

SENATE FINANCE COMMITTEE
March 19, 2015
9:05 a.m.

9:05:56 AM

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 9:05 a.m.

MEMBERS PRESENT

Senator Anna MacKinnon, Co-Chair
Senator Pete Kelly, Co-Chair
Senator Peter Micciche, Vice-Chair
Senator Click Bishop
Senator Mike Dunleavy
Senator Donny Olson

MEMBERS ABSENT

Senator Lyman Hoffman

ALSO PRESENT

Thomas Cherian, Director, Division of Administrative Services, Department of Environmental Conservation; Bill Griffith, Facilities Program Manager, Department of Environmental Conservation; Bryan Butcher, Chief Executive Officer and Executive Director, Alaska Housing Finance Corporation, Department of Revenue; Les Campbell, Budget Director, Alaska Housing Finance Corporation, Department of Revenue.

PRESENT VIA TELECONFERENCE

Mark Romick, Director, Planning and Program Development, Alaska Housing Finance Corporation, Department of Revenue; John Anderson, Director, Research and Rural Development, Alaska Housing Finance Corporation, Department of Revenue.

SUMMARY

SB 26 BUDGET: CAPITAL

SB 26 was HEARD and HELD in committee for further consideration.

FY 16 BUDGET OVERVIEWS:
DEPARTMENT OF ENVIRONMENTAL CONSERVATION
ALASKA HOUSING FINANCE CORPORATION

#sb26
SENATE BILL NO. 26

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

^FY 16 BUDGET OVERVIEW: DEPARTMENT OF ENVIRONMENTAL CONSERVATION

[9:07:01 AM](#)

THOMAS CHERIAN, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF ENVIRONMENTAL CONSERVATION (DEC), showed a presentation dated March 19, 2015. He addressed slide 2, "FY 2016 Endorsed Capital Request," and reported that the department's FY 16 capital budget request was \$64 million. He noted that 71 percent was from federal receipts and other funds. He furthered that about 29 percent was unrestricted general fund (UGF), primarily used as a match for federal grants or local communities. He pointed out that the amount was DEC's lowest capital request in the last 10 years.

Mr. Cherian listed three capital requests from slide 2:

FY2016 Appropriations:

- Village Safe Water and Wastewater Infrastructure Projects: \$51,500,000
- Municipal Water, Sewage, and Solid Waste Facilities Grants: \$9,988,605
- Alaska Drinking Water Capitalization Grant - Subsidy Funding: \$2,526,300

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Mr. Cherian presented slide 3, "Historical Capital Budget Comparison," which depicted DEC's budget from 2004 to the 2016 request, and broke down the funding into categories.

He noted that a substantial portion of past capital budgets were comprised of federal dollars. He observed that the budget had been declining, with the exception of 2009, when the department received approximately \$25 million from the American Recovery and Reinvestment Act (ARRA) [a stimulus package enacted by the 111th United States Congress in February 2009].

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Mr. Cherian discussed slide 4, "FY 2016 Endorsed Capital Request," and outlined the first budget request for \$51.5 million:

- Village Safe Water and Wastewater Infrastructure Projects
 - First Time Service Projects
 - Expansion, Upgrade, and Replacement of Existing Service
- \$42,250,000 Federal
- \$8,750,000 General Fund Match
- \$500,000 Statutory Designated Program Receipts

Mr. Cherian pointed out that the Village Safe Water (VSW) projects were heavily funded with federal grants. He detailed that the projects provided financial support for water and sewer projects.

Co-Chair MacKinnon asked how to evaluate maintenance and longevity when considering replacement of existing services.

BILL GRIFFITH, FACILITIES PROGRAM MANAGER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, explained that most systems were originally designed with a lifetime of approximately 30 years, although they were typically required to last much longer due to lack of funding to replace major components. DEC evaluated how systems were being maintained in a number of ways. He related that when DEC made a new funding request, efficacy and maintenance of systems was considered and communities that could demonstrate an adequate job were prioritized.

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Senator Bishop asked who designed the projects. Mr. Griffith related that the projects were administered by

state-employed engineers at the VSW Program or by engineers at the Alaska Native Tribal Health Consortium (ANTHC) who were federally-employed or employed by the consortium. He furthered that if projects were designed by the VSW program, the design was contracted out to private sector engineering companies. If the project was designed by ANTHC, most of the design was done in-house.

Senator Bishop wondered how much local knowledge was considered as part of the design process. He referenced a community that got a new laundromat with more capacity than was requested, resulting in higher costs for the community than expected. He considered local knowledge to be an important consideration in project development.

Senator Dunleavy asked what might happen if the request was not funded. Mr. Griffith referred to a multi-year priority list, and explained that if some of the projects were not funded it would be possible that active construction would stop until additional funds were available.

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Senator Olson asked about repairs that were planned, and wondered what the effects would be if they were not funded. He used the example of issues related to VSW projects to repair systems after freezing, and wondered if villagers would have to resort to using honey-buckets if the repairs were not funded. Mr. Griffith related that most of the freezing problems that occurred over the winter were operational problems, and there were programs in place to get the affected systems up and running. Those systems needing major improvements and upgrades to keep running would be affected by lack of funding. He continued that DEC did have some projects that fit the criteria.

Senator Olson used the example of Mountain Village, where an aging system froze and relegated the community to using honey-buckets. Mr. Griffith believed that service had been restored to the village, yet the system was tenuous and in need of a number of upgrades to remain operational. He stated that the department was working with the village and it was a good example of a system that could not remain running much longer without being upgraded.

Senator Olson asked if the problem was due to the original system or lack of proper maintenance. Mr. Griffith stated

that Mountain Village had an older system that had exceeded its design life. Parts of the system were well over 30 years old, including pipe in the ground that had frozen multiple times and was not originally made to withstand freezing, as well as older components and pumping systems. The upgrades would include pipe replacement and other improvements.

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Senator Dunleavy asked about life-safety issues in existing infrastructure that may be in jeopardy, and wondered if the department could detail project requests accordingly. He thought it would be disappointing to encounter project requests beyond life and safety issues. He referred to a department that he had been working with, and thought that it had done a good job prioritizing and down-sizing its budget. He hoped that other departments would be able to recognize the fiscal situation and do the same. He asked for all departments to help the committee in identifying what items were truly a "need" (items if unfunded would result in catastrophe) and what items could wait.

Co-Chair MacKinnon pointed out that there was a 1 to 5 federal match for the safe water and wastewater projects. She supported Senator Dunleavy's comments and recognized that the federal government was \$18 trillion in debt held by other nations. She asked what would occur if the state did not fund the approximately \$9 million in general fund (GF). Mr. Griffith stated that the majority of the federal funds in the budget required state matching funds, and would not be available otherwise. He qualified that there was a portion of the funding that would come to the state without the matching funds, but most were contingent.

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Senator Bishop asked if the federal funds would revert to another state if Alaska did not take them. Mr. Griffith related that the funds were appropriated to Alaska on the condition of matching funds. Initially the funds would not be available to another state, but congress would reexamine them if there was no match.

Senator Bishop asked if the funds would be available the following year if unmatched in the upcoming fiscal year.

Mr. Griffith was unable to forecast the outcome of not matching the funds in FY 16.

Senator Olson asked if there had ever been a time when the state was unable to match the federal funds. Mr. Griffith replied in the negative.

Co-Chair MacKinnon asked about the timeline of funding allocated to the state. Mr. Griffith relayed that there was a five-year limit on the use of the federal funds, but he would need more research to determine if there was a limitation on providing the matching funds. He continued that federal funds were made available on October 1, and the state was expected to have the funds obligated through state award within a year.

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Co-Chair MacKinnon asked about the yearly expectation related to matching funds. Mr. Griffith related that the federal government expected the state to begin to use federal matching funds and spend them within a five-year period, but there was no absolute percentage imposed for state matching funds in subsequent years. He shared that there was inquiry when funds were not begun to be used within a two or three year time period.

Co-Chair MacKinnon asked about federal funds that did not require a state match, and requested that DEC provide the committee with the details. She additionally asked for a list of budget request items that prioritized life-safety issues, and included the amount of federal match if required.

Mr. Cherian continued on slide 4 and explained that there were two allocations requested within the VSW appropriation; 60 percent (approximately \$30 million for first-time service projects, and the remaining 40 percent (approximately \$20 million) for expansion, upgrade and replacement of existing service.

Mr. Cherian presented slide 5, "Rural Alaska Water and Sewer," which provided more detail about the funding DEC had been receiving from federal agencies. He pointed out previous substantial funding from federal agencies that declined from 2012 to 2014. He continued that within the

last 10 years, funding for rural Alaska sanitation projects had declined by over 64 percent (\$61 million).

Mr. Cherian discussed the ramifications of reduced funding listed on slide 5:

Reduced funding means making choices:

- First time water and sewer service where feasible
- Upgrades or replacement of existing systems to address significant health threats
- Stretching limited funds
 - Prioritize for greatest need and biggest impact
 - Extend life with targeted improvements, limited scope

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Mr. Cherian moved to slide 6, "Alaska Water and Sewer Challenge":

- Innovative international research and development effort
- Goal is to significantly reduce the capital and operating costs of in-home running water and sewer in rural Alaska homes
- Recently launched Phase 2
- Focus is on "Decentralized" approaches
 - Household based systems
 - Water re-use technologies
- To date \$4 million in State and Federal funds have been secured, but there may be a future request to support completion

Mr. Cherian explained the challenge the department was facing with regard to increased need in combination with a declining budget and greater costs. In response DEC had embarked on a project to find alternatives and options.

Mr. Griffith emphasized the importance of the program, citing recent studies that showed the significant difference in communities that had running water compared to communities that still had to haul water and use honey buckets. He highlighted the health benefits of bringing water and sewer to rural communities, and referred to problems such as skin and respiratory infections that were shown to be 5 to 10 times higher in communities without

piped water and sewer. While considering declining funds, the department was trying to utilize available funding to keep older systems running when possible, such as the previously mentioned Mountain Village.

Mr. Griffith noted that the Alaska Water and Sewer Challenge was a multi-year project, and was private sector based. There were currently six teams competing to come up with ideas on how to significantly reduce the capital and operating costs of in-home running water and sewer in rural Alaska homes. He thought there was potential use for some of the approaches in other areas statewide, such as homes with poor quality wells and soil that could not handle septic systems. He stated there was currently \$4 million available from previously awarded state funds, as well as federal funds that had been secured. He added that there would possibly be a future request to support continuation of the project.

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Mr. Cherian presented slide 7, "FY 2016 Endorsed Capital Request," which he explained was for water and sewer projects under the Municipal Matching Grants Program:

FY2016 Endorsed Capital Request

- Municipal Water, Sewage, and Solid Waste Facilities Grants
 - o Juneau - Water Treatment Improvements, Phase II
 - o Homer - Water Storage and Distribution Improvements
 - o North Pole - Sewer Improvements, Phase II
 - o Naknek-Sewer Relocation and System Upgrade
- \$9,988,605 General Fund

Mr. Cherian presented slide 8, "Municipal Matching Grants," and detailed that the community match depended upon population: 15 percent match for a population up to 1,000; 30 percent match for 1,001 up to 10,000; and a 40 percent match for any population over 10,000. He explained that projects were prioritized based on public health need, and statewide priority.

Senator Olson discussed the high maintenance costs of rural water and sewer systems, and asked about the Alaska Rural Utility Cooperative. Mr. Griffith explained that the cooperative had provided a good opportunity for some

communities that had struggled to operate and maintain their systems. He furthered that there were 25 to 30 communities who had joined the cooperative, and it had made a big difference and helped improve the operation and maintenance of the systems.

Senator Olson clarified that he wondered whether the fees collected helped in trying to maintain water and sewer integrity in the communities. Mr. Griffith stated that maintenance of the existing systems was the sole use of the collected funds.

[9:31:52 AM](#)

Mr. Cherian moved to slide 9, "FY 2016 Endorsed Capital Request," for the Drinking Water Loan Fund:

FY2016 Endorsed Capital Request

- Drinking Water Capitalization Grant - Subsidy Funding
- \$2,526,300 Alaska Drinking Water Loan Fund
- Federally required loan forgiveness

Mr. Cherian explained that the Drinking Water Loan Fund was established with an annual federal capitalization grant. He continued that there was 30 percent loan forgiveness for communities with economic disadvantage, which was a requirement for receiving the grant. The criteria for being considered economically disadvantaged was a median household income less than the state average, or an unemployment rate higher than the state average.

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Mr. Cherian directed attention to slide 10, "FY 2015 Capital Appropriation Status Summary":

FY2015 Capital Appropriation Status Summary

- 295 total active DEC appropriations
 - o Non-Facility Construction: 11
 - o Village Safe Water: 180
 - o Municipal Matching Grant: 104
- Down from 499 in FY2014
- Anticipate another 160-200 will be closed after this year

Mr. Cherian noted that there were currently 295 active DEC appropriations, about 284 of which for water and sewer projects. There were 11 non-facility construction projects that included deferred maintenance for the state environmental health lab in Anchorage, as well as some appropriations for contaminated sites. He added that most of the projects were completed, and the department was in the final phase of closing out the documents.

Co-Chair MacKinnon reiterated the request for two pieces of information for the committee: a list of federal funds that did not require a match, and a refined list of requests with specific public safety and health risks indicated.

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^FY 16 BUDGET OVERVIEW: ALASKA HOUSING FINANCE CORPORATION

[9:41:32 AM](#)

BRYAN BUTCHER, CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR, ALASKA HOUSING FINANCE CORPORATION (AHFC), DEPARTMENT OF REVENUE, presented slide 1, and noted that for the first time in a number of years, AHFC's dividend had increased from \$7.5 million in the current fiscal year to \$19 million for the upcoming fiscal year. He noted that even though the current low interest rates limited what the corporation could earn, increased activity had led to a 10 percent increase of the mortgage portfolio.

Mr. Butcher showed slide 2, "FY 2016 Capital "Budget Program," and pointed out that a little over 50 percent of the AHFC capital request was federal funds, and it was much smaller than in years past. He recounted that the FY 15 capital budget was about \$75 million in AHFC dividend and state funds; whereas the FY 16 request was for about \$28 million, a little over one-third of previous requests. He noted the absence of programs including senior housing and major maintenance for 1,600 public housing units; explaining that they were multi-year programs that would not go away if not funded in the current year.

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Co-Chair MacKinnon inquired about the \$2 million in Alaska Permanent Fund Dividend funds (shown on slide 2) for use in Rental Assistance for Victims, and wondered if it was an appropriate use of the money. Mr. Butcher shared that the decision to use the funds was made at the Office of Management and Budget after AHFC had submitted its board-approved budget.

LES CAMPBELL, BUDGET DIRECTOR, ALASKA HOUSING FINANCE CORPORATION, DEPARTMENT OF REVENUE, outlined the project request on slide 3. He discussed the new Affordable Housing Development Program, which had been added as an amendment to the governor's budget. The program allowed AHFC to use federal authority in order to be ready and able to develop housing units when the opportunity arose. The federal funds would be leveraged with other funds such as the Capital Fund Program (from the Public Housing Program); Moving to Work program fund flexibility in the operating budget; the tax credit program; and other private sources. When sufficient funds were realized, AHFC would advance affordable housing projects through a bidding process and form a production team with experience in multi-family development as well as multi-layered financing packages.

Mr. Campbell continued that AHFC expected the developments to be produced by private entities, and owned and managed by the Alaska Corporation for Affordable Housing (a subsidiary of AHFC), which would be the managing partner of the housing units. He expected the funding to produce between 60 and 100 units, depending on where they were located within the state. He discussed expansion of Loussac Manor, and the development of San Roberto and Mountain View projects. He stated that AHFC had made \$22.4 million in Federal funds available; the commission did not currently have all the monies, but expected it to come in when the projects were ready to move forward. The funds would go toward production of new affordable housing throughout the state.

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Co-Chair MacKinnon asked how much federal receipt authority AHFC currently had. Mr. Campbell stated that currently AHFC had \$57 million in the operating budget, most of which was housing assistance payments. The rest of the funds were for

low-rent projects, Section-8 new projects, and operating funds to manage the programs.

Mr. Campbell added that AHFC had been appropriated just under \$6 million in UGF for the San Roberto project; to date \$2 million had been expended and the rest was under contract. The units would be completed later in the fall.

Mr. Campbell moved to slide 4, "Rental Assistance to Victims - Empowering Choice Housing Program," explaining that the rental assistance program currently resided in the Department of Public Safety (DPS). The commission had a reimbursable services agreement (RSA) in order to run the program. He pointed out that the funding request was for \$2 million from the Alaska Permanent Fund Dividend Criminal Fund. He noted that it was the fourth year of the program, and AHFC had allocated 254 vouchers on a referral basis. He continued that the program was \$182,000 under lease, and AHFC expected the funds to be depleted by the end of the year. Additionally, AFHC expected to deplete the second year of funding as well, with the funding for 2015 remaining.

Mr. Campbell moved to slide 5, discussing the Housing Loan Program, noting that it had an appropriation with two allocations in it. The first allocation was for the Housing Loan Program; to increase housing for teachers, and health and public safety professionals in rural Alaska. He explained that the allocation had \$3,691,400 in corporate dividends, and gave an incentive for communities to build housing to bring professionals into the area to stay. Currently there was about 289 units of teacher housing being built.

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Co-Chair MacKinnon informed the committee that she had received a letter from the Rasmuson Foundation, offering \$1.95 million in matching funds Housing Loan Program for teacher, health, and public safety.

Senator Dunleavy stated that the committee would be asking departments to provide a list of high-priority projects with a life-safety component. He referred to a program funded previously that dealt with services for victims of violence, and suggested he would elevate it above the Housing Loan Program.

Co-Chair MacKinnon noted that she had not had a chance to follow up regarding the Rasmuson Grant; she thought the committee would support funding for a one-to-one grant, but the requested \$3,691,400 was probably a little bit too high for the Senate to support considering all other funding priorities. She stressed the importance of prioritizing budget requests to highlight items with a health and safety considerations.

Senator Bishop surmised that the duplex model reflected in the slide could be utilized to have a teacher housed on one side and a Village Public Safety Officer (VPSO) on the other side. Mr. Butcher stated that AHFC did not put out Request for Proposals (RFPs) until funding was secured. If the Housing Loan Program did not go forward in the current year, it would not go away. He clarified that the housing was offered for health professionals, teachers, and public safety professions; and AHFC strove to make sure that the community was working together to determine the need. As the program had evolved, the need for the specified occupations in rural Alaska had grown.

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Co-Chair MacKinnon asked if there was a prototype or standardized design components for the housing, and noted that after examining the proposals she noticed there had been a unique design requested for every community. Mr. Butcher related that there was no standardized design, however frequently the same developer was used on multiple projects. He pointed out the different building needs for different areas of the state.

Co-Chair MacKinnon stated that for future presentations, it would be important for AHFC to provide salient details on alignment, standardization of process, and economies of scale. She referred to a study being done by the administration that asked engineers if the state could benefit from having prototype schools or facilities. She opined that a prototypical design would save the state money and ensure energy efficiency. She spoke to meeting the needs of communities quickly and efficiently. She used the example of a school built in her district that utilized \$1 million in cost savings after using the design of another recently built school.

[9:57:22 AM](#)

Senator Olson echoed the statements of Co-Chair MacKinnon, and asked what percentage of housing was built specifically for teachers versus VPSOs and others. Mr. Campbell did not have the figures, but stated that AHFC had sent a list of units built to the committee two weeks previously. He thought there had been about 15 VPSOs, and the majority of the remaining houses went to teachers with about 12 to 15 units for health professionals.

Senator Olson asked what the process was for initiating the program. Mr. Butcher stated that there was a \$25,000 pre-development grant available for communities to get the process going. AHFC worked with the communities that needed help to work through the entire approval process. He explained that there was a scoring process, and related that the cost of the proposed unit factored in to the score, as well as anything the community might bring to the table (such as available land). He added that communities did not always get approved for housing in the first or even second year, but ultimately working with AHFC, they would get the housing.

Senator Olson clarified that the first point of contact would be AHFC. Mr. Butcher concurred.

Mr. Campbell added that there was no standard design on the structures, but they were required to be energy efficient.

Co-Chair MacKinnon referred to her work on the Renewable Energy Fund Advisory Committee, and thought that standardized mechanical systems would be helpful for maintenance and to extend the life of the properties.

[10:00:18 AM](#)

Mr. Campbell explained slide 6, "Housing Loan Program: VPSO," explaining that the second allocation was for \$1 million specifically set aside to provide for housing units for VPSOs. He reported that as of June 30, 2014 there were four units being used and another nine under construction.

Co-Chair MacKinnon asked if the FY 16 request had been awarded. She added that 100 percent of the funds from prior years had been expensed or encumbered.

Mr. Butcher remarked that AHFC had changed the way it administered programs over the years; there was a time in the 1990s when things were done in phases due to the budget crunch. He recounted that as a result, there were incomplete housing units for seniors in some communities; and it had placed a great deal of pressure on the legislature to appropriate funds for completing the projects. After that time, AHFC did not administer projects until all the money was in hand.

Mr. Campbell clarified that there was no additional funding required to finish the prior years' projects.

Mr. Campbell showed slide 7, "Cold Climate Housing Research Center," explaining that the project was formerly the Energy Efficiency Monitoring Research Center. He relayed that the request was for \$1 million of corporate dividends, for a designated grant to the Cold Climate Housing Research Center in Fairbanks to conduct construction research analysis and disseminate information to the public and housing industry. He furthered that the center continued to gather data and do analysis on its own and for AHFC. He detailed that the prior budget showed \$170,000 had been expensed and \$580,000 was encumbered and expected to be spent by the end of June 30, 2015.

10:03:10 AM

Mr. Campbell discussed slide 8, "HUD Federal HOME Grant Program," and shared that the program had funded 51 rental projects, comprising 898 new units and 537 low-income homes. The program assisted another 761 low-income households to purchase homes and had provided 328 households with rental assistance to prevent homelessness. He furthered that through the program, AHFC ran voucher programs including the Prisoner Reentry Program as well as a program for kids aging out of foster care.

Senator Dunleavy asked about the maximum income level to qualify for the HUD program.

MARK ROMICK, DIRECTOR, PLANNING AND PROGRAM DEVELOPMENT, ALASKA HOUSING FINANCE CORPORATION, DEPARTMENT OF REVENUE (via teleconference), replied that the qualifying income level was 60 percent of the median income based on the area of the state and family size. He quantified that in the

community of Juneau, 60 percent of the median income for a family of 4 would be \$45,000, which would be the upper cap.

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Mr. Campbell continued discussing the HUD Federal Home Grant Program, and noted that the request was for \$750,000 in-state GF and \$3,750,000 in federal receipts. He specified that the program required the state match.

Co-Chair MacKinnon asked if \$750,000 was the match amount, or minimum. Mr. Campbell stated that \$750,000 was the specific match amount; the \$3 million of the federal receipts was AHFC's appropriation and the additional \$750,000 was recycling of old prior years program funding that came back. Mr. Butcher added that the Municipality of Anchorage received its own federal Home Grant Program funds; AHFC administered the program for the entirety of the state with the exception of Anchorage.

Mr. Campbell showed slide 9, "Federal and Other Competitive Grants," which overviewed a request for \$1.5 million in state GF, and \$3 million in federal receipts. He explained that the program gave AHFC the opportunity to apply (when funding became available) for funding that targeted housing needs and supportive services of low income groups with special needs. He explained that the match was not a solid match but rather some programs required it, and some did not.

[10:08:09 AM](#)

Co-Chair MacKinnon asked if AHFC could apply for extra corporate dividends to use as matching funds for some of the grants listed on slide 9. Mr. Campbell specified that AHFC could use a prior year's appropriation of corporate dividends if there was excess available.

Vice-Chair Micciche thought the HUD programs seemed very specific and wondered if they were all separate from each other due to the criteria of the applicants. Mr. Campbell answered in the affirmative and mentioned a recent grant for people with disabilities.

Vice-Chair Micciche expressed that he would like a specific list of HUD programs. Mr. Campbell relayed that AHFC would

provide the information. He mentioned the Housing Opportunities for Persons With AIDS (HOPWA) program.

10:09:43 AM

Mr. Campbell presented slide 10, "Competitive Grants for Public Housing," explaining that it was similar to the previous request, but was directed towards the tenants in AHFC's public housing units. The grants included HUD funds that became available for a particular use and frequently had a match requirement; there was no specific grant, but there was an ability to apply for them. He listed past grant programs such as the Family Self-Sufficiency Coordinators, Senior Services Coordinators, Resident Opportunities and Support Services, and other programs that dealt with public housing.

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Mr. Butcher relayed that the Competitive Grants for Public Housing would be critical in the success of their Rent Reform Program, a program which would help many public housing residents out of the AHFC system into their own apartments. He relayed that ten years prior, the average length of stay in the public housing units was 3 years; whereas currently the average length of stay was 8 years. The rent reform program dealt with work-able residents to help them transition out of public housing so that AHFC could get to the thousands of Alaskans on the wait list. He continued that the program would include a great deal of self-sufficiency work, to ensure that individuals had the skills necessary to help transition.

Co-Chair MacKinnon mentioned a recent conversation in the Department of Revenue subcommittee on the operating budget, which suggested that the federal government was not allowing the state to move people out of assisted housing. She wondered about the motivation for individuals to move out of subsidized housing, and questioned as to how the scenario was benefitting the state. Mr. Campbell relayed that there was no time limit for seniors and people with disabilities; however if individuals were work-able, people went into the step program, which had a five-year time limit. He detailed that each year of the step program the rent increased and at the culmination of the time period, the rent was at market rate.

Senator Dunleavy asked if at that point the individuals were no longer subsidized by the state. Mr. Campbell stated yes, the individuals would move off of the program. He reiterated that AHFC was concerned with transitioning people out of public housing in order to give others the opportunity to get help.

Senator Dunleavy asked about AHFC's \$19 million dividend and wondered where it went. Mr. Butcher clarified that the first \$10 million went to debt service on previous capital project bonds that had sold over the last 20 years. He furthered that OMB had always requested the additional \$9 million be used for capital project requests of the corporation. He thought it was administratively easier for AHFC to administer its own projects with its own funds.

[10:14:42 AM](#)

Mr. Campbell explained slide 11, "HUD Capital Fund Program" (CFP), specifying that the program was a grant AHFC received from HUD to help modernize or renew units in the low rent program. He detailed that the funds had flexibility under the Moving to Work Program, and AHFC had used some in the past to contribute to Affordable Housing Development Program expenses. He added that there was no match required, and the request totaled \$2.5 million in federal receipts.

Mr. Campbell spoke to slide 12, "AHFC Energy Programs - Weatherization," which detailed a \$6.6 million request in state GF and a \$1.5 million request in federal receipts. The funds would provide cost-effective energy improvements to low income families. The program provided efficiencies to upgrade, using the latest building science tools, and targeted heat-loss areas of homes. The program was mostly used in rural areas but was also available in urban areas. He added that AHFC had about \$33 million; \$27 million from the previous year's appropriation, and a carry-over of about \$6 million from prior awards that would be awarded April 1, 2015. After that date, all of the prior year's funds would be encumbered. Mr. Butcher added that the timing had to do with the specific construction season in rural Alaska. He continued that the FY 15 funds had not currently been expended but would be in a few weeks.

Co-Chair MacKinnon asked if there was a legislative representative on the AHFC board. Mr. Butcher responded in the negative.

[10:17:38 AM](#)

Mr. Campbell moved to slide 13, detailing the second project of the energy program - the Home Energy Rebate. He elaborated that the FY 16 request was for \$3 million in corporate dividends, which would provide rebates to homeowners as an incentive to making energy-efficient improvements to their homes. He detailed that for existing homes, the rebate amounts were determined by the point and step increases that were achieved by the as-is and post energy ratings of the dwelling. Funds were awarded based on how many positive rating steps were achieved. The current balance from prior years was close to \$30 million, [encumbered for the program participants utilizing the 18-month time period to make energy improvements] which left a balance of about \$28 million that was available for the future.

Co-Chair MacKinnon shared that she had participated in the program and that the AHFC team had done an outstanding job. She relayed that she lived in a small zero-lot-line, and she completed the process with her neighbor. She benefitted from the program and saw a 30 to 40 percent reduction in her energy consumption. She discussed the different levels of reimbursement and the choices available for weatherization materials. She wondered if the program was restructured and expanded so more individuals could qualify for the rebate. Mr. Campbell relayed that AHFC had tweaked the program, but it was essentially the same.

JOHN ANDERSON, DIRECTOR, RESEARCH AND RURAL DEVELOPMENT, ALASKA HOUSING FINANCE CORPORATION, DEPARTMENT OF REVENUE (via teleconference), spoke to minor adjustments to the program, citing changes to the software used to administer the program. He shared that the current program was a six-star point system, but the base and points achieved to reach the maximum rebate remained much the same.

Co-Chair MacKinnon asked how many steps the program had. Mr. Campbell stated that there were five steps.

[10:22:04 AM](#)

Mr. Campbell presented slide 14, "Homeless Assistance Program (HAP)" from the mental health bill. He pointed out the \$6 million request in state GF, as well as \$850,000 in GF/Mental Health funds and \$850,000 in Alaska Mental Health Trust Authority Receipts. He explained that the program provided grants to local communities and agencies to support programs designed to reduce homelessness, provide services that prevent displacement, and assist the homeless to transition back to permanent housing. The funds would be comingled to achieve program goals. He furthered that there were about 13,000 people affected by the funding in the previous fiscal year. He cited a 2009 ten-year plan to reduce homelessness in Alaska, which identified the activities and cost savings to reducing homelessness in the state.

Mr. Campbell continued to discuss slide 14, mentioning that the most recent grantees had utilized HAP funds to expand shelter facilities, develop supportive transition housing, provide case management and rental assistance services, and develop supportive housing for mental health trust beneficiaries. The funds would be combined and administered by AHFC; with a portion being used to support the planning and operation of the Alaska Coalition on Housing and Homelessness as well as the '211' statewide information and referral system.

Mr. Campbell discussed the program monies, stating that AHFC had program funds that were not expensed or encumbered under contract, but ready to go out in the following 4 or 5 months. The funds had not been awarded, but were on schedule to be awarded.

Mr. Campbell turned to slide 15, discussing the Beneficiary and Special Needs Housing Program, with a request of \$1.5 million in state GF/Mental Health funds. The program had developed 195 housing units since FY 00, and was a continuing program to serve populations with special housing needs. He pointed out that there were many similarities between the program and HAP; with the Beneficiary and Special Needs Housing Program doing more of the "brick and mortar" work as well as supporting developments that were already in place.

[10:25:38 AM](#)

Senator Bishop asked if the program was individually site-specific or could it be used for individuals with differing needs.

Mr. Romick relayed that the program housing was not site-specific, noting that the largest project had 46 units in Anchorage. He furthered that the program helped a number of different people; trust beneficiary groups were the program target but it helped other disability groups as well.

Senator Bishop wondered if individuals cycled out of the program facilities. Mr. Romick responded in the affirmative.

[10:27:34 AM](#)

Senator Olson referred back to slide 14, and asked why the fund source was the Alaska Mental Health Trust Authority (AMHTA). Mr. Campbell stated that traditionally AHFC worked with AMHTA on homelessness programs.

Senator Olson asked why AHFC did not utilize more funding from the trust. Mr. Butcher suggested the question would necessitate a conversation with AMHTA. He discussed reductions and subsequent conversations with the trust regarding priorities and where funds were best and most responsibly spent.

Senator Olson commented that AMHTA might not be operating under the same conception of the fiscal gap that the legislature was. He referred to slide 13, and asked about the aforementioned remaining balance of funds. He wondered if the program, which was important but not income based, could be suspended for a year. Mr. Butcher relayed that AHFC gathered information in the fall regarding the number of people who had started the initial energy ratings process, trying to determine how many would not utilize the program. He furthered that AHFC's first request (internally) was about \$20 million, and the amount was reduced after more information was gathered.

[10:30:41 AM](#)

Co-Chair MacKinnon clarified that her earlier comments regarding the energy rebate program did not indicate that she supported the allocation being requested.

Senator Olson thought there were a number of members that had benefitted from the program.

Co-Chair MacKinnon reiterated the blanket request for a prioritized project list from all departments. She shared that the governor and his administration had provided the legislature with a significantly reduced capital budget, however she foresaw the need for more cuts. She spoke to the deficit and referred to future potential draws from the state's savings; and asserted that it was up to the Senate Finance Committee to make a recommendation to the legislative body.

[10:32:35 AM](#)

Senator Dunleavy spoke to the federal and municipal matching funds, and called for greater scrutiny of spending. He discussed the debt ceiling, which been raised 34 times since 1980. He pointed out the federal government's \$18.2 trillion debt, which was \$1 trillion in 1982. He pointed out that the current federal budget was \$3.9 trillion, with \$3.3 trillion coming from taxes and the remainder from borrowing. He summarized by saying that example does not indicate the wisdom of an action.

SB 26 was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

[10:35:04 AM](#)

The meeting was adjourned at 10:35 a.m.