

SENATE FINANCE COMMITTEE  
February 14, 2013  
9:02 a.m.

9:02:40 AM

CALL TO ORDER

Co-Chair Meyer called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

Senator Pete Kelly, Co-Chair  
Senator Kevin Meyer, Co-Chair  
Senator Anna Fairclough, Vice-Chair  
Senator Click Bishop  
Senator Mike Dunleavy

MEMBERS ABSENT

Senator Lyman Hoffman  
Senator Donny Olson

ALSO PRESENT

Jerry Burnett, Director, Division of Administrative Services, Department of Revenue; Daniel R. Fauske, Chief Executive Officer and Executive Director, Alaska Housing Finance Corporation, and President, Alaska Gasline Development Corporation, Department of Revenue; Frank Richards, Manager, Pipeline Engineering, Alaska Gasline Development Corporation; Les Campbell, Budget Director, Alaska Housing Finance Corporation, Department of Revenue; Ree Sailors, Deputy Commissioner, Family, Community and Integrated Services, Department of Health and Social Services; Jennifer Klein, Facilities Section Chief, Department of Health and Social Services.

SUMMARY

SB 18            BUDGET: CAPITAL

SB 18 was HEARD and HELD in committee for further consideration.

DEPARTMENT OVERVIEWS:

Department of Revenue:  
Alaska Housing Finance Corporation  
Alaska Gasline Development Corporation

Department of Health and Social Services

#sb18

SENATE BILL NO. 18

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

[9:03:08 AM](#)

^DEPARTMENT OVERVIEW: DEPARTMENT OF REVENUE

[9:03:27 AM](#)

JERRY BURNETT, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF REVENUE (DOR), addressed four DOR capital project requests.

Reference Number (RN) 56759  
Child Support Services Computer Replacement Project  
\$218,000

Mr. Burnett explained that there was a five-year replacement cycle for computer, server, and printer components in the division. He added that the request was annual.

Co-Chair Meyer noted that members' questions would be held to the end of Mr. Burnett's testimony. He acknowledged that Co-Chair Kelly joined the meeting.

Vice-Chair Fairclough asked Mr. Burnett to include page numbers for the committee's reference. Mr. Burnett replied that he did not have the page numbers. He noted that the four items should appear together in the budget backup.

RN 56758  
Permanent Fund Dividend Division (PFD) Computer  
Replacement - Phase 2  
\$130,000

RN 56757

Permanent Fund Dividend Division - Dividend  
Application Information System Software Conversion  
\$1.5 million

Mr. Burnett elaborated that the system was used to receive and process PFD applications and to make payments. Additionally, the system was used for the Pick, Click and Give program and PFD garnishment calculations. Over the past ten years the custom system had been written in a series of modules with PowerBuilder language or in Microsoft Visual Studio. The department wanted to rewrite the entire program in one language to standardize programming and avoid communication problems within the system.

RN 57093

Alaska Permanent Fund Corporation (APFC) NetApp Filer  
\$55,000

Mr. Burnett explained that the network appliance operated to switch the storage location within the network system. He noted that the proposed item would be funded with APFC gross receipts.

Vice-Chair Fairclough asked for a briefing on processes in place used to "true-check" security related to new software systems. During an APFC tour she had learned that the system received a significant number of on-going break-in attempts.

Mr. Burnett answered that the department could provide a briefing at a later time. He communicated that one of the primary reasons for rewriting the software related to internal controls. He furthered that the use of multiple modules and programming languages made it challenging to have sufficient system checks.

Vice-Chair Fairclough believed the agency was doing an excellent job securing Alaska's asset. She wanted to ensure that a second look was taken at the new software to verify its correct functionality.

Co-Chair Meyer believed the entire committee shared the same concern and that members could follow up on the issue.

9:10:11 AM

ALASKA GASLINE DEVELOPMENT CORPORATION (AGDC)

9:10:29 AM

DANIEL R. FAUSKE, CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR, ALASKA HOUSING FINANCE CORPORATION, AND PRESIDENT, ALASKA GASLINE DEVELOPMENT CORPORATION, DEPARTMENT OF REVENUE, introduced a Power Point presentation titled "Alaska Housing Finance Corporation Budget Presentation to Senate Finance, February 14, 2013."

FRANK RICHARDS, MANAGER, PIPELINE ENGINEERING, ALASKA GASLINE DEVELOPMENT CORPORATION, discussed funding items on slide 1.

RN 51753

AGDC - Alaska Gasline Project, Year 4 (FEL 2 & 3)  
\$25 million

Mr. Richards elaborated that the purpose of the request was to advance an in-state natural gas pipeline from Prudhoe Bay to Fairbanks and continuing down to Cook Inlet to provide natural gas for Alaskans. Slide 1 showed a trumpet curve representing how mega projects were advanced from the concept stage through completion. The corporation had presented the project plan to the legislature for the end of the front-end loaded (FEL) Phase 1 that identified a concept moving forward. The \$25 million request would advance the project engineering, permitting, and regulatory land work into FEL 2 (Alternative Selection). He elaborated that at the recent instate natural gas caucus AGDC had optimized its project plan from a rich gas case to a lean gas case; the change had allowed AGDC to open up pipeline access to communities along the route more easily and at a lower cost. He furthered that major straddle plants would no longer be required to pull natural gas liquids out of the stream to provide methane to Fairbanks. Overall tariff costs would be reduced and gas affordability would increase for Alaskans.

Mr. Richards relayed that AGDC had acquired assets over the past couple of years including 600 miles of state right-of-way; it would soon acquire 100 miles of federal right-of-way. The corporation had received a final environmental impact statement and had advanced engineering for the

pipeline. Additionally, AGDC had initiated engineering for its facilities contractor. He stated that the proposed funding increment would allow AGDC to advance the gas conditioning design to the next phase.

[9:13:43 AM](#)

Mr. Richards pointed to slide 2 that identified how the capital project funds would be spent. Funding would be used for front-end engineering and design aspects; it would allow AGDC to advance the design to better optimize and understand cost implications and how they would be related to consumers through a tariff. Additionally, funding would advance the corporation's environmental and regulatory aspects and would continue stakeholder engagement. He stated that the project goal was to reach an open season when AGDC would communicate to shippers and purchasers of gas what it would ultimately cost for them to commit gas to the project pipeline. The corporation's optimized plan showed an open season at the end of 2014/2015 with project sanction in the 2015 timeframe.

[9:14:37 AM](#)

ALASKA HOUSING FINANCE CORPORATION (AHFC)

Mr. Fauske relayed that AHFC's mission statement was to provide Alaskans access to safe, quality, affordable housing (slide 3). He read slide 4:

- Bonds and Financing
- Loans
- Public Housing
- Energy

Mr. Fauske believed the corporation continued to successfully fulfill its mission. He communicated that demand always exceeded supply, but AHFC was working to keep up through innovative financing strategies and maximizing tools to get projects going. He read from slide 5:

As of the end of FY 2012, AHFC assets totaled \$4.073 billion.

Accomplishments:

- AHFC's general obligation credit continued to maintain its strong AA+ rating through FY 2012; recognized among the strongest in the country.
- \$229.1 million of long-term debt was issued in FY 2012.
- Dividend of \$9.2 million made to the State of Alaska in FY 2012; totals nearly \$2 billion.

Challenges:

- Federal fiscal policy; low interest rates, low investment returns.

Mr. Fauske communicated that the largest problem facing AHFC was the inability to compete with the federal government's continued printing of money and low interest rates. He expounded that AHFC was always one-eighth or one-fourth of a point off when it went to market to issue debt. He noted that AHFC had not believed that the current federal fiscal policy trend would last as long as it had. He elaborated that Federal Reserve System (Fed) Director Ben Bernanke had announced that interest rates would not be changed until later in 2015. He explained that as a result the corporation had taken a \$70 million "hit" on interest earnings; because AHFC is a short-term investor and was constantly recycling cash there was nothing it could do. He continued that AHFC had gone from earning 4 to 5 percentage points on its funds to one-tenth of 1 percent (10 basis points). He recalled an instance when overnight Fed rates had been negative. He stressed that it was difficult maintaining a dividend at a certain level when significant hits were taken. He believed the difficult times would pass; AHFC was financially strong and one of the best housing finance corporations in the country. The low interest rates were impacting housing finance corporations nationwide. He stated that AHFC had been blessed with the ability to be creative because of its strong asset base. He added that that the corporation would have to ride the situation out and that federal fiscal policy was beyond its control.

[9:19:04 AM](#)

Mr. Fauske addressed loan programs on slide 6:

Accomplishments (FY 2012):

HomeChoice homebuyer education

- 174 classes to 1,693 Alaskans - 70% lift over previous year
- Low foreclosure activity, .05 percent or 91 loans

\$416.2 million in loan activity for more than 1,800 Alaskan families

- \$115.4 million for first-time homebuyers
- \$107.1 million for rural loans
- \$25.9 million for Veteran's

Challenges

- Low interest rates = 8.5 percent reduction in portfolio to \$2.53 billion

Mr. Fauske elaborated that Alaska was one of five states that had a veterans' program; it was the one loan program in Alaska that required voter approval (it had been on the ballot five times and had always passed with between 72 to 75 percent approval). He detailed that it was the one bond that had the state's backing due to a federal requirement. He added that the program functioned beautifully and never had any problems. He relayed that Alaska had the most veterans per capita in comparison to other states and that AHFC was proud of the program.

Mr. Fauske expounded on the low interest rate challenge (slide 6). He explained that AHFC's mortgage department was making money; however, money was "going out the back door" because homeowners were refinancing at lower interest rates offered by federally backed entities.

[9:21:07 AM](#)

Mr. Fauske turned to slide 7 titled "Public Housing Programs." Public housing made up the largest share of AHFC; it encompassed housing choice vouchers, senior housing for people with disabilities, and family self-sufficiency. He read from slide 8:

Public Housing

- Mainly funded by U.S. Housing & Urban Development (HUD) for operating, maintaining & constructing low income housing.
- AHFC owns 1,011 family units, 610 housing units for seniors or those with disabilities; and distributes more than 4,300 vouchers in 13 locations that provide rental assistance - \$2.5 million/month.

Mr. Fauske communicated that public housing was primarily federally funded and AHFC was cautiously optimistic about funds that would be provided.

LES CAMPBELL, BUDGET DIRECTOR, ALASKA HOUSING FINANCE CORPORATION, DEPARTMENT OF REVENUE, moved to an FY 13 supplemental request on slide 9.

RN 48811  
 San Roberto/Mountain View Development  
 \$3.2 million in state general funds  
 \$22 million AHFC bonds  
 \$5.092 million AHFC dividends (reappropriation)

Mr. Campbell detailed that the project's purpose was to add the Mountain View development to the San Roberto redevelopment that had been appropriated several years earlier. Combining the two projects drew efficiencies and addressed affordable housing needs. He listed projected outcomes shown on slide 9:

- Increase supply of public housing
- Increase development efficiencies
- Use federal rental assistance that is currently in reserve
- Develop a mixture of family and senior housing
- Improve local neighborhoods

Mr. Campbell reiterated that combining the projects would increase efficiencies within the development process. He elaborated that the San Roberto project would redevelop 16 units into 18 units on San Roberto Street; the Mountain View property had a total of 80 family and senior housing units.

[9:24:27 AM](#)

Mr. Fauske interjected that the reappropriation increment would be funded with money saved on the Loussac development in Anchorage.

Mr. Campbell added that AHFC was using Loussac Manor as a model for the San Roberto/Mountain View project. He relayed that at the time of the Loussac project AHFC did not have a subsidiary and could not develop the project itself. Subsequently, AHFC had received legislative authority to create a subsidiary. The subsidiary would help AHFC to maintain and hold the property itself. He pointed to the mixed financing structure on slide 10. He explained that \$22 million would be combined with \$7.5 million in bonding authority in order to create a mechanism for AHFC to access tax credits; the funds would be augmented by the corporate dividends that were already in place, the dividend reappropriation, and \$3.2 million from the mortgage settlement fund.

Mr. Campbell relayed that funding would combine with other capital projects to get federal receipts; the bonding mechanism would provide access to approximately \$8 million (AHFC estimated that between \$8 million and \$11 million in tax credits would go towards the property). He furthered that the bonds would be paid off when the property was completed. The corporation was excited about the project that would add approximately 80 units to the public housing portfolio; the Riverbend project in Juneau was the last major development (about 18 years earlier). He added that the project would take approximately \$11 million in state funds and would leverage about \$22 million in other funds.

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Mr. Campbell added that his colleague could elaborate on the mixed financing structure.

Co-Chair Meyer observed that the project was needed. He noted the financing looked creative. Mr. Campbell replied that the project had been included as a supplemental request due to timing issues; AHFC wanted to secure financing in order to hire a developer. He noted that development would begin in about one year; AHFC would provide an update to the legislature at that time.

Vice-Chair Fairclough pointed to the national debt and asked if any of the federal funding was targeted for potential cuts. Mr. Campbell answered that much of the money for the capital fund was already in place. He communicated that the only funding that could potentially be affected was for the FY 14 capital fund program. He relayed that if it occurred the federal sequestration issue would begin on March 1, 2013 (the FY 14 budget would conclude on September 30, 2013). He stated that most of the funding would not be affected.

Senator Dunleavy asked how federal interest rates impact AHFC's internal projection models.

9:29:49 AM

Mr. Fauske replied that AHFC was constantly monitoring interest rates. The corporation had restructured on some of its variable rate debt that was carefully managed. He continued that AHFC was in the process of designing a new mortgage program that would be beneficial and would bring approximately \$6 million to the corporation's "bottom line" through creative financing mechanisms. He elaborated that AHFC would be in the market for approximately \$400 million in the current year to refinance existing debt at a lower rate and to replenish funds; the number was not bad, but AHFC would like it to be higher. He stressed that low interest loan refinancing was the largest challenge facing AHFC.

Mr. Fauske believed the corporation would remain competitive in niche markets including first-time homebuyers, veterans, and others. The corporation anticipated that low interest rates would continue for another 1.5 to 2 years. The corporation knew where it fit into the market; its bonds were actively sought after among Alaskans and on Wall Street. He explained that when the corporation sold bonds it always had a retail-only period for Alaskans. He stated that AHFC was as competitive as possible. He pointed to instances when AHFC had been happy with a deal it had brokered, but due to the announcement of reduced federal interest rates, the deal had been off by one-eighth of a percent. He continued that the low rates had diminished AHFC's ability to participate in different markets that it used to have a more prominent role in. He remarked that the current market was grim on the tax exempt

side and observed that there was hardly any differentiation between tax exempt and taxable.

[9:32:49 AM](#)

Senator Bishop believed the project would help continue improving the Mountain View area. He had previously been involved in training facilities in the area to provide kids and adults a place to go to learn different skills. He was impressed with the improvements.

Mr. Fauske responded that AHFC had purchased 6.5 acres near Glenn Square [in Mountain View] and had negotiated a deal with Special Olympics for another acre. He described the location and added that Bass Pro Shops would be opening on the site. He discussed that development had increased jobs and was invigorating the neighborhood. He stressed that the investment could turn out to be very good.

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Mr. Campbell relayed that the Loussac development had been used as a model for the project and the corporation would enhance the model as development occurred; it planned to use the model to produce additional housing in the future. Mr. Campbell moved to slide 11:

RN 54796  
Domestic Violence Designation Program (Empowering  
Choice Housing Program)  
\$1.5 million

Mr. Campbell shared that the project's purpose was to provide rental assistance to victims of domestic violence and sexual assaults in order to prevent further harm. The project was expected to provide rental assistance for up to 250 households statewide and to enhance the governor's Choose Respect initiative.

Vice-Chair Fairclough observed that the expense appeared to be reoccurring. She wondered why the appropriation request was for the capital budget and not the operating budget. Mr. Campbell replied that the item had been included in the capital budget the prior year and that it would be an ongoing request. He acknowledged that the request could be moved to the operating budget. He explained that tenants

had a time limit of three years in the units; therefore, three years of funds were obligated to the families.

Vice-Chair Fairclough discussed that the legislature had been very supportive of assisting families that were experiencing violence and working to stop generational violence. She thought the item should be considered for the operating budget. She believed the increment would help prevent families from being bumped down on the housing list when families experiencing domestic violence with a more immediate need were placed at the top.

[9:37:57 AM](#)

Mr. Campbell answered that the demand for AHFC's regular voucher system exceeded the supply; therefore, the corporation had designated federal and operating budget funds for the program.

Co-Chair Meyer remarked that the money would be needed ongoing.

Mr. Campbell addressed a statewide project improvement funding request on slide 12:

RN 40068  
Statewide Project Improvements  
\$2 million

Mr. Campbell detailed that the project addressed known and unknown conditions in AHFC's housing stock. He listed project outcomes shown on slide 12:

- Funding for emergency repairs, i.e., roof replacements, fire alarm systems, etc.
- Quick response to code changes and life/safety issues
- Provide amenities not programmed
- Quick response to unforeseen conditions
- Enhance operations for individual Asset Management Projects (AMPs)

Mr. Campbell elaborated that the program would help AHFC to keep up with and get ahead of the deterioration of existing components. The primary function was to address major or extraordinary work items that were identified annually

through the Physical Needs Assessments (PNA) produced by the housing maintenance staff and asset supervisors. A copy of the current PNA had been provided to staffers that week. He noted that PNA needs totaled over \$23 million. He relayed that the program would be ongoing.

Mr. Campbell pointed to the Building System Replacement Program on slide 13:

RN 47069  
Building System Replacement Program  
\$1.5 million

Mr. Campbell communicated that the program addressed specific major repairs and/or replacement items identified in a five-year review. The project would reduce maintenance costs, increase the useful life of a structure, and increase safety for tenants. The request had been proposed for the capital budget because AHFC did not have replacement reserves for building items such as roofs, parking lots, siding, and other. He relayed that there was not debt on the buildings.

[9:41:19 AM](#)

Mr. Campbell looked at an increment for fire protection systems on slide 14:

RN 47066  
Fire Protection Systems  
\$2.2 million

Mr. Campbell shared that the systems' purpose was to flush, evaluate, and make life/safety code repairs to public housing fire protection systems on all AHFC properties throughout the state. The project would reduce maintenance costs, increase the useful life of structures, and increase safety for tenants. Mr. Campbell looked at slide 15:

RN 47068  
Security Systems Replacement/Upgrades  
\$500,000

Mr. Campbell highlighted that the increment's purpose was to upgrade existing security and door access systems to senior housing for those with disabilities and multi-family

public housing complexes. He listed projected outcomes on slide 15:

- Increase security for residents
- Reduce theft and vandalism
- Reduce maintenance and custodial costs
- Increase useful life of structures

Mr. Campbell relayed that AHFC anticipated two additional funding requests for the replacement/upgrades in the upcoming two years.

Mr. Campbell moved to a Housing Loan Program request on slide 16:

RN 37918  
Housing Loan Program  
\$6 million

Mr. Campbell discussed that the program would provide gap funding to increase homeownership and rental units. The program was primarily used in rural areas to increase housing for teachers, health professionals, and public safety officials. There was one allocation to teachers, health professionals, and public safety officials and one allocation to Village Public Safety Officers (VPSO). He addressed slide 17:

RN 49395  
Housing Loan Program: Teacher/Health/Public Safety  
\$5 million (allocation)

Mr. Campbell explained that the increment was part of the Housing Loan Program allocation that would provide gap funding to increase home ownership and rental units for teachers, health professionals, and public safety officials in rural Alaska. He pointed to the second program allocation on slide 17:

RN 49369  
Housing Loan Program: VPSO  
\$1 million

Mr. Campbell elaborated that the allocation would provide gap funding to increase home ownership and rental units for VPSOs in rural Alaska. The program increased affordability for housing purchases by low- to moderate-income families

and lowered interest rates on AHFC mortgage programs to attract loan volume and generate net income.

Mr. Fauske provided a brief history of Housing Loan Program. In the past he had been asked to help with recruitment and replacement. He detailed that either salaries could be increased or the gap in financing could be addressed. For example, he explained that gap funding would address a situation where a rural Sixplex cost \$1 million, but was budgeted at \$700,000. The corporation's approach was to remove the gap to by providing a project access to unlimited financing through Wall Street. Additionally, AHFC provided school boards and others with the ability to borrow money. He had been hesitant at first, but the program had become very popular; 330 to 350 units had been built throughout the state in remote areas. He stated that the VPSO portion had been challenging and AHFC was working to prioritize it. He added that funds coming out of the school foundation formula were captured, recycled, and leveraged.

Co-Chair Meyer appreciated the program. He observed that it was difficult to entice qualified teachers to work in remote areas where housing was a challenge.

[9:46:38 AM](#)

Senator Dunleavy asked how the program was working out. Mr. Fauske responded that the program was working quite well.

Mr. Campbell noted that to date 364 units had been funded; 87 of the 364 total were currently under development. A total of 11 units had been funded for the VPSO portion of the program; 9 of the 11 units were currently under development. He moved to slide 19:

RN 6323  
Supplemental Housing Development Program  
\$7 million

Mr. Campbell communicated that the program's purpose was to supplement federal housing funds provided to regional housing authorities to ensure safe, decent, affordable housing. He listed projected outcomes on slide 19:

- Construction of affordable homes in up to 20 urban and rural communities

- Build on-site water and sewer facilities
- Provide energy-efficient design features in homes
- Construct roads to project sites
- Provide electrical distribution systems
- Retrofit homes to provide a safe, healthy, workable home environment
- Provide clients with new, safe, energy efficient, comfortable housing

Mr. Campbell elaborated that the program matched up to 20 percent of the allowable HUD funds and helped with items that HUD did not fund. He relayed that none of the money was used for housing authority administrative costs.

Senator Bishop asked if the project shown on slide 20 was located in Ketchikan. Mr. Campbell replied that the images on slide 20 showed a development in Ketchikan.

Senator Bishop pointed out that the Department of Labor and Workforce Development was working with AHFC and that students trained through the Ketchikan Native Association were working on the project shown on slide 20.

Mr. Campbell noted that additional pictures were located in the AHFC FY 14 Budget Summary (copy on file).

[9:49:52 AM](#)

Mr. Campbell addressed slide 21:

RN 6351  
 Energy Efficiency Monitoring Research  
 \$1 million state general funds

Mr. Campbell highlighted that the project's purpose was to conduct research, analysis, information dissemination, and interchange among members of the industry, as well as between the industry and the public. He listed projected outcomes on slide 21:

- Conduct research, analysis, information dissemination and interchange among members of the industry, and between industry and the public
- Gather data and perform analysis of geographically diverse area energy-efficient designs for homes

- Monitor homes for energy usage, comfort levels, durability, occupant health and economic benefits of efficiency features.

Mr. Campbell expounded that the grant would be designated to the Cold Climate Housing Research Center (CCHRC) to provide the services. He relayed that much of the information used in the Weatherization Program and others was provided by CCHRC. Mr. Campbell directed attention to slide 22:

RN 6334  
Senior Citizen's Housing Development Program  
\$4.5 million

Mr. Campbell discussed that the increment would provide funds for development of senior citizen housing and accessibility modification to seniors' residences. He listed projected outcomes on slide 21:

- Three development projects or about 30 units
- Modifications for accessibility for approximately 40 units
- Provide technical assistance grants for building capacity in organizations that develop senior housing

Mr. Campbell shared that the program had funded 1,229 senior units and had provided accessibility modifications to more than 251 homes to date. Slide 22 showed images of a Cooper Landing project.

[9:52:11 AM](#)

Mr. Campbell looked at the HUD federal HOME Grant Program on slide 22:

RN 6347  
HUD federal HOME Grant Program  
\$750,000 general funds  
\$3.35 million federal receipts

Mr. Campbell noted that the \$750,000 million would be used as a match for the federal receipt funds. The project's purpose was to expand the supply of affordable, low- and moderate-income housing and strengthen ability of the state to design and implement strategies to achieve an adequate

supply of safe, energy-efficient and affordable housing. Projected outcomes were listed on slide 22:

- Develop affordable rental housing by funding development gap for four rental projects or about 50 units
- Weatherize 42 homes
- Assist 35 homebuyers to achieve homeownership for lower-income families by providing down payment and closing cost assistance
- Preserve low-income homes through a moderate rehabilitation

Mr. Campbell relayed that the program had funded 46 rental projects and 55 units of rental assistance. The program had additionally assisted 362 low-income households in the purchase of homes; it also provided tenant-based rental assistance. He explained that AHFC had a program set up through the Department of Corrections (DOC) to reduce the rate of recidivism in Alaska. He noted that the program had received national awards. The corporation was also working with the Department of Health and Social Services on a similar referral program for children aging out of foster care.

Senator Dunleavy asked if there had been a federal or state first-time homebuyer loan program for teachers. Mr. Fauske responded that AHFC still offered the no down payment program for teachers. The program was primarily used in urban areas, but there had been some rural activity.

Mr. Fauske communicated that he had chaired the governor's Council on the Homeless for multiple years. One of the problems that struck him was that when prisoners were released from custody they did not have a place to go unless they had family support. Therefore, he decided to work with DOC to address the problem. He noted that there had been stunning results in the program. The corporation looked forward to expanding the program in other areas of the homeless problem.

Mr. Campbell looked at slide 25 that showed images of the redevelopment of the Fairview Manor into the Weeks Field Estates in Fairbanks.

[9:56:06 AM](#)

Mr. Campbell looked at the HUD Capital Fund Program (slide 26):

RN 6342  
HUD Capital Fund Program  
\$3.2 million

Mr. Campbell stated that the purpose of the program was to renovate and modernize public housing rental units statewide. The projected outcomes were to modernize public housing rental units, code compliance, and conduct energy audits. He relayed that the current year's funding had been set aside for the San Roberto/Mountain View project.

Mr. Campbell looked at Federal and Other Competitive Grants on slide 27:

RN 6348  
Federal and Other Competitive Grants  
\$5 million federal receipts  
\$1.5 million general fund match

Purpose: Allow AHFC to apply for HUD, other federal agency, and private foundation grants that target housing needs and supportive services of low-income and groups with needs such as senior citizens, those with mental, physical, or developmental disabilities, or homeless Alaskans.

Projected outcome:

- Fund matching portion when needed
- HUD Supportive Housing
- Housing Opportunities for Persons With AIDS (HOPWA)
- USDA Housing Preservation Grant Program
- Grant Match Program
- HUD Technical Assistance Program

Mr. Campbell addressed Competitive Grants for Public Housing on slide 28:

RN6350  
Competitive Grants for Public Housing  
\$750,000 federal receipts  
\$350,000 general fund match

Purpose: Allow AHFC to apply for HUD, other federal agency, and private foundation grants that target housing needs of low-income and groups with special needs who live in public and/or assisted housing.

Projected outcome:

- Match requirements for federal grants such as:
  - o Family Self-Sufficiency (FSS) Coordinator and case workers
  - o Senior Services Coordinator
  - o Resident Opportunities and Supportive Services (ROSS) grant
- Match for operations of services, such as after-school programs, public housing developments and resident computer training labs

Mr. Campbell elaborated that the program gave AHFC the opportunity to take advantage of HUD grants when they became available.

[9:58:57 AM](#)

Mr. Campbell looked at AHFC Energy Programs on slide 29:

RN 52598  
AHFC Energy Programs  
\$50 million general funds  
\$1.5 million federal receipts

Mr. Campbell discussed that the purpose of the programs was to provide cost-effective energy improvements to homes throughout the state. The appropriation included the AHFC Weatherization Program and the AHFC Energy Rebate Program. He turned to the Weatherization Program on slide 30:

RN 50683  
AHFC Energy Programs - Weatherization  
\$30 million general funds  
\$1.5 million federal receipts

Purpose: Provide cost-effective energy improvements to homes occupied by low-income families throughout the state.

Projected outcome:

- Reduce household operating costs of the resident
- Improve resident health and safety
- Improve durability and longevity of housing stock
- Replace unsafe heating systems
- Install smoke detectors and/or carbon monoxide detectors
- Create and sustain local jobs

Mr. Campbell directed attention to before and after images of a weatherized home in rural Alaska.

10:00:19 AM

Mr. Campbell addressed the Home Energy Rebate program on slide 32:

RN 51947  
 AHFC Energy Programs - Home Energy Rebate  
 \$20,000,000

Purpose: Assist homeowners to decrease fuel consumption by providing rebates for making recommended, cost-effective energy improvements to their homes throughout the state.

Projected outcome:

- Reduce household operating costs of the resident
- Improve resident health and safety
- Improve durability and longevity of housing stock
- Replace unsafe heating systems
- Gather statistical intelligence about home energy consumption

Mr. Campbell relayed that both energy programs were popular. He added that the Home Energy Rebate program had no income limit and was available to all Alaskans. He looked at Statewide ADA Improvements on slide 33:

RN 45389  
 Statewide ADA Improvements  
 \$500,000

Purpose: Address recommendations suggested in the recent American Disability Act (ADA) audit.

Projected outcome:

- Comply with HUD Voluntary Compliance Agreement
- Comply with Americans with Disabilities Act (ADA)
- Comply with Section 504 of the Fair Housing Act
- Increase access for tenants and visitors with disabilities
- Allows for "aging-in-place" for seniors
- Increase unit rent-ability
- Maintain federal funding by complying with HUD mandates

Mr. Campbell shared that the program had been in place for the past couple of years and was expected to continue for a couple more years. He highlighted the Homeless Assistance Program increment in the Mental Health bill on slide 34:

RN 45390  
Homeless Assistance Program  
\$6,300,000 general fund  
\$850,000 Mental Health Trust Authority Receipts  
\$850,000 general fund/Mental health

Purpose: Support programs that address homelessness by providing assistance to families in imminent danger of becoming homeless or those who are currently homeless.

Projected outcome:

- Prevent near homeless individuals and families from becoming homeless
- Provide homeless individuals and families assistance to obtain safe, sanitary shelter

Mr. Campbell explained that the program may be leveraged with other funds such as Senior Housing Program, Home Program, or other. He relayed that all homeless assistance program funds would be combined and administered into one program by AHFC. He addressed the Beneficiary and Special Needs Housing increment in the Mental Health bill on slide 35:

RN 6360  
Beneficiary and Special Needs Housing  
\$1,750,000

Purpose: Provide funds for Alaskan Nonprofit service providers and housing developers to increase housing opportunities to Alaska Mental Health Trust beneficiaries and other special needs to populations throughout Alaska.

Projected outcome:

- Add 40 congregate housing units for people with mental illness or developmental disabilities
- Reduce recidivism among clients spending time in institutions
- Provide supportive housing, including assisted living, for people with mental, physical, or developmental disabilities, or multiple disorders
- Provide transitional housing with support services for newly recovering alcoholics and addicts

Mr. Campbell noted that slide 36 provided an example of a project completed in Juneau.

[10:04:56 AM](#)

Co-Chair Meyer noted that AHFC was doing an excellent job fulfilling many statewide needs.

Vice-Chair Fairclough asked if the home energy rebate program currently had as many applicants as there had been when the program first started. Mr. Fauske replied that there were currently 700 people on the program's waiting list. The corporation had held off on a major advertisement campaign because the program had been so successful and AHFC wanted to avoid a run on the bank. Outreach had been increased to let people know the program still existed. He clarified that AHFC wanted to offer the program to more homeowners, but wanted to ensure that it had enough funds to meet expectations. He relayed that when people learned about the program they tended to sign up quickly.

Vice-Chair Fairclough pointed to other housing units (e.g. duplexes, fourplexes, sixplexes, and other). She was interested to know how single family homes were accessing the program before expanding the program to other types of housing. She surmised that the program would allow families to save in multifamily housing units as well. She wondered

if there continued to be a need in the single family housing arena and about further expansion.

Mr. Fauske replied that the single family housing need continued to exist. He estimated that there were approximately 10,000 homes projected on the weatherization side. He pointed to rising energy costs throughout the state and opined that money allocated to the program was well spent given the immediate return and job creation. The program applied to condominiums, duplexes and fourplexes; an owner had to occupy some of the units. He relayed that the program had received many requests to expand beyond its current horizon to larger units. He believed increased funding for expansion would allow the program to include additional larger units.

[10:08:44 AM](#)

Vice-Chair Fairclough disclosed that she did not own rental properties.

Senator Bishop referred to the energy audit and weatherization programs. He stated that the program had been successful at providing job training. He noted that knowing how to install the upgrades was important in order for the maximum energy efficiency benefit to be obtained. He commended AHFC for providing training. He shared that he had received a heartfelt letter related to the tangible benefits the home energy rebate program offered to homeowners. He added that a neighbor had cut their fuel usage in half under the weatherization program.

[10:11:02 AM](#)

Mr. Fauske replied that the average rebate was approximately \$6,300, with an average expenditure of slightly over \$10,000. The approximate \$4000 difference equated to approximately \$27 million to \$30 million for the Alaskan economy; AHFC estimated that about \$4,000 jobs had been created. The corporation had worked to minimize the number of its employees in order to keep from becoming a bureaucracy; the majority of its workers were contractors, vendors, and others. He relayed that the weatherization program was offered to homeowners who were at "100 percent of medium income over the low" and the energy rebate program was offered to homeowners on the upper side. He reiterated an earlier statement that demand exceeded

supply. He reminded the committee of AHFC's \$250 million bond program for performance-based contracting; the program now had its first recipients and there had been over 360 audits around the state. The corporation was working with Department of Transportation and Public Facilities and others with a concentration on municipally owned facilities. He shared that the City of Kenai was planning to work on three of its structures. He detailed that under the program a contractor would guarantee that energy savings generated would service the debt on the bonds. He was anxious for the program to get underway; AHFC would work with the University of Alaska, school districts, and others. He encouraged committee members to remind constituents of the program. He added that AHFC had received requests from non-city owned entities (e.g. hospitals and other). He concluded that the consistent message the corporation received was to further expand the programs.

[10:13:56 AM](#)

AT EASE

[10:17:18 AM](#)

RECONVENED

^DEPARTMENT OVERVIEW: DEPARTMENT OF HEALTH AND SOCIAL SERVICES

[10:17:43 AM](#)

REE SAILORS, DEPUTY COMMISSIONER, FAMILY, COMMUNITY AND INTEGRATED SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, provided a Power Point presentation titled "Department of Health and Social Services FY 14 Capital Budget Request." She turned to slide 2:

RN 42830

Bethel Youth Facility Renovation, phase 2 of 2  
\$10.6 million

Ms. Sailors elaborated that the renovation had expanded some of the detention and treatment beds, implemented security measures, and provided additional space for existing probation officers. Slide 3 illustrated the facility plans and impacted areas. She moved to slide 4:

RN 56065

Master Client Index, State Interface Improvements to  
the Health Information and Direct Secure Messaging  
Gateway  
\$5.7497 million

Ms. Sailors explained that the project was extremely important and funding would cover the implementation of services such as hosting, software service for the Master Client Index (MCI), and would provide the agency with a single view of its clients across all agency programs. She expounded that MCI allowed the agency to look across programs and systems. Additionally, the program supported secure emailing of personal health information across the state. She addressed slide 5:

RN 56657  
Transition of Care Pilot Project  
\$1.040 million

Ms. Sailors detailed that the project was funded by a 90/10 federal to state match. The project would ensure that patients' health and treatment data traveled with them when they moved from a hospital into a nursing home or vice versa. She emphasized that the transitions were high risk moments for patients; the project would guarantee that onsite providers would have patients' essential care requirements.

[10:21:49 AM](#)

Ms. Sailors looked at the Personal Care Assistant Pilot Project on slide 6.

RN 56649  
Personal Care Assistant Pilot Project  
\$1.040 million

Ms. Sailors communicated that the project was funded by a 90/10 federal to state match. She shared that personal care assistant programs had been growing substantially and the funding would allow the agency to implement a monitoring system to confirm when and where services are delivered. The project was directed at services to people in their homes in lieu of putting patients in institutions. Additionally, the project would enable the agency to take some of the burdensome paperwork off clients. She addressed

the Electronic Vital Record Registration System phase 2 of 2 (slide 7):

RN 42853  
Electronic Vital Record Registration System Phase  
2 of 2  
\$1.785 million

Ms. Sailors relayed that the completion of the project included software development for marriage and divorce records and would bring the agency up to full encryption requirements. Additionally, the project would bring the agency in compliance with the federal Intelligence Reform and Terrorism Prevention Act.

[10:23:30 AM](#)

Ms. Sailors directed attention to the proposed increment for the Alaska Veterans Pioneer Home Resident Lifts on slide 8:

RN 56658  
Alaska Veterans Pioneer Home Resident Lifts  
\$212,000

Ms. Sailors detailed that the project would fund ten lifts and their installation in state pioneer homes. The lifts had dramatically reduced patient and staff injuries and workers compensation claims. She moved to slide 9:

RN 56805  
Equipment Needs for Front-Line Probation Officers,  
Juvenile Justice Officers, and Facilities and  
Probation Offices  
\$267,000

Ms. Sailors elaborated that the increment would fund a variety of safety equipment (e.g. training supplies, body armor, law enforcement identification, jackets, finger printing machines, security cameras, and other).

[10:24:59 AM](#)

Ms. Sailors turned to slide 10:

RN 56810  
Office of Children Services Live Scan Fingerprinting

\$135,200

Ms. Sailors relayed that the funding would go to the replacement of live scan machines that were used for background checks during foster parent recruitment. The live scan enabled quick turnaround time, reduced paper, and allowed workers to work and concentrate on other items as well. She moved to slide 11:

RN 56652  
Juneau Pioneer Homes Security Cameras  
\$106,000

Ms. Sailors communicated that the Juneau Pioneer Home was the only pioneer home without interior and exterior cameras. The increment would fund the installation of 20 cameras.

[10:25:55 AM](#)

Ms. Sailors directed attention to slide 12. The increment would allow for the department to securely backup its data.

RN 56808  
Department - Wide Disaster Recovery  
\$805,800

Ms. Sailors turned to slide 13. She explained that the item was a direct pass-through of federal dollars to Alaska health care providers. The funds were a reward to physicians and hospitals for installing electronic health information systems and using them in a meaningful way. The High Tech Act incentive program had been embedded in American Recovery and Reinvestment Act (ARRA). She furthered that as an increasing number of providers came into compliance they would be eligible for some reimbursement of initial cost and an ongoing bonus in payments under Medicare.

RN 51853  
Electronic Health Record Incentive Payments  
\$30,187,500 federal

[10:27:46 AM](#)

Ms. Sailors addressed an increment on slide 14:

RN 42837  
Emergency Medical Services - Match for Code Blue  
Project  
\$425,000

Ms. Sailors elaborated that the funding would be used to help local communities purchase needed emergency medical equipment for ambulances and other. She detailed that the funding was leveraged with other funds available through the Rasmuson Foundation, the Denali Commission, and the U.S. Department of Agriculture.

[10:28:48 AM](#)

Ms. Sailors pointed to slide 15 and explained that the increment was in the mental health budget (SB 20). She shared that the Mental Health (MH) Deferred Maintenance and Accessibility Improvements was a competitive grant program that helped provider organizations get capital repairs on their facilities.

RN 56572  
Mental Health (MH) Deferred Maintenance and  
Accessibility Improvements  
\$1 million

Ms. Sailors turned to another mental health increment on slide 15. She detailed that the grant program provided funding for improvements to private homes for items such as ramps and other that would allow individuals to remain in their homes.

RN 54275  
MH Home Modification and Upgrades to Retain Housing  
\$1.050 million

Ms. Sailors addressed another mental health increment on slide 17. The funding would provide hearing and vision appliances to help individuals who did not have insurance coverage or could not afford the items.

RN 33671  
Medical Appliances for Beneficiaries Experiencing  
Sensory Impairments  
\$500,000

Ms. Sailors looked at the last mental health item on slide 18. Funds would go towards the continued implementation of a replacement grant system. She detailed that the item created an interface between the department and grantees related to reporting. She elaborated that keeping track of the grants was important given that approximately \$25 million in grants went out through the department.

RN 56573  
Implementation of Replacement Grant System  
\$700,000

[10:31:08 AM](#)

Ms. Sailors turned to the last two increments on slides 19 and 20. She explained that the department had non-pioneer home deferred maintenance and pioneer home deferred maintenance. The total non-pioneer deferred maintenance request was \$2.9 million and the pioneer home request was for \$3.8 million.

RN 57040  
Non-Pioneer Homes Deferred Maintenance, Renovation,  
Repair and Equipment  
\$2,902,800

RN 37934  
Pioneer Home Deferred Maintenance, Renovation, Repair  
and Equipment  
\$3,871,200

Co-Chair Meyer noted it was not necessary to go through each deferred maintenance item.

[10:32:10 AM](#)

Vice-Chair Fairclough pointed to replacement and maintenance requests. She wondered how the department could include the maintenance of equipment inside its existing budget. She stated that revenues could decline in future years, which would impact appropriations. She wondered if maintenance replacement funds had been created.

Ms. Sailors referred to the governor's deferred maintenance programs from the past several years and explained that the department conducted an assessment of needs every two years. The assessment was updated annually as corrections

were made or items broke down. She discussed that the department had a considerable investment in information technology (IT) resources; some very old technology was being replaced. She shared that the vital statistics program was operating on old Wang Software; parts for the system were only available on EBay. She furthered that some of the department's IT systems had been developed in the 1980s and were at the point of expiration. She emphasized that the department was conscious about making sure that improvements were compatible and complimentary.

10:34:37 AM

Vice-Chair Fairclough appreciated the streamlining concept. She discussed that the legislature had talked about building funds or other options that would enable items to be replaced. She stated that the items were operating costs and should have a maintenance line where assets were depreciated.

Co-Chair Meyer agreed. He believed some of items may fall under the operating budget category. He pointed to specific items such as equipment needs for probation and juvenile justice officers and other.

10:35:54 AM

JENNIFER KLEIN, FACILITIES SECTION CHIEF, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, replied that the department had been looking at the issue related to equipment costs and actual turnover. She shared that the equipment tended to need replacement on a regular basis. She relayed that the department had an ongoing discussion about whether items fell under capital or operating expenses. She furthered that desktop replacement was typically in the operating budget. She communicated that the department had not been able to fit items such as the juvenile justice equipment and fingerprinting with the Office of Children's Services into the operating budget.

Vice-Chair Fairclough stressed that she was not being critical of the department. She relayed that it was a problem for the Senate Finance Committee to work on. She stated that if departments had a funding line, the legislature would sweep funds from the accounts in order to pay for critical items in the event of a budget deficit. She opined that it was a global issue related to building

replacements, maintenance, software replacement, and other. She believed a change could be made, but it would take discipline.

Co-Chair Meyer appreciated the department's work. He discussed the schedule for the following day.

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ADJOURNMENT

10:38:22 AM

The meeting was adjourned at 10:38 a.m.