

**ALASKA STATE LEGISLATURE  
HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES  
STANDING COMMITTEE**

April 15, 2003  
3:04 p.m.

**MEMBERS PRESENT**

Representative Peggy Wilson, Chair  
Representative Carl Gatto, Vice Chair  
Representative John Coghill  
Representative Paul Seaton  
Representative Sharon Cissna  
Representative Mary Kapsner

**MEMBERS ABSENT**

Representative Kelly Wolf

**COMMITTEE CALENDAR**

CS FOR SENATE BILL NO. 25(FIN)

"An Act relating to the acquisition of teachers' housing by regional educational attendance areas and to teachers' housing loan programs in the Alaska Housing Finance Corporation; and providing for an effective date."

- HEARD AND HELD

**CONFIRMATION HEARINGS**

Professional Teaching Practices Commission Appointees

Mark Doner - Palmer  
Thomas Lamal - Fairbanks

- CONFIRMATION(S) ADVANCED

**SARS UPDATE**

- HEARD

**PREVIOUS ACTION**

BILL: SB 25

SHORT TITLE:TEACHERS' & NURSES HOUSING/ AHFC LOANS

SPONSOR(S): SENATOR(S) WILKEN

Jrn-Date	Jrn-Page		Action
01/21/03	0021	(S)	PREFILE RELEASED 1/17/03
01/21/03	0021	(S)	READ THE FIRST TIME - REFERRALS
01/21/03	0021	(S)	HES, FIN
02/12/03		(S)	HES AT 1:30 PM BUTROVICH 205
02/12/03		(S)	Heard & Held
02/12/03		(S)	MINUTE(HES)
02/24/03		(S)	HES AT 1:30 PM BUTROVICH 205
02/24/03		(S)	Moved Out of Committee
02/24/03		(S)	MINUTE(HES)
02/26/03	0272	(S)	HES RPT CS 3DP 1NR 1AM SAME TITLE
02/26/03	0272	(S)	DP: DYSON, DAVIS, WILKEN;
02/26/03	0272	(S)	NR: GUESS; AM: GREEN
02/26/03	0272	(S)	FN1: ZERO(REV)
02/26/03		(S)	MINUTE(HES)
03/06/03		(S)	FIN AT 9:00 AM SENATE FINANCE 532
03/06/03		(S)	Heard & Held
03/06/03		(S)	MINUTE(FIN)
03/11/03		(S)	FIN AT 9:00 AM SENATE FINANCE 532
03/11/03		(S)	Scheduled But Not Heard
03/12/03		(S)	FIN AT 9:00 AM SENATE FINANCE 532
03/12/03		(S)	Moved CSSB 25(FIN) Out of Committee
03/12/03		(S)	MINUTE(FIN)
03/13/03	0489	(S)	FIN RPT CS 5DP 1DNP 1NR NEW TITLE
03/13/03	0489	(S)	DP: WILKEN, TAYLOR, HOFFMAN, OLSON,
03/13/03	0489	(S)	STEVENS B; DNP: GREEN; NR: BUNDE
03/13/03	0489	(S)	FN1: ZERO(REV)
03/17/03	0522	(S)	COSPONSOR(S): STEVENS G, DYSON, SEEKINS
03/31/03	0641	(S)	RULES TO CALENDAR 3/31/2003
03/31/03	0641	(S)	READ THE SECOND TIME
03/31/03	0642	(S)	FIN CS ADOPTED UNAN CONSENT
03/31/03	0642	(S)	ADVANCED TO THIRD READING UNAN CONSENT
03/31/03	0642	(S)	READ THE THIRD TIME CSSB 25(FIN)
03/31/03	0642	(S)	COSPONSOR(S): LINCOLN

03/31/03	0642	(S)	PASSED Y16 N1 E3
03/31/03	0643	(S)	EFFECTIVE DATE(S) SAME AS PASSAGE
03/31/03	0648	(S)	TRANSMITTED TO (H)
03/31/03	0648	(S)	VERSION: CSSB 25(FIN)
04/02/03	0729	(H)	READ THE FIRST TIME - REFERRALS
04/02/03	0729	(H)	HES, FIN
04/02/03	0751	(H)	CROSS SPONSOR(S): LYNN
04/11/03	0947	(H)	CROSS SPONSOR(S): ROKEBERG
04/15/03		(H)	HES AT 3:00 PM CAPITOL 106

**WITNESS REGISTER**

SHEILA PETERSON, Staff  
to Senator Gary Wilken  
Alaska State Legislature  
Juneau, Alaska

POSITION STATEMENT: Presented CSSB 25(FIN) on behalf of the sponsor, Senator Gary Wilken, and answered questions from committee members.

DANIEL FAUSKE, Chief Executive Officer and Executive Director  
Alaska Housing Finance Corporation  
Department of Revenue  
Juneau, Alaska

POSITION STATEMENT: Testified on CSSB 25(FIN) and answered questions from committee members.

PAUL KAPANSKI, Director  
Mortgage Operations  
Alaska Housing Finance Corporation  
Anchorage, Alaska

POSITION STATEMENT: Testified on CSSB 25(FIN) and answered questions from the committee.

MARK DONER, Appointee  
to the Professional Teaching Practices Commission  
Palmer, Alaska

POSITION STATEMENT: Testified about his willingness to serve on the Professional Teaching Practices Commission and answered questions from the committee.

THOMAS LAMAL, Appointee  
to the Professional Teaching Practices Commission  
Fairbanks, Alaska

POSITION STATEMENT: Testified as an appointee to the Professional Teaching Practices Commission and answered questions from the committee.

**ACTION NARRATIVE**

**TAPE 03-34, SIDE A**

Number 0001

**CHAIR PEGGY WILSON** called the House Health, Education and Social Services Standing Committee meeting to order at 3:04 p.m. Representatives Wilson, Gatto, Seaton, and Cissna. Representatives Coghill and Kapsner arrived as the meeting was in progress.

SB 25-TEACHERS' HOUSING/AHFC LOANS

CHAIR WILSON announced that the first order of business would be CS FOR SENATE BILL NO. 25(FIN), "An Act relating to the acquisition of teachers' housing by regional educational attendance areas and to teachers' housing loan programs in the Alaska Housing Finance Corporation; and providing for an effective date."

Number 0104

SHEILA PETERSON, Staff to Senator Gary Wilken, Alaska State Legislature, presented CSSB 25(FIN) on behalf of the sponsor, Senator Gary Wilken, and she answered questions from committee members. She explained that CSSB 25(FIN) is designed to help local school districts attract and retain the best-qualified teachers. It establishes a new teacher housing loan program offered through Alaska Housing Finance Corporation (AHFC) that allows an educator to purchase a home with a zero down payment. AHFC will offer this program in conjunction with its other programs. For example, first time homebuyers would have the same interest rate as the existing AHFC Program, but with a zero down payment. In addition, CSSB 25(FIN) allows a Rural Education Attendance Area (REAA) school district to construct, own, or manage rental properties exclusively for teachers. A public elementary or secondary teacher, counselor, administrator, or provider of special education services would be eligible for the zero down loan program. The loan is only used one time for an owner occupied, single family home and the individual must meet the existing AHFC credit criteria.

Number 0226

MS. PETERSON told the committee that the zero down teacher's housing loan program would sunset in five years, which would allow AHFC and the Alaska State Legislature to evaluate the program to see if they wish to continue it. She said when Senator Wilken began looking at the program he was amazed at what other states were offering to attract new teachers. More than two-thirds of Alaska's new teachers come from out of state. So in effect, Alaska's 53 school districts are competing against other states to attract the best educators for Alaska's kids. Other states are offering teachers signing bonuses, and one state offers down payments of up to \$20,000 for a home to encourage its teachers to remain in the community.

Number 0308

MS. PETERSON explained that as the bill went through committee it was amended to allow REAAs to own and construct teacher housing. This addition was added in the Senate Finance Committee to ensure that the existing program that was passed last year would work as intended. Last session the legislature established a rural housing loan program for multi-family residences, exclusively for public school teachers. The Lower Kuskokwim School District expressed an interest to AHFC, but under current law an REAA does not have authority to own or construct a rental unit. So, SB 25 allows REAAs to construct, acquire, and manage rental homes for teachers. Those people will have to apply through AHFC and qualify just the same as other borrowers for this program. This particular program offers a 1 percent reduction in the interest rate for multi-family residences for teacher rentals. The legislation states that no state public funds or the foundation formula can be used for the purchase of a home.

Number 0406

REPRESENTATIVE SEATON commented that there had been some confusion as to who could use this program. He asked if REAAs are all exclusively rural school districts or all school districts.

MS. PETERSON responded that REAAs are not all rural districts. She said there are 19 REAAs within 53 school districts and those are school districts that are within an unorganized borough. These are school districts that do not have taxing authority and are not required to pay the formula requirement for education.

REPRESENTATIVE SEATON asked if [the bill] only applies to REAAs.

MS. PETERSON said no. One portion of the bill that was added in the Senate Finance Committee only applies to REAAs. An REAA school district can enter into a loan agreement with AHFC to purchase or construct multi-family residences for rental. The other portion of the bill, which is Senator Wilken's main focus of the bill, offers a zero down loan program for teachers. These are teachers who are working in public schools; the program would assist them so they can get into a home and settle down in a local community without having to [provide] the conventional \$10,000 to \$20,000 down payment. This portion of the bill is only for an individual teacher.

Number 0517

REPRESENTATIVE SEATON clarified that the zero down payment plan for individual teachers does not matter where that individual lives in the state. The teacher can be in Kenai, Bethel, Fairbanks, or anywhere in the state. He asked if that was correct.

MS. PETERSON said correct.

REPRESENTATIVE SEATON said the other portion of the bill deals with multi-family dwellings and is only for REAAs.

MS. PETERSON replied that is correct.

Number 0557

REPRESENTATIVE GATTO asked Ms. Peterson if a teacher who has been renting an apartment for ten years in a community and wants to buy a home would be excluded or included.

MS. PETERSON said if the teacher had never purchased a home under the zero down payment plan, that teacher would be included.

REPRESENTATIVE GATTO turned attention to the REAA portion of the bill, and he said the sponsor statement does not mention the word "construct." He asked for clarification.

MS. PETERSON explained that is her interpretation; if an REAA chooses to get a loan through AHFC through the teacher housing loan program, they would be able to construct the building. Ms. Peterson said Dan Fauske would be able to answer that question.

REPRESENTATIVE GATTO asked if it would be the district or teacher who would do the constructing.

MS. PETERSON pointed out that there are two different types of loans in the bill. The teacher-housing loan with a zero down payment is for the individual teacher. The other loan program in which the housing is owned and managed by REAAs is a district run program. If a district did choose to construct rental units, it would subcontract with someone else to construct the building.

Number 0690

REPRESENTATIVE SEATON clarified one point about REAAs' authority to construct housing. He said language found in the bill on page 1, lines 11-12, provides for REAAs to construct housing for rentals to teachers.

MS. PETERSON said correct; this is the language that was added to the general powers of an REAA.

Number 0757

CHAIR WILSON asked if it is true that the REAA portion of this bill is really a correction of an oversight from last year's bill.

MS. PETERSON replied that last year Senator Dave Donley had a rural housing loan program bill that was modified, and one of the sections he added at the request of another senator was to offer a teacher housing loan program for multi-family residences for teacher rentals that could be used in rural areas in which teacher housing is limited. The established program allowed a 1 percent reduction to the loan, setup a definition for multi-family housing, and stipulated that the program could only be used for teachers. If the units were rented to someone else, then there would be a change in the interest rate. The program was designed for rural communities and only for educators. The problem is that REAAs do not have the authority to do that, she explained. So, SB 25 was amended by Senator Wilken at the request of Senator Lyman Hoffman to allow REAAs the authority to enter into contracts to construct or otherwise acquire housing that could be used for teacher rentals. Senator Wilken was concerned about the monies used for this program, so it was also amended in the Senate Finance Committee to prohibit the use of state foundation dollars in this program.

Number 0907

CHAIR WILSON said the reason the bill was passed last year was because there were certain areas of the state that were having a very difficult time getting teachers to live and work in their communities. She said this bill does not really help lure teachers out into those rural areas because with this bill teachers anywhere can get either cheaper rent or a school district may even be allowed to give the teacher a place to stay. This bill is really leveling the playing field because a teacher anywhere in the state, if it is their first home, can get a loan with a zero down payment.

MS. PETERSON replied that she does not believe that is a correct interpretation of the effect of the bill. She said she believes this bill will make it more desirable for teachers to go into the rural communities. Currently, she said there are no homes available for teachers in some rural communities. This bill will allow REAAs to build a multiple housing unit, so that there is a stable housing facility for teachers. Ms. Peterson said the zero down payment plan really applies to the more urban communities. She summarized that allowing REAAs to own and construct rural housing is a beginning in addressing the need in rural areas.

Number 1008

REPRESENTATIVE SEATON asked if REAAs currently own facilities or if this a new duty that they will be taking on. He asked if rural schools are owned by the state or by REAAs?

MS. PETERSON replied that she is not sure. She said perhaps Representative Kapsner knows the answer to that question. Ms. Peterson said when funds are appropriated for new schools to be built, they are built by the REAAs, but she did not know who owns the buildings.

CHAIR WILSON commented that the housing situation is different in every school district across the state. Some school districts offer housing at a much cheaper rate than the teachers could get anywhere else. Other school districts have housing that is very expensive, as high as \$1,200 per month. Some districts provide the superintendent with a house to live in. She said when she lived in Tok the school system there had housing for the teachers, but there was no electricity or running water.

Number 1156

REPRESENTATIVE KAPSNER agreed with Chair Wilson that the situation varies by district. For instance, each village in the Lower Kuskokwim School District has houses that can be rented and many of them are substandard, which is one of the reasons it is difficult to keep teachers. There really is no option to buy a house there or in most villages, she said. A lot of teachers are stuck paying very high rent for older, inadequate housing. She told the committee it is interesting to see the fights that go on within the school over who gets which apartment or house to rent.

REPRESENTATIVE SEATON said he is in support of the concept, but he would like to know if the REAAs are actually owners of the buildings or whether the state owns the buildings and the REAAs are managing them.

CHAIR WILSON commented that perhaps individuals from AHFC could answer that question.

Number 1275

DANIEL FAUSKE, Chief Executive Officer and Executive Director, Alaska Housing Finance Corporation, Department of Revenue, testified in support of CSSB 25(FIN). He said this bill authorizes REAAs to enter into a loan arrangement with AHFC under normal underwriting criteria. In reference to who owns the facilities, he said he would assume it would be the state in a relationship they have with REAA. He said one of the questions that came up was do REAAs have the authority to bond. Most school districts in the incorporated areas hold elections and bond, but REAAs do not have that authority. He explained that this bill will allow REAAs to come to AHFC with a plan to build a facility and the corporation would analyze the plan under normal underwriting criteria to check the revenue generated by rents from the teachers and determine if it is sufficient to support the overall costs of the project once it is completed. Mr. Fauske asked who owns the school facilities in REAAs.

Number 1350

PAUL KAPANSKI, Director, Mortgage Operations, Alaska Housing Finance Corporation, testified via teleconference on CSSB 25(FIN). Mr. Kapanski said he does not know what the ownership

is on school facilities in REAAs, but he assumes that the REAA would own it. He reiterated that is only an assumption on his part.

MR. FAUSKE explained that in a normal situation a group would approach AHFC with a business plan or multi-family loan to either buy or build a ten-plex, for example. Mr. Kapanski and his staff would analyze that documentation, and depending on the size, determine whether it fit into the criteria in which [Mr. Fauske] would have the authority to sign off on it or if it would have to go to the board. In that case, there would be a public hearing and the board of directors would make a determination. The project would be based on its financial feasibility, and AHFC would enter into an agreement with the REAA based on the fact that it would be constructing or purchasing a unit for the sole purpose of housing teachers. Under normal circumstances, AHFC would hold that note and would be the creditor on that transaction. This is what AHFC does with any entity, single family, corporation, company, or individual that comes to AHFC.

Number 1408

CHAIR WILSON said she assumes under these circumstances REAA would be the owner of the buildings. She told the committee the Department of Education and Early Development will be advising members on the ownership of school facilities in REAAs. Chair Wilson said the state would not be responsible for the loans and if the state is not responsible for them, then the REAAs bear the full responsibility. She pointed out an issue these contracts would face. For example, since REAAs are not boroughs and don't have a tax base and cannot use money from the foundation formula, the contract would have to be very tight to ensure that REAAs have enough teachers to fill those units, otherwise the REAAs will default. Chair Wilson suggested that in times of decreasing enrollment that could be serious trouble. She noted that many districts are laying teacher off.

MR. FAUSKE said he thought this is a good piece of legislation, but it would not fix everything. He said this is a great start in the right direction, because the biggest impediment that people in this income level is the down payment. Under current state law, AHFC is not allowed to do 100 percent loan to value. The highest value AHFC can go in certain situations is 95-97 percent, and then the borrower has to come up with the remaining 3-5 percent. For many individuals that is difficult, especially a young single person or a couple coming out of college with

student loans to pay off. Trying to get started with a teaching salary, takes some time to build up funds. He said this bill does a lot towards helping to solve this problem.

Number 1543

MR. FAUSKE told the committee this is also a nationwide problem. He said he was just in Washington, D.C. and there was a similar debate with legislators there about issues related to teacher housing and the recruitment and retention of teachers. He said AHFC prepared a paper that he would send to the committee for review. It is not complete, he said but AHFC got as far as possible in terms of laying out information gathered from nine of the twelve different school districts polled about the number of teachers. Mr. Fauske agreed with Chair Wilson that what different school districts do with respect to housing varies. The problem AHFC is encountering is trying to write a loan that takes into consideration people who do not live in the community year round, coupled with salaries that are not in line with what construction costs are. He said it has been a rural phenomena, but AHFC is seeing more of it in urban areas as construction costs go up and salaries are not commensurate with rising costs. Mr. Fauske explained that AHFC is seeing that gap in affordability widen, so someone going into the teaching profession either has to do something else or have a difficult time qualifying for the loans.

Number 1629

CHAIR WILSON said according to the Department of Education and Early Development the school district would own the facility.

CHAIR WILSON asked if AHFC could set up a contract that would accommodate the fact that teachers only get paid for nine months per year. She asked if, for example, a mortgage of \$100,000 required monthly payments of \$1,000, could AHFC set up the contract to allow monthly payments of \$1,200 per month for nine months a year.

MR. FAUKSE replied that that kind of a contract is possible. He said, for example, AHFC would analyze under the underwriting criteria the cash flow amount, the rent being paid, and what is done when teachers are not paying. Some districts pay teachers year round at a reduced amount. AHFC would analyze the revenue coming into the REAA and then determine the feasibility of the project.

Number 1706

MR. KAPANSKI agreed with Mr. Fauske's comments. He said what AHFC looks at in analyzing any multi-family project is the cash flow and the timing of cash flow based on offsetting the expenses. AHFC tries to structure payments around the cash flow.

CHAIR WILSON said she was really thinking of the individual teacher loans with no down payment. She asked if AHFC would craft a teacher's payments for the nine months per year by adjusting the other payments slightly higher.

MR. KAPANSKI replied that is not something AHFC's system is set up to do. He said those who own their own home are usually staying in the community and doing something else during those months to support the home.

MR. FAUSKE told the committee that in the case of individual home ownership, the loan would be based on the ability to pay twelve months a year. With an REAA arrangement, he said it would be up to them to determine how they will set up rental payments with teachers. There could be a potential subsidy involved or some time of reduced rent over the summer. REAAs would have to present AHFC with a plan on cash flow and determine who would pay under normal standards.

Number 1798

CHAIR WILSON said if this bill passes, AHFC will be flooded with teachers who will want to buy a house with no down payment. She explained that there are a lot of teachers in this state that are not able to own their own homes and this would make it available. She asked Mr. Kapanski why AHFC cannot setup a nine-month payment plan. Chair Wilson asked if it is because AHFC's computers are not setup for that kind of payment plan.

MR. KAPANSKI said if a teacher has sufficient income for nine months of the year to qualify for a loan, AHFC would have to underwrite a loan based on that nine months worth of income for a certain amount. Once the teacher qualifies based on that nine months of income, then he or she should have the ability to make payments year round on the loan.

Number 1852

MR. FOUSKE replied that it really comes down to what the teacher makes and what can he or she afford. For example, he said if an individual buys a car, even if you are a teacher and only work nine months per year, the teacher is still driving the car twelve months and making payments twelve months per year.

REPRESENTATIVE GATTO commented that this seemed really easy. For example, he said if an individual owes \$500 with payments of \$100 per month for five months, and instead pays \$125 for the first four months, there is still a balance in the account of \$100 even if no payment is made in the fifth month. So, he said if teachers pay enough in nine months so there is a balance to cover the other three months, it does not seem to take much bookkeeping to achieve this. The balance is applied to the outstanding debt for the next three months and everything is even at the end of the year, he suggested.

CHAIR WILSON replied that that arrangement would not work because the extra money would go towards the principal. She said if the legislature is going to have a program for teachers, she would like to see a payment plan that takes into account the fact that teachers work nine months a year. She suggested that payments should be easier for nine months per year and provide three months off while the teacher is not working. Chair Wilson reiterated that the amount would be the same per year, but the payment plan would accommodate the teacher's work schedule. She pointed out that many teachers spread their salary across the full twelve months, but some do not.

Number 1917

REPRESENTATIVE SEATON advised the committee that the salary payment selection is one every teacher can make. Teachers can take a payment either nine or twelve months per year. That would be a personal choice. He told the committee he does not see this as a critical problem.

REPRESENTATIVE KAPSNER asked if it would be unconstitutional to do this for teachers. She commented that she would love to have her mortgage payments due during session when she makes more money, but AHFC will not do it.

Number 1961

MR. FAUSKE replied that he supports trying to help teachers, and that is not the issue for AHFC. He said he is not sure about the constitutionality of the question either, but this would

enter a dangerous zone with respect to normal underwriting criteria and conventional loans. Teachers buy homes all the time under the prevailing system. He said as far as being swamped with teacher loans, he hopes that is the case because that is business to the corporation. This bill makes it easier for teachers to purchase a home based on affordability and commensurate salaries. Mr. Fauske promised the committee that AHFC would have a conversation about seasonal payments. He said this question has been asked before by fishermen that have a bad season. He said it gets difficult to forgive principal and interest, and he may be wrong but he believed the corporation is forbidden to forgive the interest under law, but there can be some arrangements or concessions on principal payments. It also depends on the funding criteria, for example, if the corporation is trying to sell bonds to fund a program, what might be gained in simplicity or ease for the ultimate consumer, the corporation loses in costs that are paid because the risk is increased for the investor. He said AHFC wants to provide the best program possible to assist teachers. He reiterated that the corporation will look at the possibility of a nine-month payment plan.

Number 2046

CHAIR WILSON commented that the House Finance Committee could look into that issue. She said the question remains before the committee as to whether members want to support a program that would give teachers an opportunity to purchase a home with a zero down payment, and whether the REAAs should be allowed to take advantage of the program offered in last year's legislation.

REPRESENTATIVE SEATON asked for clarification with respect to REAAs. He said in organized boroughs the boroughs own the schools, not the school districts. He said he does not want to pass legislation that places obligations and duties on REAAs that are outside of their current role without everyone knowing full well that this is happening. He asked for clarification. He said Chair Wilson's comments were well spoken with respect to the REAAs ability to make payments if the rental units are vacant for a period of time.

Number 2118

REPRESENTATIVE SEATON moved to report CSSB 25(FIN) out of committee with individual recommendations and the accompanying fiscal notes.

Number 2124

REPRESENTATIVE COGHILL objected for purposes of discussion. He said whether it is a fisherman, police officer, fireman, correctional officer, or other group that is struggling with employment retention, this is an important discussion and policy call. Representative Coghill offered an example, in the past, whenever there was a discussion in committee about an exception to allowable absences for the permanent fund dividend, for every one that was allowed, there were six more waiting. This committee could be doing that as well with this piece of legislation, he suggested. He said he does not have a clear understanding of the mechanism involved, and he has some questions about Section 4. Representative Coghill told the committee he would like to get a brief explanation before the vote.

REPRESENTATIVE COGHILL asked Mr. Fauske if the reference to "other borrowers" in Section 3 is related to the proposed [Sec. 18.56.109]. He asked who the "other borrowers" are.

Number 2223

MR. FAUSKE replied that "other borrowers" refers to the REAAs, a company, village corporation, or other entity that might enter into an arrangement with the REAA to build a facility to house teachers. For instance, he said if a village corporation built housing for teachers, they would own and be allowed to participate in the loan program as long as the tenants were restricted to teachers.

REPRESENTATIVE COGHILL asked if that would also satisfy the variety of other individuals who would want to come into this type of a lending situation.

MR. FAUSKE responded that he did not know if this language would satisfy other individuals. He said he does not believe he could address that issue. Mr. Fauske said he is not in a position to address the legality of creating a lending program specifically for teachers. When discussions with respect to policemen, firemen, and others have come up, AHFC has always been referred to HUD's (U.S. Department of Housing and Urban Development) program called the "good neighbor program." The advantage that HUD has is it has an inventory and it can take from that inventory and designate certain houses in a particular area to be specifically for public safety officers.

Number 2284

REPRESENTATIVE COGHILL commented that Mr. Fauske brings up the very point he would like to discuss. He said what happens if for some reason an REAA takes a loan and builds a house for teacher housing, and at some point in the future that REAA makes the decision to put all of its money into a regional learning center. They now have teacher housing that will no longer be fulfilling that purpose, he said. He asked Mr. Fauske what would happen to the loan.

MR. FAUSKE responded that AHFC will lend money after due diligence has been performed on the application submitted to the corporation. He said one of the points that will be addressed is does this fit within the legal parameters that the legislature established about who can borrow the money, for what reason, and does it have the cash flow. Any change down the road would have to be discussed with the corporation if it has a negative effect on their ability to service the loan. He said this is what AHFC does everyday.

REPRESENTATIVE COGHILL agreed that was an economic factor that AHFC would look at as it reviewed the plan. He said another point that he would like to address is the question of designating value. In some communities it is very difficult to do because there is no way to regain the value of the property under default circumstances, he suggested. He asked Mr. Fauske to explain how this problem is addressed.

Number 2359

MR. FAUSKE explained that the value is established by how much is spent in trying to develop something and how much revenue can be generated to pay for it. In other words, he said there are "X" number of apartments and the teachers will occupy these apartments, school districts can certainly make it a condition of employment that the teachers will live in teacher housing, then AHFC will analyze that based on the amount of money coming in versus what the payments are. That is what is looked at with respect to loan criteria, he said.

**TAPE 03-34, SIDE B**

REPRESENTATIVE COGHILL said he understood what AHFC will pay for value, but he didn't see that in statute.

Number 2340

MR. KAPANSKI agreed with Mr. Fauske's comments. He said in all loans AHFC engages an appraiser, and it is up to the appraiser to determine value and whether it is comparable to the immediate area or comparable in another geographic area. When it is new construction the appraiser looks at construction costs or at other comparables or market sales. He told the committee there are experienced appraisers out in rural market areas. He said AHFC relies on the [experienced appraiser's] determination of the value.

REPRESENTATIVE COGHILL said he knew under prudent loan criteria, AHFC will not loan on something that looks good for the first three years and then becomes so costly it becomes an albatross.

Number 2311

MR. FAUSKE agreed with Representative Coghill. He said if AHFC is selling bonds to generate the funds to support this program, it does no good unless AHFC is professional and top of the line in what is done or the corporation will be quickly be shut off from Wall Street in terms of issuing bonds.

REPRESENTATIVE COGHILL said he still questioned the 100 percent value of the property. He said it can still be very subjective in some areas of the state, and even though there is a depreciated value of the house and money, the resale value is nothing compared to those two values in some areas of the state.

MR. FAUSKE agreed with Representative Coghill. He explained that AHFC was trying to come up with a way to build [housing] in many of the rural areas. Ideally, he said there would be a real estate market that is flourishing with the normal buying and selling of a property. Unfortunately, he said in some areas that does not exist because there is no inventory. In this situation AHFC is entering into an arrangement, and in order to help recruit and retain teachers, an REAA under normal underwriting criteria can come up with plan to build a unit in which it houses teachers to bring them into their region. It is a unique structure in that community, he said.

Number 2233

REPRESENTATIVE COGHILL said he knew there was a motion still pending, but he would like to talk to the sponsor about the section to be repealed and the effective date in 2008.

REPRESENTATIVE KAPSNER said she really appreciates Senator Wilken sponsoring this bill and allowing the REAAs to participate. She said this is such a big issue. She said she did not question the legality of the bill because she believed it was the state's responsibility to educate kids. She said in many of these communities teachers are hesitant to go to rural areas, and [the condition of the living areas] can make it difficult to retain teachers.

REPRESENTATIVE KAPSNER said her father was a principal in Tuntutuliak and her family lived in a tiny house with no carpet or furniture, beds that were made out of plywood, and no running water or bathroom facilities. She said the place was not fit for human habitation. She told the committee her father stuck with it and her family lived in the house for two years. Representative Kapsner said she believed this will go a long way in being able to recruit and retain teachers. She said it is the right thing to do.

Number 2166

The committee took an at-ease from 3:59 p.m. to 4:04 p.m.

CHAIR WILSON said she would like to hold the bill over until Tuesday. She said she wanted the bill to pass and believed the committee was in agreement. She suggested that teachers were in short supply all over the nation, but the nursing shortage was actually worse than the teaching shortage.

Number 2137

MR. FAUSKE told the committee that there is a \$4.3 million line item in the AHFC capital budget for rural teacher/health professional housing. He said he asked the board to put that in, and he noted that AHFC put in \$8 million last year. He said he was persistent, even though there was no program in place, because he knew there was a great need, not just for teachers, but also for health professionals. He said after AHFC submitted its budget to OMB [Office of Management & Budget], the Governor's Office called him and asked his feelings on adding health professionals to that line item. He told the governor's office that he whole-heartedly supported it and that the board would as well. He summarized by saying that there is support for adding the nursing profession to the program.

CHAIR WILSON commented that this committee has a responsibility not just to education, but also to health and social services.

So, she said it would be in the committee's scope of responsibility to address this issue. She shared data about the increased need of health care professionals between [2003] and 2007. She said Alaska will need 4,100 more nurses than are currently here and that there is a vacancy rate of 11.5 percent.

CHAIR WILSON announced that the bill would be held until next Tuesday.

Number 2052

REPRESENTATIVE SEATON withdrew his motion to move CSSB 25(FIN) out of committee.

MR. FAUSKE added that he is on the School of Nursing Advisory Board and his mother was a nurse, so he knows what the committee is dealing with.

[CSSB 25(FIN) was held over.]

#### CONFIRMATION HEARINGS

#### Professional Teaching Practices Commission Appointees

Number 2027

CHAIR WILSON announced that the committee would consider the governor's appointees to the Professional Teaching Practices Commission. The candidates, Mark Doner of Palmer and Thomas Lamal of Fairbanks, would testify via teleconference. Chair Wilson asked Mr. Doner to provide a brief statement to the committee.

Number 1984

MARK DONER, Appointee to the Professional Teaching Practices Commission, testified. He said he was willing to serve the State of Alaska by helping to define and enforce the ethics of those in the teaching profession. He said he believed teaching was one of the most important public service professions that affect youth in Alaska.

Number 1969

CHAIR WILSON asked Mr. Doner to tell the committee about his background in Alaska.

MR. DONER said he is the grandson of a homesteader, and he graduated from high school in Anchorage and attended college in Montana. He said after working as an engineer he found that he liked working with people, so he went back to college to get his teaching certificate. He said he taught and coached at both Wasilla High School and Colony High School, and he is currently a cross-country coach.

REPRESENTATIVE GATTO asked Mr. Doner if he is any good at coaching cross-country running.

MR. DONER said he is not sure if he is good at it, but his athletes have done well.

REPRESENTATIVE GATTO pointed out that some of those athletes have gone on to do well in universities across the country.

MR. DONER said Representative Gatto's daughter ran for him for four years, and she has done well.

REPRESENTATIVE GATTO told the committee that he had known Mr. Doner for over 20 years, and believed he was a good candidate for the appointment.

REPRESENTATIVE COGHILL thanked Mr. Doner for his willingness to take the time to serve on the commission.

Number 1895

REPRESENTATIVE GATTO made a motion to advance the appointment of Mark Doner from committee. There being no objection, the confirmation of Mark Doner was advanced.

Number 1847

THOMAS LAMAL, Appointee to the Professional Teaching Practices Commission, testified. He offered a brief history of his service to Alaska, and he told members he had been teaching in Fairbanks for 13 years. He said he believed this would be a great opportunity to learn about Alaska's laws regarding education and to have input as to how they are administered. He said he believed he could make fair decisions, and he is looking forward to working with the commission.

Number 1826

REPRESENTATIVE COGHILL asked Mr. Lamal if he had the opportunity to look at what was expected as a commissioner?

MR. LAMAL replied that he had an opportunity to talk with some of the individuals who serve on the commission.

REPRESENTATIVE COGHILL asked if there was anything he'd like to see improved systemically or if he thought there should be changes made to the commission's goals.

MR. LAMAL said he didn't want to comment, since it was his first day.

REPRESENTATIVE COGHILL said that is why he asked, and often legislators believe they'll be able to change things in the first week. Representative Coghill said he believed Mr. Lamal will bring the classroom perspective to the commission, which is so important. He said many times appointees are asked to be the judge without understanding the circumstances that individuals work in. He thanked Mr. Lamal for his willingness to serve on the commission.

Number 1757

REPRESENTATIVE GATTO moved to advance the appointment of Thomas Lamal from committee. There being no objection, the confirmation of Thomas Lamal was advanced.

Number 1739

The committee took an at-ease at 4:15 p.m. to prepare for a briefing from the Division of Public Health on Severe Acute Respiratory Syndrome (SARS). [End of Tape 03-34.]

#### SARS UPDATE

NOTE: The meeting was recorded but no log notes were taken. A copy of a separate tape for the SARS update, labeled Tape 03-34A, may be obtained by contacting the House Records Office at State Capitol, Room 3, Juneau, Alaska 99801 (mailing address), (907) 465-2214, and after adjournment of the second session of the Twenty-Third Alaska State Legislature this information may be obtained by contacting the Legislative Reference Library at (907) 465-3808.

#### **ADJOURNMENT**

There being no further business before the committee, the House Health, Education and Social Services Standing Committee meeting was adjourned at an unspecified time.