

ALASKA STATE LEGISLATURE
SENATE HEALTH, EDUCATION AND SOCIAL SERVICES STANDING COMMITTEE
February 4, 2008
1:33 p.m.

MEMBERS PRESENT

Senator Bettye Davis, Chair
Senator Joe Thomas, Vice Chair
Senator John Cowdery, via teleconference
Senator Fred Dyson

MEMBERS ABSENT

Senator Kim Elton

COMMITTEE CALENDAR

SENATE JOINT RESOLUTION NO. 11
Supporting federal funding for veterans' health care and urging the United States Congress to ensure adequate funding for veterans' health care.

MOVED SJR 11 OUT OF COMMITTEE

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."

MOVED CSSB 231(HES) OUT OF COMMITTEE

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."

MOVED SB 233 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SJR 11

SHORT TITLE: SUPPORTING U.S. VETERANS' HEALTH CARE

SPONSOR(S): SENATOR(S) WIELECHOWSKI

05/09/07	(S)	READ THE FIRST TIME - REFERRALS
05/09/07	(S)	HES
02/04/08	(S)	HES AT 1:30 PM BUTROVICH 205

BILL: SB 231

SHORT TITLE: LOW-INCOME HOUSING; HOMELESSNESS

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/18/08 (S) READ THE FIRST TIME - REFERRALS
01/18/08 (S) HES, FIN
01/28/08 (S) HES AT 1:30 PM BUTROVICH 205
01/28/08 (S) Heard & Held
01/28/08 (S) MINUTE (HES)
02/04/08 (S) HES AT 1:30 PM BUTROVICH 205

BILL: SB 233

SHORT TITLE: TEACHERS/HEALTH CARE PROFESS HOUSING LOAN

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/18/08 (S) READ THE FIRST TIME - REFERRALS
01/18/08 (S) HES, FIN
01/28/08 (S) HES AT 1:30 PM BUTROVICH 205
01/28/08 (S) Heard & Held
01/28/08 (S) MINUTE (HES)
02/04/08 (S) HES AT 1:30 PM BUTROVICH 205

WITNESS REGISTER

RIC DAVIDGE, President
Vietnam Veterans of America (VVA)
Anchorage, AK
POSITION STATEMENT: Supported SJR 11.

JOHN YOUMANS
Alaska Veterans Business Alliance
Anchorage, AK
POSITION STATEMENT: Supported SJR 11.

WILLIAM GOSSWEILER
Vietnam Veterans of America
Eagle River, AK
POSITION STATEMENT: Supported SJR 11.

JOHN NEWMAN, Regional Director
Pacific Northwest VVA
Seattle, WA
POSITION STATEMENT: Supported SJR 11.

DIANE SLATER, Vietnam-era Veteran
Juneau, AK
POSITION STATEMENT: Supported SJR 11.

DON BURRELL
Staff to Senator Davis
Alaska State Capitol
Juneau, AK

POSITION STATEMENT: Presented the changes for SB 231.

BRYAN BUTCHER, Public Affairs Director
Alaska Housing Finance Corporation (AHFC)
Anchorage, AK

POSITION STATEMENT: Answered questions about SB 231 and SB 233.

JEFF JESSE, CEO
Alaska Mental Health Trust Authority
Anchorage, AK

POSITION STATEMENT: Answered questions about SB 231.

DAN FAUSKE, CEO
Alaska Housing Finance Corporation (AHFC)
Anchorage, AK

POSITION STATEMENT: Answered questions about SB 233.

MELISSA STONE, Director
Behavioral Health
Department of Health and Social Services
Anchorage, AK

POSITION STATEMENT: Supported SB 233.

ACTION NARRATIVE

CHAIR BETTYE DAVIS called the Senate Health, Education and Social Services Standing Committee meeting to order at [1:33:03 PM](#). Present at the call to order were Senators John Cowdery via teleconference, Joe Thomas and Bettye Davis. Senator Fred Dyson arrived later.

SJR 11-SUPPORTING U.S. VETERANS' HEALTH CARE

CHAIR DAVIS announced consideration of SJR 11.

SENATOR WIELECHOWSKI presented an overview of SJR 11. He said it's a critical resolution that urges the US Congress to insure adequate funding for veterans' health care. Other states have enacted a similar type of resolution. The US Department of Veterans' Affairs provides a wide range of specialized medical care to meet the unique needs of veterans including treatment for spinal cord injuries, blindness, traumatic brain injury, post traumatic stress disorder, amputation injuries, mental

health and substance abuse, and conditions requiring long-term care. In addition, the department trains health care personnel, conducts medical research, and serves as backup to the US Department of Defense.

Unfortunately this agency has been consistently underfunded. The US Government Accountability Office report in 2005 highlighted the lack of resources and staffing available to the Veterans Administration for processing an increasing backlog of veterans' claims. Funding for the department lags behind both medical inflation and the increased demand for services. For example, the enrollment for veterans' health care increased 134 percent between fiscal years 1996 and 2004, but funding only increased 34 percent during the same period when adjusted to 1996 dollars.

Former Secretary of Veterans Affairs, Anthony Principi, has publicly stated that the Department of Veterans Affairs has been struggling to provide health care to the rapidly rising number of veterans who need it.

This resolution expresses the profound gratitude of the Alaska State Legislature for the sacrifices made by veterans who suffer from medical or mental problems resulting from injuries sustained while serving in the United States Armed Forces. More importantly it urges the United States Congress to ensure adequate funding for veterans' health care.

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RIC DAVIDGE, President, Vietnam Veterans of America (VVA), Anchorage, AK, said he was accompanied in his testimony by a panel from other veterans' organizations. This is the only bill of all 307 veterans' bills currently before Congress that all 9 national organizations are behind. They have seen funding levels for services to disabled veterans passed over for the last 20 years. The Veterans' Administration (VA) budget is currently part of the Department of Defense (DOD) construction budget. In a bill currently before the US House, HR 2514, the VA budget would stand on its own. This bill would move veterans' health care funding to a formula base that would be determined by how many are enrolled in the VA for services and how many are eligible. Any disabled veteran with a service-connected disability is eligible and retired veterans have services as well. One of the concerns expressed is that this would make veterans health care another welfare program. This is the only health care program in the US that is based on earned benefits, service and sacrifice. The legislation has had two hearings in

the US House. Mr. Davidge said that VVA is in the forefront of the effort to organize states to submit a resolution of support.

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MR. DAVIDGE said it wouldn't cost the state anything and that the return on this investment is in the hundreds of millions of dollars. Veterans generate over \$1 billion annually in revenue to the state of Alaska. This does not include active duty military or contracting by the DOD. According to the 2000 census, there are 75,400 veterans in the state. The VVA thinks the number is now about 80,000 veterans.

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SENATOR DYSON joined the meeting.

SENATOR THOMAS said he finds it very objectionable that the US government is not meeting the needs of these troops. He asked if veterans' insurance is considered primary.

MR. DAVIDGE said that veterans, per se, do not have veterans' insurance. If they are retired, they have health care through a third party carrier. Most veterans do not access health care through the VA but through their own employer or they purchase health care on their own. He said that although he himself is 50 percent disabled and eligible for services with the VA, he doesn't use it because he can afford to buy his own insurance. In Alaska, the VA serves less than 20 percent of veterans although 40 percent are probably eligible. He said that old veterans are sort of the forgotten population and that new veterans are the focus. One of the areas that is underfunded is post traumatic stress disorder (PTSD) programs, especially for Vietnam veterans who had a very high incidence of PTSD because, he thinks, communities did not welcome them when they returned.

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SENATOR THOMAS said he would appreciate more information about this to share with his colleagues.

JOHN YOUMANS, Alaska Veterans Business Alliance, Anchorage, AK, expressed support of SJR 11.

CHAIR DAVIS asked who the sponsor of the bill in Congress is.

MR. DAVIDGE said it is Congressman Hare. He said they have been trying to get a senate companion bill. He said they are pleased with the content of the bill, but there are some technical

amendments needed to ensure appropriate congressional oversight. He said he would forward the new version when it is complete.

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WILLIAM GOSSWEILER, Vietnam Veterans of America, Anchorage, AK, said he's supportive of this resolution and said it is one of the strongest measures that his organization has been fighting for. He said they are very passionate about protecting all veterans, not just of his era, but the ones coming back from Iraq as well.

MR. DAVIDGE listed the names of the veteran's organizations that support the bill: the American Legion, American Veterans, Blinded Veterans Association, Disabled American Veterans, Jewish War Veterans of the US, Military Order of the Purple Heart, Paralyzed Veterans of America, Veterans of Foreign Wars, as well as VVA.

CHAIR DAVIS said that the VA has a great medical network and delivery system and suggested it would be wise to consider it when putting together like systems for the state.

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JOHN NEWMAN, Regional Director, Pacific Northwest VVA, Seattle, WA, said that every veteran contracts to serve just as the US contracts to take care of their medical coverage. He also pointed out that mental health care is still health care.

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DIANE SLATER, Vietnam-era Veteran, Juneau, AK, said she was formerly with the Alaska and Washington National Guard and strongly supports this bill.

SENATOR COWDERY said he supports the resolution.

CHAIR DAVIS said she would like to move SJR 11 out of committee and asked for a motion.

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SENATOR DYSON moved SJR 11 from committee with individual recommendations and attached fiscal note(s). There being no objection, the motion carried.

SB 231-LOW-INCOME HOUSING; HOMELESSNESS

[1:55:34 PM](#)

CHAIR DAVIS announced consideration of SB 231.

DON BURRELL, Staff, Senator Davis, Alaska State Capitol, Juneau, AK, presented the changes for SB 231: per request of Senator Elton, words were added to state that at least one member of the Housing Trust Fund is a consumer of affordable housing. The two-year term was changed to a three-year term; and on page 4, line 22, after "reducing homelessness", "improve employment and vocational training opportunities for the homeless" was added.

BRYAN BUTCHER, Public Affairs Director, Alaska Housing Finance Corporation (AHFC), Anchorage, AK, said AHFC was fine with the changes.

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SENATOR DYSON moved to adopt the proposed committee substitute (CS) to SB 231, labeled 25-GS2006, Cook, Version C, as the working document of the committee. There being no objection, the motion carried.

He asked how the agency could make loans at less than commercial terms to people who would not normally qualify for a commercial housing loan without exposing them to financial liabilities.

Mr. BUTCHER replied that the primary intent of the housing trust is to aid the homeless in finding available housing, but not providing mortgages, although the hope is that they would get to that point in the future.

SENATOR DYSON asked Mr. Butcher to confirm that this bill is not aimed at getting homeless people into ownership positions.

MR. BUTCHER replied that is correct.

SENATOR DYSON asked if the bill expands the capacity of public housing.

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MR. BUTCHER replied that there are 3,000 to 4,000 people on the waiting list for public housing. There's a shortage of units and many are falling apart. This bill would make sure the available units remain at the current level of availability as well as expanding the current options.

JEFF JESSE, CEO, Alaska Mental Health Trust Authority, Anchorage, AK, said his agency is designed to connect supportive social services with housing. People are homeless for many reasons, from substance abuse and domestic violence to mental

health issues. The Council on Homelessness has found that without support services like case management, counseling, and crisis intervention, even if they get into housing they are unable to maintain it. The trust is just trying to keep them stable in the community.

SENATOR DYSON asked if the bill has a fiscal note.

MR. BUTCHER said there is a zero fiscal note in terms of administration. The program would be administered by AHFC. There is also a \$10 million request in the Governor's capitol budget in four equal parts: \$2.5 million from the AHFC dividend; \$2.5 million from the state general fund; \$2.5 million from mental health receipts, and 2.5 million from other receipts such as the Rasmuson Foundation and other private organizations.

SENATOR DYSON asked if the \$10 million would be used for building additional housing.

MR. JESSE replied that the housing trust would be flexible. A project might have some capital money to buy down the overall cost of the project so it would be able to accommodate people at a lower income. It might also have a commitment of five to ten years of social service funding. It's important that this amount be committed up front so that if the housing trust is not funded in the future, those social service projects can continue for the next five or ten years. AHFC has agreed to develop project-based vouchers to help with rental assistance. The housing trust won't be a major funder of any particular project. It will take existing resources and help focus them on the homeless as opposed to what happens now with many of those resources going to people with higher incomes.

SENATOR DYSON asked it that means that the \$10 million will be for facilitators that bring people and housing together rather than building new housing.

MR. JESSE gave the example of a developer renovating 60 units in Fairbanks. The developer had not been thinking of having any units focused on the homeless. When he learned about the housing trust and the ability to get some capital money and a social service partner that would provide support services for homeless people, he expressed interest in integrating them into mixed income projects. Mr. Jesse said the trust doesn't want large projects focused just on the homeless. It wants to integrate them into mixed income projects. He thinks many different strategies will come forward once there's a resource to access.

SENATOR COWDERY asked if there would be a sunset date.

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CHAIR DAVIS said there is not. She added that she didn't see the need for one since it is a much needed service.

SENATOR THOMAS said that he was supportive of the bill but he did not know what the provision on page 2, line 7, number 1 meant where it says: to participate in the development of buildings or units that by their use address the purpose of the fund, which is to create housing but that by their operation appear non-residential in nature.

MR. JESSE replied by referring to an article about safe harbor and a motel in Anchorage specifically focused on the homeless. Normally that's not considered residential for purposes of AHFC. AHFC cannot invest in a motel. And yet it's a critical strategy to getting the homeless off the street, getting them stabilized and then moving them into long-term housing. A motel doesn't look residential, but it is an important strategy in dealing with homelessness.

SENATOR THOMAS said he's concerned about hearing from his constituents that their taxes are going to support reduced cost housing for people with drug and alcohol problems while they themselves are often required to be tested for drugs at their place of employment.

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MR. JESSE said that's the point of bringing in support services. The trust doesn't want to enable people to continue an addictive lifestyle. He said that taxpayers actually pay those costs now, for example, in emergency rooms and criminal justice systems. Homelessness costs the state either way.

SENATOR THOMAS said he would like to see documentation of the success of these kinds of programs and their overall costs.

CHAIR DAVIS said she would provide this information but reminds the committee that everyone that's homeless does not fall into these categories. There are families that are homeless with young children.

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SENATOR THOMAS moved the CS for SB 231, labeled 25-GS2006, Cook, Version C, from committee with individual recommendations and

accompanying fiscal note(s). There being no objection, CSSB 231(HES) passed from committee.

SB 233-TEACHERS/HEALTH CARE PROFESS HOUSING LOAN

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CHAIR DAVIS announced consideration of SB 233. She said she did not bring a committee substitute because there were no recommendations for changes.

BRYAN BUTCHER, Public Affairs Director, Alaska Housing Finance Corporation, Anchorage, AK, said that SB 233 does two things. Five years ago a program was established at AHFC to allow teachers and registered nurses to purchase a home without a down payment. Communities were having difficulty recruiting and retaining teachers and nurses and one of the biggest hurdles for home ownership for young teachers and nurses was coming up with money for a down payment. A sunset date was established which expires July 2008. The program has been quite successful; 373 teachers and nurses have taken out mortgages in 34 different communities across the state at no additional cost to AHFC or the state. Of the 373, there has only been one foreclosure. AHFC would like to remove the sunset date and make it a permanent program as well as to expand it beyond nurses to include all health care professionals.

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SENATOR DYSON asked where the homes are.

MR. BUTCHER referred to a list of all the communities since the inception of the program. 'E' designates teacher loans and 'H' designates nurses. There have been 100 loans for teachers and 77 loans for nurses in Anchorage. The majority of the loans take place in urban Alaska although there were some in rural Alaska. The program is a partner to the rural teacher and nurse loan program funded through the capital budget.

SENATOR DYSON said he didn't know the program would be used on the road network. He said these are good paying professions and wondered why a nurse would need a loan in order to get a house.

MR. BUTCHER said that when the program started they had talked to people who said they wouldn't have been able to get a mortgage because they were just out of school and had outstanding student loans. The starting salary for teachers isn't a lot. The normal amount of mortgage insurance requires a 20 percent down payment, but on these loans the requirement is

30 percent in order to cover the corporation in case there are defaults.

SENATOR DYSON said this makes the jobs more attractive and it's different than what he anticipated. Housing for professionals in very rural areas off the road system is a huge crisis. He said he's disappointed there isn't more for them. He also asked if there's a similar program for housing for public safety officers slated for the future.

MR. BUTCHER said the agency is open to expanding the program to public safety officers in the future but it plans to move slowly. He said that because these are unique programs, they are seen by the rating credit agencies as non-conforming loans. Since the loans don't fit into the normal categories, they are weighed more heavily when looking at the credit rating of the recipients. The agency has created a history over five years to show the success of the program.

He said that although the program requires a zero down payment, it does not provide a reduced interest rate. It's not costing AHFC or the state anything. He said he agreed with the concerns about rural Alaska housing and said the specifically rural program from the capital budget is working well.

DAN FAUSKE, CEO, Alaska Housing Finance Corporation (AHFC), Anchorage, AK, said there are 221 units in the rural component. That program has leveraged \$30 million into \$50 million in assets. He said that in most cases in the rural areas with itinerant or transient teachers, there hasn't been that much demand for home ownership. He said the agency supported a loan in Bethel and financed a 22-unit facility for state troopers which helped with recruitment and retainment. He said the program is not generally viewed as a job enticement. He said that with accelerating housing costs in Anchorage, it is difficult for young professionals starting out to buy a home.

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SENATOR COWDERY asked if the program could be expanded to help construction and labor workers.

MR. FAUSKE said he had not heard that request before.

SENATOR DYSON suggested that Senator Cowdery was asking if the construction of the facilities had been used as a training tool for apprentices in order to create work opportunities as well as housing.

SENATOR COWDERY said that was partly what he meant but he was also asking if housing for these low-income workers was being considered.

MR. BUTCHER replied that the agency has been hesitant to expand the program because that would raise costs and could risk their credit rating.

MR. FAUSKE said there is an absolute priority on these projects for local hire at the village level. Training raises costs but they have been trying to include it.

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SENATOR DYSON referred to the 22 units for state troopers built in Bethel and asked if this could be done in other villages in order to address the need for good housing for public safety officers and the transient nature of some of those assignments.

MR. FAUSKE replied that the agency always encourages builders to talk to public safety people and others to determine if they might need to build a six-plex instead of a four-plex. This could also bring another viable source of income into the project.

SENATOR DYSON asked if the idea to extend the housing option to others would be affected by the legislation before the committee.

MR. FAUSKE replied that the rural program would be coming to the committee through the capital budget and said he would arrange for Senator Dyson to get that information.

SENATOR DYSON said that he didn't want to find out that rural needs for housing are cut short because too much money has gone to programs on the road network.

MR. FAUSKE said he'd like to emphasize that these are loans and gave the example of a building that might cost \$1 million but based on the salaries of the community, \$700,000 was all they could afford. The agency writes a check for a loan of \$300,000, and when the school foundation funding formula is passed, his agency is then able to tap into that resource in the form of salaries and get the best bang for the state dollar. The process also creates private ownership, local support and eliminates the need for the agency to have a direct relationship with the contractors.

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SENATOR THOMAS said he had looked at these types of loans as incentives for people living and doing service in remote areas and said he was concerned about the urban programs and the higher incomes of those targeted. He said there was discussion at an earlier meeting of setting income limits and he would like to see that explored. The only justification he sees for the program is to encourage people into those occupations which are needed especially in rural areas. It appears now that people in a particular occupation are being favored and it's not necessarily based on need.

MR. FAUSKE said five years ago there had been an attempt to address the issue of recruiting and retaining teachers and health professionals. There was an attempt at that time to add on more professions, but it was decided that a test run was in order first. This was the reason for the sunset provision. He said the loan is not attractive to those with higher incomes. The largest problem teachers and health care providers have is the affordability of the down payment. People can't afford to live where they work. For someone starting out at \$38,000 per year, the average cost of a new home in Anchorage at \$329,000 is not an option.

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SENATOR COWDERY asked what the salary range is for people who qualify for the program.

MR. BUTCHER replied that people that benefit the most from the program are people who don't have the down payment and people who are looking for investment opportunities. This program requires owner occupation so it cannot be used for investment properties.

MR. FAUSKE said it's not cost effective for someone who makes \$200,000 or even \$100,000 per year because they can shop around for a lower interest rate and with enough for a down payment, would not have to pay mortgage insurance. He said he would get more detailed information on salaries for the committee.

[2:45:38 PM](#)

MELISSA STONE, Director, Behavioral Health, Department of Health and Social Services, Anchorage, AK, said she supported SB 233. She said her department has 29 percent of all estimated vacancies in the state in the health care profession. For

behavioral health, that translates to 22 percent vacancies in the rural area and 9.3 percent vacancies in the urban area.

CHAIR DAVIS said that including an income limitation provision was discussed at the last meeting, but that her office did not receive any recommendations to prepare a CS.

SENATOR THOMAS said he was satisfied that the bill appear to be self limiting.

SENATOR COWDERY moved to report SB 233 from committee with individual recommendations and attached fiscal note(s). There being no objection, the motion carried. There being no further business before the committee, CHAIR DAVIS adjourned the meeting at [2:51:48 PM](#).