

SB

289

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FILE

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number 1
Bill Version: SB 289
(S) Publish Date: 1/12/08

Identifier (file name): SB289-DOR-AHFC-3-3-08 Dept. Affected: Revenue
Title: Home Energy Conservation RDU: AK Housing Finance Corp
Sponsor: Senator Hofman Component: Operations
Requester: Senate Labor and Commerce Component Number: 110

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

| | Appropriation Required | Information | | | | | |
|-------------------------------|---------------------------|-------------|------------|------------|------------|------------|------------|
| | | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 |
| OPERATING EXPENDITURES | | | | | | | |
| Personal Services | | | | | | | |
| Travel | | | | | | | |
| Contractual | | | | | | | |
| Supplies | | | | | | | |
| Equipment | | | | | | | |
| Land & Structures | | | | | | | |
| Grants & Claims | | | | | | | |
| Miscellaneous | | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| CAPITAL EXPENDITURES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| CHANGE IN REVENUES () | | | | | | | |

FUND SOURCE (Thousands of Dollars)

| | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 |
|----------------------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other Interagency Receipts | 0.0 | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY2008) cost: 0.0

POSITIONS

| | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 |
|-----------|---------|---------|---------|---------|---------|---------|---------|
| Full-time | 0.0 | | | | | | |
| Part-time | 0.0 | | | | | | |
| Temporary | 0.0 | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

SB 289 will expand and update the weatherization and home energy rating rebate programs in the Alaska Housing Finance Corporation. There is a zero fiscal note attached to this legislation.

Although the passage of this bill will not add operating expenses to the Corporation, there is currently \$300 million in SB 256, the FY08 supplemental appropriations bill, for these two programs. Should SB 256 pass and get signed into law, the effect on the Corporation would require the addition of six new positions to administer the expansion of the programs as well as funds for travel, marketing and outreach. The estimate for the first year would be approximately \$700,000. This would be funded through CIP Receipts from the appropriation in SB 256.

Prepared by: Bryan Butcher, Director, Governmental Relations, Public Affairs Phone: 330-8445
Division: Alaska Housing Finance Corporation Date Time: 3/3/08 12:00:55
Approved by: Jony Burnett Date: 3/3/2008
Department of Revenue

SB 289 Home Energy

House Finance Committee

John Weise, Ph.D.

Staff to Senator Hoffman

Housing Assessment Survey 2005

- Estimated Housing Stock 2005 -- 278,118
- % older housing (21+ yrs) increasing
- % new housing (0-10 yrs) decreasing
- Households income eligible for weatherization services – 45,000
- Households report being drafty – 45%

Survey by Information Insights

SB 289 Home Energy

- Responsive to Alaskans being impacted by high energy costs
- Updates and expands the home energy efficiency and weatherization programs in the AHFC

SB 289 Weatherization

- Focus on energy-efficient improvements
- Direct the available funding to items that will save the most energy
- Typical improvements include air sealing, insulating and improved heater efficiencies

Energy Efficiency and Weatherization Program

- Eligibility for home energy efficiency programs extended from 60% to 100% median income.
- Low income Alaskans will continue to receive the priority focus of the program.

Median Income Guidelines

| Family Size | 60% Median | 100% Median |
|-------------|------------|-------------|
| 1 | \$23,887 | \$39,812 |
| 2 | \$31,236 | \$52,060 |
| 3 | \$38,586 | \$64,310 |
| 4 | \$45,936 | \$76,560 |
| 5 | \$53,286 | \$88,810 |

Each add'l person – 60% \$1378 and 100% \$2296

SB 289 Impact

| | | | |
|---|---|----------------------|---------------|
| Past Years | \$4.8 million (\$1.8 m federal \$3 m AHFC) | 600 households | 1700 people |
| Current Program 60% median income | With \$48 million | 4167 households | 11,800 people |
| Expanded Program Adjust to 100% median income | \$200 million | 17,400 households | 49,000 people |

Home Energy Rating Rebate Program

- Homeowners would need an As-is and Post Energy Rating
- Rebate would be in a step-approach as energy star ratings are increased

Increase Energy Star Ratings of Home

- ^{STAR} 1-step increase, \$2500
- 2-steps, \$3000
- 3-steps, \$3500
- 4-steps, \$4000
- 5 or more steps \$5000

Home Energy Rating Rebate Program

- Expected 30% reduction in home energy costs
- Up to \$5,000 rebate
- State cost - \$100 million
- Homeowner investment – est \$175 million

SB 289 Summary

- Improved and more flexible process at AHFC to respond to rising fuel costs
- Existing AHFC programs will be more responsive
- Broadens scope at AHFC to help more Alaskans

Income Guidelines
(Effective April 23, 2007)

2007 PFD \$1,654

| Family Size | 60% median Income limit | 100% |
|-------------|----------------------------|------------|
| 1 | 23,887 | 39,811.67 |
| 2 | 31,236 | 52,060.00 |
| 3 | 38,586 | 64,310.00 |
| 4 | 45,936 | 76,560.00 |
| 5 | 53,286 | 88,810.00 |
| 6 | 60,636 | 101,060.00 |
| 7 | 62,014 | 103,356.67 |
| 8 | 63,392 | 105,653.33 |
| 9 | 64,770 | 107,950.00 |
| 10 | 66,148 | 110,246.67 |
| 11 | 67,526 | 112,543.33 |
| 12 | 68,904 | 114,840.00 |
| 13 | 70,282 | 117,136.67 |
| 14 | 71,660 | 119,433.33 |

Each additional \$1,378

ALASKA STATE LEGISLATURE

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Senator Lyman_Hoffman@legis.state.ak.us



Co-Chair Finance Committee
Vice-Chair Legislative Budget & Audit

Committee Member:
Labor & Commerce
Legislative Council
World Trade & State/Federal Relations

SENATOR LYMAN F. HOFFMAN

SPONSOR STATEMENT

Senate Bill 289 Home Energy

Senate Bill 289 would update and expand the home energy conservation and weatherization programs in the Alaska Housing Finance Corporation (AHFC).

Section 1. AS 18.56.096 (c) refers to the Limitation on power to make or purchase mortgage loans by the Alaska Housing Finance Corporation.

This calls for the removal of the reference to the Alaska Craftsman Home program from this section and it thereby allows AHFC to establish training programs and certifications that are satisfactory to AHFC rather than specifically naming organizations and non-state programs to provide training and certifications.

The current statute refers to training and certifications "that are satisfactory to the corporation". These are normally specified in regulations for the program they govern and guide. This is a better, more flexible administrative process for agencies to use when responding to economic impacts such as the rising cost of fuel across our state especially in Rural Alaska.

Section 2 AS 18.56.410 (c)... refers to the Alaska energy efficient home grant fund located in AHFC.

This calls for the removal of the "consultation with the board of directors of the Alaska Craftsman Home program".

There is statutory reference to a private entity relative to a public program administered by AHFC and it would be more prudent and efficient for AHFC to adopt these guidelines and procedures.

This allows AHFC to be more responsive through existing programs to the changing economic situation in our state. Various organizations and individuals will have ample opportunity to testify during the process on the program design elements and implementation.

Section 3 AS 18.56.850 (a)... refers to the home energy conservation and weatherization program located in AHFC.

This section calls for the removal of references to the Alaska Craftsman Home program (ACHP) and the Energy Rated Homes of Alaska (ERHA) program in statute and adds a reference to energy efficiency in this section. It also removes the reference to low income.

The ACHP and ERHA programs are private corporations that have no regulatory authority relative to the public state programs administered by AHFC. As such their reference in statute is not necessary for the administration by AHFC of its programs that are funded with corporate receipts or state general funds.

The addition of the reference to "Energy efficiency" in this section and the deletion of the reference to "low income" broadens the scope of this program. It allows AHFC to plan, study, implement, and assist Alaskans through existing programs to deal with home energy conservation and weatherization without limiting it to low income.

Low income Alaskans will continue to receive the priority focus of the programs, however. This change would simply allow AHFC to assist a larger number of Alaskans. This broader scope will allow AHFC to design a menu of programs that will address the needs of Alaskans from the neediest to the average Alaskan homeowners relative to residential energy efficiency.

SB 289 provides the necessary language and changes that will facilitate AHFC's administrative process and program implementation of home energy efficiency programs that will be responsive to Alaskans being impacted by high energy costs.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
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MEMORANDUM

February 20, 2008

SUBJECT: Home energy conservation and weatherization under AHFC programs; sectional summary - SB 289 (Work Order No. 25-LS1354\C)

TO: Senator Lyman Hoffman
Co-chair of the Senate Finance Committee
Attn: John Weise

FROM: Tamara Brandt Cook
Director

Sec. 1. Amends a provision permitting the Alaska Housing Finance Corporation to participate in loans for residential buildings only if certain thermal and lighting energy standards are met by deleting, as a method of showing that the standards are met, proof that a person responsible for the construction has completed a training program of the Alaska Craftsman Home Program or an equivalent training program. Provides that a residential building complies with the energy standards if it has received a rating under a home energy rating system adopted by AHFC. Existing law requires that the rating system be developed by Energy Rated Homes of Alaska.

Sec. 2. Deletes the requirement that AHFC consult with the board of directors of the Alaska Craftsman Home Program before adopting guidelines and procedures for the Alaska energy efficient home grant fund.

Sec. 3. Deletes the requirements that AHFC plan, study, implement, and assist programs for the Alaska Craftsman Home Program and for the Energy Rated Homes of Alaska Program. Substitutes reference to the energy efficiency and weatherization program for a reference to the low income weatherization program.

TBC:med
08-128.med

Income Guidelines
(Effective April 23, 2007)

2007 PFD \$1,654

| Family Size | 60% median Income limit | 100% |
|-------------|----------------------------|------------|
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| 2 | 31,236 | 52,060.00 |
| 3 | 38,586 | 64,310.00 |
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| 14 | 71,660 | 119,433.33 |

Each additional \$1,378



Alaska Conservation Alliance

Uniting for Alaska's Future

March 25, 2008

Rep. Mike Chenault and Rep. Kevin Meyer
Co-Chairs of House Finance
State Capitol
Juneau, Alaska 99801

Re: SB 289 – Home Energy Conservation

Dear Chairmen Chenault and Meyer

On behalf of the Alaska Conservation Alliance (ACA), a consortium of 40 Alaska-based conservation groups, I would like to express our strong support for SB 289, an act that would update and expand the home energy conservation and weatherization programs of the Alaska Housing Finance Corporation (AHFC). Energy issues have risen to the forefront of priority issues for ACA. While there are many reasons for this, one of the primary motivators to engage in energy issues is the inordinately high price of fuel and heating oil in rural Alaska. As you know, the cost of energy is undermining the economic viability of Alaska's villages and way of life. SB 289 is at its core a responsible action to the energy crisis in rural Alaska.

While doing our best to turn off lights and replace traditional light bulbs with more efficient ones, many Alaskans are seeing most of their spare cash float out of drafty windows, poor insulation and old roofs. In fact the 2005 Statewide Housing Assessment estimated the number of weatherization income-eligible households to be 45,000 statewide. According to the Alaska Energy Efficiency Program and Policy Interim Report (released March 5, 2008), if two-thirds of these homes were weatherized we would see a present value savings of more than \$227 million. Overall these programs have shown that for every \$1 invested in efficiency, homeowners typically save \$2 in lower energy bills.

As noted above SB 289 is a responsive to the energy crisis in rural Alaska. But is more than that. Energy conservation and efficiency is the first prong of a building a secure and affordable energy future for all of Alaska. The second prong requires investing in renewable energy. SB 289 represents the first prong and HB 152 the second. One provides much needed short-term assistance; the other sets the stage for Alaska's secure, clean energy future. We encourage you to pass SB289 and then adequately fund both these measures as a packaged solution to our growing energy crisis.

Sincerely,

Kate Troll
Executive Director

c.c. Members of House Finance and SB 289 Sponsor Senator Hoffman



Association of Village Council Presidents
Regional Housing Authority
P.O. Box 767 – Bethel, AK 99559
907-543-3121
1-800-478-4687
907-543-2270 (FAX)
www.avcphousing.org

March 3, 2008

The Senate Labor & Commerce Committee:

Sen. Lyman Hoffman
Alaska State Capitol
Room #518
Juneau, AK 99801

Re: SB 289: Home Energy Conservation and Weatherization - An Act relating to home energy conservation and weatherization for purposes of certain programs of the Alaska Housing and Finance Corporation.

Dear Honorable Senator Hoffman.

The Association of the Village Councils Presidents Regional Housing (AVCP RHA) is a state-chartered regional housing authority that was organized in 1974 to oversee housing needs in Southwest Alaska's Yukon-Kuskokwim Delta region.

During its existence, AVCPRHA has constructed over 1,500 homes in 49 villages across rural Alaska, and renovated thousands more. One of our concerns in building and renovating these homes is the issue of providing the best heating systems for them and ways to reduce heating costs. Therefore, we believe we have some understanding of the heating needs and issues of rural Alaska.

The 2005 Alaska Housing Assessment developed by the Alaska Housing Finance Corporation identifies households by the types of heating fuel for each Native corporation region (*Information Insights, 2005*). For instance, 92.3% of households within the for-profit Calista Corporation area heated with oil or diesel, 35.9%, wood, and 9.4%, electricity.

According to the study, more than 17,000 new housing units are currently needed to meet population growth, relieve overcrowding, and replace substandard housing. This information tells us that in order to partly relieve the current economic hardship of heating fuel costs in bush Alaska, one of the solutions is to renovate homes in order for them to become more energy efficient and consume less petroleum products, therefore resulting in lower heating costs.

The 2005 study suggested that \$520 million is needed to completely upgrade all existing substandard homes in the bush. Therefore, we support SB 289 as a very good start

in beginning to work at resolving the current energy crisis as we believe it will lower heating needs and costs for Alaska's rural residents.

With oil prices hovering around the \$100/barrel mark, we do not see the current energy crisis in bush Alaska easing soon or in the near future. Therefore, AVCP RHA urges passage of SB 289, but we also request that AVCP RHA *be* the recipient of those dollars bound for the Y-K Delta for efficiency of SB 289 services, since we are in equal footing with the Alaska Housing Finance Corporation.

Thank you very much for your concerns for rural Alaskans and seeing to our request.

Sincerely,

Ron Hoffman
President/CEO
AVCP Regional Housing Authority

Enclosure: 2005 Alaska Housing Assessment



March 4, 2008

VIA EMAIL

The Honorable Lyman Hoffman
Co-Chair, Senate Finance Committee
State Capitol, Rm 518
Juneau, AK 99801-1182

Dear Senator Hoffman:

I am writing on behalf of the Aleutian Housing Authority (AHA), and as Chair of the Legislative Committee of the Association of Alaska Housing Authorities (AAHA), to offer our strong support for SB 389, which would provide additional funding for energy conservation and weatherization issues.

I hope you have received and have been able to review one of our packets covering AAHA's 2008 State Legislative Priorities. One of the top issues for both my own regional housing authority and for our statewide association is the current energy crisis we are facing, particularly in rural Alaska. Energy conservation measures, including weatherization, are probably the most cost effective, immediate actions we can take to address the situation in the short term and we applaud efforts by the legislature to move in this direction.

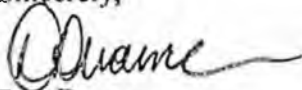
Given the impacts of rising energy costs on the communities served by my organization and those of my colleagues, I find it difficult to understand how members of the legislature can continue to pour significant amounts of potentially surplus funding into additional "rainy day" savings accounts. For us, the "raining day" is upon us, and some level of relief is warranted. SB 389 can provide a critically needed investment in rural infrastructure that will provide both short and long term returns to both individuals and the state generally.

Finally, as you deliberate on SB 389, I would like to respectfully suggest that strong consideration should be given to directing a significant amount of any funding provided under this measure to the regional housing authorities. Most, if not all of us are in the best position within our respective regions to efficiently and effectively administer such funds and activities that may be generated.

VIA EMAIL
The Honorable Lyman Hoffman
Co-Chair, Senate Finance Committee
State Capitol, Rm. 518
Juneau, AK 99801-1182
Page 2 of 2

Thank you for your efforts and consideration of our views on this issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Duame", with a long, sweeping horizontal stroke extending to the right.

Dan Duame
Executive Director

Cc: Sen. Stedman, Finance Committee Co-Chair
Sen. Huggins, Finance Committee Vice-Chair
Senate Finance Committee Members
AAHA Members