

HOUSE FINANCE COMMITTEE
January 15, 2001
1:47 PM

TAPE HFC 01 - 7, Side A
TAPE HFC 01 - 7, Side B
TAPE HFC 01 - 8, Side A

CALL TO ORDER

Co-Chair Mulder called the House Finance Committee meeting to order at 1:47 PM.

MEMBERS PRESENT

Representative Con Bunde, Vice-Chair
Representative Eric Croft
Representative John Davies
Representative Carl Moses
Representative Richard Foster
Representative John Harris
Representative Bill Hudson
Representative Ken Lancaster
Representative Jim Whitaker

MEMBERS ABSENT

Representative Eldon Mulder, Co-Chair
Representative Bill Williams, Co-Chair

ALSO PRESENT

Representative Gretchen Guess; Representative Craft, Representative Stevens; Representative Kevin Meyer; Yvonne Chase, Deputy Commissioner, Early Education, Department of Education and Early Development; Bruce Johnson, Deputy Commissioner, Department of Education and Early Development; Shirley Holloway, Commissioner, Department of Education and Early Development; Dan Fauske, Executive Director, Alaska Housing Finance Corporation, Department of Revenue; John Bitney, Legislative Liaison, Alaska Housing Finance Corporation, Department of Revenue; Les Campbell, Director, Budget, Alaska Housing Finance Corporation (AHFC).

PRESENT VIA TELECONFERENCE

There were no teleconference participants.

GENERAL SUBJECT (S):

Review of Departments Accomplishments
Department of Education and Early Development

Alaska Housing Finance Corporation (AHFC)

The following overview was taken in log note format. Tapes and handouts will be on file with the House Finance Committee through the 22nd Legislative Session, contact 465-2156. After the 22nd Legislative Session they will be available through the Legislative Library at 465-3808.

LOG	SPEAKER	DISCUSSION
	TAPE HFC 00 - 7 SIDE A	
099	SHIRLEY HOLLOWAY, COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT	Introduced staff. Provided members with a handout on the missions and measures of the Department of Education and Early Development (copy on file). Complemented the Committee for the movement to the performance approach. Noted that the department has moved toward standards to assess staff and students. Stressed the benefit of combining early development with education.
287	Commissioner Holloway	Reviewed measures developed in SB 281. Explained that the focus is on early development and student performance.
382	Commissioner Holloway	Highlighted performance in FY 01. Noted that the department implemented the benchmark assessment, regulation for comprehensive assessment, an education summit, streamlined licensing, and finalized SB 36 report.
535	YVONNE CHASE, DEPUTY COMMISSIONER, EARLY EDUCATION, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT	Discussed measure relating to Early Education. Review page 35.
712	Co-Chair Mulder	Noted that licensing center came on line in Anchorage in 1999. He noted that the department asked for additional funding with the transfer of the early education function. Part of the increase was funded. There has been success in increasing childcare facilities across the state.
834	Co-Chair Mulder	Explained the difference between a childcare home, group home and center.
865	Representative Croft	Asked for clarification on the difference between 1998 and 1999 levels. Ms. Chase explained that not all the centers were not in the database. Co-Chair Mulder noted that number of licensed homes appears to have dropped between 1997 and 1998.

957	Ms. Chase	Noted that there is no incentive for homes to license. They have moved toward self-registration, which does not require a home review.
1019	Co-Chair Mulder	Questioned if reporting has changed. Ms. Chase did not think there was a significant change in reporting. Reiterated that providers do not have an incentive to license.
1071	Representative Croft	Observed that the downward shift in licensing homes is the result of fewer homes licensing and more registrations.
1125	Ms. Chase	Stated that registration serves a purpose but that there is no way to enforce standards in registered homes.
1157	Representative Lancaster	Asked for delineation by region.
1173	Representative Hudson	Questioned if registered homes have to meet basic requirements. Ms. Chase stated that in theory they have to meet basic health and safety, but emphasized that there is no inspections; complaints are responded to.
1236	Co-Chair Mulder	Referred to measurements for the Division of Early Development. Ms. Chase clarified that the measure in section 59 of SB 291 measures the capacity of the facilities. The capacity has not increased greatly.
1340	Representative Croft	Questioned if the quality is measured through the quantity. Co-Chair Mulder stressed that the assumption is that licensing enforces quality.
1427	Representative Croft	Stressed the need to assess how many children are being harmed in childcare.
1447	Vice-Chair Bunde	Emphasized that the number is needed.
1546	Ms. Chase	The cost for licensed and registered facilities is close. Some states establish a volunteered starring system to allow parents to have a sense of what they are choosing.
1506	Ms. Chase	Explained in response to a question by Representative Lancaster, that the State created legally exempt as a federal requirement.
1538	Representative Harris	Questioned if it is too soon to tell what the current numbers are.
1576	Co-Chair Mulder	Stressed the need to have the numbers to refine the measurements. Ms. Chase pointed out that the department does not have a direct knowledge of number of licensed facilities and children in licensed care.

1625	Co-Chair Mulder	Reviewed the number of children in Head Start. The intent is to increase by 2 percent.
1711	Representative Hudson	Questioned where extra money should be spent
1733	Ms. Chase	Responded that money should be spent on adding programs. The majority of the programs would be in small communities.
1771	Ms. Chase	Reviewed the measure of staff in childcare facilities. She noted that the data will be collected on a statewide basis and would be available in the future.
1795	Ms. Chase	Observed that 57 percent of the eligible population is served in the federal food program. There are only 8 school districts that do not participate. There are about 56,000 students being served.
1866	BRUCE JOHNSON, DEPUTY COMMISSIONER, EDUCATION, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT	Outlined the key measures for teaching and learning support, reviewed page 7. He discussed benchmark assessments. He observed that proficient and advance students are often lumped together.
1980	Representative Harris	Questioned why the math proficiency drops between 6 and 8 th grades. Mr. Johnson could not identify the factors.
2051	Representative Hudson	Asked if the numbers reflect statewide trends. Mr. Johnson confirmed that the numbers are for the entire state. The department's web site will have each district delineated.
2084	Representative Croft	Clarified that the categories are appropriate to the grade level. He observed that it is the advanced level students that fall off.
2113	Mr. Johnson	Speculated that the drop is spread across the whole curriculum.
2160	Vice-Chair Bunde	Noted that young children enjoy school more than older children.
2193	Representative John Davies	Agreed that there is a complicated tapestry of societal factors. He noted that it is possible that the bar is too high.
2225	Mr. Johnson	Stated that the department is comfortable with the exam and the passing score, but that they are assessing the reaction to the passing score.
2259	Mr. Johnson	Responded to a question by Representative Whitaker regarding math standards.
2357	Vice-Chair Bunde	Noted that members of the community established the standards.

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12	Mr. Johnson	Discussed page 9. He noted that the California Achievement Test 5 (CAT 5) was moved from grade 8 to 7, since the benchmark test is given in grades 4 and 8.
121	Representative Croft	Observed that results are consistent from grades 4 to 7, but they fall off in the 8th grade benchmark.
207	Mr. Johnson	Noted that this will be the subject of an education discussion.
234	Representative Croft	Questioned if the national standards also fall off between 7 th and 8 th grades. Mr. Johnson could not answer the question. He noted that the CAT 5 test does not drive the Alaska benchmark test.
363	Co-Chair Mulder	Observed that the Alaska benchmark in 3 rd grade and the 4 th grade CAT 5 tests are consistent.
400	Representative Lancaster	Asked if the expectations nationally are different from the state standard. Mr. Johnson responded that the Alaskan standards are unique.
486	Representative Hudson	Questioned if there were unified standards in Alaska previously. Mr. Johnson observed that standards vary by school district, school and classroom. The current approach is to standardize expectations.
563	Representative Whitaker	Expressed concern that a normal social phenomenon is not being reflected.
650	Mr. Johnson	Acknowledged that it is an interesting thought. Standards try to establish what an 8 th grader should have in order to be prepared for high school.
745	Mr. Johnson	The cost per student in meeting the measures.
820	Mr. Johnson	Spoke to the number of dropouts. Some students are reclassified at their grade level. He noted that 79% of the current Junior class has met the expectation of the standardized test.
906	Mr. Johnson	Addressed the benchmark assessments. Not speaking of students failing out of high school at this time. Examinations are designed for those students leaving high school.
949	Representative Harris	Asked about the measure of determining the true percentage of those kids that will really graduate.
984	Mr. Johnson	Suggested those students that graduate in

		year 2002 will be the ones that determine the number.
1022	Mr. Johnson	In response to Vice-Chair Bunde, agreed that semantics are important. They do not want the student to take the test in their sophomore year. They could fall short.
1060	Co-Chair Mulder	Asked if the student could re-take the test in the fall after failing it in the previous spring.
1093	Mr. Johnson	Replied that the student has six opportunities to take the test. Taking the test if voluntary. There is no state law, which declares when the test must be taken.
1154	Co-Chair Mulder	Where do the private school students take it?
1165	Mr. Johnson	There is no requirement for a private school student to take the test. The law requires that in a public school, the test be given every year.
1223	Representative Hudson	Asked about home schooling.
1232	Mr. Johnson	Students receiving public funds would be required to take the test.
1250	Representative Whitaker	Asked if once the test is passed, would the child ever have to take the test again.
1270	Mr. Johnson	Replied that once taken, it is not taken again if the student passes it. The test is costly to administer.
1294	Representative Croft	Asked about the national average scores in math, which shows that Alaskans are above average.
1325	Mr. Johnson	Stated that the standards need to be continually analyzed and made better. The statistics nationally show that some students excel in certain areas and fail others. He referenced Arizona and noted that legislators are now conducting hearings. Standards could be abandoned.
1406	Commissioner Holloway	Stated that the Department is preparing a list that indicates each state and the standards that they recommend. Some states have scraped the standards.
1465	Mr. Johnson	Concluded his remarks and performance measures.
1498	REPRESENTATIVE STEVENS	Asked about the costs associated with the testing.
1516	Mr. Johnson	Replied that each district covers the local district costs. The Department only pays some of the costs.

1577	Representative Hudson	Asked if additional staff had been added to the Department to execute the program.
1592	Mr. Johnson	Replied that there are 2 full time staff working on the program. Have attempted to do the work through the technical review committee.
1620	Representative Hudson	Referred to federal standards and noted that the federal government is investing in state standards.
1706	Vice-Chair Bunde	Spoke in support of standards as a way of evaluating how money is being spent. Recounted funds spent on education and stressed that without standards spending would continue to increase indefinitely.
1771	Co-Chair Mulder	Spoke in support of continuing standards
1784	Representative John Davies	Acknowledged the good of standards but expressed concern that they create a high stakes approach that will result in insurmountable barriers for some children.
1838	Commissioner Holloway	Concluded that the state Board of Education is eager to work for solutions to special needs children, English as a second language and children of military families.
1874	Co-Chair Mulder	Stated that the committee would like an overview of the foundation formula.
1905		<u>ALASKA HOUSING FINANCE CORPORATION (AHFC)</u>
1930	Dan Fauske, Executive Director, Alaska Housing Finance Corporation, Department of Revenue	Introduced staff. Provided members with a booklet, AHFC Draft FY2002 Budget (copy on file).
2049	Mr. Fauske	Reviewed the performance measures on page 22. Noted that 5.82 percent of the money generated is used for administrative response. The federal receipts and interagency receipts have increased resulting in a small increase in the administrative cost.
2122	Mr. Fauske	Reviewed the second performance of maintaining net income. He reviewed changes since 1998. One major change is the use of market value. There has been an increase from FY 99.
2206	Mr. Fauske	Discussed the percentage of AHFC owned housing per privately owned housing. There has been a significant increase over FY 99, from 33 to 43 percent. Activities have been increased through

		arbitrage.
2265	Vice-Chair Bunde	Observed that AHFC focuses on people that might not qualify for other programs. He questioned if the increase in AHFC activity is a reflection of Alaska's economy.
2293	Mr. Fauske	Responded that the amount of income has decreased in some occupations such as fishing. Interest rates affect the ability to buy homes. Delinquency rates are decreasing.
2333	Co-Chair Mulder	Questioned if the assumption that AHFC caters to low-income buyers is adequate.
2357	Mr. Fauske	There were 28,000 loans in the portfolio. He concluded that the number of loans has broadened.
	TAPE HFC 01 - 8, Side A	
24	LES CAMPBELL, DIRECTOR, BUDGET, ALASKA HOUSING FINANCE CORPORATION	Responded to a question by Co-Chair Mulder.
106	Vice-Chair Bunde	Stressed that AHFC should not be competing with private sector loans.
160	Mr. Fauske	Clarified that AHFC is not in competition with City Mortgage and other mortgage companies.
252	Co-Chair Mulder	Stressed that local banks only have a small percentage of loans in the state.
287	Representative Croft	Observed that an increase in the measure could mean a downturn in the private sector and questioned if the benchmark needs to be changed.
396	Co-Chair Mulder	Stressed that the mission is to be profitable and to provide affordable loans to a sector of the public that may not be able to find them in other ways.
446	Representative Whitaker	Questioned if there is a downside to increasing the percentage of AHFC housing. He did not think there was a downside, but stated that he would review the issue.
490	Representative Lancaster	Observed that realtors like AHFC because they pay a dividend.
549	Mr. Fauske	Stressed that some analysis must be given to the dividend. He noted that AHFC does not participate in service relief.
659	Mr. Fauske	Discussed the 4 th performance measure: High Performer of the Public Housing Management Assessment Program (PHMAP) score. This score has dropped some, but he felt comfortable with the rating of

		92.9 percent.
783	Representative Hudson	Referred to page 23, number of rural loans. He noted that the number has dropped.
838	Mr. Fauske	Responded that there has been some disruption in the market relating to how the money is coming into housing authorities from the federal government.
901	Mr. Campbell	Observed that the rural housing authorities can make or combine loans without going through AHFC.
941	Mr. Fauske	There is some interaction with AHFC to maximize dollars. Over a \$100 million federal dollars go into tribal organizations for housing.
1017	Co-Chair Mulder	Pointed out that the scope the same.
1045	Mr. Campbell	Smaller, same in that they want to provide safe affordable housing in their local areas.
1061	Mr. Fauske	Bonding mechanism to leverage money is a potential to enhance and strengthen dollars.
1098	Mr. Bitney	Explained that some tribes collect the block grant directly. This number is growing.
1133	Co-Chair Mulder	How much interaction with federal funding to tribal organizations.
1160	Mr. Bitney	Explained that there is not a great amount of coordination. He observed that there are only 2 housing authorities that are certified to offer AHFC housing loans.
1224	Vice-Chair Bunde	Stressed that there are millions of federal dollars coming to Alaska without passing through the General Fund.
1287	Mr. Fauske	Spoke to tobacco securitization. He noted that the true interest cost was 6.5 percent and was the first of its type.
1374	Mr. Fauske	Felt that the market place would accept additional securitizations. He did not think there was a federal movement to prohibit or suspend the activity.
1537	Representative Hudson	Stressed the need to have legal foundation to the question of the federal government's ability to affect the process.
1561	Representative Croft	Questioned where the risk fell.
1579	Mr. Fauske	Explained that the risk was transferred to the investor. The bonds will be paid off by 2015. He observed that the average bond payment is \$18 to \$20 million dollars.

1715	Co-Chair Mulder	Noted that only 40 percent was obligated.
1725	Representative Croft	Summarized that in the event of total default the state would still keep the remaining amount.
1755	Vice-Chair Bunde	Summarized that the ability of future legislatures to use the money is inhibited until 2015.
1792	Mr. Fauske	Continued to discuss tobacco securitization.
	<u>ADJOURNMENT</u>	The meeting was adjourned at 4:02 p.m.