

HOUSE FINANCE COMMITTEE
March 24, 2010
9:07 a.m.

[9:07:36 AM](#)

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 9:07 a.m.

MEMBERS PRESENT

Representative Mike Hawker, Co-Chair
Representative Bill Stoltze, Co-Chair
Representative Bill Thomas Jr., Vice-Chair
Representative Allan Austerman
Representative Mike Doogan
Representative Anna Fairclough
Representative Neal Foster
Representative Les Gara
Representative Reggie Joule
Representative Mike Kelly
Representative Woodie Salmon

MEMBERS ABSENT

None

ALSO PRESENT

Bryan Butcher, Public Affairs Director, Alaska Housing Finance Corporation (AHFC); Joe Dubler, Chief Financial Officer, Alaska Housing Finance Corporation (AHFC); McHugh Pierre, Deputy Commissioner, Department of Military and Veterans Affairs (DMVA); Michael O'Hare, Deputy Director, Division of Homeland Security and Emergency Management, DMVA

PRESENT VIA TELECONFERENCE

Laurie Holte, Alaska Housing Finance Corporation

SUMMARY

HB 291 GUARANTEED REVENUE BONDS FOR VETERANS

HB 291 was REPORTED out of Committee with a "do pass" recommendation and with previously published fiscal notes: FH1 (OOG) and FN2 (REV)

HB 292 GRANTS TO DISASTER VICTIMS

HB 292 was REPORTED out of Committee with a "do pass" recommendation and with a new zero fiscal note.

[9:07:44 AM](#)

Co-Chair Stoltze presented the overview for the morning.

#hb291

HOUSE BILL NO. 291

"An Act relating to the issuance of state-guaranteed revenue bonds by the Alaska Housing Finance Corporation to finance mortgages for qualifying veterans; and providing for an effective date."

[9:08:22 AM](#)

BRYAN BUTCHER, PUBLIC AFFAIRS DIRECTOR, ALASKA HOUSING FINANCE CORPORATION (AHFC) reported that this bill would allow Alaskans to vote on approving AHFC to sell up to \$600 million in bonds to fund the veteran's mortgage program. He provided a history of the federal program that allowed states to sell tax exempt debts to fund a program for veterans that would be one half to five-eighths of a percentage point below the normal taxable rate. Only five states signed up originally: California, Texas, Oregon, Wisconsin and Alaska. The eligible requirement is to be in the service 1977 or earlier and not out for longer than 30 years. There were fewer veterans eligible as time has passed. There were efforts to get Congress to lift this time limit, but when the 1977 requirement was finally lifted the federal statute restricted the selling of only \$10 million in bonds to fund the program per year. The number was lifted in 2008 to enable the selling of \$100 million in bonds to fund the program. There was a potential to run out of funds in 2011. The Alaska Housing Finance Corporation is still responsible for funding the program;

no state money has had to go into the program. The goal is to get it on the ballot this year to continue with the program.

[9:11:32 AM](#)

Representative Doogan believed the State Guaranteed Revenue Bond is really a General Obligation Bond.

JOE DUBLER, CHIEF FINANCIAL OFFICER, ALASKA HOUSING FINANCE CORPORATION (AHFC) answered that the Revenue Bond relies primarily upon some source, in this case mortgage loans, to make the debt service. The statute requires that there be a general obligation pledge behind that revenue stream with the state of Alaska behind this debt service. These bonds have never gotten behind at this point.

Representative Doogan wondered why the voters are not being told that. He emphasized that these are actually General Obligation Bonds and should not be called by this new name. Mr. Butcher replied that in the question on the ballot it will state that it is a general obligation of the state of Alaska. The fiscal note is requesting \$150,000 to provide an education campaign to all Alaskans to further define what they are voting on. Representative Doogan relayed that he wanted it on the record that these were General Obligation Bonds. Mr. Butcher added that in January 2010, Standards and Poor did a study of thirty four housing finance agencies and the AHFC latest bond issuance had the lowest delinquency rate in the country.

[9:15:39 AM](#)

Vice-Chair Thomas inquired on how many loans veterans can receive under this program. Mr. Dubler replied one loan at a time and that must be paid off before getting a new loan.

Vice-Chair Thomas asked if the rural rate is lower than the veteran's rates. Mr. Dubler answered that the rates are about the same at this time.

[9:17:38 AM](#)

Co-Chair Stoltze referred to the public information campaign and mentioned the heavy advertising done by the Alaska Housing Finance Committee promoting various things and wondered if educating the public on this bond could fit into their existing program. Mr. Butcher contended that

most of the cost would go for mail outs to get the information to all Alaskans. Co-Chair Stoltze stated that this bill is well supported and wondered if spending \$150,000 was necessary.

[9:18:58 AM](#)

Representative Austerman asked if the Alaska National Guard would be eligible. Mr. Dubler declared that if they served any tour of duty and have an honorable discharge, they would qualify. If they only served in the Alaska National Guard without being call up, then they would not qualify for this program.

Representative Foster referred to the Sponsor Statement where it mentioned serving as a cadet in one the United States military academies. He questioned if that would qualify.

[9:20:20 AM](#)

LAURIE HOLTE, ALASKA HOUSING FINANCE CORPORATION (via teleconference) responded that the veteran must have full time duty other than training.

[9:20:49 AM](#)

Co-Chair Hawker stressed that \$150,000 was a lot of money and under this fiscal note AHFC could spend the money any way they wanted. He asked for assurance that all the money would be spent on this specific purpose and not other things. Mr. Butcher emphasized that this fiscal note was prepared before the operating budget. He expected the actual dollar amount will be more than \$150,000. He assured that AHFC can follow up on information on how the money is spent.

Co-Chair Hawker assured that he did not want to create a larger burden, but thought this might be overkill. Mr. Butcher remarked that this is different from the normal marketing of their programs. This will not be promoted, but only used to provide education on the bill.

Co-Chair Stoltze remarked that AHFC does a lot of communication through various means and wondered if these materials can be used to communicate the informational aspects of this bond package. Mr. Butcher indicated that he would have to get back regarding how much is spent every

year, but remarked an estimate would be about \$200,000 to \$300,000. Co-Chair Stoltze communicated that many legislators might use this in their election bids since veteran's issues are popular in the state.

[9:24:40 AM](#)

Vice-Chair Thomas noted that the qualified veterans in the bill eliminate the Vietnam veterans. Mr. Butcher replied that when the 1977 year was lifted, it was reduced to 25 years. Vice-Chair Thomas believed there was unfair discrimination against Vietnam veterans since WWII veterans were still eligible.

[9:27:30 AM](#)

Co-Chair Stoltze closed public testimony and referred to the fiscal note.

Co-Chair Hawker MOVED to report HB 291 out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

HB 291 was REPORTED out of Committee with a "do pass" recommendation and with previously published fiscal notes: FH1 (OOG) and FN2 (REV)

[9:29:23 AM](#)

#hb292

HOUSE BILL NO. 292

"An Act relating to grants to victims of a disaster in this state; and providing for an effective date."

MCHUGH PIERRE, DEPUTY COMMISSIONER, DEPARTMENT OF MILITARY AND VETERANS AFFAIRS (DMVA) presented an overview of the bill. He spoke of the disaster last year in Eagle and other communities along the Yukon River noting the disparity between the individual assistance grants programs established in 1977 compared to the federal grant amount. When a disaster is declared by the President of the United States, FEMA issues individual assistance grants based on a number suggested by the Consumer Price Index (CPI), which last year was \$30,300 per affected household. Mr. Pierre noted that Alaska grants have not changed from \$5000 and this bill would make the amount for state declared

disasters half of the federal amount. The maximum this year would be \$14,950 per household affected.

MICHAEL O'HARE, DEPUTY DIRECTOR, DIVISION OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT, DMVA, stressed that there is a very rigorous process for disaster victims to prove their loss. Mr. O'Hare noted that his staff sets up a local disaster assistance center in affected communities. There is an involved application process with extensive verification that the loss is real and sustained during the declared disaster incident.

[9:33:31 AM](#)

Representative Gara asked if the Yukon River flooding was the only disaster in past year. Mr. O'Hare noted a declared federal disaster in Kodiak affecting critical infrastructure. Representative Gara asked if this bill would cover federal or state disasters. Mr. O'Hare replied that it is specific to state declared disasters. He noted that in the 2009 spring flood, most communities were covered under the federal program, but there were about 30 families that did not qualify. All that could be provided by the state was \$5000. He reiterated that it is an involved application process to collect funds.

Representative Gara asked for an example of someone who could not be helped enough. Mr. O'Hare noted that there have been individuals affected who did not fall under the federal declaration. Representative Gara maintained that there may still be people suffering from the 2009 flood. Mr. O'Hare replied that those who did not qualify are resorting to other methods. Representative Gara asked if there would be any objection to going back to help those from 2009 under this bill. Mr. O'Hare declared the bill is not retroactive. Mr. Butcher added that great steps have been taken to help those in need to receive volunteer and donations from the community. Representative Gara noted there could still be people in need of help from that flood. Mr. Pierre responded that was correct, but most needs have been met. The goal is get the individual back on their feet, but not get them to the exact same point as before the disaster. He clarified that there is no double dipping into both state and federal assistance. Representative Gara asked for those that were unable to be helped would there be any benefit or substantial cost to making this bill retroactive to January 1, 2009.

[9:38:57 AM](#)

Mr. O'Hare replied that those that only qualified for the small amount were helped by volunteer and local groups. He felt comfortable that they have been helped as best as possible. Those individuals have not been made whole, but they are recovering and progressing.

Representative Salmon inquired if the state pays any part when a federal disaster is declared. Mr. O'Hare replied that federal regulations cite that the state is responsible for paying 25 percent of the recovery costs. Representative Salmon asked if that was 25 percent of \$30,000. Mr. O'Hare replied that would be correct. He added that it does not just cover the public assistance grants. If there is a federally declared disaster the public and individual assistance grant covers a much larger area.

[9:41:07 AM](#)

Representative Salmon inquired about the bigger costs, such as power and roads, and wondered how those costs were determined. Mr. O'Hare replied that they worked in partnership with FEMA to arrive at the best economic program to restore the critical infrastructure. He noted that in Eagle there was an effort to get people out of the way of future flooding paths. They have also worked with the local power companies to not only restore services, but prevent flood damage from happening again.

[9:42:18 AM](#)

Representative Joule remarked that this bill helps the department to react to a disaster a little better. He wondered if there are resources to help better planning so the need to react is not as great. Mr. O'Hare reported that the federal government does provide the division with planning specific money from Homeland Security and FEMA to go out into the communities to help them be better prepared to respond. There have been many planning regional workshops implemented to make them better prepared.

Mr. Pierre used the 2009 spring floods as an example and noted that staff was sent to villages before the flood hit to see what the effect might be and help the community to be prepared.

Co-Chair Stoltze closed public testimony.

Co-Chair Stoltze referred to the new revised fiscal note.

[9:45:00 AM](#)

Mr. Pierre explained the fiscal note changes. He noted that the money that goes to disaster grants comes out of the disaster relief fund. The previous fiscal note showed an increase of \$900,000 total that would be spent as a worst case scenario. He noted that realistically only about 30 percent of the applicants get the maximum amount so it will never be the \$900,000 increase that was shown. He emphasized that no new funds were needed at this time to be appropriated for the bill from this committee.

[9:47:23 AM](#)

Vice-Chair Thomas MOVED to report HB 292 out of Committee with individual recommendations and the accompanying new fiscal note. There being NO OBJECTION, it was so ordered.

HB 292 was REPORTED out of Committee with a "do pass" recommendation and with a new zero fiscal note.

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ADJOURNMENT

The meeting was adjourned at 9:48 AM