fulfill its vital economic development mission for the State.” (See sec.1, ch.11 SLA 1996).

At that time, the legislature made it clear that although dividends were to be made available, the dividends must be determined in a manner that does not impede the Authority’s ability to fulfill its primary mission to “promote, develop and advance economic growth and diversification in Alaska by providing various means of financing and investment.”

Legislation removes the flexibility established by the original language in AIDEA’s ability to manage its operations in a sustainable manner

As formed by the Alaska State Legislature in 1967, AIDEA fulfills its economic development-focused mission by making investments and offering financing tools to support Alaska’s businesses and communities. We have a unique mission that is not filled by any other entity within the State of Alaska. In our analysis, many of these proposed changes would result in a significant, negative impact on AIDEA’s ability to continue to fulfill its mission to promote economic development and support job growth for Alaskans. We believe this bill unnecessarily creates confusion with existing provisions, serves to increase bureaucratic regulation, inhibits project development within the state, increases AIDEA’s cost of funding through burdensome administrative costs, and jeopardizes the organization’s self-sufficiency and dividends to the state.

In her closing comments, Elise Sorum-Birk (staff to the bill sponsor) asked the question: “What should the State do with this massive organization?” AIDEA has been highly effective in its role as the State of Alaska’s development finance authority. Since our formation, AIDEA has been responsible for directing more than \$3.5 billion in economic development in Alaska and has declared \$446 million in dividends to the State since 1997. AIDEA is allocated 82 PCNs, however, approximately one-third serve as AEA employees and approximately another third are classified as Shared Services employees (HR, accounting, and IT) to support both public corporations. In reality, AIDEA fulfills its mission with just 27 full-time PCNs who support 8 active financing programs and 17 development finance projects. On any measure of productivity and fulfillment of mission, there is a lot to be proud of what the Legislature has created with AIDEA.

There is always room for improvement in public service and stakeholder engagement, however we are not the organization that was portrayed on March 17th. We ask this committee and the greater Alaska State Legislature to continue its support for AIDEA and its important mission for Alaska as the state’s development finance authority by facilitating our mission and not seek to create barriers for economic development in Alaska, increase costs for Alaska’s businesses, or overly regulate the operational effectiveness of the Authority.

Respectfully,



Alan Weitzner
AIDEA Executive Director