

**SB**

**217**

<target><bill>SB 217</bill><subject>SB  
217</subject><comm>SF26</comm></target>



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## **SB 217 AHFC Vets Bonds Sponsor Statement**

SB 217 will place a question on the ballot for the general election of 2010 asking voters to approve an additional \$600 million of state guaranteed bonds to be issued by the Alaska Housing Finance Corporation for the purchase of mortgage loans made to qualifying veterans. The Veterans Mortgage Loan Program allows the Alaska Housing Finance Corporation to sell tax-exempt bonds to fund the program. Because of this, the Veterans Mortgage Loan Program generally offers a lower interest rate than the conventional single family mortgage loan program. As of December 23, 2009, the Veterans program interest rate was 3/8 of a percent below the Corporation's conventional taxable mortgage loan program.

To qualify, veterans must apply to AHFC within 25 years of his/her date of discharge from "active duty service." (Active duty service is full-time duty, other than for training.) Active duty service in the US Armed Forces, US Armed Forces Reserves, Public Health Service, NOAA, or service as a cadet at the US Military, Air Force, Coast Guard or Naval Academy may meet requirements.

Qualified veterans may be retired or active duty personnel. If retired, discharged, or released from active duty, separation must have been under conditions other than dishonorable. Active duty personnel must have completed their initial military obligation.

The last time veterans bonds were on the general election ballot was 2002, when Alaskans approved the bonds by over seventy percent. As a result of recent passed legislation in Congress, Alaska along with the states of California, Oregon, Texas and Wisconsin have been able to offer more loans to veterans through the program than the previous years. Because of this, it is estimated that the Corporation could run out of bond authorization for the veterans loan program some time in 2011. This is the reason for the urgency of getting the issue to the ballot in 2010.



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SENATE BILL NO. 217

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Governor@alaska.gov

Governor Sean Parnell  
STATE OF ALASKA

January 12, 2010

The Honorable Gary Stevens  
President of the Senate  
Alaska State Legislature  
State Capitol, Room 111  
Juneau, AK 99801-1182

Dear President Stevens,

Under the authority of Art. III, Sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the issuance of state-guaranteed revenue bonds by the Alaska Housing Finance Corporation to finance mortgages for qualifying veterans.

Alaska has one of the largest percentages of veterans of any state in the nation. This bill will provide continuation of guaranteed veteran housing loans, by the Alaska Housing Finance Corporation. Passage of this legislation is necessary to assure this progress continues.

The State of Alaska is one of only a few states that receives favorable treatment under the Internal Revenue Code for guaranteed veterans bonds. This program is designed to provide the lowest possible interest rates to our veterans, without any income limitations.

The accompanying bill would provide for a statewide vote at the next general election on authorizing \$600 million in Alaska Housing Finance Corporation (AHFC) bonds for qualifying veterans. This would be the sixth such bond approval; the voters authorized a total of \$2.7 billion in state-guaranteed AHFC veterans bonds in five elections between 1982 and 2002. AHFC has issued nearly all of those bonds, requiring new authorization.

The need for continuing this guaranteed housing loan program for veterans may well increase. Congress has recently expanded the current Internal Revenue Service Code definition of "qualified veterans" to include participants who have served in the more recent years and who were honorably discharged.

I urge your prompt and favorable action on this bill.

Sincerely,

A handwritten signature in black ink that reads "Sean Parnell".

Sean Parnell  
Governor

Enclosure

COMMITTEE COPY

## **Senate Bill 217**

### **Sectional Analysis**

#### Section 1 -

Section 1 adds the unconditional guarantee of the state of Alaska to bonds issued by the Alaska Housing Finance Corporation for the purchase of mortgage loans made to qualifying veterans. The principal amount of the bonds shall not exceed \$600 million.

#### Section 2 -

Section 2 gives the Alaska Housing Finance Corporation the authorization to sell bonds guaranteed under Section 1 of the bill, pending the approval of the voters of Alaska.

#### Section 3 -

Section 3 changes the definition of 'qualifying veteran' in state statute to conform to the federal definition that was changed effective May 30, 2006. The federal definition for eligibility changed from a veteran having served in the military prior to January 1, 1977 and not having been out of the service more than 30 years to the new definition of a veteran not having been out of the military more than 25 years with no specific dates during which he/she must have served.

#### Section 4 -

Section 4 adds the language that will be included on the general election ballot in 2010.

#### Section 5 -

Section 5 provides for an immediate effective date.



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**ALASKA HOUSING FINANCE CORPORATION  
VETERANS MORTGAGE LOAN PROGRAM ACTIVITY  
FISCAL YEAR 1994-2010**

Fiscal Year	Number Of Loans	Loan Total
2010	54	\$11,728,123
2009	168	\$40,134,867
2008	230	\$51,046,577
2007	270	\$58,411,919
2006	44	\$11,549,485
2005	57	\$12,260,899
2004	125	\$25,472,549
2003	187	\$38,782,068
2002	315	\$59,339,089
2001	430	\$73,184,764
2000	496	\$85,877,200
1999	540	\$91,249,038
1998	597	\$93,885,910
1997	340	\$52,161,904
1996	246	\$35,650,186
1995	482	\$68,947,388
1994	177	\$24,435,920
<b>Total</b>	<b>4758</b>	<b>\$834,117,886</b>

On January 25, 2010, Standard and Poor's looked at the delinquency rates of the loan portfolios of 34 state Housing Finance Agency bond programs. Of those, the Alaska Housing Finance Corporation's Veterans Mortgage Loan program had the **LOWEST** delinquency rate of any other state program at 1.28 percent.



# FISCAL NOTE

**STATE OF ALASKA**  
**2010 LEGISLATIVE SESSION**

Fiscal Note Number: 2  
 Bill Version: SB 217  
 (S) Publish Date: 2/5/10

Identifier (file name): 0879-DOR-AHFC-12-17-09

Dept. Affected: Revenue

Title: AHFC Veterans Housing Loan Bonds RDU: Alaska Housing Finance Corp.

Component: Operations/

Sponsor: Rules Committee

Requester: Governor Component Number: 110

**Expenditures/Revenues**

(Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY/2013	FY 2014	FY 2015	FY 2016
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual	150.0							
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>150.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>								
-----------------------------	--	--	--	--	--	--	--	--

<b>CHANGE IN REVENUES (</b>								
-----------------------------	--	--	--	--	--	--	--	--

**FUND SOURCE**

(Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
AHFC Receipts	150.0							
<b>TOTAL</b>	<b>150.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2010) cost: \_\_\_\_\_

**POSITIONS**

Full-time							
Part-time							
Temporary							

**ANALYSIS:** (Attach a separate page if necessary)

This bill authorizes a statewide public vote on \$600 million in revenue bonds to finance the Veterans Mortgage Program. Alaska is one of five states in the nation that established this program under the federal tax code. AHFC administers the program on behalf of the State.

Costs associated with the issuance of these bonds are anticipated to be covered with annual operating budget authorizations. Anticipated costs related to voter information education and dissemination about the bonds and the program will be approximately \$150,000.

If approved by voters, bond issuances in the future will be done based on loan demand.

Prepared by: Bryan Butcher, Director, Gov't Relations/Public Affairs  
 Division: Alaska Housing Finance Corporation  
 Approved by: \_\_\_\_\_

Phone 330-8445  
 Date/Time 2/4/10 12:00 AM  
 Date \_\_\_\_\_

# SENATE FINANCE COMMITTEE REPORT

DATE: 2/5/10

FURTHER:

DATE TURNED  
IN TO OFFICE: \_\_\_\_\_

Finance Committee considered SENATE BILL NO. 217

## SB 217 GUARANTEED REVENUE BONDS FOR VETERANS

"An Act relating to the issuance of state-guaranteed revenue bonds by the Alaska Housing Finance Corporation to finance mortgages for qualifying veterans; and providing for an effective date."

and recommends:

- be replaced with  SCS or  CS SB 217 (FIN)
- adopt previous  SCS or  CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt \_\_\_\_\_ Letter of Intent
- further referral to \_\_\_\_\_ Committee

**SENATE BILL:**  
 Same Title  
 New Title

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**HOUSE BILL:**  
 Same Title  
 Technical Title Change  
 New Title w/ SCR # \_\_\_\_\_

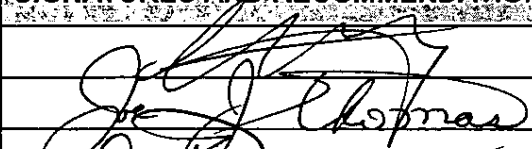
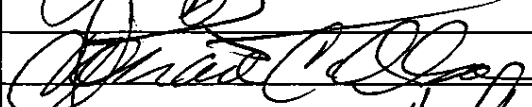
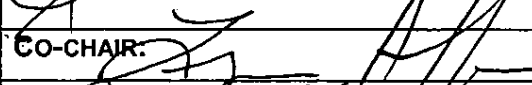
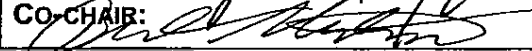
**NEW FISCAL NOTE(S):**

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#
REV	3/28	✓			

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC.	AMEND
	THOMAS	✓			
	OLSON	✓			
	Hoffman	✓			
	Steadman	✓			

# FISCAL NOTE

**STATE OF ALASKA**  
**2010 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: CSSB217(FIN)  
 () Publish Date: \_\_\_\_\_

Identifier (file name): CSSB217(FIN)-REV-AHFC-3-29-10 Dept. Affected: Revenue  
 Title: GUARANTEED REVENUE BONDS FOR VETERANS RDU: Alaska Housing Finance Corp.  
 Component: Operations  
 Sponsor: Senate Rules by Request of Governor  
 Requester: Senate Finance Committee Component Number: 110

**Expenditures/Revenues** (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual	150.0		(1,235.6)	(1,246.8)	(1,258.0)	(1,269.3)	(1,280.7)	
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous			1,275.6	1,292.1	1,129.1	1,141.2	1,153.7	
<b>TOTAL OPERATING</b>	<b>150.0</b>	<b>0.0</b>	<b>40.0</b>	<b>45.3</b>	<b>(128.9)</b>	<b>(128.1)</b>	<b>(127.0)</b>	
<b>CAPITAL EXPENDITURES</b>								
<b>CHANGE IN REVENUES ( )</b>								

**FUND SOURCE** (Thousands of Dollars)

	FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
1103 AHFC Receipts	150.0		40.0	45.3	(128.9)	(128.1)	(127.0)
<b>TOTAL</b>	<b>150.0</b>	<b>0.0</b>	<b>40.0</b>	<b>45.3</b>	<b>(128.9)</b>	<b>(128.1)</b>	<b>(127.0)</b>

Estimate of any current year (FY2010) cost: \_\_\_\_\_

**POSITIONS**

	FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Full-time							
Part-time							
Temporary							

**ANALYSIS:** (Attach a separate page if necessary)

SB 217 authorizes a statewide public vote on \$600 million in revenue bonds to finance the Veterans Mortgage Program. Alaska is one of five states in the nation that established this program under the federal tax code. AHFC administers the program on behalf of the State.

Costs associated with the issuance of these bonds are anticipated to be covered with annual operating budget authorizations. Anticipated costs related to voter information education and dissemination about the bonds and the program will be approximately \$150,000. If approved by voters, bond issuances in the future will be done based on

Prepared by: Bryan Butcher, Director, Governmental Relations/Public Affairs Phone 330-8445  
 Division: Alaska Housing Finance Corporation Date/Time 03-28-10; 11:40pm  
 Approved by: Ginger Blaisdell, Director Date 03-29-10; 7:45am  
Administrative Services Division

FISCAL NOTE

STATE OF ALASKA  
2010 LEGISLATIVE SESSION

BILL NO. CSSB217(FIN)

**ANALYSIS CONTINUATION**

The Senate Finance Committee draft of SB 217 includes language that authorizes AHFC to acquire the building they currently reside in at 4300 Boniface Parkway in Anchorage. The estimate is for a building cost of no more than \$14.5 million, of which \$5 million will be a land exchange with the Tatitlek Corporation and \$9.5 million will be from the sale of 25 year bonds. The Corporation expects a savings of purchasing the building compared to continuing to lease of approximately \$15.2 million in net present value cost.

The bill also authorizes AHFC to acquire or purchase a site for relocating its public housing client intake and assisted housing center in Anchorage for an amount not to exceed \$3.5 million. AHFC already has federal and corporate funds in hand that would allow this transaction to occur without the need for a new appropriation.

*adapted*  
*3/29/10* *N/O*

26-GS2879R  
Cook  
3/25/10

**CS FOR SENATE BILL NO. 217(FIN)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-SIXTH LEGISLATURE - SECOND SESSION**

**BY THE SENATE FINANCE COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to the issuance of state-guaranteed revenue bonds by the Alaska**  
2 **Housing Finance Corporation to finance mortgages for qualifying veterans; authorizing**  
3 **the Alaska Housing Finance Corporation to acquire the building that it occupies for an**  
4 **amount that does not exceed \$14,500,000; authorizing the Alaska Housing Finance**  
5 **Corporation to acquire a building or purchase an undesignated site for the relocation of**  
6 **its public housing client intake and assisted housing center for an amount that does not**  
7 **exceed \$3,500,000; and providing for an effective date."**

8 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

9 **\* Section 1.** The uncodified law of the State of Alaska is amended by adding a new section  
10 to read:

11 **GUARANTEE OF REVENUE BONDS.** For the purpose of assisting the Alaska  
12 Housing Finance Corporation to provide, money for the purchase under AS 18.56 of  
13 mortgages made for residences for qualifying veterans, revenue bonds of the Alaska Housing

1 Finance Corporation are unconditionally guaranteed as to principal and interest by the state in  
2 the principal amount of not more than \$600,000,000. The full faith, credit, and resources of  
3 the state are pledged to the payment of the principal of and interest on these bonds, and the  
4 principal of and interest on the bonds are secured by the general obligation of the State of  
5 Alaska. A statement of this pledge must be printed on the face of the bonds and must be  
6 signed in manual or facsimile form by the governor. The provisions of AS 37.15 do not apply  
7 to the bonds. The guarantee authorized by this section is in addition to the guarantees  
8 authorized by sec. 5, ch. 35, SLA 1982; sec. 1, ch. 81, SLA 1983; sec. 1, ch. 115, SLA 1984;  
9 sec. 1, ch. 134, SLA 1986; and sec. 1, ch. 34, SLA 2002.

10 \* Sec. 2. The uncodified law of the State of Alaska is amended by adding a new section to  
11 read:

12 BOND AUTHORIZATION. If the question set out in sec. 4 of this Act is approved by  
13 the qualified voters of the state who vote on the question, the Alaska Housing Finance  
14 Corporation may issue not more than the principal amount of \$600,000,000 of its revenue  
15 bonds that are unconditionally guaranteed as to principal and interest by the state, the  
16 proceeds of which are to be expended by the Alaska Housing Finance Corporation to provide  
17 money for the purchase of mortgages made for residences for qualifying veterans. The  
18 authorization in this section to issue bonds is in addition to the authorizations to issue bonds  
19 that appear in sec. 6, ch. 35, SLA 1982; sec. 2, ch. 81, SLA 1983; sec. 2, ch. 115, SLA 1984;  
20 sec. 2, ch. 134, SLA 1986; and sec. 2, ch. 34, SLA 2002.

21 \* Sec. 3. The uncodified law of the State of Alaska is amended by adding a new section to  
22 read:

23 DEFINITION. As used in secs. 1, 2, and 4 of this Act, a "qualifying veteran" is a  
24 person who is a "qualified veteran" as that term is defined, or may be subsequently defined,  
25 under 26 U.S.C. 143.

26 \* Sec. 4. The uncodified law of the State of Alaska is amended by adding a new section to  
27 read:

28 BALLOT QUESTION. The question of the state guarantee of bonds referred to in this  
29 Act shall be submitted to the qualified voters of the state at the first general election after the  
30 effective date of this Act and shall read substantially as follows:

31 PROPOSITION

1 State Guaranteed Veterans \$600,000,000  
 2 Residential Mortgage Bonds

3 Shall the State of Alaska unconditionally guarantee as a general  
 4 obligation of the state the payment of principal and interest on  
 5 revenue bonds of the Alaska Housing Finance Corporation  
 6 issued in the principal amount of not more than \$600,000,000  
 7 for the purpose of purchasing mortgages made for residences  
 8 for qualifying veterans, as defined by law?

9 Bonds Yes [ ]

10 Bonds No [ ]

11 \* Sec. 5. The uncodified law of the State of Alaska is amended by adding a new section to  
 12 read:

13 AUTHORIZING THE ALASKA HOUSING FINANCE CORPORATION TO  
 14 ACQUIRE OR PURCHASE CERTAIN BUILDINGS OR SITES. (a) The Alaska Housing  
 15 Finance Corporation is authorized to acquire the building in Anchorage that it occupies on the  
 16 effective date of this Act for an amount that does not exceed \$14,500,000.

17 (b) The Alaska Housing Finance Corporation is authorized to acquire a building or  
 18 purchase an undesignated site for relocation of its public housing client intake and assisted  
 19 housing center in Anchorage, for an amount that does not exceed \$3,500,000.

20 (c) This section constitutes the approval required by AS 18.55.100(d) and  
 21 AS 18.56.090(d) for the acquisition or purchase as described in (a) and (b) of this section.

22 \* Sec. 6. This Act takes effect immediately under AS 01.10.070(c).



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## MEMORANDUM

Date: February 9, 2010

To: Senator Lyman Hoffman, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senate Finance Committee

From: Dan Fauske, Executive Director/CEO  
Alaska Housing Finance Corporation

Re: SB 217, AHFC Vets Bond Bill

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This is a request for the scheduling of Senate Bill 217, An Act relating to the issuance of state-guaranteed revenue bonds by the Alaska Housing Finance Corporation to finance mortgages for qualifying veterans; and providing for an effective date. The bill passed out of the Senate State Affairs Committee last week and is currently in the Senate Finance Committee.

SB 217 will put on the general election 2010 ballot a question for voters on whether or not to approve having AHFC issue up to \$600 million in bonds to fund the Alaska Veterans Mortgage Loan Program.

Alaska is one of five states in the country that has a veterans mortgage loan program. This program requires the general obligation of the state of Alaska to back the bonds sold to fund the program. Over the years the vets program has been very successful, having one of the lowest foreclosure rates of any of AHFC's programs.

The last time this question was on the general election ballot was 2002, when over seventy percent of voters approved \$500 million in bonds for the program.



"HOUSING FOR ALASKANS"



Due to recent positive changes that the five states were able to get through Congress, there are now more veterans eligible for the program than past years. As a result, the Corporation estimates that we may run out of funds for the program some time in 2011. As a result, a vote will be needed this year to make sure that the program doesn't have to be shut down.

I would appreciate the scheduling of SB 217 in the Finance Committee at your earliest possible convenience. If you have any questions or need any further information about the bill, please contact Bryan Butcher in my office at 330-8445.