

HOUSE FINANCE COMMITTEE
February 19, 2014
1:37 p.m.

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CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 1:37 p.m.

MEMBERS PRESENT

Representative Alan Austerman, Co-Chair
Representative Bill Stoltze, Co-Chair
Representative Mark Neuman, Vice-Chair
Representative Mia Costello
Representative Bryce Edgmon
Representative Les Gara
Representative David Guttenberg
Representative Lindsey Holmes
Representative Cathy Munoz
Representative Steve Thompson
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Representative Lance Pruitt; Robert Brean, Director, Research and Rural Development; Dirk Craft, Staff, Representative Pruitt.

PRESENT VIA TELECONFERENCE

John Anderson, Operations Officer, Alaska Housing Finance Corporation, Anchorage.

SUMMARY

HB 297 HOME ENERGY RATING SYSTEM

HB 297 was HEARD and HELD in committee for further consideration.

#hb297

HOUSE BILL NO. 297

"An Act recognizing the Alaska Housing Finance Corporation as the authorizing agency to approve home energy rating systems for the state; and providing for an effective date."

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REPRESENTATIVE LANCE PRUITT discussed HB 297, which recognized the Alaska Housing Finance Corporation (AHFC) as the state's home energy rating system authorizing agency for the purpose of approving home energy rating systems in Alaska. The bill's intent was to protect the investment made by Alaska via AHFC in developing its own energy rating system. He mentioned the popular rebate and weatherization programs. He noted that AKWarm was the software used and updated since 1996. The software and system was specifically designed for Alaska and recognized by the Alaska real estate and home loan industry. The system was directly tied to AHFC programs related to rebates and weatherization. He stressed that the legislation benefitted the state and its citizens.

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Co-Chair Austerman asked about the third parties that were attempting to identify themselves in the federal legislation. He wished to better understand the efforts and asked if the third parties operated outside of Alaska.

Representative Pruitt replied that the third parties existed outside of Alaska, and he preferred that the question be addressed by AHFC.

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Co-Chair Stoltze asked if AHFC could handle the project.

ROBERT BREAN, DIRECTOR, RESEARCH AND RURAL DEVELOPMENT, testified that home energy rating systems were used throughout the country. He explained that a new organization tasked with coordinating the activities of the various organizations was attempting to insert itself into the federal budget to receive an allocation for home energy

ratings on behalf of all of the states. He stated that Alaska took exception to the idea as the state was already engaged in a similar process with the development of AKWarm. The software was developed, purchased and maintained with public funds. The software was free and available to anyone in the 49 states. He stated that the national private organization attempted to insert itself as a national lab or university think-tank to receive funding from the Department of Energy before the funds would become available to the states. He opined that the relationship should exist between the states and the federal government prior to the involvement of third parties.

Mr. Brean believed that AKWarm was one of the best rating systems in the nation as it was utilized in a harsh climate. The Department of Energy acknowledged the high quality of Alaska's rating system. The national system was known as Residential Energy Network System (RESNET). He pointed out that RESNET has positioned the organization to review any rating systems in the Lower 48 for approval. He noted that the state had submitted AKWarm for approval to RESNET who denied the rating system for lack of cooling loads. Alaska had very little use for cooling loads.

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Mr. Brean informed the committee that owner of RESNET was a prior employee of the state of Alaska, who took the AKWarm draft to the Lower 48 to establish a private business model. The proposed legislation intended to review the state's rating systems to determine whether they were appropriate for the Alaskan climate. The AKWarm system recognized data from five different regions across the state.

Mr. Brean noted that the bill allowed Alaska Housing Finance Corporation (AHFC) to compare other state's rating systems to AKWarm. He believed that the issue was one of states' rights and protection. The legislation was good public policy to ensure that the Alaskan rating system was appropriate for the unique climate.

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Co-Chair Stoltze noted that the finding section of the bill was located in the body of subsection (h), which was unusual. He noted that typical drafting would include a

finding section and then the substantive portion beginning with "the corporation."

DIRK CRAFT, STAFF, REPRESENTATIVE PRUITT stated that his consultation with Legislative Legal Services yielded the recommendation for the bill's finding section.

Co-Chair Stoltze commented that the finding section would not become part of the statute, which he deemed unusual.

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Representative Wilson noted that the software was available to all at no cost. She asked if she could use the software for her own home.

Mr. Brean stated that the product was a free product and could be used as free public domain.

Representative Wilson asked if a private entity was permitted to offer a rating service.

Mr. Brean replied that consumers had the ability to use any software that they chose, however, AHFC could not finance a home that did not meet the minimum building energy efficiency standards measured by AKWarm. The legislation proposed the analysis of other rating companies to ensure it appropriate for climate, heating degree days and cost of fuel. The bill would ensure that any rating system used in the state was equivalent to AKWarm in determining the performance of a consumer's home.

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Representative Wilson clarified that the bill served those consumers interested in financing with AHFC, while an alternative rating system would be appropriate with financing from another lender.

Mr. Brean concurred and stated that the bill wished to provide ease to the consumer. He provided history about the buildings efficiency standards adopted by the state requiring that homes meet efficiency standards prior to loan approval by AHFC.

Representative Wilson wished to avoid government impeding private business.

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Representative Gara asked if the legislation addressed the one-to-five star rating system used by AHFC for their weatherization programs.

Mr. Brean concurred, and added that another goal was to ensure that an alternative rating system was at least as robust as AKWarm.

Representative Gara asked about the allowances of other rating systems.

Mr. Brean stated that the language approved other rating systems in the state; other rating systems were not prohibited. The free public domain software could be used by private enterprise without a cost. Other rating systems used in the Lower 48 required a percentage of rating for the developer of the software.

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Representative Gara clarified that AHFC may authorize alternative rating systems.

Mr. Brean concurred.

Representative Gara complimented AHFC on their weatherization program. He asked if federal funding would be jeopardized by the legislation.

Mr. Brean replied that federal funding would not be jeopardized.

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Vice-Chair Neuman asked if the standards proposed in the legislation were recognized by banking institutions.

Mr. Brean concurred; loans purchased from individual banks in Alaska were required to meet a minimum building energy efficiency standard.

Vice-Chair Neuman referred to his own home built to code and inspected appropriately in 1996. He wondered if the standards were applicable and recognized in 2014.

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Mr. Brean responded that Vice-Chair Neuman's house would be grandfathered in at those standards. He mentioned the new standard, but noted that older homes would be grandfathered in via the process in which they were inspected. He noted that the home energy rebate program would include a pre and post rating provided by AKWarm to determine energy efficiency performance.

Vice-Chair Neuman relayed that he was involved in the process with AHFC and AKWarm. He inquired about the fund specific to the home energy rebate program.

Mr. Brean replied that the residuals of the home energy rebate program existed with the Department of Revenue and AHFC drew down on the fund. Interest earned on the fund promoted the program. He stated that 150-250 homes were in the rebate process at any one time.

Vice-Chair Neuman asked if the legislation changed the location of the fund.

Mr. Brean answered no.

[2:01:14 PM](#)

Representative Munoz asked if an older home might be eligible for financing.

Mr. Brean noted that historical homes had certain requirements. Older homes often required improvements. Financing an older home was not his purview. He recommended the mortgage operations portion of AHFC as experts on financing. He noted that older homes were eligible for home energy ratings.

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Representative Munoz asked if an older home required energy improvements to be eligible for financing.

Mr. Brean replied that the age and condition of the house were evaluated prior to financing. He mentioned the necessity of insurance for the older home prior to the

approval of financing. He deferred the question to mortgage operations.

Representative Munoz stated that she represented many people with older homes.

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Representative Costello asked if the program could be used in a school.

Mr. Brean replied that AKWarm had been used for small commercial sized buildings, however the program did not transcend to large public facilities. He mentioned working with architects and engineers who understood energy efficiency. A recent evaluation showed that school districts could experience considerable savings with a focus on energy efficiency construction and good operation and maintenance practices. He mentioned the AHFC revolving loan fund that was available to public schools for energy efficient improvements to the facility. He stated that AHFC issued contracts for architects and engineers to evaluate public facilities with the goal of saving energy.

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Representative Thompson asked if the revolving loan program had been utilized.

Mr. Brean replied yes; municipalities, the Department of Transportation and Public Facilities and some school districts had taken advantage of the program. He pointed out that school districts hesitated to participate as they preferred a legislative appropriation. He stated that AHFC demonstrated the ease of generation for the loan payback, which had increased the interest in the program.

Co-Chair Austerman OPENED public testimony.

[2:07:37 PM](#)

JOHN ANDERSON, OPERATIONS OFFICER, ALASKA HOUSING FINANCE CORPORATION (via teleconference) commented that the requirement for financing with AHFC stated that any home built before 1992 was eligible without meeting energy standards.

Co-Chair Austerman CLOSED public testimony.

Representative Thompson understood that many state departments utilized services provided by the Alaska Cold Climate Housing program.

Mr. Brean replied that AKWarm had a grant with the Alaska Cold Climate Housing program working on the draft housing-needs assessment study. The working relationship was good.

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Vice-Chair Neuman offered to provide committee members with information from a recent presentation offered by Department of Transportation and Public Facilities related to performance contracting.

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Representative Gara discussed an Alaska Energy Authority (AEA) program used by private companies for large commercial buildings for energy audits.

Co-Chair Austerman stated that the bill would be held until a later date.

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Representative Pruitt spoke to the findings piece of the bill. He clarified that the Attorney General worked with AHFC to draft the proposed legislation's findings section. He stated that the appropriate changes were not opposed by himself or the corporation.

HB 297 was HEARD and HELD in committee for further consideration.

ADJOURNMENT

[2:11:35 PM](#)

The meeting was adjourned at 2:11 p.m.