



April 4, 2012

The Honorable Senator Bert Stedman  
AK State Capitol, Room #516  
Juneau, AK 99801

Dear Senator Stedman:

Thank you for allowing Alaska Housing Finance Corporation (AHFC) the opportunity to share information about Senate Bill 203, the energy assistance program and vouchers bill. As you are aware since the bill was first heard in the Senate Finance committee on Feb. 23, a number of significant changes have been adopted, most notably in our opinion, naming AHFC as the administrator of the program.

Our staff appreciates the ability to provide technical assistance to the bill sponsor and his staff. We have undertaken a significant effort to evaluate language in the bill, identify resources currently available to AHFC and those that would be required to implement SB 203 in the timeframe established in the bill.

AHFC recognizes the high cost of fuel plaguing rural areas and the Interior of our state. It is not the prerogative of AHFC to either support or oppose legislation so my intent is simply to provide you information about the challenge that AHFC is being asked to assume. Should SB203 proceed into law, AHFC will be required to issue vouchers within 30 days to each adult who was eligible for a Permanent Fund Dividend (PFD) in 2011. We will rely on PFD's data to determine eligibility into the program.

Should the Governor sign the bill into law by July 1, 2012, AHFC will have approximately three months to ready the program to include establishing a standard agreement or MOU with approximately 300 energy distributors-suppliers. AHFC will be responsible to print and issue individually numbered vouchers to 450,000 to 550,000 Alaskans with the vast majority of vouchers going out in November but additional vouchers to follow as PFD eligibility is determined. Each eligible recipient may choose to redeem their voucher for oil, natural gas, or electricity in their service area. Where distributors/suppliers choose not to participate in the program or where recipients do not have an account with a distributor, the recipient may choose instead to redeem his/her voucher for \$250 and apply funds toward rent relief.

Further, SB 203 allows for a negotiation between a landlord and tenant. To illustrate three points:

- 1) In the case of an eligible recipient who happens to be a renter in Fairbanks, the renter could choose to split the value of the voucher 50/50 with his landlord. Should the landlord agree to the trade and for discussion purposes, the value of the voucher was \$1,200. Under scenario, the renter would receive a rent reduction of \$600, and the landlord would benefit from an additional \$600 in energy relief.
- 2) Because AHFC will be required to provide 1099s for income that exceeds \$600, tax counsel advises that both the tenant and the landlord in the scenario presented should receive 1099s and it is likely that the check will qualify as a taxable event.
- 3) If the renter in the scenario presented was a recipient of one of AHFC's Housing Choice Vouchers, a program funded by the federal department of Housing & Urban Development, the IRS would likely consider the event taxable; however, AHFC would consider the payment a one-time event not countable as family income so there would be no negative impact to the family relative to AHFC housing.

The bill specifies that AHFC will choose a date in 2012 for which to determine a fuel price, and because the recipient will have up to four months from time of issuance to redeem their voucher, again for illustration purposes, the practical effect is for a community whose oil price is \$4.00/gallon on Jan. 15, the date AHFC selects under this hypothetical scenario, the cash value for this voucher would be \$1,000. The distributor would credit the individual's account at time of receipt. If that voucher was redeemed on Dec. 1, 2012 and fuel prices were \$5.00/gallon, the practical effect is that the consumer would receive 200 gallons of fuel. If, on the other hand, the price of fuel dropped to \$3.00/gallon, the consumer would receive 333 gallons of fuel.

Upon delivery of the fuel or credit to an individual's account, AHFC would reimburse the distributor for the full value of the voucher. The bill requires AHFC to reimburse the distributor within 20 days of receiving eligible claims.

A few additional noteworthy points:

- For those individuals who choose to use their voucher to pay for electricity and are engaged in the PCE program, the value of the voucher will be applied post-PCE.
- AHFC does not have the current resources in-house to develop, manage and substantially dismantle this program in one year as is required in the bill. As a result, we have submitted a fiscal note that accounts for 10 full-time positions in the first year and ratcheting down to just two positions in the final year of the program. In the beginning, the majority of these positions will be dedicated to I.S. infrastructure development, contract administration with vendors AHFC engages, internal audit functions and appeals, and customer service and administrative support largely dedicated to our own clients in public housing and those who benefit from the Housing Choice Voucher program. Toward the end of the program in FY17 and FY18, we envision the primary duties of AHFC staff will be continued contract compliance and audit.
- My staff has been actively engaged in conversations with contractors who may be able to support the project as required in SB 203 and we will seek to bring those onboard as soon as possible under the authority granted to AHFC in Sec. 3 that allows for emergency regulation and procurement provisions. A detailed description of the duties we expect to contract is provided on page two of the fiscal note provided.

Finally, costs included in the fiscal note account for \$310 million-\$450 million in fuel reimbursement. The largest variable in this range is the number of Alaskans who might be eligible to participate, followed by the wide differential in actual cost of fuel by source.

Combined, operations, contract and fuel costs are estimated not to exceed \$465,000,000 in FY13.

We appreciate the tremendous trust the legislature has placed in our leadership at Alaska Housing Finance Corporation and your confidence in our ability to execute significant projects. Please contact me if you have questions or concerns; I have staff standing by in your committee to answer questions the committee may pose.

Sincerely,



Daniel R. Fauske  
CEO/Executive Director

Cc: Governor Sean Parnell  
Senator Lyman Hoffman, Co-Chair, Senate Finance  
Senator Joe Thomas, SB 203 Sponsor