

SENATE FINANCE COMMITTEE
March 18, 2009
1:38 p.m.

1:38:44 PM

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 1:38 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Senator Johnny Ellis

ALSO PRESENT

Senator Gene Therriault, Ginger Blaisdell, Director, Division of Administrative Services, Department of Revenue; Deven Mitchell, Executive Director, Alaska Municipal Bond Bank Authority, Department of Revenue; Mike Burns, Executive Director, Alaska Permanent Fund Corporation, Department of Revenue; Dan Fauske, CEO/Executive Director, Alaska Housing Finance Corporation, Department of Revenue; Les Campbell, Director Budget, Alaska Housing Finance Corporation; Bryan Butcher, Director, Government Affairs and Public Relations, Alaska Housing Finance Corporation, Department Of Revenue.

PRESENT VIA TELECONFERENCE

Mark Romick, Director, Planning Department, Alaska Housing Finance Corporation, Department of Revenue; Jim Gurke Director of Public Housing, Alaska Housing Finance Corporation (AHFC).

SUMMARY

SB 75 "An Act making and amending appropriations, including capital appropriations, supplemental appropriations, and appropriations to capitalize funds; and providing for an effective date."

SB 75 was HEARD and HELD in Committee for further consideration.

#sb75

SENATE BILL NO. 75

"An Act making and amending appropriations, including capital appropriations, supplemental appropriations, and appropriations to capitalize funds; and providing for an effective date."

[1:39:07 PM](#)

Co-Chair Stedman introduced the legislation as an overview of the governor's capital association bill.

DEPARTMENT OF REVENUE

Reference Number 46985

GINGER BLAISDELL, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF REVENUE, introduced reference number 46985, the Tax Revenue Management System. She explained that the project was the department's top priority as a three phase project with an approximate cost of \$24 million. The first phase includes the oil and gas revenues along with corporate income tax. The second phase addresses larger tax systems such as mining, motor fuel, and cruise ship tax. The third phase addresses the remaining tax systems and insurance operated by the new management system.

Co-Chair Stedman requested information regarding the master line of credit. Ms. Blaisdell answered that the master lease line of credit is a funding mechanism, different from the \$50 million master lease line of credit that the state typically runs to finance operating expenditures.

[1:42:26 PM](#)

DEVEN MITCHELL, EXECUTIVE DIRECTOR, ALASKA MUNICIPAL BOND BANK AUTHORITY, DEPARTMENT OF REVENUE, explained that the state sells certificates of participation subject to appropriation. The line of credit has a final maturity in approximately seven years with an interest rate of 3.25 percent. The master lease line of credit is designed for smaller capital acquisitions that fit in department's operating budgets. The master lease line of credit was employed most recently by the University for Vehicle Acquisitions Five Year Amortization at a five year rate.

Co-Chair Stedman asked why the committee should pay cash instead. Mr. Mitchell responded that cash is always preferred, but the strategy set forth by the governor's office provides a balance of funding occasional projects with sources other than cash. He noted that this instance allows the access of capital at a low cost, tax exempt, while allowing maintenance of money invested in other funds at a taxable rate. Normally funds are maintained and invested at a taxable rate

[1:46:07 PM](#)

Co-Chair Stedman requested the ongoing budget impact of the decision. Mr. Mitchell indicated \$4 million, but the department utilized a conservative interest rate. He explained that he used a rate of six percent due to the volatile market allowing a savings of \$6 thousand per year. Co-Chair Stedman clarified that the debt financing would lead to evidence of a smaller draw on general funds at the end of the year.

Mr. Mitchell agreed that the master lease line of credit balances capital budget expenditures. He noted that that many different options exist regarding investment.

Co-Chair Stedman recalled that the legislature worked on the financial structure to encourage better bond ratings and retention. He concluded that increased debt service might lead to an impact on bond ratings.

Mr. Mitchell agreed that the issue deserves awareness. He noted that Alaska has a low debt burden compared to its resources and revenue streams. He spoke of Alaska's small population and great wealth resulting from oil production. A percentage of unrestricted revenue is utilized as an allowed annual service. The department prefers the comfort zone of eight percent of unrestricted revenues obligated to debt service. Currently the state is well within the eight percent threshold.

[1:50:01 PM](#)

Ms. Blaisdell informed that the initial purchase is \$20 million of the \$24 million requested. She observed that the choice reduces general funds. The remaining funds are designated to customize programming.

Reference Number 46988

Ms. Blaisdell addressed reference number 46988 and the Upgrade of the NetApp System. The current NetApp capacity is approximately 7.5 terabytes of stored data, maximizing the system's capacity. The projected growth through 2013 estimates the need for 27 terabytes. She noted the largest growth includes online filing for Permanent Fund Dividend (PFD) applications. The tax division adds approximately 100 gigabytes per year and treasury contributes 100 megabytes per year as the smallest contributor.

Reference Number 42945

Ms. Blaisdell addressed reference number 42945 describing phase five of the Child Support Services Computer

Replacement Projects. She informed that child support services manage 230 employees. She explained that the desktop personal computers, servers, printers, fax machines, are on a five year rotation cycle for replacement. The proposed cost is \$216 thousand.

[1:52:49 PM](#)

Reference Number 42933

Ms. Blaisdell discussed reference number 42933 and the PFD Computer Replacement Project requesting \$119,500.

Ms. Blaisdell detailed reference number 46987 and the PFD Call Center Automated Routing. She explained that the PFD division envisioned the creation of a four person call center with the ability to access records immediately and provide information about application status. She mentioned that the division currently employs an automated telephone system, which leads to frustration among Alaskans.

Reference Number 46989

Ms. Blaisdell described reference number 46989 and the Sequel Database Evaluation. She explained that the request was included in the initial submitted budget. All appropriations were reviewed until one was found unexpended. The department requested a title change in the supplemental budget for a \$300 thousand appropriation.

Co-Chair Stedman asked how old the initial appropriation was. Ms. Blaisdell replied that the documented appropriation was last year's. Co-Chair Stedman noted a similar instance in which the Department of Transportation (DOT) submitted a similar request from 1980. Ms. Blaisdell noted that DOR tracks old dollars and spends them first.

[1:55:00 PM](#)

Reference Number 47037

Ms. Blaisdell introduced reference number 47034 and the Permanent Fund Corporation Investment Portfolio Accounting and Reporting System.

MIKE BURNS, EXECUTIVE DIRECTOR, ALASKA PERMANENT FUND CORPORATION, DEPARTMENT OF REVENUE, noted that the funding is for security of an investment portfolio accounting system for improved general ledger accounting. The previous accounting system is 12 years old with limited ability to report on current asset accounts. Key functions of the system include reconciliation of assets, monitoring performance of corporate actions such as dividends, pay

downs, calls, etc. The funding is spent on servers, hardware, installation, business analysis, consulting.

Co-Chair Stedman asked Mr. Burns to remain in the building to meet with Co-Chair Hoffman and himself.

1:57:17 PM

DAN FAUSKE, CEO/EXECUTIVE DIRECTOR, ALASKA HOUSING FINANCE CORPORATION, DEPARTMENT OF REVENUE, presented the capital budget for Alaska Housing Finance Corporation (AHFC). He informed that the figures presented to the committee represent 75 percent of adjusted net income for the legislation that AHFC operates with. He explained that the corporation assembles a list of projects from new and existing programs.

Reference Number 37918

LES CAMPBELL, DIRECTOR BUDGET, ALASKA HOUSING FINANCE CORPORATION, introduced reference number 37918 and the AHFC Teacher Health Public Housing Loan Program. The program is ongoing with \$8 million of corporate dividend receipts. The purpose is to provide gap funding to increase home ownership and rental units throughout the state. The program is designed to retain desirable professionals in high cost areas. Seventy two units have been developed under the program.

Senator Huggins asked for the annual objective regarding the program. Mr. Campbell responded that the funding would allow construction of another 62 units, existing primarily in rural areas.

Senator Huggins asked the process of determining the project's location.

Mr. Campbell answered that the location priority is based on received applications. The public is informed about available funds, and applications are received initiating a priority process.

Senator Huggins asked if teacher housing in a rural area is requested from the Department of Education or from the village. Mr. Campbell responded that the municipality or the school district applies for the funds.

2:01:21 PM

Mr. Fauske interjected that the corporation prefers communication among government entities. Community support is necessary for financing of the project. Once a project is deemed viable, the corporation provides the funds necessary to negotiate with the school district about a loan.

Senator Huggins asked if the school district owns the house. Mr. Fauske replied that either the school district or a private developer owns the home including a long term lease with the school district.

Senator Huggins inquired about the expense to the teacher. Mr. Fauske responded that the teacher's rent is negotiated with the school district.

[2:05:07 PM](#)

Reference Number 6323

Mr. Campbell addressed reference number 6323 and the Supplemental Housing Development Program. He noted the ongoing program supplements federal housing funds from regional housing authorities ensuring clean and safe housing throughout Alaska. The program supplements up to 20 percent of funds received from the federal government. The supplemental housing funds generally cover the infrastructure of rural homes.

Reference Number 6332

Mr. Campbell discussed reference number 6332 and the Weatherization Program. The request for 2010 is \$2 million in federal receipts. The purpose is to provide cost effective energy improvements to homes of low income residents. The funds supplement those appropriated last year.

Co-Chair Hoffman asked why the program is dropped from \$300 million. Mr. Fauske answered that \$360 million is committed. Co-Chair Stedman requested a brief update about the status of the \$360 million. Mr. Fauske informed that \$30 million of the appropriation is committed.

[2:08:26 PM](#)

BRYAN BUTCHER, DIRECTOR, GOVERNMENT AFFAIRS AND PUBLIC RELATIONS, ALASKA HOUSING FINANCE CORPORATION, DEPARTMENT OF REVENUE, repeated that \$30 million was committed in AHFC's Weatherization Program. He explained that the ramp up was accomplished with \$200 million from the previous year. The Home Energy Rebate Program encumbered \$66 million for the program. The wait list is in excess of 5 thousand Alaskan residents. He expressed comfort that the corporation would retain funds until FY10 for continuation of the program. Mr. Fauske added that the stimulus money is not included in the presented amounts.

Reference Number 6334

Mr. Campbell introduced reference number 6334 and the AHFC Senior Citizens Housing Development Program. He cited the request as \$7,500,000 of corporate dividend receipts. The purpose is to provide development of senior citizen housing. The program has funded 11 hundred units. The requested funding provides 90 additional units and modifications for accessibility to an additional 40 units.

[2:11:10 PM](#)

Reference Number 47066

Mr. Campbell detailed reference number 47066 and phase one of the Fire Protection System. He explained that this is a statewide program requesting \$3,450,000 of corporate dividend receipts. The purpose of the project is evaluation of life safety code repairs for public housing throughout the state. The project reduces maintenance cost and increases the useful life of the structure. He mentioned a previous capital budget observing the properties for evaluation. This appropriation allows implementation based on recommendations.

Reference Number 47068

Mr. Campbell noted reference number 47068 and a request for \$750,000 for Security System Replacement and Upgrades. He announced that the program was statewide with the purpose of upgrading existing security and door access systems in senior, disabled, and multifamily public housing complexes.

Reference Number 47069

Mr. Campbell introduced reference number 47069 the Building System Replacement Program. He announced the new program and noted the request for \$2,500,000 of corporate dividend receipts. The purpose addresses specific repair or replacement of items identified in a five year review. The project addresses major roof replacements, sidewalks, retaining walls, and paint for siding.

[2:14:12 PM](#)

Reference Number 6347

Mr. Campbell addressed reference number 6347 and the Housing and Urban Development Federal Home Grant Program requesting \$3,300,000 in federal receipts with a corporate dividend match of \$750 thousand. The purpose of the program is expansion of low and moderate income housing. He praised the plan to design and implement strategies for the achievement of safe, energy efficient and affordable housing. The program funded 44 rental projects containing 818 units and

rehabilitated 373 low income family units, while assisting 315 low income households to purchase homes.

Reference Number 6342

Mr. Campbell addressed reference number 6342 and the Housing and Urban Development Capital Fund Program. The request is for \$3,200,000 in federal receipts. The purpose of the program is to receive federal funds for the public housing program for the renovation of public housing units owned by AHFC.

Reference Number 6348

Mr. Campbell addressed reference number 6348 and the Federal and Other Competitive Grants. The request is \$1,500,000 in corporate receipts for match purposes and \$3 million of federal receipts. The purpose of the program is to allow AHFC to apply for opportunities from Housing and Urban Development (HUD) or other agencies targeting housing needs and support services of low income and special needs groups.

[2:16:59 PM](#)

Reference Number 6350

Mr. Campbell discussed reference number 6350 and the Competitive Grants for Public Housing. The request includes \$750 thousand in corporate receipt authority with a match of \$250 thousand of corporate dividend receipts. The program is similar to reference number 6348, except it addresses public housing residents.

Reference Number 6351

Mr. Campbell discussed reference number 6351 and the Energy Efficiency Monitoring Research. The request is \$2 million of corporate dividend receipts. The purpose of the project is the provision of a designated grant to the cold climate housing research center. The cold climate center conducts housing construction research analysis and provides information dissemination among the housing industry and the public.

Co-Chair Stedman asked about the annual increase in the program's requests. He observed that the appropriated money was spent. He requested that the committee retain flexibility regarding fund appropriation.

[2:19:14 PM](#)

Mr. Fauske explained that the purpose of the requests was to provide a list of projects that AHFC plans to continue and

their associated costs. He anticipated that the session would provide the appropriate changes to the requests.

Co-Chair Stedman asked if the requests are listed in priority order. Mr. Fauske affirmed that the requests are listed in priority order. He offered to provide additional detail regarding new projects and increased requests.

Reference Number 32526

Mr. Campbell described reference number 32526 and the State Energy Program Special Projects. The request includes \$150 thousand in federal receipt authority with a \$50 thousand corporate dividend receipt match. The program's purpose enables the state to apply for and participate in special projects funded by the Department of Energy (DOE).

[2:20:58 PM](#)

Reference Number 40068

Mr. Campbell discussed reference number 40068 and the Statewide Project Improvements. The request equals \$3 million in corporate dividend receipts. The purpose includes funding to address known and unknown conditions in AHFC's housing stock. He mentioned units throughout the state with needs estimating \$13 million.

Reference Number 43076

Mr. Campbell discussed reference number 43076 and the Loussac Manor Renovation and Replacement. The request is for \$8,492,400 of corporate dividend receipts. The request completes phase three of the project. Estimates were reviewed and the replacement costs are \$15.1 million by a 2007 estimate. For renovation, the cost is \$13 million. He thought it advantageous to replace the 15 units.

Mr. Fauske informed that the mentioned location is a valuable piece of property. He explained that the \$8,492,000 will leverage between \$28 and \$32 million due to the use of tax credits. The result is a 120 unit development project.

[2:25:49 PM](#)

Co-Chair Hoffman asked if the investment property's future includes privatization. Mr. Fauske concurred that the property would house low and moderately low income families. The tax credits provide leeway for the rent structure.

Co-Chair Hoffman if the state would continue to own the property. Mr. Fauske affirmed that the state will remain owner of the property with the right to determine tenants.

Co-Chair Hoffman asked the category of low to medium income. Mr. Fauske answered those families within 80 percent of Area Median Income (AMI).

[2:27:03 PM](#)

MARK ROMICK, DIRECTOR, PLANNING DEPARTMENT, ALASKA HOUSING FINANCE CORPORATION, DEPARTMENT OF REVENUE (testified via teleconference), answered the question about income category. He informed that the income eligibility for a family of four is \$77 thousand per year, with 80 percent at \$56 thousand per year, and 60 percent at \$40 thousand per year.

Co-Chair Hoffman asked if the state is participating in assistance in medium income homes. He asked about the opinion of private enterprise regarding the involvement of the state in medium income homes. Mr. Romick answered that AHFC participates with less than 80 percent of the medium income homes. He cautioned about heavy competition with the private sector.

Co-Chair Hoffman asked if the income requirements would remain the same once the property is owned by private enterprise. Mr. Romick replied that rent and income restrictions remain consistent for 15 to 30 years.

[2:30:06 PM](#)

JIM GURKE DIRECTOR OF PUBLIC HOUSING, ALASKA HOUSING FINANCE CORPORATION (AHFC), (testified via teleconference) announced that requirements for units designated as public housing remain the same. He stated that AHFC retains fiduciary responsibility to HUD for necessary assurances.

Co-Chair Hoffman asked if the concept of mixed finance developed was considered in other state regions. Mr. Gurke answered that the practice is common throughout the country. Currently the project is the only one of its kind in Alaska. The type of project is known as mixed finance development, with public and private funding leveraging each other to build affordable units.

Mr. Fauske announced AHFC's goal to apply the process to other regions of the state as an avenue to affordable housing.

Co-Chair Hoffman expressed concern that additional rural Alaskans might leave their home towns to live in the affordable housing in Anchorage. He expressed relief to know that similar projects will occur statewide.

Senator Thomas asked how many square feet were available for the project.

[2:33:44 PM](#)

Mr. Gurke estimated that 50-60 thousand square feet exist among the livable space. He lacked the requested number of total available square feet in the project. Senator Thomas asked Mr. Gurke to present the information to the committee in the near future. He expressed surprise that the elevator requirement was avoided in public buildings.

Mr. Gurke responded that the property is substantial and the design plan envisions a collection of eight-plex buildings that span the perimeter of the property as one story buildings. He noted that one building in the project plans contains an elevator.

Mr. Fauske informed about an old building with centralized location in need of repair. The location provides access to the bus and other social services.

[2:37:34 PM](#)

Mr. Gurke answered the question about square footage for the mentioned site as 119 thousand square feet of living area and 8000 square feet for the community center.

Mr. Campbell discussed reference number 41531 and the Denali Commission Project. He noted that the request is for \$5 million in federal receipts with the purpose of administering the Denali Commission's housing programs in rural Alaska. The programs include both teacher and senior housing programs.

Reference Number 45388

Mr. Campbell addressed reference number 45388 and the Statewide Energy Improvements. The request is for \$5 million in corporate receipts. The purpose is to implement some of the energy efficiency findings developed under the energy audit process. The goal is to renovate AHFC properties to the same standards.

Reference Number 45389

Mr. Campbell addressed reference number 45389 for \$500 thousand of corporate dividend receipts. The Americans with Disabilities Act (ADA) requires upgrades. He mentioned that the project was ongoing and a similar request would be made of the legislature next year.

Reference Number 47070

Mr. Campbell addressed reference number 47070 and the Birch Park II Building Reconstruction. The purpose is to rebuild

the four-plex structure in Fairbanks recently destroyed by fire. The original request was for \$800 thousand in corporate receipts and \$640 thousand in federal receipts. He noted the amendment to the Office of Management and Budget (OMB) to reduce the corporate dividend receipts down to zero while retaining the federal receipts of \$640 thousand.

[2:41:35 PM](#)

Reference Number 45390

Mr. Campbell addressed reference number 45390 and the Homeless Assistance Program. The purpose is to address homelessness, providing assistance to families in imminent danger of becoming homeless, or those currently homeless. The request is \$6 million in corporate dividend receipts, \$500 thousand in mental health trust authority receipts, \$500 thousand in general funds mental health, \$1 million in statutory designated funding, and \$2 million of federal receipts. A ten year plan to end long term homelessness in Alaska was developed and is currently reviewed for internet posting.

Mr. Fauske noted that the council will meet to review the ten year plan recommending construction of multiple units. He expressed satisfaction with the process.

[2:45:14 PM](#)

Reference Number 6360

Mr. Campbell discussed reference number 6360 and the Homeless Assistance Program Beneficiary and Special Needs Housing. The program request equals \$1,750,000 of corporate dividend receipts. The purpose is to provide funds for Alaskan nonprofit service providers and housing developers. The benefits include increased housing opportunities for Alaska mental health trust beneficiaries.

Reference Number 43318

Mr. Campbell addressed reference number 43318 and the Emergency Assistance Grants for Mental Health Trust Beneficiaries. The request is for \$200 thousand in mental health trust authority receipts. The purpose is to support beneficiaries in maintaining home ownership or long term rental stability.

[2:47:43 PM](#)

Senator Thomas suggested that the cited cost for the four-plex unit in Fairbanks was excessive at \$1.4 million. Mr. Fauske responded that bids were analyzed and the numbers were reasonable. Senator Thomas asked when the project was

last bid. Mr. Fauske answered that it was out to bid twice, last summer. Senator Thomas recommended that the project receive yet another bid.

[2:50:12 PM](#)

Co-Chair Stedman introduced the final item for the hearing, the request for the Alaska gas spur line.

Reference Number 45291

Ms. Blaisdell discussed reference number 45291 and the Alaska Gas Spur Line. She informed that the request equaled \$8 million. The funds would go to the Alaska Natural Gas Development Authority (ANGDA). The original request was \$5 million, which addressed many logistics involved in the gasline's establishment. The process helped determine that \$10 million is a more realistic amount. She mentioned \$2 million available in a different appropriation from another agency that might provide for the spur line. The \$8 million would enable development of an in-state gas line. She mentioned Harry Noah and Harold Hines as two individuals defining specifics regarding the creation of the instate gas line. He promised a detailed work plan detailing the use of the requested funds for the committee. Co-Chair Stedman asked why the \$8 million request is ranked last in the order of projects presented to the committee.

Ms. Blaisdell answered that the agency was heard first and the list is alphabetical. She noted that using alphabetical order, the departments fall behind the agency requests. Housing falls before natural in the alphabet.

Senator Thomas asked about the route for the spur line.

Ms. Blaisdell responded that another bill was recently introduced to expand the scope of Alaska Natural Gas Pipeline Development Authority to address the Western Slope and the Brooks Range as a couple of possibilities. She believed that the pertinent route was North Slope Gas to South central Alaska. She was not aware of the route's specifics.

[2:54:13 PM](#)

Senator Huggins asked about appropriating additional money without a clearly outlined concept. He stated that the committee required the concept and route prior to appropriating funds. He asked where the allocated money would rest. Ms. Blaisdell answered that currently the money will go to ANGDA. She stated that the committee would receive a detailed account of the proposed spending as early as tomorrow.

Senator Huggins asked about the letter written by the commissioner of DOR to ANGDA recommending that they cease spending for some reviews. Ms. Blaisdell stated that she had not reviewed the letter either. She mentioned that the department was reviewing all appropriations to ensure that they fit within the scope of work.

Senator Huggins asserted that the committee members understood the criticality of instate gas. He mentioned the two related bills and he assumed that they may pass in lieu of the \$8 million dollars requested today.

Ms. Blaisdell responded that there are three pieces of legislation. The instate gas bill has a fiscal note. The interstate transmission bill has a different fiscal note. The instate gasline is similar to this \$8 million project, but differences exist as well.

[2:57:41 PM](#)

Co-Chair Hoffman requested information about the viability of the gasline once the spur line is built. The spur line may jeopardize the economic viability of the gasline to the lower 48. He wondered if the appropriation of \$10 million addresses the question.

Ms. Blaisdell did not have an answer, but promised to pass the question along to those hosting the ANGDA meeting.

SB 75 was HEARD and HELD in Committee for further consideration.

[2:59:22 PM](#)

ADJOURNMENT

The meeting was adjourned at 2:58 PM.