

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

April 12, 2007

1:32 p.m.

MEMBERS PRESENT

Senator Johnny Ellis, Chair
Senator Gary Stevens, Vice Chair
Senator Bettye Davis
Senator Con Bunde

MEMBERS ABSENT

Senator Lyman Hoffman

COMMITTEE CALENDAR

SENATE BILL NO. 115

"An Act relating to gift certificates and gift cards, and to unclaimed property; and making a violation of certain gift card prohibitions an unlawful trade practice."

MOVED CSSB 115(STA) OUT OF COMMITTEE

HOUSE BILL NO. 34

"An Act relating to sales of wine by a winery licensee."

MOVED HB 34 OUT OF COMMITTEE

SENATE BILL NO. 117

"An Act relating to the presumption of coverage for a workers' compensation claim for disability as a result of certain diseases for certain occupations."

HEARD AND HELD

SENATE BILL NO. 124

"An Act relating to the allocation of money appropriated to the Alaska Workforce Investment Board; and providing for an effective date."

SCHEDULED BUT NOT HEARD

Presentation on Affordable Housing Issues
by Dan Fauske, CEO, Alaska Housing Finance Corporation (AHFC)

PREVIOUS COMMITTEE ACTION

BILL: SB 115

SHORT TITLE: GIFT CARDS

SPONSOR(s): STATE AFFAIRS

03/12/07 (S) READ THE FIRST TIME - REFERRALS
03/12/07 (S) STA, L&C
03/20/07 (S) STA AT 9:00 AM BELTZ 211
03/20/07 (S) Heard & Held
03/20/07 (S) MINUTE(STA)
03/22/07 (S) STA AT 9:00 AM BELTZ 211
03/22/07 (S) Moved CSSB 115(STA) Out of Committee
03/22/07 (S) MINUTE(STA)
03/23/07 (S) STA RPT

BILL: HB 34

SHORT TITLE: SALES BY WINERY LICENSEE

SPONSOR(s): REPRESENTATIVE(s) LEDOUX

01/16/07 (H) PREFILE RELEASED 1/5/07
01/16/07 (H) READ THE FIRST TIME - REFERRALS
01/16/07 (H) L&C, FIN
01/29/07 (H) L&C AT 3:00 PM CAPITOL 17
01/29/07 (H) Moved Out of Committee
01/29/07 (H) MINUTE(L&C)
01/30/07 (H) L&C RPT 5DP
01/30/07 (H) DP: GARDNER, GATTO, RAMRAS, LEDOUX,
OLSON
02/07/07 (H) FIN AT 1:30 PM HOUSE FINANCE 519
02/07/07 (H) Moved Out of Committee
02/07/07 (H) MINUTE(FIN)
02/08/07 (H) FIN RPT 7DP 3NR
02/08/07 (H) DP: JOULE, THOMAS, GARA, CRAWFORD,
KELLY, MEYER, CHENAULT
02/08/07 (H) NR: HAWKER, NELSON, STOLTZE
02/14/07 (H) TRANSMITTED TO (S)
02/14/07 (H) VERSION: HB 34
02/19/07 (S) READ THE FIRST TIME - REFERRALS
02/19/07 (S) CRA, L&C
03/06/07 (S) CRA AT 3:30 PM BELTZ 211
03/06/07 (S) Moved HB 34 Out of Committee
03/06/07 (S) MINUTE(CRA)
03/07/07 (S) CRA RPT 3DP 1NR
03/07/07 (S) DP: THOMAS, STEVENS, KOOKESH
03/07/07 (S) NR: OLSON
04/03/07 (S) L&C AT 1:30 PM BELTZ 211
04/03/07 (S) Heard & Held
04/03/07 (S) MINUTE(L&C)
04/12/07 (S) L&C AT 1:30 PM BELTZ 211
CS 3DP 2NR SAME TITLE

03/23/07 (S) DP: MCGUIRE, FRENCH, BUNDE
03/23/07 (S) NR: STEVENS, GREEN
03/23/07 (S) FIN REFERRAL ADDED
04/03/07 (S) L&C AT 1:30 PM BELTZ 211
04/03/07 (S) Heard & Held
04/03/07 (S) MINUTE(L&C)
04/12/07 (S) L&C AT 1:30 PM BELTZ 211

BILL: SB 117

SHORT TITLE: WORKERS' COMP: DISEASE PRESUMPTION
SPONSOR(S): SENATOR(S) FRENCH

03/14/07 (S) READ THE FIRST TIME - REFERRALS
03/14/07 (S) L&C, HES, FIN
04/12/07 (S) L&C AT 1:30 PM BELTZ 211

WITNESS REGISTER

MARIT CARLSON VAN-DORT
Staff to Senator McGuire
Alaska State Capitol
Juneau, AK 99801-1182

POSITION STATEMENT: Commented on SB 115 for the sponsor.

SENATOR FRENCH
Alaska State Capitol
Juneau, AK 99801-1182

POSITION STATEMENT: Sponsor of SB 117.

MARK DRYGAS, President
Alaska Professional Firefighters Association

POSITION STATEMENT: Supported SB 117.

DOMINICK LEZANO, President
Fairbanks, Firefighters Association

POSITION STATEMENT: Supported SB 117.

ROD HARRIS, Professional Firefighter
Anchorage AK

POSITION STATEMENT: Supported SB 117.

ERIC TULAK, Firefighter
Anchorage Fire Department
Anchorage AK

POSITION STATEMENT: Supported SB 117.

JEFF BRIGGS
Alaska Professional Firefighters Association
Anchorage AK
POSITION STATEMENT: Supported SB 117.

JEFF BUSH, Executive Director
Alaska Public Entity Insurance (APEI)
Anchorage AK
POSITION STATEMENT: Opposed SB 117.

DAVID DURRANT
Blackhawk Network and Carrs/Safeway
POSITION STATEMENT: Commented on SB 115.

RACHAEL LEWIS, Administrator
Unclaimed Properties
Department of Revenue (DOR)
Juneau Alaska
POSITION STATEMENT: Commented on SB 115.

REPRESENTATIVE GABRIELLE LEDOUX
Alaska State Capitol
Juneau, AK 99801-1182
POSITION STATEMENT: Sponsor of HB 34.

DAN FAUSKE, CEO
Alaska Housing Finance Corporation (AHFC)
Anchorage AK
POSITION STATEMENT: Commented on Affordable Housing Issues.

ACTION NARRATIVE

CHAIR JOHNNY ELLIS called the Senate Labor and Commerce Standing Committee meeting to order at [1:32:51 PM](#). Present at the call to order were Senators Stevens, Davis and Ellis. Senator Bunde joined the committee at 1:34.

SB 115-GIFT CARDS

[1:33:51 PM](#)

CHAIR ELLIS announced CSSB 115(STA) to be up for consideration.

[1:34:14 PM](#)

SENATOR BUNDE joined the committee.

[1:34:21 PM](#)

MARIT CARLSON VAN-DORT, staff to Senator McGuire, sponsor of SB 115, said there had been no changes to the bill and that the

chair requested a letter of support from AKPIRG that she had distributed to the committee.

CHAIR ELLIS mentioned that some folks from out of state might have some concerns and asked if she knew about them.

MS. VAN-DORT replied that she had several conversations this morning with Mr. Glen Peterson, District Manager for Carrs Safeway/Alaska who expressed concerns raised by corporate attorneys about Section 1 relating to unclaimed property. It was his intention to have one of the attorneys testify.

[1:36:15 PM](#)

CHAIR ELLIS noted that no one was on line to testify and so he set SB 115 aside until a testifier could arrive.

HB 34-SALES BY WINERY LICENSEE

[1:36:54 PM](#)

CHAIR ELLIS announced HB 34 to be up for consideration. He noted that Doug Griffin, Director of the Alcohol Beverage Control Board (ABC), sent the committee a packet that answered some of the questions that were raised at the first public hearing. It said that the ABC Board currently has statutory authority to promulgate regulations and police these wineries.

On finding that the sponsor was not available right now to speak to the bill, he held it until she or her representative could arrive.

SB 117-WORKERS' COMP: DISEASE PRESUMPTION

[1:38:42 PM](#)

CHAIR ELLIS announced SB 117 to be up for consideration.

SENATOR FRENCH, sponsor of SB 117, introduced Andy Moderow, his staff, who was also available to comment on this bill. He then read the sponsor statement for the record. It said SB 117 was brought to them because each year citizens throughout Alaska rely on professional and volunteer firefighters to come to their assistance in times of emergency. They work on everyone's behalf to save lives and property often at great personal risk. In doing so, they are exposed to toxic chemicals like benzene and carcinogenic substances such as solvents, dyes, asbestos and high levels of carbon monoxide or other substances that can affect the heart and lungs.

SB 117 would create a presumption in the Workers' Compensation Program that a firefighter with at least seven years on the job

who has passed health screen exams earlier in their careers will be provided with benefits if they contract certain forms of pulmonary or heart disease or cancers - as it will be presumed to be a result of their occupation. This presumption is restricted to diseases known to occur with greater frequency among firefighters and the date by which a claim has to be made will also capped at 60 months from the firefighter's last date of employment.

Forty-one states currently provide some form of presumptive coverage for firefighters. Although arguments have been made that this coverage will be prohibitively expensive, the fact is that this has not been the case elsewhere. For instance, the State of California has over 30,000 paid firefighters and more than 30,000 volunteers, but the addition of cancer presumptive benefits has had "no impact" on the actuarial assumptions for its retirement system. Similarly, in Illinois, in the six years following provision of presumption of cancer for firefighters, claims were actually 8.3 percent lower than in the six years prior to passage.

SENATOR FRENCH summarized that firefighters place their lives at risk on behalf of us all and in return, they should be able to use Workers' Comp benefits for illnesses they incur as a result of the work they do.

[1:41:14 PM](#)

SENATOR BUNDE asked how early a screening exam would be in the career of a firefighter.

SENATOR FRENCH replied that those particularities can be described in regulation so they can be taken up by people with more intimate knowledge in this area.

[1:42:01 PM](#)

SENATOR STEVENS asked what would happen after the 60-month cut-off period for filing a claim.

SENATOR FRENCH replied the idea is after you have left your job you should have workers' compensation coverage for a period of time and the person paying for the policy should have some knowledge of when he's off the hook.

[1:43:10 PM](#)

MARK DRYGAS, President, Alaska Professional Firefighters Association, supported SB 117 stating that numerous studies have

shown increased risk of cancer and cardiovascular and infectious diseases amongst fire fighters.

[1:44:49 PM](#)

He reaffirmed that many states now have some presumption of disability. In the first six years Oklahoma had cancer legislation, it paid 22 claims statewide or 6 percent of its 378 disability claims. This averages to four cancer claims per year or .03 percent at an average cost to the pension system of \$10,400 per total cancer claim. He said Oklahoma has 3400 career firefighters and 9000 volunteers.

[1:45:34 PM](#)

MR. DRYGAS said Nevada paid three cancer claims in the first four years the legislation was enacted. None of the cases included lung cancer which is covered under separate litigation. Nevada has 1790 career firefighters and 2200 volunteers. This averages less than one claim per year for a .02 percent rate of cancer claims.

He said the numbers from Rhode Island show a rate of .02 percent, which seems to be the common rate. Florida has a rate of .034 percent. California has the highest rate at .07 percent. He estimated that Alaska would have a rate around one person every three years. The only time this will come into play is when a person has a life-threatening disease.

MR. DRYGAS said this coverage is very important to firefighters because they take the risk for everyone. The problem has to be a pretty bad before it comes into play and it's hard to scam it. He pointed out that OSHA doesn't regulate what is in someone's garage and all hazards aren't known at the time they are responded to. Toxic accumulations of them are also a serious issue.

SENATOR STEVENS asked if volunteer firefighters are covered under the Workers' Compensation program and how their seven years is figured out.

MR. DRYGAS answered that his understanding is that volunteer firefighters are covered under state workers' compensation law, but he couldn't really speak for them. Seven years on the job would have to be defined later in regulation and most volunteers don't serve that long.

[1:50:22 PM](#)

DOMINICK LEZANO, President, Fairbanks Firefighters Association, said he is a firefighter paramedic and supported Mr. Drygas' testimony. It is very important for firefighters, both professional and volunteer, to know they have coverage as they face unknowns every day. The basis of presumption saves the family heartache and difficulty when a firefighter contracts a cancer from what he does in his job.

[1:53:27 PM](#)

ROD HARRIS, firefighter with the City of Anchorage, supported SB 117 and said it had been adopted by 41 other states. He said this coverage will not increase the number of claims, but it will change their presumptive status. If a firefighter gets sick, he will file a claim regardless of whether this legislation passes or not. This defines the process and reduces the liability to the workers' compensation system and will save the state from having multi-million dollar litigation.

He said that every day firefighters respond to calls when they will be exposed to both known and unknown hazards. He noted that the fire chiefs also support this legislation, because most fire departments recognize the risks.

[1:56:18 PM](#)

ERIC TULAK, firefighter with Anchorage Fire Department, said he would first answer Senator Bunde's question about when the medical exam would happen and how long it would be good for. At this point, the bill just says it will be at some point during the career that shows them to be disease-free. Specifics still need to be addressed. He explained that Anchorage firefighters are lucky enough to have annual physicals. Three of its older individuals have had cancer and all three are in remission. They were shown to be cancer-free upon their initial exam.

In answer to Senator Stevens' question about what happens after five years, Mr. Tulak said when the bill was written a disease was considered to no longer be presumptive after five years. The five years is based upon other state and Canadian province law and upon latency periods of diseases listed in the bill.

He explained that when the bill was introduced last session as HB 31, it had some definitions for volunteer firefighters and their training and time on the job is recorded.

[1:58:13 PM](#)

MR. TULAK said he would now go to his testimony and talk about what is called the Healthy Worker Effect that compares different

groups and control groups in any epidemiological study. If they are not well matched, the results aren't as meaningful. For that reason groups are matched for age, sex and race, and lifestyle factors like smoking and alcohol consumption. The Healthy Worker Effect is accentuated with the use of firefighters who are extremely healthy individuals for the most part often being compared to policemen. The most relevant studies show that they are getting these cancers and diseases at a higher incidence than other groups. For example, firefighters get brain cancer at an 88 percent higher rate than police officers; 111 percent more frequently for bladder cancer; 227 percent more frequently for non-Hodgins lymphoma; and 270 percent more frequently for leukemia.

[1:59:45 PM](#)

He also wanted to address claims that this bill would increase the number of claims filed, but he asked if that means there are first-responders suffering from these diseases who already aren't making these claims. He also thought it ironic that people think there would be frivolous claims.

[2:01:23 PM](#)

JEFF BRIGGS, Alaska Professional Firefighters Association, said he is also an Anchorage firefighter. He stated that thousands of people around the state every year are touched by first responders by merely dialing 911 and this is a small token of appreciation for them. He said the bill has been written in a fiscally responsible way and for example, the state of Rhode Island paid six claims in the first eight years. It has 2200 career firefighters and 2800 volunteers. In Alaska, that would equate to about one claim every four years.

[2:04:08 PM](#)

JEFF BUSH, Executive Director, Alaska Public Entity Insurance (APEI), said APEI represents schools and cities in Alaska and insures 18 municipalities; approximately 150 personnel would be affected by this bill. He opposed the bill saying the workers' compensation system is already designed to cover the diseases that are listed. It now requires only a minimal amount of evidence of a link between the occupation and the disease for coverage to attach. There is no doubt this bill will cost the state and municipalities money and that some firefighters will develop these diseases without the exposure.

This bill will complicate appeals because it creates issues that will need litigation. It requires medical screenings and the 200

municipalities with volunteers will have to pay for their screenings. The cost is just not worth it.

[2:07:29 PM](#)

SENATOR BUNDE asked if municipalities pay for their volunteer firefighters' workers' compensation.

MR. BUSH replied they do and if there is a claim they are compensated at the average rate of the position they serve in.

[2:07:54 PM](#)

SENATOR STEVENS asked if certain cancers can be shown to have some connection with on-the-job exposure.

SENATOR FRENCH replied no, but this bill sets up a presumption that the disease was caused through work. If the insurer could demonstrate a person smoked two packs a day and engaged in other risky lifestyle behaviors that would more readily account for the disease, the insurer would win and a firefighter would not be covered.

SENATOR BUNDE asked if this measure would apply to retired firefighters as well, giving them coverage under both workers' compensation and retirement. He also wanted to hear from the Division of Insurance on insurance rates. He also saw the need to flesh out how many physicals one would actually have to take and to investigate any presently unknown additional costs - because everyone is saying firefighters have a higher rate of disease.

[2:11:25 PM](#)

CHAIR ELLIS said those were all good points and he thanked people for their testimony and the firefighters for their public service. He said SB 117 would be held over.

SB 115-GIFT CARDS

[2:11:57 PM](#)

CHAIR ELLIS announced CSSB 115(STA) to be back before the committee.

DAVID DURRANT, Blackhawk Network and Carrs/Safeway, said he appreciated the need for consumer protection in this area and the efforts to bring greater clarity to the law in Alaska, especially for the amount presumed to be abandoned on gift cards. He was concerned, however, on behalf of issuers of closed loop distributors, such as retailers like Carrs/Safeway and

Blackhawk, because there is a capacity for them to escheat funds to the state. He explained:

For example, a \$100 card on which \$50 is used, three years later the issuer would have to escheat \$50 to the state, but because of the new provision that says the cards would need to be evergreened - that is to say that the issuer would have to make good on the sole face value of that card whenever the customer comes back in - be it 5 years from now or 100 - that the retailer could, in essence, have to escheat \$50 to the state and still then have to make good on an additional \$50 to the consumer - in essence paying double - and then having to come back to the state at some future date for some sort of a refund or rebate.

We would ask that the bill be amended to match the laws of states like Washington, Oregon, Arizona, California, that exempt these evergreened closed-loop cards from abandonment simply because the retailer, the issuer, remains in that relationship with the consumers, so long as that card is still capable of being redeemed.

Alternatively, if one could make it such that bill exempted those - I'm sorry - that the three-year provision only applied to those cards that were exempted from the evergreen provision, I think that would have the same net effect of still protecting consumers and the retailers who choose to issue gift cards in the state of Alaska.

[2:14:47 PM](#)

SENATOR STEVENS asked how many cards are normally redeemed.

MR. DURRANT replied that 50 percent of gift cards are redeemed within the first 30 days after purchase. Ultimately, after three years 5 - 8 percent go unredeemed. He didn't know the percentage of those that would never be redeemed.

[2:15:34 PM](#)

MARIT CARLSON VAN-DORT, staff to Senator McGuire, responded that this statute is being barely amended and has been on the books since 1986. She thought it interesting that they were taking issue with this section of the statute now. Secondly, she would oppose the amendment, because it would effectively gut the bill - since it extends the value of the gift cards in perpetuity.

Third, she wondered what the effect would really be on businesses if only about 5 - 8 percent of gift cards are not redeemed after 3 years.

[2:16:41 PM](#)

SENATOR BUNDE asked if a card can be kept alive in perpetuity, why should lawmakers require a company to declare it as unclaimed property.

MS. VAN-DORT replied that this provision provides additional consumer protection for those people who have purchased gift cards in case the business folds. They can go to the state to get their money. In terms of paying double, business owners have recourse as well. They can effectively get their money back if they choose to honor a gift card that has already been reported as unclaimed property.

[2:18:14 PM](#)

SENATOR BUNDE said he understood where this was going and asked if an added cost would be passed on to the consumer.

[2:19:32 PM](#)

SENATOR STEVENS commented that forever is a long time and asked if the value could be capped at a certain point so the books don't need to be kept for the next 100 years.

MS. VAN-DORT replied the sponsor would be open to something like that, but she noted that all Carrs/Safeway gift cards are without expiration dates anyway. People like that.

[2:20:33 PM](#)

SENATOR STEVENS asked how hard it is for a business to get its money back from the state.

RACHAEL LEWIS, Administrator of Unclaimed Properties, Department of Revenue, replied that the Unclaimed Property Act has a section specifically addressing holder reimbursements. A holder is any company that is holding unclaimed property and has turned it over to the State of Alaska for custodial purposes. All that's needed is either a letter or affidavit. All states have a standardized form called the "Holder Reimbursement Form" that says "Yes, we have already made good on this particular item; please reimburse us for it." And they do that on a regular basis.

[2:22:05 PM](#)

SENATOR BUNDE asked if there is any way to know what a typical request for reimbursement from a consumer would be for a card that wasn't honored. He was concerned that a company could get "nicked" for another \$25 or \$30 and they couldn't afford to pay staff to write to her division for that price.

[2:22:43 PM](#)

MS. LEWIS replied that a company would not have to honor the gift certificate even though it has no expiration date; it would just have to refer a consumer to the state's Division of Unclaimed Property - it has a website. Most of the companies honor gift cards out of good will and customer service. However, she noted that 100 percent of travelers' checks have to be holder reimbursed. The statute says "promptly reimburse the holder," so they get priority.

[2:25:14 PM](#)

SENATOR STEVENS moved to pass CSSB 115(STA) with individual recommendations and attached fiscal notes. There were no objections and it was so ordered.

HB 34-SALES BY WINERY LICENSEE

[2:26:27 PM](#)

CHAIR ELLIS announced HB 34 to be up for consideration.

REPRESENTATIVE GABRIELLE LEDOUX said this measure would help small businesses survive.

[2:28:08 PM](#)

SENATOR STEVENS moved to pass HB 34 from committee with individual recommendations. There were no objections and it was so ordered.

[2:29:35 PM](#)

Affordable Housing Issues

CHAIR ELLIS announced that the committee would next take up affordable housing issues.

[2:29:45 PM](#)

DAN FAUSKE, CEO, Alaska Housing Finance Corporation (AHFC), said he wanted to talk a little bit about what AHFC is doing. He said currently 2 out of 3 Alaskan families own their own homes, not to say that all the homes are adequate in condition or size for its number of occupants. Through March 31 of this year, AHFC's residential loan activity was up 30 percent from the last year and 9 months of this fiscal year already surpassed the previous

12-month period. There are about 1200 first-time home buyers loans to date, about 1800 new urban loans, about 340 new rural loans, and 280 veterans mortgages (up from 44 last year).

[2:31:23 PM](#)

He reported that he had been working the last 10 years to get to remove the stipulation that you had to have served in the military prior to 1977 and could not have been out more than 30 years to qualify for a veterans' mortgage in the federal definition. He finally got that changed which accounts for the numbers being up.

MR. FAUSKE reported that the delinquency rate was holding at 3.2 percent, well under national averages, and foreclosures were even below that. He said the housing market indicators show that Alaska is returning to what he would call a more normal market, having gone through an incredible period of the lowest interest rates in a generation. AHFC had back-to-back years when it refinanced \$1 billion each year. He said AHFC did not lose market share because it had structured its bond portfolio such that when people came back in to the market they didn't go to another lender. Many housing finance corporations across the country lost as much as 50 percent of their portfolios because they didn't have a product to offer consumers when the interest rates fell so low. AHFC had a 1 percent decline in its portfolio over a two-year period.

[2:32:33 PM](#)

On the home appreciation side, he reported from December 2006 through February 2007, homes appreciated in Anchorage by 3.2 percent; Mat-Su Valley 2.5 percent; Fairbanks 8.5 percent; Juneau 7.5 percent; and Kenai 7.35 percent (which he attributed to the retirement influence); and Kodiak was down 3.4 percent, which he was going to watch.

The average home sales price at the end of February in Anchorage was \$314,439 - tough for a first-time home buyer; in Mat-Su Valley it was \$244,235; Fairbanks \$222,144; Juneau \$284,180; Kenai \$228,454; and Kodiak \$171,000.

Housing inventory at the end of February was Anchorage - 914; Mat-Su Valley - 795; Fairbanks - 301; Juneau - 137; Kenai - 388; and Kodiak - 9.

Average days of marketing time at the end of February in Anchorage was 73; Mat-Su 93; Fairbanks 64; Juneau 103; Kenai

125; and Kodiak 98. He remembered a few years ago people in Anchorage could sell their homes the first day they listed it.

[2:34:58 PM](#)

In the teacher program that was initiated successfully four years ago, the state leveraged itself by making up the difference between the asking price of a property and the assessed price before taking the rest of the mortgage to Wall Street. Since 2004, AHFC had invested \$15 million and Denali had invested \$15 million which produced 172 units of housing in 34 remote and rural communities with a total value of \$50.2 million. He said the program is working very well and he hopes to continue it.

MR. FAUSKE also reported that a bill Senator Wilken introduced a couple of years ago with 100 percent financing package for K-12 teachers has also taken off, working better in urban areas.

He reported that the energy efficiency interest rate reduction loan and weatherization programs are working "tremendously well." He said AHFC is the best in the country at utilizing arbitrage earnings known as "Alman debt."

[2:38:31 PM](#)

He explained that the earnings one could have on mortgage revenue bonds changed and in the last five years AHFC has put over \$200 million on the street in money that would have otherwise been rebated to the federal government. That money has been used for low interest and zero interest rate loans to non-profits, to special needs housing, to school districts, and to first-time home buyer programs. This is the money they use to buy-down the interest rates. However, he warned, unless the federal guidelines are changed, there is a sunset provision.

[2:40:02 PM](#)

MR. FAUSKE additionally commented that sub-prime lending gets confused with predatory lending. However, the sub-prime market is a fine market based on the credit worthiness of the borrower - what their FICO score is and what the loan to value ratio is on the product. The predatory side comes in when unscrupulous dealers convince people to keep refinancing their homes. This is happening primarily in poor Hispanic and Black neighborhoods across the country. From his position on the Board of the Federal Home Loan Bank, he can see it is an issue that will be dealt with.

[2:42:00 PM](#)

He stated that Alaska does not have a problem with people losing their homes. He estimated that other lenders might have a 2 - 4 percent loss in that area. In the sub-prime markets, three things would have to happen - generally wages have to go down, interest rates have to go up and market value on the house has to go down and he just doesn't see that happening here. However, he does see that wages are not staying commensurate with housing costs in Alaska. The federal guidelines say that no more than 30 percent of one's income should be spent for home costs, but some families in Alaska pay 50 percent or more. Some of that is interest rate driven and some is energy driven.

He summarized that AHFC decided to accept the risk by using sophisticated bond transactions - totaling \$480 million. He will close on those in May. The first is set to start in June 2007; the synthetic fixed rate is 3.672 percent. The second issue in December is at about 3.70 percent. He explained this won't be the rate the consumer will pay, but it will provide them a rate of 4.5 to 5.5 percent, which is below commensurate rates from commercial lenders. He said AHFC can't really do much about the prices of homes.

[2:45:10 PM](#)

MR. FAUSKE said the former governor had him form a coalition for homeless people, which has been a great success and the present governor is continuing with the program. Establishing a trust is being discussed with its earnings helping to support homeless issues. He said Alaska ranks 10th as the most expensive renter state among non-metropolitan states and the third most expensive in which to rent a two-bedroom apartment. Only a third of the people in Anchorage pay less than or equal to 30 percent of their gross income for housing costs, but another third pay more than 50 percent. This gets worse in some areas of rural Alaska.

He thought an executive order would be delivered to continue the homeless coalition and said that a representative of the Gates Foundation was going to meet with himself, Jeff Jessie and legislators on establishing the trust. He noted that the Gates Foundation put \$40 million into homeless issues in Seattle.

[2:47:19 PM](#)

CHAIR ELLIS asked how significant a problem affordable housing is in Alaska.

MR. FAUSKE answered that Alaska is back to the ever-widening gap between those working people who can buy housing and those who can't. Anchorage won't get better; land is at a premium. It's

the only state where it's more expensive to live in the rural area than in the city.

[2:50:32 PM](#)

CHAIR ELLIS said he knows that working folks out there are "getting the big squeeze" and he encouraged Mr. FAUSKE to continue using his talents to help those who need it the most.

MR. FAUSKE responded that he enjoyed doing this work and that the "tougher ones are the more fun to solve." He is a believer in ownership although not everyone wants to own a home. History has shown that home ownership can help turn a neighborhood around. He mentioned that he was working in Chugach View and Chugach Manor in this regard.

There being no further business to come before the committee, Chair Ellis adjourned the meeting at [2:52:10 PM](#).