

MINUTES
SENATE FINANCE COMMITTEE
March 12, 2003
9:07 AM

TAPES

SFC-03 # 19, Side A
SFC 03 # 19, Side B

CALL TO ORDER

Co-Chair Gary Wilken convened the meeting at approximately 9:07 AM.

PRESENT

Senator Lyda Green, Co-Chair
Senator Gary Wilken, Co-Chair
Senator Con Bunde, Vice Chair
Senator Robin Taylor
Senator Ben Stevens
Senator Lyman Hoffman
Senator Donny Olson

Also Attending: BOB DINDINGER, President, Alaska Travel Industry Association, and Owner, Alaska Travel Adventures; CARL ROSE, Executive Director, Association of Alaska School Boards;

Attending via Teleconference: From Anchorage: DAN FAUSKE, Chief Executive Officer and Executive Director, Alaska Housing Finance Corporation

SUMMARY INFORMATION

Alaska Travel Industry Association

The Committee heard a presentation by this organization.

SB 25-AHFC LOANS TO EDUCATORS

The Committee heard testimony from the Alaska Association of School Boards. A committee substitute and an amendment were adopted. The bill moved from Committee.

Presentation by the Alaska Travel Industry Association

BOB DINDINGER, President, Alaska Travel Industry Association (ATIA), and Owner, Alaska Travel Adventures, utilized a handout titled "Alaska Tourism: An Industry in Decline, A Report to the 23rd Alaska State Legislature, March 12, 2003" [copy on file] in his presentation as follows.

Mr. Dindinger reminded the Committee of the direction it gave the ATIA to research the trends in tourism in the aftermath of the events of September 11, 2001.

What Happened in 2002?

- "Survival was how we measured success this year." Kirk Hoessle, Alaska Wildland Adventures, Oct. 2002
- "The preliminary data for 2002 shows an end to any growth." Eric McDowell, Oct. 2002

Mr. Dindinger declared that the year 2002 "as far and away not the only bad year we've had." He informed that growth has declined since the middle 1990s.

Mr. Dindinger ascertained that the events of September 11, 2002 are not the only factor affecting tourism, asserting "we believe there is a direct correlation between our lack of growth and the lack investment in tourism marketing."

ATIA 2002 Tourism Survey, The McDowell Group

- Surveyed:
 - o 315 businesses
 - o All five regions of the state
 - o ATIA and non-ATIA tourism businesses for statistically reliable sampling

Survey revealed that tourism growth is flat, or worse..

Nearly 50% of businesses surveyed statewide experienced a decline in business volume.

Mr. Dindinger furthered that 40 percent of the businesses experiencing a decline, reported that decline is "in excess of double digits."

Key Regional Observations

- 87% of Alaska Interior businesses experienced declining volume
- Despite 4% increase in cruise passengers, 61% of Alaska businesses that depend primarily on cruise traffic experienced decreased volume

Source: McDowell 2002 Visitor Survey

Mr. Dindinger remarked that the decline is not evenly distributed throughout the State, noting that the Interior region has experienced the largest decline. He furthered that various types of business experienced different degrees of decline.

Mr. Dindinger informed that cruise ship passengers comprise approximately one-half of all visitors to Alaska. He qualified that although the number of cruise ship passengers increased, the travel fares were reduced significantly, which "attracted a lesser value client." These clients, he attested, spent less money per person, spent fewer days in Alaska, and did not travel "as far into Alaska".

Tourism Sectors in Decline

Percentage of businesses reliant on the following sectors that reported a decline last summer:

- 96% for overseas travelers
- 81% for adventure travel
- 65% for sportfishing

Source: McDowell 2002 Business Survey

Mr. Dindinger stated that businesses that deal with international and overseas visitors were most affected by the declines. He commented that in 2002, many people were reluctant to fly over oceans. He added that businesses dealing with independent travelers were also affected.

Convention & Visitor Bureau Impacts - Summer 2002

- Anchorage hotel revenues down 4-6%
- Fairbanks hotel revenues down 17.6 %
- Petersburg visitor counts down 9%
- Kenai visitor counts down 4% June
down 7% July
but up 11% August

Mr. Dindinger asserted, "It didn't make any difference whether it was an urban or a rural community...a large city or a small town," as tourism activities were "down" in "all areas with very few exceptions." He furthered that even those communities that had an increase in the number of visitors realized "decreased expenditures" from those travelers.

Highway in 2002

Highway traffic to Alaska down 14.3 %

Mr. Dindinger shared that this information was garnered from

"Canadian and U.S. Immigration numbers." He stressed that at one time, highway travel was "the largest single source of visitors into Alaska".

Airport Enplanements Statewide
down 3 %

Mr. Dindinger stated that Anchorage "held up the best" because the Ted Stevens Anchorage International Airport is the terminus for many of the cruise itineraries. He listed Juneau enplanements were down eight percent, Ketchikan enplanements were down four percent and Fairbanks enplanements were down approximately three percent.

Tourism Means Economic Hope to Alaskan Communities - Large & Small

"Tourism in Haines is declining. Businesses are closing, people are losing jobs. Despite this, we remain optimistic that tourism offers hope for our economy." Michelle Glass, Haines CVB Feb. 2003

Mr. Dindinger described the transition of economic dependence in recent years from resource extraction to other types of business, stating that tourism has become "much sought after by many small communities like Wrangell and Haines, Dutch Harbor, Talkeetna, as a new source of employment, a new source of economic stimulus." He remarked these efforts have been "challenging" due to the declining growth rate. He perceived Haines residents to consider tourism to be "their only and best hope for future growth."

Tourism Budget Trends 1992 - 2002
Is the growth gone?

Mr. Dindinger spoke "for those of us in the tourism industry" as believing that growth could "return...but only by increased investment."

State Tourism Budgets

- Average 2001/2002 U.S. state tourism budget was \$13.1 million
- Public sector dollars are sole source of tourism funding in 35 of 48 states (73 % of ALL states)
- Of 13 states that receive some private-sector funding, 80.5 % of their funding comes from public-sector dollars
- Alaska private sector contributions account for 60% of the ATIA statewide tourism marketing budget.

Source: 2001-2002 Survey of the U.S. State & Territory Tourism Office Budgets

Mr. Dindinger commented that Alaska is "significantly against the trend."

Alaska Ranks 38th in State Tourism Funding

Source: NCSTD Poll Re. FY2002-03 Projected Total Tourism Office Budget

[Bar graph indicating the following:

Hawaii	\$56 million
Illinois	50 million
New York	48 million
Pennsylvania	35 million
Texas	32 million
Florida	29 million
Alaska	4.6 million]

Mr. Dindinger pointed out that Alaska is "more similar" to the State of Hawaii "in terms of what we have to overcome to attract visitors." He explained that visitors must travel thousands of miles to reach these two states. He compared this to the State of Oregon, where most visitors to that state travel from the State of Washington or the State of California. However, he stated that visitors to Alaska and Hawaii tend to spend more money and spend a longer amount of time than travelers to other states.

Senator Bunde asked the total amount of public and private funds spent on tourism efforts in Alaska.

Mr. Dindinger answered that the Association intends to spend \$10 million in the current year, with \$6 million of that amount private funds and \$4 million State funds.

State of Alaska General Fund Dollars to Tourism Marketing

[Bar graph indicating amounts for FY 90 through FY 03]

Mr. Dindinger stated that the general fund spending for tourism marketing has been "generally declining since the early '80s." He recalled approximately \$17 million of State funds was spent in the "early '80s." He understood this occurred "in the days of prosperous oil wealth." However, he pointed out that growth rates in tourism were "double digit" during those years.

Combined Marketing Funding: State & Industry Contributions

[Bar graph indicating the amount of private and State contributions for FY 01, FY 02 and FY 03.]

Mr. Dindinger noted the fiscal years reflected on this graph are the New Millennium Plan years. He asserted that while the State funding has been reduced, "the industry has, as aggressively as possible, tried to pick up the difference by investing more."

However, he remarked that these efforts have "still have not kept pace with inflation". He continued, "We have still not managed to maintain our competitiveness with other destinations, other states and countries. Our marketing presence in the domestic marketplace has consistently been reduced."

FY 03 Funding: State & Private Sector Contributions

[Bar graph listing the following:

State Contract	\$4.0 million
Adv/Mkt Prog	3.0 million
Cruiseline Contrib	2.0 million
CVBs	.6 million
Other*	.4 million

*Other category is comprised of member dues, convention, travel auction and interest]

Senator Hoffman asked the amount contributed by the cruise industry.

Mr. Dindinger referenced the chart, listing \$2 million. He clarified that the cruise companies contribute this amount as a "direct contribution to this marketing program" but informed that these companies also purchase almost one-half of advertising as reflected in the "Adv/Mkt Prog" component. Other than State funds, he remarked, the cruise companies are the largest contributor to the marketing effort.

Visitor Industry Growth

[Bar graph indicating the increased number of visitors each year from 1990 through 2002.]

Mr. Dindinger indicated the growth rate was "over five percent consistently through the first half of the '90s" and that after 1996, the growth rate "started to tail down; '96 being a great year with ten-percent growth." He stated that the growth as "flattened out" over the past three or four years, from below four percent to less than one percent in each of the past three years.

Mr. Dindinger reiterated that the events of September 11, 2001 were not the first indicators of decline.

Visitor Industry Growth by %

[Bar graph indicating the increased percentage of visitors each year from 1990 through 2002.]

Mr. Dindinger noted the growth rates have declined at the same time as "more people have gotten into the travel industry" including significant investments by Native Corporations into tourism

infrastructure and development. As a result, he stated, "individual pieces of the pie have gotten smaller."

State Tourism Marketing Allocation

Marketing Expenditures Indexed on '91 Buying Power

[Bar graph indicating the amount for each year from 1991 through 2002.]

Mr. Dindinger explained this graph details inflation-adjusted buying power. He argued that despite the industry-contributed \$6 million into the marketing program in the current year, the ATIA does not have "near the marketing presence, or the ability to buy into the market at the same place as we did during the early 1990s."

Comparing Visitor Growth and Total Tourism Spending

[Two bar graphs: "Marketing Expenditures Indexed on '91 Buying Power" and "Percentage of Visitor Growth"]

Mr. Dindinger commented that as "we fail to grow our marketing budget, that's when we appreciably start to see a fall-off in visitor growth." He added that the funds spent for tourism marketing in any one year affects the next several years. He explained that approximately one-half of the people impacted by the marketing efforts travel to Alaska the following season, while the remaining travel to the State two or three years later. Therefore, he ascertained that the cumulative affects are realized in the future rather than during the present.

Tourism Benefits Alaskans

- Provides Jobs
- Generates NEW Dollars
NOT a reallocated dollar
- Renewable Resource

Mr. Dindinger declared, "Tourism benefits all Alaskans."

Tourism Provides Jobs

- 78% local hire rate (the highest of all key Alaska industries)
- Leading industry in Southcentral, Southeast and Interior
- Provides 1 in 8 private sector jobs
- Directly & indirectly employs 30,700 Alaskans
(The McDowell Group: Economic Impacts of Alaska's Visitor Industry, May 1999)

Visitors Contribute to the Economy (2001)

[Bar graph showing visitor spending was \$1.8 million]

Mr. Dindinger corrected the amount is \$1.8 billion.

Instate Expenditures

Fall 2000 to Summer 2001 (Millions)

Alaska Visitor Expenditures & Opinions, Fall/Winter 2000-01 & Summer 2001

[Pie chart listing the following:

Lodging	\$589
Food & Beverage	192
Transportation	237
Recreation	247
AK Native Arts/Crafts	180
Gifts/Souvenirs	164
Clothes/Personal/Other	231]

Mr. Dindinger noted the wide distribution of these funds through the economy. He described the "lodging" category as including hotels, campgrounds, bed and breakfasts and lodges. He added drug stores and hospitals as businesses that benefit from tourism expenditures.

Growing Alaska's Economy through Increased Tourism Marketing Dollars, Missions & Measures

Mr. Dindinger stressed this is a "science" and "not something that is done without research."

ATIA's Marketing Strategy

- Use goals & objectives to maximize marketing program effectiveness
- Constantly re-evaluate programs to ensure continued success
- Good marketing = great visitor turnout

Mr. Dindinger told of the time, effort and money invested in researching the effectiveness of the marketing program.

What a Difference a Dollar Makes: An Additional \$10 Million will:

- Generate over 290,000 visitors
- Produce \$366 million in visitor spending
- Create new business opportunities
- Put more Alaskans to work!

Mr. Dindinger asserted that at least \$10 million additional funding

is necessary to "get us back on track."

Where Do We Go From Here?

- We MUST Regain Market Share
- We MUST Support and Further Develop Alaska's Independent Tourism Businesses
- We MUST Fund Alaska's Independent Tourism Businesses
- We MUST Fund Alaska's Tourism Marketing Program.. Now and Into the Future..

The Alaska Travel Industry Association:

- Supports Broad Based Tourism Taxes to Fund Alaska's
 - We MUST Act Now to Prevent Further Decline of Alaska's Second Largest Industry
- Opposes: Targeted Tourism Taxes on Any One Tourism Segment

Mr. Dindinger corrected that the ATIA board of directors did not vote to support broad based taxes. Rather, he said, the Association voted to "work with you and the Governor's Office to investigate long-term funding sources of a tourism marketing program." He continued, "We are not necessarily opposed to taxes on our industry, but we feel that those taxes, in whole or in part, should be used to support the marketing program that will grow this industry into the future."

Senator Bunde noted the opposition of targeted tourism taxes to one segment of the industry and asked how this would relate to the proposed watchable wildlife license.

Mr. Dindinger opposed this proposal, as he constituted it to be a head tax. He asserted, "Head taxes in the tourism industry are considered to be punitive; they are unattractive in the marketplace" and would be "the most aggressive tax levied by any state against the visiting public." He relayed the ATIA preference for a sales tax approach. He stated a sales tax would be "much more acceptable, much broader based in terms of what types of businesses would contribute."

Senator Bunde envisioned the proposed license fee would amount to \$10-15 per person, and questioned the witness's assessment that this would be punitive. He made a comparison to car rental taxes levied in the State of Hawaii.

Mr. Dindinger countered the comparison to car rentals, "It only affects you if you rent a car and it's a sales tax approach, which is considered by the industry, not just the Alaska industry but the

industry worldwide, as being a more acceptable approach because sales taxes lay evenly relative to the economic activity of that visitor, whereas head taxes do not spread as evenly."

Senator Bunde commented that although "appreciative" of the jobs provided by the tourism industry, the Legislature's task is to manage the State's general fund. He requested the ATIA investigate means by which the industry could return money to the State treasury. He clarified that the ATIA is requesting a \$10 million general fund appropriation for FY 04.

Mr. Dindinger affirmed the request is for an additional \$10 million.

Senator Bunde noted that given the State's fiscal situation, the source of funds would be from: other services, the earnings of the Alaska Permanent Fund, or "the people" in the form of a tax.

Mr. Dindinger responded that the Legislature could better make that determination, but he anticipated that all three of the aforementioned sources should be tapped for this purpose. He stated that the ATIA "is not opposed to exploring taxation options on the visitor industry as long as those taxation options do help grow the industry into the future." He spoke as a businessperson, "When we are in stress, as we have been in the last few years, we do cut back and we cut back on our operational costs and we invest more in marketing. That's how we survive hard times. That's where Alaska is in the tourism industry now."

Mr. Dindinger referenced an unspecified study conducted by the McDowell Group several years prior stating, "direct State receipts from tourism exceed \$50 million" including revenue from the Alaska Marine Highway System, airport landing fees, fishing and hunting licensing, etc. He warned that if tourism activity declines, the same revenue would not be generated. He remarked that the State "owns some of the most dramatic tourism infrastructure."

Senator Hoffman commented that in prior years predator control has been considered, although it has been perceived that such activity would have a negative impact on tourism to Alaska. He relayed that the Murkowski Administration has indicated predator control is a priority. He asked if a serious decline in the number of travelers would occur as a result of any predator control actions.

Mr. Dindinger replied that the ATIA has chosen not to take a position on this matter. He personally deemed there would be a minimal impact. He spoke to the timing, during the months of October through December, of previous consideration of predator

control action and the resulting national press coverage on the issue. He stated this is the time of year that many people are scheduling vacations for the following summer. Contrarily, he stated, the current discussions are occurring after the majority of vacation scheduling for the summer of 2003 has been completed and therefore, there should be no significant consequences.

Co-Chair Green suggested that more people would come to the Alaska if predator control were enacted.

Co-Chair Green recalled actions taken during previous legislative sessions of four and five years past and understood that the matter of State funding for tourism marketing was "behind us".

Mr. Dindinger responded, "The conversation was behind us for most of four years" referring to the Millennium Plan, which he characterized as an agreement between the tourism industry and the State to "scale back" State funding and increase private sector funding over a "four-year cycle". He remarked that an exception was made as a result of the events of September 11, 2001, because the ATIA requested additional State funding.

Mr. Dindinger determined, "However, four years later and looking forward into the future, that agreement and that plan will fail to meet the needs of the industry and the State." He explained this is "because our position with regard to world tourism and national tourism is declining; our ability to meet the needs of the entrepreneurs in the State of Alaska has declined and those needs are unmet now." He asserted that visitor industry businesses are going bankrupt and that the ATIA has an obligation to represent those businesses.

Co-Chair Green did not argue whether a need for this funding exists. However, she concluded that amending the Millennium Plan would be a more appropriate consideration. She qualified that the information given in the presentation was "helpful", although it is misleading to those legislators who were not serving when the original legislation was passed.

Mr. Dindinger agreed that the Millennium Plan must be revised. He informed that the industry's lobbyists have been "exploring options of how best to pursue those changes."

Co-Chair Green asked if the events of September 11, 2001 had not occurred, whether the visitor industry growth would have continued.

Mr. Dindinger replied that if expenditures for the marketing program had been consistent with inflation, the anticipated growth

rate would have had been between five and ten percent.

Co-Chair Green asserted this was the intent of the Millennium Plan.

Mr. Dindinger responded, "in hindsight" the Millennium Plan was "not aggressive enough; it didn't allow us to get back to where we were". He remarked that the Plan was conceived "because we saw the decline beginning." However, he admitted, "We underestimated the task; we underestimated the erosion caused by inflation". He furthered, "We needed the State to hang in there with us and continue to spend similar resources to what they had done in the past and at the same time the industry putting in more."

Senator Olson spoke of global issues and asked the expected impact military action in Iraq would have on visitor travel to Alaska.

Mr. Dindinger informed that global instability tends to increase cruise traffic, as it is perceived as a safer mode of travel and because ships are redeployed from the Middle East to Alaska. However, he stated that other people "hunker down" during times of stress and do not travel. He stated that although the number of cruise passengers increased the summer following September 11, 2001, the number of air travelers and highway travelers, i.e. independent travelers, decreased.

Senator Taylor told of cancellations of repeat customers to a fishing lodge who listed the reason as their poor financial situations. Senator Taylor stressed this had no relation to the amount of money spent on marketing efforts or improved tourism infrastructure. He noted the ATIA presentation gave no reference to the national economy as a whole.

Senator Taylor also noted the decline in growth rates from ten percent in 1994 to 3.7 percent in 1995, and the subsequent increase to ten percent in 1996. He surmised these changes had no direct relationship to expenditures, as the expenditures were fairly constant during this time period.

Senator Taylor asked about the impact of the overall economy and other variables, such as the price of gasoline.

Mr. Dindinger answered that the predicted increase in the price of gasoline would definitely impact travel to Alaska, including Recreational Vehicles (RV) travelers and rentals of RVs. He said of relatives and friends of Alaskans who might drive to the State: "as their cost of travel increases their desire to travel decreases."

Mr. Dindinger continued that the "lackluster economy" has caused

businesses to spend less on company "perks and incentives", which has substantially affected the charter fishing industry.

Mr. Dindinger warned however that spending less on marketing efforts could not uniformly solve these problems. Rather, he asserted that more must be spent on marketing activities to "get your share" of those people who would be traveling.

Senator Hoffman asked if the request for the additional \$10 million is a one-time request. If not, he asked about the ATIA's intent of State participation for the next four years.

Mr. Dindinger answered that the request is not for one year of funding. He perceived that an additional \$10 million State funds plus additional private sector funds are necessary to make the industry competitive and viable. He emphasized that these efforts must be maintained into the future and that the amount must increase relative to inflation. "As we grow the economy in Alaska," he said, "as the tourism industry in Alaska provides more for Alaskans and for government revenues, a share of that marketing should also continue to grow." He opined, "Some type of broad based tax policy can be worked out here that will provide for our needs and your needs as well. That is the dialog that we are open to exploring with you now."

AT EASE 9:43 AM / 9:45 AM

#SB25

CS FOR SENATE BILL NO. 25(HES)

"An Act relating to the teachers' housing loan program in the Alaska Housing Finance Corporation; and providing for an effective date."

This was the second hearing for this bill in the Senate Finance Committee. A motion to adopt a committee substitute was made but not acted upon.

Senator Taylor renewed his motion to adopt CS SB 25, 23-LS0080/Q, 3/3/03, as a working draft.

Co-Chair Wilken reiterated the changes as detailed in the previous hearing.

There was no objection and the committee substitute was ADOPTED as a working draft.

AT EASE 9:47 AM /9:48 AM

Co-Chair Wilken reminded of the adoption of Amendment #2 as amended.

Amendment #3: This amendment deletes "teachers' housing loan program" and inserts "acquisition of teachers' housing by regional educational attendance areas and to teachers' housing loan programs" in the title of the bill to read as follows.

An Act relating to the teachers' housing loan program in the Alaska Housing Finance Corporation; and providing for an effective date.

This amendment also inserts a new bill section on page 1, line 4 to read as follows.

Section 1. AS 14.08.101(9) is amended to read:

(9) provide housing for rental to teachers, by leasing existing housing from a local agency or individual, [OR] by entering into contractual arrangements with a local agency or individual to lease housing that will be constructed by the local agency or individual for that purpose, or, without using for the purpose that portion of public school funding that consists of state aide provided under AS 14.17, by constructing or otherwise acquiring housing that is owned and managed by the regional educational attendance area for rental to teachers

New Text Underlined [DELETED TEXT BRACKETED]

This amendment also inserts a new bill section on page 2, following line 6 to read as follows.

Sec. 3. AS 18.56.580(a) is amended to read:

(a) In addition to the powers authorized by AS 18.56.400, the corporation shall adopt regulations under AS 18.56.088 allowing the use of money in the housing assistance loan fund to make loans to regional educational attendance areas or other borrowers for the purchase or development of teacher housing in small communities. The regulations must implement the requirements of (b) of this section and establish other terms and conditions for teacher housing loans, including those relating to borrower eligibility and the number of loans that may be made to a single borrower. The corporation may require the borrower to pay costs associated with a loan.

New Text Underlined [DELETED TEXT BRACKETED]

Senator Hoffman moved for adoption.

Co-Chair Wilken objected for an explanation.

Senator Hoffman recalled SB 181 of the previous legislative session that amended the Housing Assistance Loan Fund (HALF) program of the AHFC and limited the amounts of loans under this program to no more than \$250,000. The HALF program provides for an interest rate one-percent lower than the average rate on loans for properties in rural areas. He informed that the limitation prevents REAAs from obtaining loans for multi-family housing for teachers. He stated that this amendment attempts to clarify the HALF program, assuring that it does not change the teacher housing loan program proposed in this legislation.

Senator Hoffman further assured that this amendment prohibits the use of foundation funding to pay debt incurred under this program and provides that other revenue must be used.

Senator Hoffman was not convinced that REAAs could utilize this provision as a feasible means to provide teacher housing, but expressed that it offers an option.

Co-Chair Wilken noted the limited amount of "fee-simple land" in some REAA areas and therefore it is difficult to obtain financing.

Senator Bunde understood the committee substitute limits borrowers under the proposed teacher housing loan program to one loan. He asked if this would apply to the number of loans an REAA could secure.

Senator Hoffman again stressed this amendment does not affect the proposed teacher housing loan program. Rather, he stated, the amendment applies to the HALF program.

Co-Chair Wilken explained this amendment applies to Title 14 in granting REAAs authorization to borrow money for the purpose of teacher housing, and to Title 18 in establishing the amount an REAA could borrow.

Co-Chair Green asked if REAAs regularly upkeep, maintain and own properties. She also wanted to know if REAAs have the ability to obtain insurance for maintenance purposes, and whether additional staff is employed to perform maintenance and upkeep.

Co-Chair Wilken answered that current statutes provide REAAs authority to lease or rent existing housing facilities for

teachers. He explained that this amendment would allow REAAs to own such facilities.

Co-Chair Wilken continued that regardless of whether a borrower is an REAA or an educator, the loan requirements of AHFC must still be met.

DAN FAUSKE, Chief Executive Officer/Executive Director, Alaska Housing Finance Corporation, testified via teleconference from Anchorage and affirmed.

Co-Chair Wilken clarified that an REAA would not be given special consideration in obtaining approval for a loan.

Mr. Fauske again affirmed.

Co-Chair Green referenced the portion of the amendment pertaining to AS 18.56.580 (a), which inserts "to regional educational attendance areas or other borrowers." She asked for a definition of "other borrowers" in this context.

Senator Hoffman understood this could include Native corporations and stressed that any borrower must meet the requirements of the program to provide housing for teachers. He surmised that no other party would construct housing for teachers that would only be occupied for nine months of a year.

Co-Chair Wilken requested Mr. Fauske further explain.

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Mr. Fauske defined "other borrower" as "any entity eligible to enter into a contractual arrangement; it could be a village corporation, it could be a private construction corporation that has entered into an agreement with the REAA to build the unit at a certain cost and potentially own them." He informed that the latter arrangement was made with the REAA in Kotzebue.

Senator Bunde noted that REAAs do not have taxing authority, and asked if upkeep and maintenance expenses would be borne by the rental income.

Senator Hoffman surmised it would, unless a Native corporation or other entity subsidized the cost of these services.

Senator Bunde suggested REAAs should become taxing authorities.

Senator Taylor questioned the applicability of zero down payments on loans made to corporations.

Co-Chair Wilken reiterated that this amendment is entirely separate from the provisions relating to the proposed teacher housing loan program.

Co-Chair Wilken removed his objection to the adoption of the amendment.

Co-Chair Green objected.

A roll call was taken on the motion.

IN FAVOR: Senator Bunde, Senator Hoffman, Senator Olson, Senator B. Stevens, Senator Taylor and Co-Chair Wilken

OPPOSED: Co-Chair Green

The motion PASSED (6-1)

The amendment was ADOPTED.

CARL ROSE, Executive Director, Association of Alaska School Boards, testified in support of the bill as amended. He spoke to the difficulties in recruiting and retaining qualified teachers. He stressed, "The inability to keep pace with supply and demand has resulted in a serious shortage of professionals in the teaching area." Therefore, he stated the Association is seeking incentives to assist in this matter.

Mr. Rose informed that the concerns with the original legislation have been alleviated with the adoption of Amendment #3.

Mr. Rose referenced a recently completed survey, in which 43 of the 53 school districts participated [copy not provided]. He reported that 25 percent of respondents provide or subsidize housing for teachers. He commented that this relates to the responsibilities and duties of school boards.

Mr. Rose stated that the provisions of Amendment #3 to allow REAAs in conjunction with corporations, to provide teacher housing could be viable.

Mr. Rose informed that the median base salary for teachers is \$34,100, according to the aforementioned survey. Therefore, he opined that an ability to provide adequate housing would be

beneficial to attract teachers.

Senator Bunde asked if witness is aware of any teacher-owned private homes in rural areas of Alaska.

Mr. Rose knew of some such homes in organized communities, although he was unfamiliar whether any teachers own homes in unorganized areas.

Senator Bunde indicated Senator Olson's comments about depreciation and maintenance on homes that are vacant for three months each year. He therefore asked the feasibility of this program.

Mr. Rose surmised that those teachers who would invest in a home do so in a community in which they intend to live and are likely to stay year-round.

Senator Olson asked the witness' concerns about a subsidized rental program for teachers operated by an REAA.

Mr. Rose stated this is a decision that each school district must consider, stressing that some district must provide housing, as no other facilities are available. He stated that maintenance expenses are a concern. Noted that some teachers accept jobs in rural Alaska because this is where jobs are "readily available." As these teachers gain one or two years of experience, he noted that many consider accepting jobs elsewhere.

Senator Taylor offered a motion to report CS SB 25 (FIN) from Committee with individual recommendations and zero fiscal note #1 from the Department of Revenue, AHFC.

There was no objection and CS SB 25 (FIN) MOVED from Committee.
#

ADJOURNMENT

Co-Chair Gary Wilken adjourned the meeting at 10:09 AM