

SENATE FINANCE COMMITTEE  
February 19, 2008  
9:05 a.m.

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:05:08 AM.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Charlie Huggins, Vice-Chair  
Senator Kim Elton  
Senator Donny Olson  
Senator Joe Thomas  
Senator Fred Dyson

MEMBERS ABSENT

None

ALSO PRESENT

Dorothy Shockley, Staff, Senator Albert Kookesh; Dan Fauske, CEO/Executive Director, Alaska Housing Finance Corporation, Department of Revenue; Mark Romick, Director, Planning Department, Alaska Housing Finance Corporation, Department of Revenue; Jeff Jesse, Executive Director, Alaska Mental Health Trust Authority, Department of Revenue; Bryan Butcher, Legislative Liaison, Alaska Housing Finance Corporation, Department of Revenue

PRESENT VIA TELECONFERENCE

Reverend Scott Fisher, Rector, St. Matthew's Episcopal Church, Fairbanks; Orié Williams, Past-President and CEO, Doyon, Limited, Fairbanks; Pat Luby, Advocacy Director, Alaska Association of Retired Persons (AARP), Anchorage; Paul Kapanski, Director, Mortgage Operations, Alaska Housing Finance Corporation, Department of Revenue

SUMMARY

CSSB 101(2d L&C)

"An Act relating to private professional conservators, private and public guardians, and court hearings on the issue of incapacity; and establishing uniform adult guardianship and conservator jurisdiction and procedures."

CSSB 101(2d L&C) was REPORTED out of Committee with a "do pass" recommendation and with zero

fiscal note #3 by the Department of Commerce, Community and Economic Development, zero fiscal note #4 by the Department of Administration, and a new zero fiscal note by the Department of Health and Social Services.

SB 158 "An Act designating the bridge on the George Parks Highway directly north of the Alaska Native Veterans' Honor Bridge as the Shirley Demientieff Memorial Bridge."

SB 158 was REPORTED out of Committee with a "do pass" recommendation and with a new fiscal note by the Department of Transportation and Public Facilities.

SB 231 "An Act relating to the Alaska housing trust fund and to the Alaska Council on the Homeless; and providing for an effective date."

SB 231 was heard and HELD in Committee for further consideration.

SB 233 "An Act relating to the teachers' and nurses' housing loan program in the Alaska Housing Finance Corporation; and providing for an effective date."

SB 233 was heard and HELD in Committee for further consideration.

[9:06:14 AM](#)

CS FOR SENATE BILL NO. 101(2d L&C)

"An Act relating to private professional conservators, private and public guardians, and court hearings on the issue of incapacity; and establishing uniform adult guardianship and conservator jurisdiction and procedures."

Co-Chair Stedman noted that this was the second hearing on SB 101.

Co-Chair Hoffman MOVED to REPORT CSSB 101 (2d L&C) out of Committee with individual recommendations and with the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSSB 101(2d L&C) was REPORTED out of Committee with a "do pass" recommendation and with zero fiscal note #3 by the Department of Commerce, Community and Economic Development, zero fiscal note #4 by the Department of Administration, and a new zero fiscal note by the Department of Health and Social Services.

[9:08:32 AM](#)

SENATE BILL NO. 158

"An Act designating the bridge on the George Parks Highway directly north of the Alaska Native Veterans' Honor Bridge as the Shirley Demientieff Memorial Bridge."

DOROTHY SHOCKLEY, STAFF, SENATOR ALBERT KOOKESH, read the sponsor statement:

Senate Bill 158 would name the small bridge in Nenana directly north of the Alaska Native Veterans' Bridge in honor of Shirley Demientieff. Ms. Shirley was a bridge to so many and it is only fitting that this bridge bears her name.

Shirley, a Nenana native daughter, passed away January 3, 2007 after a year long battle with lung cancer. Shirley was a well-known community activist and native leader. She is best known for her unbridled support for those in need.

It was noted in the January 8, 2007 edition of the Fairbanks News-Miner, that Shirley truly was the "bridge over troubled waters for so many. In some cases, Shirley took it upon herself to build that bridge, which for some was the only way home." A dear friend stated, "Shirley was all about bridges; between cultures, communities, and those in need."

The Shirley Demientieff Memorial Bridge will serve as a reminder of her tireless work in bringing people together from all walks of life, for the good of all citizens in this great state of Alaska.

Senator Olson asked if anyone was opposed to the bill. Ms. Shockley said no.

[9:10:53 AM](#)

REVERAND SCOTT FISHER, RECTOR, ST. MATTHEW'S EPISCOPAL CHURCH, FAIRBANKS, testified in support of SB 158. He shared a personal story about Ms. Demientieff. He thought she would approve of a small sign on the bridge with her name on it. He recalled her contributions to the community and how she bridged the lines between various cultures and communities.

[9:14:23 AM](#)

ORIE WILLIAMS, PAST-PRESIDENT AND CEO, DOYAN, LIMITED, FAIRBANKS, testified in support of SB 158. He echoed the beliefs of the former speaker. He highlighted her many great qualities. He spoke of her humility and called her a great role model. He thought she deserved this honor, although she would not have expected it.

Co-Chair Stedman noted the fiscal note for \$7,500.

[9:15:53 AM](#)

Co-Chair Hoffman MOVED to REPORT SB 158 out of Committee with individual recommendations and with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SB 158 was REPORTED out of Committee with a "do pass" recommendation and with a new fiscal note by the Department of Transportation and Public Facilities.

[9:16:33 AM](#)

SENATE BILL NO. 231

"An Act relating to the Alaska housing trust fund and to the Alaska Council on the Homeless; and providing for an effective date."

Co-Chair Stedman related that SB 231 is sponsored by the Governor. He summarized that the bill creates an Alaska Housing Trust Fund within the Alaska Housing Finance Corporation (AHFC). There is a \$10 million capital expenditure for FY 09. The appropriation is in SB 22, the mental health budget. There is \$2.5 million from each of four sources: general funds, AHFC, Mental Health Trust Authority, and private funds.

[9:17:31 AM](#)

DAN FAUSKE, CEO/EXECUTIVE DIRECTOR, ALASKA HOUSING FINANCE CORPORATION, DEPARTMENT OF REVENUE, explained that he is also chairman of the Governor's Council on the Homeless. He reported that it is obvious that there is a homeless problem. It is cheaper to house people than to incarcerate them. On any given day there are thousands of homeless in Alaska, some of which are children. He reported that AHFC recognizes that the problem is worsening. The original concept was the creation of an endowment to try to support municipal governments and non-profits involved in this issue.

MARK ROMICK, DIRECTOR, PLANNING DEPARTMENT, ALASKA HOUSING FINANCE CORPORATION, DEPARTMENT OF REVENUE, explained that SB 231 makes changes to existing statutes. The primary change is to take the current Alaska Council on the

Homeless, which has been operating under Administrative Order, and include it within AHFC statutes. The second major portion of the bill is to amend AHFC's authority to get involved in projects not currently dealt with. This would allow AHFC to be more flexible in participating in projects addressing homelessness and providing affordable housing throughout Alaska. The final change would add a specific fund to AHFC's statutes called the Alaska Housing Trust Fund, which is a broad fund that could be used for a number of different purposes, such as affordable housing and housing for the homeless called Supportive Housing. The bill limits the funding to families or individuals below 80 percent of the median income with a substantial priority for those below 30 percent of the median income.

[9:22:12 AM](#)

Co-Chair Hoffman asked if there would be interaction in rural areas with regional housing corporations. Mr. Romick said there would be. One of the representatives on the Council is a representative from the regional housing authorities.

Senator Elton asked what the median income is. Mr. Romick explained that the median income varies by region in the state. Mr. Romick said the federal definition is used and is based on family size and census area. Senator Elton referenced the "Ratio of Average Home Price to Median Family Income" chart by the Alaska Housing Trust. He requested more information about how often the census information is changed. Mr. Romick said every year HUD releases new median income figures for Alaska. Senator Elton asked if the price of fuel is a factor in determining median income. Mr. Romick explained that the cost of housing and living is not considered. He explained the American Community Survey.

Co-Chair Stedman asked about the median home price. Mr. Romick said it is the average sale price. Co-Chair Stedman asked if it were possible to look at the median home price rather than the average. He used Sitka as an example of higher level homes that skewer the statistics. Mr. Romick offered to supply those figures. He said the median house value in Sitka in 2006 was \$280,000, whereas the average sale price was \$450,000. Co-Chair Stedman thought that kind of information would be important for the committee to consider.

[9:27:58 AM](#)

JEFF JESSE, EXECUTIVE DIRECTOR, ALASKA MENTAL HEALTH TRUST AUTHORITY, DEPARTMENT OF REVENUE, expressed surprise that the vast majority of housing resources tend to go to people at 70 percent of the median income, when the vast majority of the people who are homeless, or at risk for homelessness,

are at 30-40 percent or less. One of the reasons the funding is going to the higher income group is that all low income housing developments have to pencil out. They are funded by many entities and programs. Somewhere in the business plan is a component for revenue from the tenant and higher income populations can contribute more. Another factor is that people at 40 percent are homeless for a reason: mental health problems, disability issues, substance abuse issues, domestic violence issues, or other sorts of difficult situations. Housing for these people is not very successful due to these other issues.

Mr. Jesse reported that housing developers are good at putting together the package, but they know nothing about support services for their clientele. He named several programs available as support services, but that are not proficient at providing housing for their clientele because the housing process is very complex. The result is that the two sectors have not been integrated.

[9:32:24 AM](#)

Mr. Jesse reported that in other areas of the country there is a new paradigm called Housing First. Support services come after housing is found. Many states have created these housing trust models. He recalled the Gates Foundation strategy for dealing with homeless families. There is a three-pronged strategy. First, small capital increments are offered to buy down the costs of the projects. Second, and most critical, funding is provided for ancillary support services such as case management, treatment, employment training and assistance. This connects social services to the housing projects. It is important to commit to multiple years, 5-10, of social services funding up front because most social services agencies require more than one year of funding before they will commit to a project. Also, projects that are funded out of this initial capital appropriation will have the social services component funds obligated even during falling oil prices. The goal is to ensure self sufficiency for the homeless with on-going help from normal community service assistance programs.

[9:36:59 AM](#)

Mr. Jesse shared statistics regarding the population from the Department of Corrections. About 42 percent of inmates are trust beneficiaries. The recidivism rate is substantially higher than that of the non-beneficiary population. One of the primary problems is the lack of safe, affordable housing. The rate of recidivism is very high due to this problem. He reported that in 1995-6, there were 1,000 homeless children and youth in Anchorage; in 2006, there were 2,900. The impact on these children is great. He shared statistics about homeless children in

Anchorage schools. The Housing Trust addressed this issue in the Gates Foundation Sound Families Initiative and reduced the homeless children rate by anchoring the kids in a home with support services. This is a very critical step toward addressing the problem.

[9:40:20 AM](#)

Senator Elton inquired about the Council's duty to make recommendations to the corporation. He asked what power the recommendations entailed. Mr. Romick replied that the Council has a very important, active role. It includes six public members. He said that AHFC is comfortable with the role of listening to the Council. Many of their programs operate this way. The intent is to listen closely to the Council, especially in allocating funds.

[9:43:56 AM](#)

Mr. Jesse said there was discussion about creating a separate entity, but it was not cost effective. The Housing Authority in AHFC is very efficient and effective already. The key to success will be to blend support services into that mechanism. The Council is seen as having an on-going role due to the make up of its membership. This group can be strategic in how to use a relatively small pot of money that is designed to focus much larger resources where they are needed.

Mr. Romick added that the other aspect of the Council's job is to make broader public policy recommendations on the use of other state resources made available by departments. Members from the Department of Health and Social Services, the Department of Corrections, and the Department of Public Safety are on the Council. Senator Elton pointed out that the power comes from the ability to use resources. He noted he was still having difficulty with the Council and its power to recommend.

[9:47:19 AM](#)

Co-Chair Hoffman asked about the 3,500 homeless in Alaska. He said there was a reference to an AHFC homeless survey and he requested a copy. Mr. Romick replied that it can be found on AHFC's web site.

Senator Thomas said he was sympathetic to the homeless issue. He opined that it is a complex problem and it is hard to imagine a solution. He requested data that would show a positive impact from programs such as this. He thought the issue was not being addressed in education or in corrections. He asked how the project could be demonstrated as successful.

[9:50:14 AM](#)

Mr. Romick reported that there are a lot of studies that attest to the success of the Housing First model. It has been successful in reducing admissions to prisons and emergency rooms and has had substantial cost savings to the public. That data is being used to craft Alaska's program. The other component of addressing the effectiveness issue is the evaluation process. The Sound Families Program is one of the best examples of how an evaluation process provides feedback as to the effectiveness of the program.

Mr. Romick noted that costs to society from homeless families are already known. He gave an example in Seattle where \$6 million was invested in two Housing First projects resulting in a savings over a year of \$3.5 million in emergency room visits, ambulance services, and police calls.

[9:53:21 AM](#)

Mr. Jesse shared data from New York City two years after a supportive housing project. The result was a reduced rate of shelter use, psychiatric hospitalization, medical hospitalization, and a reduction in jail days. In a pilot program in California, the number of days in psychiatric hospitals, incarceration, and days homeless were reduced, and 42 percent were still housed in the program after two years. In Alaska there have been pilot programs. In the Bridge Home Program there was a decreased rate of offending and hospitalization at API. Pilot programs are taking place now in Alaska on a small scale and are working.

Senator Thomas wondered about consideration in the program for the indigent population. Mr. Jesse said the preference in the bill is for those people below the median income. Someone at zero would have preference; however, the program is not exclusive to this population.

Senator Elton commented that the priority is for people at 30 percent of the median income for the economic area in which they reside. He opined that the problem with that is expenses might vary depending on which census area the person lives in. He asked if the funds could be used for counseling services and if that is a requirement in order to receive housing support. He requested a definition of the mandate in the bill.

Mr. Romick said the mandate is fairly broad and includes the development of actual units, but it is targeted for long-term prevention which includes having an income. The mandate is not only to construct housing units, but to also provide support services such as life skills counseling. AHFC and the Council will decide how the programs would be structure. Additional requirements could be added.

10:00:16 AM

Senator Olson inquired how to prevent those at 70 percent from slipping down to 40 percent due to decreased funding and lack of resources. Mr. Romick explained that existing federal resources would not be taken from the 70 percent population. New resources will be made available to the 40 percent group. Mr. Jesse agreed that there are not enough resources to go around. There may be a need to rebalance the resources and a more careful analysis of the needs of the 70 percent group. Now, the resources are going there by default and there is no systematic method. Mr. Jesse emphasized that homelessness is not free. He listed some of the expenses: emergency room care, criminal justice issues, mental health issues, and other emergency needs.

Senator Olson asked how many on the waiting list might come off. Mr. Romick said as many as possible. There are currently 4,000 waiting for rental assistance. He gave an example of how 33 families could come off the waiting list for 5 years with an investment of \$800,000 to \$1 million. Mr. Jesse related that the 10-year plan to end homelessness is very popular nationwide. There is a projection that \$15 million over 10 years would take care of the current homeless population in Alaska. There are many variables and possible changes in economic conditions.

10:06:01 AM

Senator Huggins requested clarification on page 2, line 9, of the bill. Mr. Romick explained that one of the best ways to stem the flow of people entering the homeless system is to prevent homelessness in the first place. He gave an example of someone close to eviction due to the inability to pay rent. In such a situation, the clause on page 2, line 9, would allow AHFC to become involved to prevent homelessness from happening due to an economic event. There was a study in New York that showed a small investment of \$2,000 per person, help with a monthly payment, saved many from homelessness. "One paycheck away from homelessness" is a real issue for many people.

Mr. Jesse gave another example of beneficiaries in Alaska who needed a short stay at API and were evicted from their apartments during that time. The process of looking for a new apartment was expensive. In this type of situation, a short-term loan could have help.

Senator Huggins commented on the national mortgage crisis and wondered if the bill applies as a remedy to that. Mr. Romick thought it would not target subprime mortgage situations. There are limits to how far the fund would go to forestall foreclosure. The intent of that section is not

to keep people who make poor decisions in housing. Mr. Jesse agreed that this mechanism cannot address the subprime issue. The nature of the sidebars in the bill looks at people 80 percent below the median income, targeting those at 30 percent or below.

[10:12:28 AM](#)

Senator Huggins asked for clarification about subsection (4) on page 2. Mr. Romick responded that ATIA would have flexibility in working with a specific organization that had a skill in a particular area. He gave an example of a mental health provider who has the capacity to enter into a partnership with a housing provider.

Senator Thomas asked about page 2, line 20, (e). He wondered if it was limited to public or private nonprofit corporations or if there was any opportunity for private corporations. Mr. Romick replied that it is limited to tax exempt organizations. The only way for a for-profit organization to participate is in partnership with a tax exempt organization.

[10:14:45 AM](#)

Co-Chair Stedman noted four fiscal notes accompanying the bill. He asked if the \$2.5 million from other revenue sources had been secured. Mr. Jesse said it had not. Currently, the trust has contributed \$1 million and the Rasmussen Foundation has also contributed \$1 million, so \$2 million of the \$5 million has been raised. The Mental Health Authority trustees have the authority to commit their resources should the legislature elect to go forward with this initiative. He voiced confidence about raising the remaining \$1.5 million.

[10:15:56 AM](#)

PAT LUBY, ADVOCACY DIRECTOR, ALASKA ASSOCIATION OF RETIRED PERSONS (AARP), ANCHORAGE, testified that AARP strongly supports the legislation. Many older renters are at risk for homelessness. There are many children who are homeless. SB 231 will make a difference.

SB 231 was heard and HELD in Committee for further consideration.

[10:17:33 AM](#)

SENATE BILL NO. 233

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

Co-Chair Stedman reported that the bill is sponsored by the Governor and is before the committee for the first time. SB 233 repeals the sunset provision of the teachers' and nurses' housing loan program and expands the program to include all health care professionals.

[10:18:50 AM](#)

BRYAN BUTCHER, LEGISLATIVE LIAISON, ALASKA HOUSING FINANCE CORPORATION, DEPARTMENT OF REVENUE, explained how the program was initially established when SB 25 was passed five years ago. It was discovered that one of the problems with being able to recruit and retain teachers and registered nurses was finding housing. The idea behind this legislation was to allow 100 percent financing with no down payment so that entry level teachers and nurses could become homeowners. The largest obstacle to homeownership is the availability of cash for a down payment.

Mr. Butcher explained that since 2003 there have been 373 teachers and nurses who have taken advantage of this program, with only one foreclosure. The program has been very successful.

The bill eliminates the sunset date and expands the bill beyond registered nurses to other health care workers. It will have no additional cost to AHFC.

[10:21:41 AM](#)

Co-Chair Stedman asked for more information on the expansion of health care professionals. Mr. Butcher reported that it was difficult to list all occupations without leaving out some, so language from another program was used: "Any person who is licensed or board certified by the state of Alaska in a health profession, holds a state certification in a health occupation, or is an administrator of a hospital or clinic, or employed as an aide, attendant, assistant, counselor, or technician in a health field." Anyone in the program would have to go through the mortgage criteria process.

[10:23:19 AM](#)

DAN FAUSKE, CEO/EXECUTIVE DIRECTOR, ALASKA HOUSING FINANCE CORPORATION, DEPARTMENT OF REVENUE, added that the bill is for people who don't have money; those who do have money don't go for AHFC loans. The program is geared for those coming out of college and just getting started on their careers. Alaska is ahead of the trend in attracting these professions to the state. The risks to AHFC are minimal, and the benefits are great. The legislation is accomplishing what it was intended to do. Mr. Fauske wished to see it continue.

10:25:40 AM

Senator Olson noted the impressive record of only one foreclosure out of all the loans. He asked about including Public Safety personnel, in particular, Village Public Safety Officers. Mr. Butcher said they are already included in the rural program. He said the issue with adding more professions to the bill involves rating agencies on Wall Street believing that to be risky. They were opposed at first to the additional risk of adding health care professionals. Adding other occupations may be possible in the future.

Mr. Fauske thought the other program addressed the public safety personnel well.

Senator Huggins asked why Anchorage was not on the "Cumulative Purchases for Teacher/Nurse Option by Location" list. Mr. Butcher said it was, and the correct document was located. Senator Huggins thought there was a rapid turnover rate in teaching and wondered if a new teacher could assume the loan of a leaving teacher. Mr. Butcher said it could be sold to someone who also qualified for the loan. Senator Huggins looked at Wasilla where 19 people had taken advantage of the loan. He wondered how many had left since taking the loan. Mr. Butcher replied that it is difficult to track that information. Senator Huggins compared it to a "403 B of housing".

10:30:57 AM

Co-Chair Stedman asked if the residence has to be a primary residence. Mr. Butcher said yes. It can not be used for an investment property.

PAUL KAPANSKI, DIRECTOR, MORTGAGE OPERATIONS, ALASKA HOUSING FINANCE CORPORATION, DEPARTMENT OF REVENUE, explained how it would work if someone moved from the state after four years and continued to make the mortgage payment. He explained that it would be difficult to track that information. A different insurance binder could be one way of knowing an individual has moved. He was not certain of the process beyond that.

SB 158 was heard and HELD in Committee for further consideration.

#### ADJOURNMENT

The meeting was adjourned at 10:32 AM.