

ALASKA LEGISLATURE

2548

HOUSE and SENATE FINANCE COMMITTEE FILES, 2003-2004

14

exempt work.

Learned Professional Employees

	Current Long Test	Current Short Test	Proposed Standard Test
Salary	\$170 per week	\$250 per week	\$425 per week
Duties	<p>Primary duty of performing work requiring knowledge of an advanced type in a field of science or learning customarily acquired by a prolonged course of specialized intellectual instruction and study.</p> <p>Consistently exercises discretion and judgment.</p> <p>Performs work that is predominantly intellectual and varied in character and is of such character that the output produced or result accomplished cannot be standardized in relation to a given period of time.</p> <p>Does not devote more than 20 percent of time to activities that are not an essential part of and necessarily incident to exempt work.</p>	<p>Primary duty of performing work requiring knowledge of an advanced type in a field of science or learning customarily acquired by a prolonged course of specialized intellectual instruction and study.</p> <p>Consistently exercises discretion and judgment.</p>	<p>Primary duty of performing office or non-manual work requiring knowledge of an advanced type in a field of science or learning customarily acquired by a prolonged course of specialized intellectual instruction, but which also may be acquired by alternative means such as an equivalent combination of intellectual instruction and work experience.</p>

Creative Professional Employees

	Current Long Test	Current Short Test	Proposed Standard Test
Salary	\$170 per week	\$250 per week	\$425 per week
Duties	<p>Primary duty of performing work that is original and creative in character in a recognized field of artistic endeavor, and the result of which depends primarily on the invention, imagination, or talent of the employee.</p> <p>Consistently exercises discretion and judgment.</p> <p>Performs work that is predominantly intellectual and varied in character and is of such character that the output produced or result accomplished cannot be standardized in relation to a given period of time.</p> <p>Does not devote more than 20 percent of time to activities that are not directly and closely related to exempt work.</p>	Performs work requiring invention, imagination, or talent in a recognized field of artistic endeavor.	Primary duty of performing work requiring invention, imagination, originality or talent in a recognized field of artistic or creative endeavor.

Computer Employees

	Current Long Test	Current Short Test	Section 13(a)(17) Test	Proposed Standard Test
Salary	\$170 per week	\$250 per week	\$27.63 an hour	\$425 per week <i>or</i> \$27.63 an hour
Duties	Primary duty of performing work requiring theoretical and practical application of	Primary duty of performing work requiring theoretical and practical	Primary duty of (A) application of systems analysis techniques and procedures, including	Primary duty of (A) application of systems analysis techniques and procedures, including

<p>highly-specialized knowledge in computer systems analysis, programming, and software engineering.</p> <p>Employed as a computer systems analyst, computer programmer, software engineer, or other similarly skilled worker in the computer software field.</p> <p>Consistently exercises discretion and judgment.</p> <p>Performs work that is predominantly intellectual and varied in character and is of such character that the output produced or result accomplished cannot be standardized in relation to a given period of time.</p> <p>Does not devote more than 20 percent of time to activities that are not directly and closely related to exempt work.</p>	<p>application of highly-specialized knowledge in computer systems analysis, programming, and software engineering.</p> <p>Employed as a computer systems analyst, computer programmer, software engineer, or other similarly skilled worker in the computer software field.</p> <p>Consistently exercises discretion and judgment.</p>	<p>consulting with users, to determine hardware, software or system functional applications; or (B) design, development, documentation, analysis, creation, testing, or modification of computer systems or programs, including prototypes, based on and related to user or system design specifications; or (C) design, documentation, testing, creation or modification of computer programs related to machine operating systems; or (D) a combination of duties described in (A), (B) and (C), the performance of which requires the same level of skills.</p> <p>Employed as a computer systems analyst, computer programmer, software engineer, or other similarly skilled worker in the computer field.</p>	<p>consulting with users, to determine hardware, software or system functional applications; or (B) design, development, documentation, analysis, creation, testing, or modification of computer systems or programs, including prototypes, based on and related to user or system design specifications; or (C) design, documentation, testing, creation or modification of computer programs related to machine operating systems; or (D) a combination of duties described in (A), (B) and (C), the performance of which requires the same level of skills.</p> <p>Employed as a computer systems analyst, computer programmer, software engineer, or other similarly skilled worker in the computer field.</p>
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Outside Sales Employees

	Current Long Test	Current Short Test	Proposed Standard Test
Salary	None required.	None required.	None required.
Duties	<p>Employed for the purpose of and customarily and regularly engaged away from the employer's place of business in making sales; or in obtaining orders or contracts for services or for the use of facilities for which a consideration will be paid by the client or customer.</p> <p>Does not devote more than 20 percent of the hours worked by nonexempt employees of the employer to activities that are not incidental to and in conjunction with the employee's own outside sales or solicitations.</p>	No separate "short" test.	<p>Primary duty of making sales; or of obtaining orders or contracts for services or for the use of facilities for which a consideration will be paid by the client or customer.</p> <p>Customarily and regularly engaged away from the employer's place or places of business.</p>

[▲ Back to Top](#)

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LEXSTAT Alaska Stat. 23.10.055

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*** CURRENT THRU FEBRUARY 13, 2003 ***

TITLE 23. LABOR AND WORKERS' COMPENSATION

CHAPTER 10. EMPLOYMENT PRACTICES AND WORKING CONDITIONS

ARTICLE 3. ALASKA WAGE AND HOUR ACT

GO TO CODE ARCHIVE DIRECTORY FOR THIS JURISDICTION

Alaska Stat. § 23.10.055 (2003)

Sec. 23.10.055. Exemptions

The provisions of AS 23.10.050 -- 23.10.150 do not apply to

(1) an individual employed in agriculture, which includes farming in all its branches and, among other things, includes the cultivation and tillage of the soil, dairying, the production, cultivation, growing, and harvesting of any agricultural or horticultural commodities, the raising of livestock, bees, fur-bearing animals, or poultry, and any practices, including forestry and lumbering operations, performed by a farmer or on a farm as an incident to or in conjunction with the farming operations, including preparation for market, delivery to storage or to market or to carriers for transportation to market;

(2) an individual employed in the catching, trapping, cultivating or farming, netting or taking of any kind of fish, shellfish, or other aquatic forms of animal and vegetable life;

(3) an individual employed in the hand picking of shrimp;

(4) an individual employed in domestic service, including a baby-sitter, in or about a private home;

(5) an individual employed by the United States or by the state or political subdivision of the state, except as provided in AS 23.10.065(b), including prisoners not on furlough detained or confined in prison facilities;

(6) an individual engaged in the nonprofit activities of a nonprofit religious, charitable, cemetery, or educational organization or other nonprofit organization where the employer-employee relationship does not, in fact, exist, and where services rendered to the organization are on a voluntary basis and are related only to the organization's nonprofit activities; for purposes of this paragraph, "nonprofit activities" means activities for which the nonprofit organization does not incur a liability for unrelated business income tax under 26 U.S.C. 513, as amended;

(7) an employee engaged in the delivery of newspapers to the consumer;

(8) an individual employed solely as a watchman or caretaker of a plant or property that is not in productive use for a period of four months or more;

(9) an individual employed in a bona fide executive, administrative, or professional capacity or in the capacity of an outside salesman or a salesman who is employed on a straight commission basis;

(10) an individual employed in the search for placer or hard rock minerals;

(11) an individual under 18 years of age employed on a part-time basis not more than 30 hours in a week;

(12) employment by a nonprofit educational or child care facility to serve as a parent of children while the children are in residence at the facility if the employment requires residence at the facility and is compensated on a cash basis exclusive of room and board at an annual rate of not less than

(A) \$ 10,000 for an unmarried person; or

(B) \$ 15,000 for a married couple;

(13) an individual who drives a taxicab, is compensated for taxicab services exclusively by customers of the service, whose written contractual arrangements with owners of taxicab vehicles, taxicab permits, or radio dispatch services are based upon flat contractual rates and not based on a percentage share of the individual's receipts from customers, and whose written contract with owners of taxicab vehicles, taxicab permits, or radio dispatch services specifically provides that the contract places no restrictions on hours worked by the individual or on areas in which the individual may work except to comply with local ordinances;

(14) a person who holds a license under AS 08.54 and who is employed by a registered guide or master guide licensed under AS 08.54, for the first 60 work days in which the person is employed by the registered guide or master guide during a calendar year;

(15) an individual engaged in activities for a nonprofit religious, charitable, civic, cemetery, recreational, or educational organization where the employer-employee relationship does not, in fact, exist, and where services are rendered to the organization under a work activity requirement of AS 47.27 (Alaska temporary assistance program); or

(16) an individual who

(A) provides emergency medical services only on a voluntary basis;

(B) serves with a full-time fire department only on a voluntary basis; or

(C) provides ski patrol services on a voluntary basis.

HISTORY: (§ 2(1) ch 171 SLA 1959; am § 1 ch 2 SLA 1962; am § 1 ch 50 SLA 1972; am § 2 ch 124 SLA 1978; am § 1 ch 115 SLA 1982; am § 2 ch 12 SLA 1990; am § 2 ch 13 SLA 1993; am § 10 ch 33 SLA 1996; am § 9 ch 107 SLA 1996; am § 1 ch 23 SLA 1997; am § § 1, 2 ch 19 SLA 1999)

NOTES:

REVISOR'S NOTES. --Paragraph (15) was enacted as (14). Renumbered in 1996.

CROSS REFERENCES. --For legislative purpose in enacting paragraph (13), see § 1, ch. 13, SLA 1993 in the Temporary and Special Acts.

ADMINISTRATIVE CODE. --For exemptions, see 8 AAC 15, art. 3.

EFFECT OF AMENDMENTS. --The 1993 amendment, effective May 8, 1993, added paragraph (13).

The first 1996 amendment, effective May 23, 1996, added paragraph (14).

The second 1996 amendment, effective July 1, 1997, added paragraph (15).

The 1997 amendment, effective May 9, 1997, added paragraph (16).

The 1999 amendment, effective May 12, 1999, in paragraph (6), inserted "nonprofit" near the beginning and "or other nonprofit organization" near the middle, and added "and are related only to the organization's nonprofit activities; for purposes of this paragraph, "nonprofit activities" means activities for which the nonprofit organization does not incur a liability for unrelated business income tax under 26 U.S.C. 513, as amended" at the end; in paragraph (16), added subparagraph designations (A) to (C) and deleted "or an individual who" at the beginning of subparagraph (B), and added subparagraph (C) and made related stylistic changes.

NOTES TO DECISIONS

EMPLOYEES COVERED BY AND EXEMPT FROM FAIR LABOR STANDARDS ACT. --AS 23.10.050 -- 23.10.150 apply to both employees covered by the Fair Labor Standards Act, 29 U.S.C. § § 201-219, and those who

are, because of insufficient connections to interstate commerce, exempt from the *Fair Labor Standards Act*. *Webster v. Bechtel, Inc.*, 621 P.2d 890 (Alaska 1980).

HELICOPTER PILOT NOT CLASSIFIED AS PROFESSIONAL. --A commercial helicopter pilot is not a professional for purposes of the *Alaska Wage and Hour Act*. *Dayhoff v. Temsco Helicopters, Inc.*, 848 P.2d 1367 (Alaska 1993).

PRISONERS EXCLUDED FROM OPERATION OF CHAPTER. --See *McGinnis v. Stevens*, 543 P.2d 1221 (Alaska 1975).

RESTAURANT MANAGERS. --Partial summary judgment for plaintiffs was improper where superior court was obliged to consider district manager's testimony that restaurant managers such as plaintiffs spent less than 10 percent of their time performing tasks otherwise performed by hourly employees; a genuine issue of material fact existed as to whether plaintiffs spent more than 20 percent of their time on duties not directly and closely related to management of the restaurant. *American Restaurant Group v. Clark*, 889 P.2d 595 (Alaska 1995).

RETAIL MANAGER NOT EXEMPT. --Although the retail store manager supervised employees and made more than \$600 per week, he was not exempt from the *Alaska Wage and Hour Act* since he spent more than 20% of his time in retail sales, an activity normally performed by nonmanagerial employees. *Grimes v. Kinney Shoe Corp.*, 902 F. Supp. 1070 (D. Alaska 1995).

EMPLOYEE HELD NOT EXEMPT. Employee was not an exempt administrative employee and was entitled to overtime pay where the undisputed record evidence established that employer failed to pay employee on a salary basis and required him to work under direct supervision. *Whitesides v. U-Haul Co. of Alaska*, 16 P.3d 729 (Alaska 2001).

APPLIED IN *Alaska Int'l Indus., Inc. v. Musarra*, 602 P.2d 1240 (Alaska 1979); *Era Aviation, Inc. v. Lindfors*, 17 P.3d 40 (Alaska 2000).

QUOTED IN *Alaska Pipeline Serv. Co. v. Shook*, 978 P.2d 86 (Alaska 1999); *Bruns v. Municipality of Anchorage*, 23 P.3d 641 (Alaska 2001).

CITED IN *Dresser Indus., Inc. v. Alaska Dep't of Labor*, 633 P.2d 998 (Alaska 1981), cert. denied, 455 U.S. 1019, 102 S. Ct. 1716, 72 L. Ed. 2d 137 (1982).

COLLATERAL REFERENCES. --Who is employed in "executive or administrative capacity" within exemptions from minimum wage and maximum hours provisions of *Fair Labor Standards Act*. 40 ALR2d 332; 124 ALR Fed. 1; 131 ALR Fed. 1.

Who is employed in "professional capacity," within exemption, under 29 USCS § 213(a)(1), from minimum wage and maximum hours provisions of *Fair Labor Standards Act*. 77 ALR Fed. 681.

Employee training time as exempt from minimum wage and overtime requirements of *Fair Labor Standards Act*. 80 ALR Fed. 246.

Who is "employee employed in agriculture" and therefore exempt from overtime provisions of *Fair Labor Standards Act* by § 13 (b)(12) of Act (29 U.S.C.A. § 213(b)(12)). 162 ALR Fed. 575.

Validity and construction of domestic service provisions of *Fair Labor Standards Act* (29 U.S.C. § § 201 et seq.). 165 ALR Fed. 163.

USER NOTE: For more generally applicable notes, see notes under the first section of this article, chapter or title.

LEXSTAT 8 A.A.C. 15.910

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*** THIS SECTION IS CURRENT THROUGH MARCH 5, 2003 ***

TITLE 8. LABOR AND WORKFORCE DEVELOPMENT

PART 1. INDUSTRIAL WELFARE

CHAPTER 15. ALASKA WAGES AND HOURS

ARTICLE 6. GENERAL PROVISIONS

8 Alaska Admin. Code 15.910 (2003)

8 AAC 15.910. Definitions

(a) In this chapter and AS 23.10.050 -- 23.10.150, unless the context requires otherwise

(1) "administrative employee" means an employee

(A) whose primary duty consists of work directly related to management policies or supervising the general business operations of the employer;

(B) who customarily and regularly exercises discretion and independent judgment;

(C) who performs work only under general supervision;

(D) who is paid on a salary or fee basis;

(E) who regularly and directly assists a proprietor or an exempt executive employee of the employer; and

(F) who performs work along specialized or technical lines requiring special training, experience or knowledge and does not devote more than 20 percent, or in the case of an employee of a retail or service establishment who earns at least two and one half times the state minimum wage per hour for the first 40 hours of employment each week and who does not devote more than 40 percent of the employee's weekly hours to activities that are not described in this paragraph or (7) or (11) of this section;

(2) "casual employee," as used in AS 23.10.065(11), means

(A) an employee engaged in an activity that occurs without regularity and is not in the usual course of trade, business, occupation, or profession of the employer; or

(B) an individual employed on a seasonal basis for less than twelve weeks per calendar year at a recreational residential youth camp operated by a nonprofit religious, charitable, or educational organization;

(3) "commissioner" means the commissioner of labor and workforce development;

(4) "department" means the Alaska Department of Labor and Workforce Development;

(5) "director" means the director of the labor standards and safety division of the department, or the director's designee;

(6) "domestic service in or about a private home," as used in AS 23.10.055(4), means an individual employed in or about a private home of a person by whom the individual is employed and who performs services or activities such as

a babysitter, a cook, a butler, a valet, a maid, a housekeeper, a governess, a janitor, a laundress, a caretaker, a handyman, a gardener, a footman, a groom, or a chauffeur of automobiles for family use;

(7) "executive employee" means an employee

(A) whose primary duty consists of the management of the enterprise in which the employee is employed or of a customarily recognized branch, department, or subdivision of the enterprise;

(B) who customarily and regularly directs the work of two or more other employees;

(C) who has the authority to hire or fire or effect any other change of status of other employees or whose suggestions or recommendations regarding these kinds of changes are given particular weight;

(D) who customarily and regularly exercises discretionary authority;

(E) who does not devote more than 20 percent, or in the case of an employee of a retail or service establishment who earns at least two and one half times the state minimum wage per hour for the first 40 hours of employment each week and who does not devote more than 40 percent of the employee's weekly hours to activities that are not directly and closely related to the work described in this paragraph or (1) or (11) of this section; and

(F) who is compensated on a salary basis;

(8) "nonprofit," as used in AS 23.10.055(6), means an organization no part of the income or profit of which is distributable to its members, directors, or officers and whose status has been determined by the U.S. Internal Revenue Service as nonprofit;

(9) "on call" means time that an employee is required to remain on call on the employer's premises or other place of employment or so close to them that the time cannot be used effectively for the employee's own purposes, but does not include the time an employee is not required to remain on or near the employer's premises or other place of employment but is merely required to leave word with the employer where the employee may be reached by cellular phone, beeper, or other means;

(10) "outside salesman" means a person

(A) who is customarily and regularly away from the employer's place of business;

(B) who is employed for the purpose of making sales, contracts for sales, consignments, or shipment for sale, or for obtaining orders for service or for use of facilities for which consideration will be paid by the client or customer; and

(C) whose hours of work of a nature other than that described in this paragraph or in (12) of this subsection do not exceed 20 percent of the hours worked in the workweek;

(11) "professional employee" means an employee, except for the classifications of registered nurse and licensed practical nurse

(A) whose primary duty is

(i) to perform work requiring knowledge of an advanced type in a field of science or learning customarily acquired by a prolonged course of specialized intellectual instruction and study, as distinguished from a general academic education or from an apprenticeship or from training in the performance of routine mental, manual, or physical processes; or

(ii) to perform work that is original and creative in character in a recognized field of artistic endeavor (as opposed to work that can be produced by a person with general manual or intellectual ability and training), and the result of which depends primarily on the invention, imagination, or talent of the employee; or

(iii) to teach, tutor, instruct, or lecture in the activity of imparting knowledge, and who is employed and engaged in this activity as a teacher; certified or recognized in a school or other educational establishment or institution; or

(iv) to perform computer-related occupations that are exempted from the Fair Labor Standards Act under 29 C.F.R. Part 541.303, which is hereby adopted by reference; and

(B) whose work

(i) requires the consistent exercise of discretion and judgment in its performance;

(ii) is predominately intellectual and varied in character (as opposed to routine mental, manual, mechanical, or physical work) and is of such character that the output produced or the result accomplished cannot be standardized on a time basis; and

(iii) is compensated on a salary or fee basis;

(12) "salesman employed on a straight commission basis" means a person

(A) who is regularly employed on the business premises of the employer;

(B) who is compensated on a straight commission basis for the purpose of making sales, contracts for sales, consignments, or shipments for sale or for obtaining orders for services or the use of facilities for which a consideration will be paid by the client or customer; and

(C) whose hours of work of a nature other than that described in this paragraph or in (10) of this subsection do not exceed 20 percent of the hours worked in the workweek;

(13) "standby or waiting time" means time that an employee is required to be at or near the place of employment and is required to wait for work or an assignment, whether or not because of shutdown or repair, and during which the time cannot be used effectively for the employee's own purposes;

(14) "supervisory capacity" means those primary duties performed by an employee who is employed solely for the purpose of regularly assigning and directing the activities of other employees; and is responsible for results of the work performed; and who does not perform duties regularly performed by the employees supervised, except for brief periods of time not to exceed 20 percent of the hours worked in the workweek; for the purpose of AS 23.10.060, "supervisory capacity" does not apply to an employee required by the employer to perform those activities on an intermittent or substitute basis during the course of employment;

(15) "workweek" means a fixed and regularly recurring period of 168 hours that is seven consecutive 24-hour periods; it may begin on any day of the week and need not coincide with the calendar week; an individual employee's workweek is the statutory or contract number of hours that the employee is to regularly work during that period; the workweek may not be artificially adjusted for the purpose of avoiding the payment of overtime; however the workweek may be changed for any other purpose as provided in AS 23.05.160;

(16) "straight commission" means a fixed percentage of each dollar of sales an employee makes;

(17) "workday" means a fixed and regularly recurring period of 24 consecutive hours;

(18) "child care facility," as used in AS 23.10.055(12), includes those treatment programs that require that the children live in facilities provided, under the 24-hour care of program personnel, for a period of at least 30 consecutive days;

(19) "parent of children," as used in AS 23.10.055(12), means those individuals whose duties involve the provision of care, treatment, supervision, and oversight of children residing in the child care facility, and whose duties require that they reside with the children, in the facilities provided by the program, 24 hours a day, for a period of at least 30 consecutive days;

(20) "fee basis" means an agreed sum for a single job regardless of the time required for its completion as specified in 29 C.F.R. Parts 541.313(b), which is hereby adopted by reference;

(21) "regular course of business," as used in AS 23.10.060(d)(1), means those activities that are integral and necessary to any enterprise or activity in which the employer is primarily engaged;

(22) "salary" means, subject to the provisions of 8 AAC 15.908, a fixed and recurring amount of money constituting all or part of an exempt employee's compensation, which amount is not subject to reduction because of variations in the quality or quantity of the work performed.

(b) Repealed 4 29 99.

(c) For the purposes of AS 23.10.060(d)(12), "hospital" includes a nursing facility as described in 7 AAC 12.250 and licensed in accordance with 7 AAC 12.610.

(d) As used in AS 23.10.430, "personnel file and other personnel information" means all papers, documents, and reports pertaining to a particular employee that are used or have been used by an employer to determine that employee's eligibility for employment, promotion, additional compensation, transfer, termination, disciplinary or other adverse personnel action; "personnel file and other personnel information"

(1) includes

- (A) applications;
- (B) notices of commendation, warning or discipline;
- (C) authorization for withholding or deductions from pay;
- (D) leave records;
- (E) formal and informal employee evaluations;
- (F) reports relating to the employee's character, credit, work habits, compensation, and benefits;
- (G) medical records; and
- (H) letters of reference or recommendations from third parties, including former employers;

(2) does not include

- (A) information of a personal nature about a person other than the employee if disclosure of the information would constitute an unwarranted invasion of the other person's privacy;
 - (B) information relating to an ongoing investigation of a violation of a criminal or civil statute by an employee;
- or
- (C) an employer's ongoing investigation of employee misconduct.

AUTHORITY: AS 23.05.060; AS 23.10.085

SOURCE: Eff. 12 9 78, Register 68; am 9 28 85, Register 95; am 10 4 90, Register 115; am 2 10 93, Register 125; am 3 18 93, Register 125; am 4 29 99, Register 150

NOTES:

EDITOR'S NOTE: As of Register 151 (October 1999), the regulations attorney made technical revisions under AS 44.62.125(b)(6) to reflect the name change of the Department of Labor to the Department of Labor and Workforce Development made by ch. 58, SLA 1999 and the corresponding title change of the commissioner of labor.

LEXSTAT Alaska Stat. 23.10.055

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*** CURRENT THRU FEBRUARY 13, 2003 ***

TITLE 23. LABOR AND WORKERS' COMPENSATION

CHAPTER 10. EMPLOYMENT PRACTICES AND WORKING CONDITIONS

ARTICLE 3. ALASKA WAGE AND HOUR ACT

GO TO CODE ARCHIVE DIRECTORY FOR THIS JURISDICTION

Alaska Stat. § 23.10.060 (2003)

Sec. 23.10.060. Payment for overtime

(a) An employer who employs employees engaged in commerce or other business, or in the production of goods or materials in the state may not employ an employee for a workweek longer than 40 hours or for more than eight hours a day. This section does not apply to the employment of a person acting in a supervisory capacity.

(b) If an employer finds it necessary to employ an employee for hours in excess of the limits set in this subsection, overtime compensation for the overtime at the rate of one and one-half times the regular rate of pay shall be paid. An employee is entitled to overtime compensation for hours worked in excess of eight hours a day. An employee is also entitled to overtime compensation for hours worked in excess of 40 hours a week; in determining whether an employee has worked more than 40 hours a week, the number of hours worked shall be determined without including hours that are worked in excess of eight hours in a day because the employee has or will be separately awarded overtime compensation based on those hours.

(c) This section is considered included in all contracts of employment.

(d) This section does not apply with respect to

(1) an employee employed by an employer employing less than four employees in the regular course of business, as "regular course of business" is defined by regulations of the commissioner;

(2) an employee employed in handling, packing, storing, pasteurizing, drying, preparing in their raw or natural state, or canning agricultural or horticultural commodities for market, or in making cheese or butter or other dairy products;

(3) an employee of an employer engaged in small mining operations where not more than 12 employees are employed if the employee is employed not in excess of 12 hours a day or 56 hours a week during a period or periods of not more than 14 workweeks in the aggregate in a calendar year during the mining season, as the season is defined by the commissioner;

(4) an employee engaged in agriculture;

(5) an employee employed in connection with the publication of a weekly, semiweekly, or daily newspaper with a circulation of less than 1,000;

(6) a switchboard operator employed in a public telephone exchange that has fewer than 750 stations;

(7) an employee in an otherwise exempted employment or proprietor in a retail or service establishment engaged in handling telegraphic, telephone, or radio messages for the public under an agency or contract arrangement with a telegraph or communications company where the telegraph message or communications revenue of the agency does not exceed \$ 500 a month;

(8) an employee employed as a seaman;

(9) an employee employed in planting or tending trees, cruising, or surveying, or bucking, or felling timber, or in preparing or transporting logs or other forestry products to the mill, processing plant, railroad, or other transportation terminal if the number of employees employed by the employer in the forestry or lumbering operations does not exceed 12;

(10) an individual employed as an outside buyer of poultry, eggs, cream, or milk in their raw or natural state;

(11) casual employees as may be liberally defined by regulations of the commissioner;

(12) an employee of a hospital whose employment includes the provision of medical services;

(13) work performed by an employee under a flexible work hour plan if the plan is included as part of a collective bargaining agreement;

(14) work performed by an employee under a voluntary flexible work hour plan if

(A) the employee and the employer have signed a written agreement and the written agreement has been filed with the department; and

(B) the department has issued a certificate approving the plan that states the work is for 40 hours a week and not more than 10 hours a day; for work over 40 hours a week or 10 hours a day under a flexible work hour plan not included as part of a collective bargaining agreement, compensation at the rate of one and one-half times the regular rate of pay shall be paid for the overtime;

(15) an individual employed as a line haul truck driver for a trip that exceeds 100 road miles one way if the compensation system under which the truck driver is paid includes overtime pay for work in excess of 40 hours a week or for more than eight hours a day and the compensation system requires a rate of pay comparable to the rate of pay required by this section;

(16) an individual employed as a community health aide by a local or regional health organization as those terms are defined in AS 18.28.100;

(17) work performed by a mechanic primarily engaged in the servicing of automobiles, light trucks, and motor homes if the mechanic

(A) is employed as a flat-rate mechanic by a nonmanufacturing establishment primarily engaged in the business of selling or servicing motor vehicles;

(B) has signed a written agreement with the employer that specifies the mechanic's flat hourly rate of pay and the automotive manual or manuals on which the flat rate is to be based;

(C) is compensated for all hours worked in any capacity for that employer up to and including eight hours a day and 40 hours a week at an hourly rate that is not less than the greater of

(i) 75 percent of the flat hourly rate of pay agreed upon by the employer and employee under (B) of this paragraph; or

(ii) twice the state minimum wage; and

(D) is compensated for all hours worked in any capacity for that employer in excess of eight hours a day or 40 hours a week at one and one-half times the rate described in (C) of this paragraph;

(18) work performed by an employee under a voluntary written agreement addressing the trading of work shifts among employees if

(A) the employee is employed by an air carrier subject to subchapter II of the Railway Labor Act (45 U.S.C. 181-188), including employment as a customer service representative;

(B) the trading agreement is not a flexible work hour plan entered into under (13) or (14) of this subsection;

(C) the trading agreement is filed with the employee's employer; and

(D) the trading agreement states that the employee is not entitled to receive overtime for any hours worked by the employee when the employee voluntarily works those hours under a shift trading practice under which the employee has the opportunity, in the same or other work weeks, to reduce hours worked by voluntarily offering a shift for trade or reassignment.

(e) The minimum amount due an employee under (d)(17)(C) and (D) of this section shall be figured on a weekly basis.

HISTORY: (§ 3 ch 171 SLA 1959; am § 1 ch 3 SLA 1962; am § 1 ch 243 SLA 1970; am § 1 ch 45 SLA 1972; a. § 33 ch 127 SLA 1974; am § 1 ch 31 SLA 1980; am § 3 ch 47 SLA 1983; am § 1 ch 160 SLA 1990; am § 1 ch 103 SLA 1992; am § 5 ch 13 SLA 1993; am § § 1, 2 ch 123 SLA 1998; am § 1 ch 39 SLA 1999; am § 2 ch 43 SLA 1999)

NOTES:

REVISOR'S NOTES. --The paragraphs of (d) of this section were renumbered in 1990 and 1996 to reflect the deletion of repealed paragraphs.

CROSS REFERENCES. --For legislative findings concerning the amendment of subsection (b) by § 2, ch. 43, SLA 1999, see § 1, ch. 43, SLA 1999 in the 1999 Temporary & Special Acts.

ADMINISTRATIVE CODE. --For minimum wages and overtime, see 8 AAC 15, art. 2.

For exemptions, see 8 AAC 15, art. 3.

For reduction of wages, see 8 AAC 15, art. 4.

EFFECT OF AMENDMENTS. --The 1992 amendment, effective September 18, 1992, in subsection (d), added paragraph (16) and made stylistic changes.

The 1993 amendment, effective May 8, 1993 repealed former paragraph (d)(7).

The 1998 amendment, effective September 21, 1998, added paragraph (d)(17) and subsection (e).

The first 1999 amendment, effective June 2, 1999, added paragraph (d)(18).

The second 1999 amendment, effective June 2, 1999, rewrote subsection (b).

OPINIONS OF ATTORNEY GENERAL. --The Fair Labor Standards Act, 29 U.S.C. § § 201-219 does not expressly preempt the AS 23.10.050 -- 23.10.150 on the question of whether airline employees are excluded from the mandatory overtime directive of this section. April 15, 1980, Op. Att'y Gen.

In the case of pilots, flight crews, and other interstate air carrier employees whose activities are directly and substantially related to the transportation activities of the carrier, and who are covered by a valid existing collective bargaining agreement or agreements with the carrier, the state is precluded from applying its overtime laws due to the preemptive nature of the Railway Labor Act, 45 U.S.C. § § 151-188. April 15, 1980, Op. Att'y Gen.

In instances where no collective bargaining agreements apply, crews of interstate air carriers are nonetheless beyond the jurisdiction of state overtime law because of certain commerce clause implications. April 15, 1980, Op. Att'y Gen.

Nonflight personnel of interstate carriers who are not covered by valid existing collective bargaining agreements are not exempt from state law, and as to those individuals the provisions of state overtime law apply. April 15, 1980, Op. Att'y Gen.

Air carriers operating solely intrastate would not seem to fall under the exclusionary scope of either the Railway Labor Act, 45 U.S.C. § § 151-188, or of the commerce clause absent unusual fact situations. Accordingly, the protections of AS 23.10.050 -- 23.10.150 dealing with overtime extend to those individuals. April 15, 1980, Op. Att'y Gen.

An administrative regulation which would require an employer to include underground travel time as part of the "workweek" for calculating wages and overtime under this section might raise the issue of federal preemption but would survive such a challenge, since Congress did not intend to preclude state regulation and there is no actual conflict between such a regulation and federal law. February 22, 1989 Op. Att'y Gen.

NOTES TO DECISIONS

ARTICLE NOT VOID. --The Alaska Wage and Hour Act merely requires higher minimum and overtime pay than the Fair Labor Standards Act, 29 U.S.C. § § 201-219. Although compliance with both is more expensive than compliance with the federal act, it is not, in any sense, impossible so as to make the *Alaska law void*. *Webster v. Bechtel, Inc.*, 621 P.2d 890 (Alaska 1980).

OR PREEMPTED. --Since, under the Alaska Wage and Hour Act, the number of hours required for the overtime rate is less than that under the Fair Labor Standards Act, the Alaska act provides for a lower maximum workweek within the meaning of 29 U.S.C. § 218(a) and consequently, comes within the express saving clause so as not to be preempted by the federal law. *Webster v. Bechtel, Inc.*, 621 P.2d 890 (Alaska 1980).

ARTICLE COMPATIBLE WITH FEDERAL AVIATION ACT. --This article provides for mandatory overtime compensation, not the regulation of maximum hours, and it is therefore neither preempted by, nor in direct conflict with, the *Federal Aviation Act*. *Dayhoff v. Temsco Helicopters, Inc.*, 848 P.2d 1367 (Alaska 1993).

PURPOSE OF THE OVERTIME STATUTES are to compensate those who labored in excess of the statutory maximum number of hours for the wear and tear of extra work and to spread employment through inducing employers to shorten hours because of the pressure of extra cost. *Janes v. Otis Eng'g Corp.*, 757 P.2d 50 (Alaska 1988).

STATE NOT BOUND TO FEDERAL REGULATORY DEFINITIONS. --See *Dresser Indus., Inc. v. Alaska Dep't of Labor*, 633 P.2d 998 (Alaska 1981), cert. denied, 455 U.S. 1017, 52 S. Ct. 1716, 72 L. Ed. 2d 137 (1982).

SALARIED WORKERS. --The Alaska Wage and Hour Act does not define what "regular rate of pay" in subsection (b) of this section means for a worker who receives an annual salary instead of an hourly wage; 8 AAC 15.100(a) addresses this issue. *Piquniq Mgt. Corp. v. Reeves*, 965 P.2d 732 (Alaska 1998).

8 AAC 15.100(a)(2) requires a salaried worker's award for unpaid overtime compensation to be computed by: (1) "Figuring" the worker's salary on a weekly basis; (2) assuming that the week of salary represents pay for a week of straight-time work; (3) using the "regular rate" of hourly pay derived from this assumption as the basis for determining the worker's total compensation for all hours actually worked; and (4) deducting from this amount all amounts of salary actually paid. *Piquniq Mgt. Corp. v. Reeves*, 965 P.2d 732 (Alaska 1998).

A court converting annual salary to a regular rate of hourly pay under 8 AAC 15.100(a)(2) must use the regular rate as a basis for computing total earnings for all hours actually worked; all salary actually paid must be deducted from these total earnings, and the difference will reflect the award necessary to ensure that straight-time, overtime, and total compensation are all based on the applicable rate of regular pay. *Piquniq Mgt. Corp. v. Reeves*, 965 P.2d 732 (Alaska 1998).

DEFINITION OF "SUPERVISORY" in the Alaska Administrative Code, that the term as used in this section means a person who directs the activities of other employees and who does not perform duties which are regularly performed by the employees supervised, except for brief periods of time not to exceed more than eight hours in the supervisor's workweek, is reasonable and not arbitrary. *Alaska Int'l Indus., Inc. v. Musarra*, 602 P.2d 1240 (Alaska 1979).

BOOKKEEPER IN SEPARATE COMPANY HELD TO BE EMPLOYEE. --An employee of a real estate company who handled the bookkeeping for a storage company was considered to be an employee of the storage company since the relationship was of a permanent nature, the bookkeeper received a flat management fee regardless of profits, and since bookkeeping is an integral part of a business. *Bobich v. Stewart*, 843 P.2d 1232 (Alaska 1992).

PARTNER CONSIDERED AS EMPLOYEE. --Where a partnership agreement provides regular compensation, untied to profits, for a partner's services, such a compensated partner shall be considered to be both an owner and an employee. To do otherwise would permit employers to defeat the Alaska Wage and Hour Act's remedial purposes by simply calling paid employees "partners." *Bobich v. Stewart*, 843 P.2d 1232 (Alaska 1992).

EXEMPTIONS. --An employees' work schedule established under collective bargaining agreements that the employees work 14 consecutive 12-hour days, followed by 14 days off, was exempt from the overtime requirements of this section. *Ganz v. Alaska Airlines, Inc.*, 963 P.2d 1015 (Alaska 1998).

EMPLOYEE HELD NOT EXEMPT. Employee was not an exempt administrative employee and was entitled to overtime pay where the undisputed record evidence established that employer failed to pay employee on a salary basis and required him to work under direct supervision. *Whitesides v. U-Haul Co. of Alaska*, 16 P.3d 729 (Alaska 2001).

PROCEDURAL ISSUES. --In an action by long haul truck drivers claiming overtime compensation, where there was a genuine issue of fact as to whether driving times relied upon by the employer in calculating compensation were inaccurate, and whether the employer knew this to be the case despite driver logs to the contrary, grant of summary judgment against the drivers was error. *Schorr v. Frontier Transp. Co.*, 942 P.2d 418 (Alaska 1997).

SEVERANCE PAYMENT WHICH EXCEEDS MAXIMUM RECOVERY --Release given by employee in exchange for large severance payment, which substantially exceeded the maximum he could have recovered under the Alaska Wage and Hour Act, encompassed any subsequent AWA violation claims by the employee, and the severance payment fully satisfied any potential AWA award. *Alyeska Pipeline Serv. Co. v. Shook*, 978 P.2d 86 (Alaska 1999).

CONSTRUCTIVE DISCHARGE EVIDENCE STANDARD. --Summary judgment was improperly granted to employer in constructive discharge dispute about overtime pay and pension plan payments, where the employee offered evidence that might lead a reasonable person to find the working conditions created at the employer's business so intolerable as to cause a reasonable person to resign. *Finch v. Greatland Foods, Inc.*, 21 P.3d 1282 (Alaska 2001).

COLLATERAL REFERENCES. --Who is "employee employed in agriculture" and therefore exempt from overtime provisions of Fair Labor Standards Act by § 13 (b)(12) of Act (29 U.S.C.A. § 213(b)(12)). 162 ALR Fed. 575.

USER NOTE: For more generally applicable notes, see notes under the first section of this article, chapter or title.

LEXSTAT 8 A.A.C. 15.102.

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*** THIS SECTION IS CURRENT THROUGH MARCH 5, 2003 ***

TITLE 8. LABOR AND WORKFORCE DEVELOPMENT

PART 1. INDUSTRIAL WELFARE

CHAPTER 15. ALASKA WAGES AND HOURS

ARTICLE 2. MINIMUM WAGES AND OVERTIME

8 Alaska Admin. Code 15.102 (2003)

8 AAC 15.102. Voluntary flexible work hour plans

(a) A request for an exemption for a voluntary flexible work hour plan established under AS 23.10.060(d)(14) must be filed by the employer with a wage and hour administration office of the department. The request must be in writing, and must include

(1) a statement that the employer and employee participating in the flexible work hour plan understand that work performed in excess of 10 hours in a day or in excess of 40 hours in a week must be compensated at the rate of one and one-half times the regular rate of pay;

(2) a description of the flexible work hour plan;

(3) a statement that the flexible work hour plan has not been made a condition of employment and that participation in the plan is voluntary; and

(4) the original signature of the employer or authorized representative.

(b) The department will approve a voluntary flexible work hour plan that conforms to the requirements of this section and the provisions of AS 23.10.060(d)(14). An approved plan constitutes the certificate required in AS 23.10.060(d)(14)(B). The department will issue the certificate, or a notice of denial, within five working days after receipt of the plan. A certificate issued under this section takes effect on the day it is signed by the department's representative. A voluntary flexible work hour plan may not be instituted until the certificate takes effect. A notice of denial issued by the department under this section will include the specific reason for the denial.

(c) An appeal of a notice of denial must be filed with the commissioner within 20 days after receipt of the notice of denial. The appeal must be in writing, and must set out the specific reasons upon which the appeal is based. The commissioner will grant or reject the appeal within 10 workdays after receipt of the appeal. The commissioner's decision is final.

(d) As part of the records required under AS 23.10.100, an employer must maintain a signed statement of voluntary participation of each employee participating in an approved voluntary flexible work hour plan.

(e) An employee may choose to participate in an approved voluntary flexible work hour plan at initial employment or at any other time during employment. Once an employee has chosen to participate in an approved voluntary flexible work hour plan, that employee is bound to do so, and may opt out of participation in the voluntary flexible work hour plan only from November 1 through December 31 each calendar year. Termination of an employee, regardless of the cause of termination, voids that employee's participation. An employee who is rehired by the employer must again choose to participate in the voluntary flexible work hour plan in order to be included in the approved plan. Nothing in

this subsection prohibits the employer and employee from agreeing to the withdrawal of the employee from an approved plan at any time.

AUTHORITY: AS 23.05.060; AS 23.10.060; AS 23.10.085; AS 23.10.100

SOURCE: Eff. 9 28 85, Register 95

LEXSTAT Alaska Stat. 23.10.055

ALASKA STATUTES
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*** CURRENT THRU FEBRUARY 13, 2003 ***

TITLE 23. LABOR AND WORKERS' COMPENSATION

CHAPTER 10. EMPLOYMENT PRACTICES AND WORKING CONDITIONS

ARTICLE 3. ALASKA WAGE AND HOUR ACT

GO TO CODE ARCHIVE DIRECTORY FOR THIS JURISDICTION

Alaska Stat. § 23.10.070 (2003)

Sec. 23.10.070. Exemptions from minimum wage

To the extent necessary to prevent curtailment of opportunities of employment, the commissioner may by regulations or orders provide for the employment at wages lower than the minimum wage prescribed in AS 23.10.050 -- 23.10.150 of

- (1) an individual whose earning capacity is impaired by physical or mental deficiency, age, or injury, at the wages and subject to the restrictions and for the period of time that are fixed by the commissioner; and
- (2) an apprentice at the wages that are approved by the commissioner; or
- (3) a learner at the wages and subject to the restrictions and for the periods of time that are fixed by the commissioner.

HISTORY: (§ 5 ch 171 SLA 1959; am § 3 ch 2 SLA 1962)

NOTES:

ADMINISTRATIVE CODE. --For exemptions, see 8 AAC 15, art. 3.

USER NOTE: For more generally applicable notes, see notes under the first section of this article, chapter or title.



February 5, 2004

Esteemed Members of the Finance Committee
Industry Participants
And Other Attendees

Good Afternoon

My name is Susan Motter. I am the General Manager of the SpringHill Suites by Marriott in Fairbanks, Alaska. Our team is comprised of 40 dedicated hospitality associates. I am a Board Member of the Alaska Hotel and Lodging Association.

Thank you for the opportunity to address the committee and participants today on HB 255. I speak in support of this bill. The hospitality industry is an industry of the heart. We serve our guests, our community, and our peers with warmth and genuine concern for each other's well being. Success in this industry mandates that each one of us take on duties that may range outside of the job description we hired into. Personal career growth comes from learning every task and taking ownership of those tasks regardless of what position we fill. At our hotel we promote from within all associates who understand and live by this premise. Our hotel has been honored by the former Governor for its' efforts and success in the "welfare to work" program. It is a great satisfaction to see lives change by providing a job and stability for every associate.

In this industry one can be promoted quickly to a management position if the associate "works from the heart". It is unfortunate therefore, that we hesitate to promote to exempt positions at this time, as the current law mandates that we invoke the 80/20 clause. This essentially can affect a very negative financial picture for the hotel profitability. Even more important is the effect it has on career growth for dedicated associates.

In addition, we believe that our associates and their families will benefit from the ability to allow flexible work hours upon agreement of employer and associate.

I ask you to give consideration to HB255 and the positive effect it can have on the associate, his career, and the hospitality business that provides the opportunity for our citizens to live productively.

Thank you for the opportunity to express my views.


Susan Motter

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Flexible work schedules refer to a variety of arrangements in which fixed times of arrival and departure are replaced by a working day composed of two different types of work time: *core time and flexible time bands*. Core time is the designated period during which all employees must be present. Typical core hours are between 9:30 am and 3:00 pm. flexible time bands are the part of the daily work schedule within which employees may choose their time of arrival and departure within limits consistent with the duties and requirements of their positions. The employee must always account for the basic work requirements. This means the number of hours, excluding overtime hours, which an employee is required to work, or otherwise to account for by an appropriate form of leave (80 hours biweekly in the case of a full time employee), remains constant.

In some FWS programs, employees may also earn "credit hours" for any hour over the basic work requirement they choose to work -- in order to vary the length of the work days or weeks which follow: employees do not receive overtime pay for these extra credit hours. A maximum of 24 such credit hours may be carried over from one pay period to the next. Some flexible work schedules also allow employees to choose to structure their work schedules to enable them to take off a day or two during the pay period (see Maxiflex below).

The different types of flexible work schedules are:

- **Flexitour**
The employee, with supervisory approval, preselects the starting time.
- **Gliding Schedule**
Employees may vary starting times within flexible time bands, without prior approval.
- **Variable Day**
Within parameters, an employee may vary the length of the workday, if present during the core hours, provided a full forty-hour work week is completed.
-

Variable Week

This is similar to the variable workday, except that the employee alters the whole work week -- 80 hours biweekly, or multiples thereof, must continue to be worked.

- **Multiflex**

The length of both the workday and workweek may vary. Core hours may be designated for less than 10 workdays per biweekly period, and the 80-hour biweekly workweek or multiples thereof (e.g., 160 hours in four weeks) must be completed.

Compressed Schedules

Compressed work schedules may also take a variety of forms, but are fixed alternative work schedules. The most common is the four-day week, referred to as the 4/10 schedule, in which the employee works four 10-hour days and has a three day weekend. An alternative is for the employee to work 9 hours for 8 workdays and 8 hours for one workday during a biweekly pay period and receive one day off biweekly.

CWS arrangements enable the full-time employee to complete the basic work requirements of 80 hours in fewer than 10 work days in each biweekly pay period. There are no flexible times in a compressed schedule. Employee's times of arrival and departure from work are set, as are the days on which they are to complete the basic work requirement. For employees working under compressed schedules, overtime pay will continue to be paid for work over and above the compressed schedule. Credit hours are not permitted under CWS.

The types of compressed work schedules are:

- **4-10**

Employees work 10 hours a day, four days a week. Daily, weekly, and biweekly basic work requirements apply.

- **5-4/9**

Employees work nine hours for eight workdays and eight hours for one workday during a biweekly pay period, and receive one day off biweekly; all basic work requirements apply. This is the most common form of CWS.

- **Other**

Employees may be on a variation of the above schedules, provided the schedule they adopt is a fixed regular schedule.

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From *The Ultimate Field Guide to the U.S. Economy*, www.fguide.org

Econ-Atrocity Bulletin:

Flexible Work Schedules for Mothers? (6/5/02)

By Elaine McCrate, CPE Staff Economist

Who gets more flexible schedules at work? Is it mothers, trying to cope with the dual demands of family care and jobs? Or is it professionals, managers, and other high status workers? (The latter, of course, are disproportionately men.)

If you're not an economist, you probably thought for a minute about all those bankers and executives on the golf course at 3:00, and answered high status workers. But most economists have assumed that mothers have more flexible schedules, with greater control over their starting and stopping times, and more opportunity to take days off, in order to handle the demands of sick children, snow days, no-show babysitters, and the other myriad contingencies of family care. Furthermore, most economists assume that people with flexible schedules get paid less than workers of similar skill who have more rigid schedules. In this view, since women are more likely to get the cushy jobs with more control over their work hours, and consequently lower pay, women's choices to take flexible jobs help explain a big part of the gender wage gap.

It's time for a little reality check on these issues. Since women still have primary responsibility for childcare and eldercare, they do need more flexible jobs. But according to several data sources, they don't get these jobs more often than other workers. In 1998, the General Social Survey asked how people's working hours were decided. Respondents could answer that they decided their starting and stopping times themselves, that they decided themselves within limits, and that their employer decided.

Among workers aged 18-65 who were not self-employed, single mothers had the most rigid schedules of all, compared to all men with and without children, and all other women with and without children. 61.5% of single mothers said that their employers decided; 37.2% said that they could decide themselves within limits; and 1.3% said that they could decide themselves. Compare this to men without kids: 54.5% said their employer decided, 40.1% said that they decided themselves within limits, and 5.4% decided entirely on their own. Also compare single mothers to women without children, for whom the equivalent figures were 51.3%, 45.6%, and 3.1%. There were generally similar results from similar questions asked in the 1997 Current Population Survey, and from the 1991 Comparative Project in Class Analysis (CPCA).

Do workers with more flexible schedules get paid less? The data say no. The 1991 CPCA data shows that workers who decided their arrival and departure times on their own made 8.3% more than those whose employers decided for them. Workers who could decide on their own to take a day off, without losing wages or needing to take comp time, made 7.7% more than those whose employers decided their days off. It sounds like the market pays workers in flexible jobs more for the discomfort of all those afternoons on the golf course, and it pays workers in rigid jobs less for the inconvenience.

Finally, black workers have much more rigid schedules than white workers. In 1998, 59.2% of black workers said that their employers decided their starting and stopping times, vs. 51.4% for whites. In contrast, 36.9% of black workers vs. 44.8% of white workers said that they could their starting and stopping times within limits (and 3.9% of each group said that they decided completely on their own).

Lorie Morris
1600 O'Malley
Anchorage, AK 99507

April 22, 2004

Representative Williams
Alaska State Legislature
State Capitol (MS3100)
Juneau, AK 99801-1182

RE: HB 255

Dear Representative Williams,

I am writing you on behalf of Alaska Baptist Family Services, a non-profit organization dedicated to providing quality care and treatment for children, to seek your support for HB 255. I recently learned of HB 255, which would, among other things, amend current definitions for the "administrative," "executive," and "professional" exemptions in Alaska overtime law.

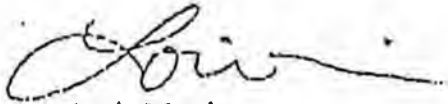
Currently, the Alaska state law pertaining to the exempt level definitions is burdensome and unfair to Alaskan employers. For instance, using the current definitions the burden of proof lies with the employer to ensure their exempt employees are actually performing the exempt level duties that they are assigned for at least 80% (60% in the service and retail industries) of their workweek every week. This is costly and difficult to monitor when there is only general supervision of the exempt employee. It is the exempt employee's duty to assign tasks appropriately. When the employee fails to perform the essential duty of task assignment (either intentionally or unintentionally), the employer is at risk. Given the significant costs and penalties of defending overtime claims, employers are often forced to settle regardless of the claim's merits.

A better and more reasonable approach is that set out in HB 255. Under HB 255, the focus is not on the impossible task of measuring the amount of time supervisors, executives, and administrative personnel perform certain duties. Instead, the focus is, as it should be, on the primary duties of the job as a whole.

With regard to the interpretation of these definitions, the proposed modifications would finally bring Alaska in line with the federal definitions and the majority of the other states. HB 255 is a fair and reasonable solution to the current definitions, which are antiquated and do not reflective the business world as it pertains to exempt administrative and executive employees.

I urge you and your colleagues to support HB 255.

Sincerely,



Lorie Morris,
Executive Director,
Alaska Baptist Family Services

HB

256

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: April 10, 2003

FURTHER REFERRALS:

Date of Committee Action: 4/15/03

The FINANCE Committee considered:

HB 256

HOUSE BILL NO. 256

DIVIDEND PAYMENT TO STATE BY AHFC

"An Act relating to a dividend payment to the state made by the Alaska Housing Finance Corporation each fiscal year; and providing for an effective date."

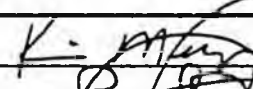

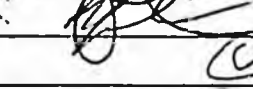

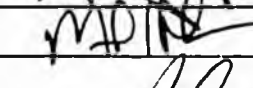
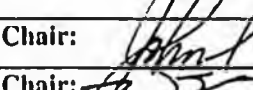
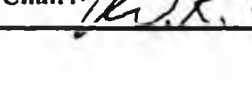
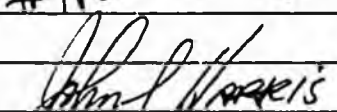
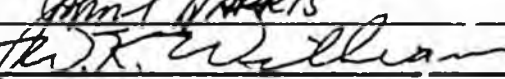
Recommends it be replaced with HCS or CS for _____ (_____)
 For Senate Bills with new title: Technical Title New Title: HCR _____ Same Title New Title

- attach amendments
- add new referral to _____ Committee
- Letter of Intent _____ Committee

List of Abbrev for Depts.:
 ADM
 CED
 COR
 CRT
 EED
 DEC
 DFG
 GOV
 HSS
 LEG
 LAW
 LWF
 MVA
 DNR
 DPS
 REV
 DOT
 UA

<u>NEW FISCAL NOTES</u>				
*Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
REV				✓

<u>PREVIOUS FISCAL NOTES</u>				
List by Dept(s):	FN#	Fiscal	Indet.	Zero

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	NR	AM
	Meyer	✓			
 DP ✓	FOSTER	X			
	STOLTZE			✓	
	MOSES			✓	
	Chenault	✓			
	Whitaker	✓			
	Hawker	✓			
Chair: 	Hawker	✓			
Chair: 	Williams	✓			

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 256
 () Publish Date: 4/14/2003

Revision Date/Time _____ Dept. Affected: Revenue
 Title "An Act relating to a dividend payment
to the state made by the AHFC each fiscal year. BRU Alaska Housing Finance Corp.
 Component Operations
 Sponsor House Finance Committee
 Requester House Finance Committee Component No. 110

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
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

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 The passage of HB 256 would not have an impact on AHFC's operating budget.

 This bill would increase the dividend from AHFC to the State General Fund from the FY 2002 net income amount of \$75.6 million to \$103 million for FY 2004. The dividend for FY 2005 and FY 2006 would also be \$103 million. In FY 2007, the dividend would equal 95% of AHFC's net income, in FY 2008 the dividend would equal 85% of net income, and the dividend thereafter would be equal to 75% of AHFC's net income.

Prepared by: Bryan Butcher Phone 330-8445
 Division Alaska Housing Finance Corporation Date/Time 4/15/03 1:08 PM
 Approved by: Landa Baily, Special Assistant Date 4/15/2003
 Agency Department of Revenue

Alaska State Legislature
House Finance Committee

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SPONSOR STATEMENT

House Bill 256, An Act relating to a dividend payment to the state made by the Alaska Housing Finance Corporation each fiscal year

House Bill 256 would amend and codify the agreement between the Alaska Housing Finance Corporation and the Legislature calling for the transfer of AHFC's net income to the State General Fund in the form of an annual dividend that funds debt service for certain bonds and capital projects.

Under the current plan, the transfer from AHFC for FY 2004 would be \$75.6 million, down from \$103 million for FY 2003. With the modifications in this bill, the transfer amount would remain at \$103 million for Fiscal Years 2004 through 2006.

In order to allow AHFC to make these payments in excess of net income without affecting their bond ratings, starting in FY2007 the payments from AHFC to the state would be a percentage of net income. This change would bring the AHFC dividend more in line with the AIDEA and Alaska Student Loan Corporation dividend plans. Currently the ASLC pays less than 35% of its net income and AIDEA pays 50% of its net income to the State, while this proposal has AHFC paying 95% in 2007, 85% in 2008 and 75% thereafter.

The purpose of this bill is to keep the transfers from AHFC at a predictable, sustainable level while assisting the Governor and the Legislature in finding a balance between state revenues and expenditures.

This orderly and sustainable approach to transfers will help AHFC and the State of Alaska maintain their strong bond ratings and access to capital markets—which will likely be critical to any fiscal plan developed by the State.

Contact

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Unprecedented State Budget Deficits Across Nation Prompt Surge In HFA Transfer Proposals

*Raids Continue To Stress Many Hfas At A Time When Industry
Is Dealing With Its Own Market Challenges. Twelve Proposals
Totalling More Than \$360 Million Under Analysis- More State Raids Expected.*

Summary Opinion:

- For 2003, Moody's expects state governments to continue last year's trend of tapping their housing finance agencies (HFAs) to help close projected budget gaps. State raids of HFAs topped \$500 million in 2002 and Moody's expects similar, or even greater, amounts to be transferred in the coming months.
- In the last few weeks, Moody's has been advised of 12 proposals that, if enacted as currently proposed, would transfer \$364.76 million from HFA coffers for either general state purposes or other state-related housing activities. While most of the current proposals call for direct cash transfers, others are less burdensome and therefore have a less dramatic financial impact on the HFA.
- While no state HFA Issuer Rating or bond rating was downgraded in 2002 as a result of these raids, the risk of downgrades is far greater this year given the magnitude of fiscal imbalance for many states and the unprecedented challenges facing HFAs at this time. These HFA industry-wide challenges include decreasing asset bases and lower profitability caused in large part to the continuing record-low interest rate environment.
- Because state HFAs are creations of their parent state governments and tend to have healthy fund balances even during recessions, HFAs have often been called upon to help close state budget gaps through the transfer of monies to their state treasuries. In some cases, this money comes from rated single family or multi-family bond programs, and in other instances, the money is transferred from unrestricted and unpledged monies of the state HFA.
- Due to the ever-present risk of state raids, Moody's analyzes the potential of such transfers when assigning Issuer Ratings to state HFAs. Because each situation is unique, Moody's has taken several different actions when making credit decisions resulting from state transfers. These can include capping ratings, assigning negative outlooks, as well as maintaining the status quo.



Magnitude of State Budget Deficits Cause Greater Reliance on HFAs

Unlike their parent state governments, the financial condition of housing finance agencies has been historically very steady and predictable. As a result, state housing finance agencies tend to have healthy fund balances even during recessions. Consequently, state raids of housing finance agency reserves are an ever-present risk and represent one of the few negative credit factors affecting the otherwise strong credit position of the state housing finance sector.

While many states have counted on their HFAs to help plug projected deficits in the past, today's environment is much more grave. The nation's current economic slowdown has produced plummeting revenues over the past two years that have wrought staggering projected budget deficits for many states. Given the continued economic weakness and the concomitant decline in revenues - particularly from securities-related activities, the enormity of many projected state budget gaps for 2003 and 2004 is unprecedented. Fiscal experts have predicted cumulative deficits of over \$50 billion for 2003 and over \$75 billion for 2004.

These economic circumstances, in turn, have increased significantly the reliance of states on their HFAs for help in closing these projected budget gaps. It is therefore not surprising that since the beginning of the year Moody's has been made aware of 12 proposals that if enacted as proposed, would transfer over \$360 million from housing finance agency coffers to their respective state treasuries.

Some of these new transfer proposals would involve funds being withdrawn from rated single family or multi-family bond programs, and in other instances, the money would be transferred from the general monies of the state HFA. While most of the current proposals call for direct cash transfers, others are less burdensome and are likely to have a less dramatic financial impact on those HFAs. In these proposals the state raids take other forms such as having the HFA take on new expenses and responsibilities that the state would have otherwise financed itself. In these instances, monies would not flow from the HFA, rather, the state would not appropriate monies this year that it normally does, leaving the HFA to replace these amounts from internal sources. Still other types of state raids include having the HFA offer a line of credit, or reducing or eliminating state funding to the HFA for certain programs.

STATE RAID PROPOSALS COME AT A CRITICAL TIME FOR HFAS

While state reliance on housing finance agencies in the past has not been particularly burdensome to the HFAs, this year the industry is having its own stresses affecting the financial strength of many housing finance agencies. Indeed, the past two years of record low interest rates have caused HFA assets to decrease as a result of an unprecedented level of mortgage prepayments and the more competitive nature of mortgage originations. Transferring significant amounts of money from state HFAs this year may hurt their balance sheet and profitability more than ever before. Moody's has already made certain conclusions regarding some of the proposals and is in the midst of reviewing the details of others to determine if these raids will have any negative affect on credit ratings. Although most of the proposed amounts have yet to be finalized, thus far proposals include:

Alaska Housing Finance Corporation	\$75.66 million
Connecticut Housing Finance Authority	\$ 40 million
Hawaii Housing and Community Development Corporation	\$ 14 million
Maine State Housing Authority	\$ 1.9 million
Maryland Housing Fund/Maryland Community Development Admin.	\$ 10 million
Massachusetts Housing Finance Agency	\$ 4 million
New Jersey Housing and Mortgage Finance Agency	\$50 million
New York State Housing Finance Agency	\$1.5 million
State of New York Mortgage Agency (Mortgage Insurance Fund)	\$50 million
South Carolina State Housing Finance and Development Authority	\$5.7 million
Virginia Housing Development Authority	\$87 million *
West Virginia Housing Development Fund	\$25 million
	\$364.76 million

*Face amount of loans to be purchased. Purchase price expected to be discounted.

Current State Raid Proposals

Below is a list of this year's proposed transfers to date. Since these transfer proposals are a constantly moving target, the ultimate transfer amount is likely to change for many of these state HFAs.

Alaska Housing Finance Corporation - AHFC recently submitted a plan to the Legislature that would transfer \$76.55 million from the Corporation's General Fund to the state in fiscal year 2004. This transfer plan was not unexpected as the Corporation regularly sends monies to the State as part of a comprehensive long-term transfer agreement. Given the history of these annual transfers and the existence of the long-term agreement, Moody's does not

believe this latest transfer will affect any of the Corporation's ratings. Last year, the Corporation transferred \$96.3 million to the state for budgetary relief.

Connecticut Housing Finance Authority - CHFA is facing the second part of a raid that was negotiated last year that transfers a total of \$85 million over two years from its sole bond program - the Housing Mortgage Finance Bond Program - in exchange for state-owned housing assets. This \$3.1 billion bond program finances both single family and multi-family housing and is rated Aaa. Moody's has determined that the purchase of \$85 million of state-owned assets will not cause a rating downgrade on the program. Any further transfers, however, would need to be analyzed closely to determine the potential credit impact.

Hawaii Housing and Community Development Corporation - Because the State of Hawaii did not participate in the robust national economy of the 1990s, the Corporation has been subject to a number of transfers over the last decade totaling more than \$175 million. Another proposal is on the table to transfer a rather modest amount - \$14 million - from various Corporation funds to the State. In addition, the legislature has proposed other transfers but no dollar amount has been associated with those bills. Moody's is carefully monitoring these proposals as we currently have the Corporation's A1 Issuer Rating on watch for downgrade. Last year, the Corporation transferred just over \$25 million to the state for budgetary relief.

Maine State Housing Authority - The Legislature has submitted a proposal that may result in a raid of up to \$1.9 million each year over the next two years. Typically, the State realizes HOME funds in the amount of \$9 million each year from real estate transfer taxes. Under the proposed legislation, if HOME funding comes in at less than typical levels, Maine Housing would be expected to maintain funding at the current levels by covering the expense of a homeless shelter program. The maximum amount that the Authority may be expected to fund is \$1.9 million per year in fiscal years 2004 and 2005 as the State plans to take the first \$7.5 million of HOME funds in those years. If HOME funding comes in at historical levels, the Authority should receive HOME funds for the shelter program as has been the case in the past. The Authority reports that any funding it is asked to make will come from General Funds of the Authority. If this occurs, Moody's does not believe it will have an impact on the Authority's Issuer Rating.

Maryland Housing Fund/Maryland Community Development Administration - The Legislature has proposed transferring \$10 million from the Maryland Housing Fund's Unallocated Reserves to the State. The Maryland Housing Fund (MHF), a sister agency to the Maryland Community Development Administration (CDA), provides mortgage insurance for single family and multi-family loans, most of which are bond financed through the Maryland Community Development Administration. The proposal leaves intact all of the monies held in MHF's specific Multi-family and Single Family Reserves as well as a portion of the monies in the Unallocated Reserve. Given the level of MHF's remaining reserves and the financial strength of CDA's Single Family Program Bonds and Multi-family Housing Revenue Bonds (Insured Mortgage Loans) which rely on the Maryland Housing Fund, Moody's does not believe that the Aa2 ratings on these two programs would be negatively affected.

Massachusetts Housing Finance Agency - Massachusetts HFA is expecting the Commonwealth to withhold its annual SHARP payments to the Agency which was to be approximately \$4 million. This decrease in state appropriations is not expected to affect either the Agency's bond ratings or its Issuer Rating as the SHARP subsidies have been declining over time and the Agency has established sufficient reserves for the eventual termination of the SHARP subsidies within the next couple of years.

New Jersey Housing and Mortgage Finance Agency - New Jersey's HFA has already transferred \$25 million to state coffers in fiscal year 2003 and may be facing another \$25 million raid for fiscal year 2004. According to the current proposal, the additional \$25 million would be used for housing purposes at the state level, in keeping with Agency's mission. We expect that the funds will come from general Agency reserves, rather than bond related reserves. New Jersey Housing and Mortgage Finance Agency's Issuer Rating stands at Aa2 with a positive outlook. Given the strength of the Agency's financial position, even if the entire \$25 million is utilized, Moody's does not believe that Aa2 Issuer Rating will be negatively affected. These two \$25 million transfers are in addition to the \$25 million transferred to the state last year for fiscal year 2002 budgetary relief.

New York State Housing Finance Agency - For the second consecutive year, New York State HFA has funded the Small Cities Program in the annual amount of \$1 million, a program that has historically been funded through regular state appropriations. NYS HFA reports that it is expecting to fund the program again in fiscal year 2003/2004. The Agency is also expecting to be given the responsibility of funding a \$500,000 capital grant program that it has been administering but had previously been funded by the State through its Division of Housing and Community Renewal. Last year, the State relied on HFA for \$50 million of budgetary relief in addition to its \$1 million funding of the Small Cities Program.

State of New York Mortgage Agency - Subject to legislative approval, the New York State Executive Budget proposal authorizes the State of New York Mortgage Agency's (SONYMA) Mortgage Insurance Fund (MIF) to provide credit enhancement to the proposed Tobacco Settlement Financing Corporation. This new public benefit corporation is expected to be created in order to securitize New York State's future share of tobacco settlement monies. The

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MIF currently insures single family and multi-family loans and is used extensively as credit enhancement on SONYMA's single family bond programs as well as a number of multi-family bond issuers including the New York State Housing Finance Agency. The amount of credit enhancement, if any, and how it would be funded is not yet clear but is expected to be at least \$50 million. SONYMA is looking to structure any such credit enhancement so as to not affect the Fund's ratings. While recent legislative negotiations make the Mortgage Insurance Fund's involvement less likely, nothing has yet been finalized. Last year, the Agency transferred \$150 million of MIF monies to the State for budgetary relief.

South Carolina State Housing Finance and Development Authority - For fiscal year 2004, South Carolina's House has passed a bill that would transfer \$5.7 million from the state's Housing Trust Fund - a Fund that resides with the State Treasurer. The proposal is currently awaiting Senate approval. The Authority receives monies from a percentage of the documentary stamp tax relating to real estate transactions within the State which are deposited into the Housing Trust Fund. This Fund is specifically segregated on the Authority's financials and is used for designated affordable housing projects and is not available for other purposes of the Authority. Moody's does not take these monies into account when assessing the issuer credit rating so there should be no impact on the Authority's Issuer Rating. Last year, the Authority transferred \$2.5 million of restricted assets to the state for budgetary relief.

Virginia Housing Development Authority - VHDA has committed to buying a portfolio of \$87 million face amount of loans from the Commonwealth at a price to be determined utilizing a third party evaluator. VHDA originated and continues to service these loans on behalf of the Commonwealth. These loans, however, are primarily very low-rate, high-risk, multi-family and single family loans, and accordingly the purchase price is expected to be at a discount. VHDA may issue taxable bonds to finance the acquisition of these loans.

West Virginia Housing Development Fund - West Virginia's HFA has been asked to fund a \$25 million economic development program for the state. According to WVHDF, the program will likely be financed through the issuance of WVHDF general obligation bonds and repaid over ten years. Despite this proposal, Moody's expects WVHDF to maintain its Issuer Rating of Aaa. Last year, the Fund transferred \$5 million to the state for budgetary relief.

Conclusion

The dramatic increase in state raids on HFAs over the past two years has not been unexpected. Moody's had anticipated that these types of raids on state HFAs would likely result from the budgetary pressures of the weakening national economy and the effects of the September 11th terrorist attacks. As stated in our October 2001 Special Comment on the Housing Bond Sector, "Moody's believes that the risk of future state raids has increased this year given the nation's weaker economy." Indeed, Moody's expects to see more state raid proposals as more states finalize their budgets. Moody's will review each transfer to determine what actions, if any, to take on single family and/or multi-family bond ratings, or in some cases, state HFA Issuer Ratings. This year's raids, however, come at a critical time for many state HFAs as they struggle with dwindling assets and lower profitability. Hence, the possibility of downgrades this year is far greater than at any other time in history.

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Research:

Summary: Alaska Hsg Fin Corp; Housing, General Obligation

Publication date: 13-Nov-2002

Credit Analyst: Peter Block, San Francisco (1) 415-371-5044; Lawrence Witte, San Francisco (1) 415-371-5037

Credit Profile

\$35.1 mil muni debt muni issue ser 2002 A due 2012	AA-
Sale date: 13-NOV-2002	
\$60.3 mil muni debt muni issue ser 2002 C due 2022	AA-/A-1+
Sale date: 13-NOV-2002	
\$14.6 mil muni debt muni issue ser 2002 B due 2024	AA-
Sale date: 13-NOV-2002	

OUTLOOK: POSITIVE

Rationale

The 'AA-' rating on Alaska Housing Finance Corp.'s (AHFC) state capital project bonds series 2002 A, B, C, reflects the GO of the corporation. The 'A-1+' short-term rating on series 2002 C bonds reflects liquidity for tenders provided by the corporation. AHFC's key credit strengths are as follows:

- A large and liquid asset base,
- Capable management, and
- The ability to meet its legislative mandate.

Offsetting credit weaknesses include:

- Ongoing legislative appropriation of assets and earnings,
- A highly concentrated Alaska economy,
- A high-risk mortgage loan portfolio, and
- A GO pledge to all debt obligations.

This is the fourth state capital project bond issuance. Proceeds refund prior debt, finance the corporation's capital budget, and pay deferred maintenance on public housing facilities.

The series 2002A bonds are issued as fixed-rate bonds, the series 2002B bonds are initially issued as auction rate bonds, and the series 2002C bonds are initially issued as variable rate demand bonds in a weekly rate mode. AHFC has the option to convert auction and weekly rate bonds to bear interest in a daily, weekly, monthly, quarterly, semi-annual, fixed, or auction interest rate mode. The series 2002C bonds are subject to mandatory tender on interest mode conversion dates, and upon expiration, substitution, or early termination dates of the liquidity facilities. Series 2002 C bondholders may also optionally tender bonds. Scheduled expiration of AHFC's tender agreement for series 2002 C bonds is at final bond maturity, although the corporation may substitute the facility for an alternate liquidity facility at any time.

Outlook

The positive outlook for reflects the positive outlook on AHFC's issuer credit rating (ICR).

History and Accomplishments of Alaska Housing Finance Corporation

By Fiscal Year

Overview

Although the name has changed over the years, the Alaska Housing Finance Corporation (AHFC) has been providing "Housing For Alaskans" for more than 50 years.

The Alaska Territorial Legislature first created the Alaska Housing Authority (AHA) to help alleviate a serious post-war housing shortage. The Housing Act of 1949 then authorized the federal government to make up to \$1.5 billion in loans and grants nationwide for slum clearance and redevelopment. AHA was appointed the agency to work with Alaska's communities in urban renewal.

AHA fulfilled these roles until the 1959 Alaska Statehood Act, when AHA became known as the Alaska State Housing Authority (ASHA). (For a short time during the mid-'80s, ASHA was even known as the Alaska State Building Authority.) Throughout the '60s, ASHA was the key source of housing opportunities: affordable rental and homeownership programs; bonding for government office space; and urban renewal, especially following the devastation of the 1964 earthquake.

Then in 1971, the Legislature created the Alaska Housing Finance Corporation to expand affordable homeownership opportunities. During AHFC's first two years of operation, the staff of just 10 provided nearly \$10 million in conventional mortgages in 40 communities, along with financing a 98-unit apartment building in Juneau.

Just one year later, the 1972 Legislature created the Department of Community & Regional Affairs (DCRA), repealing ASHA's community planning authority and transferring those duties to DCRA.

For the next 20 years, AHFC, ASHA, and DCRA each provided needed housing services to a distinct segment of Alaska's population. Then, in 1992, the Legislature recognized a need for all of the state's housing programs to come together. A merger of AHFC, ASHA, and the housing and energy programs of DCRA accomplished this goal. Today, AHFC's Public Housing Division continues the role that AHA began 50 years ago, while the Research & Rural Development Division has assumed the duties previously administered by DCRA.

AHFC is the only housing finance corporation in the United States with the public housing program under its umbrella, and its public housing program is the only one with statewide jurisdiction. AHFC has been recognized with numerous national awards and continues to be looked to as a model for housing finance agencies throughout the country.

1971

Alaska Legislature Creates AHFC. Created as a public corporation having a legal existence independent of and separate from the State to provide affordable housing for low- and moderate-income residents. Enabling legislation allows for tax-exempt issuance of bonds to finance the purchase of mortgages on single-family dwellings. Enabling legislation requires AHFC, in determining the eligibility for assistance of persons of lower and moderate income, to take into consideration the amount of income available for housing needs, size of family, ability to compete successfully in the home mortgage market, and the cost and condition of housing available. (AS 18.56.010)

1972

Principal balance of mortgages held (at 11/72): \$10.2 million

1973

AHFC initiates **Conventional Loan Program**. Made possible by a \$5 million loan commitment by Alaska Department of Revenue for the housing development fund, the Legislature authorizes a special revolving fund to make mortgage and construction loans which are not federally insured or guaranteed. Assigns all loans to the Dept. of Revenue as security and pays 6 percent interest on borrowed funds.

Issues \$18,750,000 in bond debt

Principal balance of mortgages held (at 11/73): \$47.4 million

1974

AHFC enters **Agreements with State, ASHA; borrows \$3.9 million**. AHFC enters into an agreement with the State and Alaska State Housing Authority (ASHA) whereby AHFC borrows \$3.9 million from the State for a term of 36 years at an annual interest rate of 3 percent. AHFC then loans funds to ASHA for an equal term and interest rate for construction of a 98-unit high-rise apartment building (Marine View) for lower- and moderate-income families and elderly persons in Juneau.

Issues \$49 million in bond debt

Principal balance of mortgages held (at 11/74): \$86.4 million

1975

Legislature mandates State Mortgage Insurance Program, AHFC implements. AHFC implements the State Mortgage Insurance Program authorized under Alaska Statutes 18.56.095. The program was made operational with AHFC money pledged to the State Mortgage Insurance Fund. Conventional loans (with loan-to-value ratios of greater than 80%) made under this program are insured by private mortgage insurance and the State Mortgage Insurance Fund. Additionally, this statute allows AHFC to issue bonds for conventional mortgages which were previously funded by the State (see 1973).

AHFC initiates **two pilot programs** in remote areas using unrestricted funds: rehabilitation loans for homeowners with a \$2,000 maximum loan and material loans for construction of new homes.

Issues \$47 million in bond debt

Principal balance of mortgages held (at 11/75): \$105.3 million

1976

AHFC issues \$5,500,000 in bond debt.

Principal balance of mortgages held (at 11/76): \$145.6 million

1977

AHFC Issues \$83.5 million in bond debt.

Principal balance of mortgages held (at 11/77): \$248.9 million

1978

AHFC works to expand mortgage programs to rural Alaska.

Issues \$144,025,000 in bond debt

Principal balance of mortgages held (at 11/78): \$336.8 million (serving 55 Alaskan communities)

1979

AHFC establishes General Insured Rural Mortgage Program and issues \$5.6 million in bonds to expand mortgage programs to rural Alaska.

Issues \$171,620,000 in bond debt

Principal balance of 8782 mortgages held (at 11/79): \$496.6 million

1980

Legislature expands AHFC loan programs. In legislation enacted June 1980, the Legislature finds that the conventional sources of finance for residential dwellings in Alaska are inadequate and identifies the following problems: serious shortage of capital available to finance residential housing; continually fluctuating conventional mortgage interest rates; and mortgage interest rates far above what most Alaskans can afford. So it mandates AHFC to provide financing without regard to income limits. AHFC is no longer restricted to purchasing only those loans made to low- and moderate-income families. The statutes now allow refinancing for home improvements; purchase financing for owner-occupied, single-family and duplex residences without restrictive income limitations; and an easing of loan-to-value ratios. (AS 18.56)

Legislature fixes interest rate, mandates subsidy. Interest rate cannot exceed 9% on first \$90,000 of a mortgage for a veteran; cannot exceed 10% on first \$90,000 for other than a state veteran. (AS 18.56.098)

Legislature mandates HOF Program. Subsidy is increased for those of low- to moderate-incomes. (AS 18.56.091).

[Later, it was found that the net effect of Legislative action in FY80 caused loan volume to surge by \$850 million.]

Congress substantially reduces and limits AHFC's ability to raise lower-cost capital through the sale of tax-exempt Mortgage Revenue Bonds. (Mortgage Subsidy Bond Tax Act)

AHFC implements PAM (Pledged Account Mortgage), allowing borrowers to offset their monthly payment with accumulated savings.

Implements Rural Housing Loan Program and Non-Owner Occupied Rural Mortgage Purchase Program

Sets Up Mobile Home Loan Program

Issues \$148.8 million in bond debt

Principal Balance of 15,879 mortgages held (at 11/80): \$986.4 million

1981

Legislature fixes interest rate subsidy at no more than 3 percent. (AS 18.56.098)

Legislature mandates Seconds Program. AHFC allowed to purchase second mortgages for the purpose of improvement of the residences; not restricted to purchasing a second only if refinancing.

Legislature allows lenders to receive additional loan origination fees when lending in rural Alaska. (AS 18.56.107)

Legislature mandates that Mobile Home Loan Program be brought under Special Mortgage Loan Purchase Program. The effect of this directs AHFC to apply the lower-interest rates to mobile-home loans and treat the personal property as real estate. (AS 18.56.098)

Legislature expands rural programs. Loan maximums increase, loan-to-value ratios and terms increase to 95% on 30-year loan from 90% on a 20-year loan.

Legislature allows Mortgage Pass-Through Certificates as sources of funding.

Legislature requires implementation of due-on-sale provisions (assumptions not allowed).

AHFC issues \$620 million in bond debt.

Principal balance of 20,351 mortgages held (at 6/81): \$1.6 billion (fiscal year changed to bring into line with state fiscal year)

1982

Nationally, 1982 was considered a bad year for housing. However, it was a year of success and accomplishment for AHFC. By virtue of the state's generous appropriation of funds, AHFC continued to offer financing for mortgage loans at an interest rate far below the national average.

Legislature enacts programs establishing Owner-Occupied Loan Programs for triplexes and fourplexes. (AS 18.56.098)

Legislature votes to place an amendment to the State Constitution to allow General Obligation bonds for veterans housing.

Legislature approves international borrowing to obtain access to international capital markets. (AS 18.56.084)

Legislature transfers rural loan programs to the Alaska Department of Community & Regional Affairs.

AHFC implements HOF (Home Ownership Assistance Program) as mandated by the Legislature in 1982. The program was designed to assist low- to moderate-income families by further subsidizing the mortgage payments. The program was initially funded with an appropriation of \$2.5 million in cash and \$50 million in mortgages from the State. AHFC receives an additional \$43 million appropriation.

Implements the ABE Mortgage. Disruption and volatility in the capital markets cause mortgage interest rates to rapidly increase from previously fixed rate of 10 percent to 12-3/8 percent on the first \$90,000 of the loan. In response, AHFC implements the Alaska Building Equity (ABE) mortgage. The ABE mortgage enhanced the Corporation's ability to access the less expensive short-term capital mortgage market. (Under the ABE mortgage, the interest rate is fixed on the life of mortgage, but in years four through nine, the monthly payment increases by 5 percent each year, with the increased portion going directly to principal.

Issues \$802 million in bond debt

Principal balance of 29,037 mortgages held: \$2.075 billion

1983

Legislature raises loan limits for lending on single-family homes

Legislature creates Alaska Housing Finance Revolving Fund. The fund consists of appropriations made to the revolving fund by the Legislature, money or other assets transferred to the revolving fund, and unrestricted payments of principal on loans made or purchased by the Corporation. Amounts deposited into the revolving fund must be expended for purposes of the Corporation. (AS 18.56.082)

Legislature authorizes special election for voter approval of issuance of \$500 million of General Obligation bonds for the Veterans Mortgage Program.

Legislature requires AHFC to be in compliance with Executive Budget Act. (AS 18.56.089)

AHFC implements two new loan programs: The Triplex/Four-plex Program and the Veterans Mortgage Program. The Triplex/Four-plex Program is developed in response to the concerns about the shortage of rental units throughout the state and as mandated by the Legislature the prior year. The VMP Program is implemented after voter passage of an amendment to the Constitution and a bonding authorization of \$400 million.

Issues \$760 million in bond debt

Principal balance of 37,323 mortgages held: \$2.8 billion

1984

Loan activity increases due to long-awaited drop in interest rates.

Congress extends the ability of states to sell tax-exempt bonds for first-time homebuyers.

Voters approve second Veterans Mortgage Program General Obligation bond issue of \$500 million.

Legislature mandates changes to the HOF and Mobile Home Programs to expand the group of low- to moderate-income borrowers who are eligible to participate.

Legislature extends residential mortgage assistance for members of the Alaska Congressional Delegation. (AS 18.56.205)

AHFC obtains the first AAA rating on taxable bond issues, when an agreement is reached with Federal National Mortgage Association (Fannie Mae), a large national purchaser of mortgages in the secondary market.

Becomes first U.S. public agency to sell bonds in the European bond market

Issues \$980 million in bond debt

Principal balance of 46,973 mortgages held: \$3.8 billion

1985

Legislature establishes Non-Conforming Housing Loan Program in AHFC. The Non-Conforming Loan Program is for borrowers who are purchasing housing that does not meet typical structural standards as required by other private mortgage lenders. The program is transferred from the Alaska Department of Community & Regional Affairs. (AS 18.56.106)

Government National Mortgage Association (Ginnie Mac) approves AHFC as issuer.

AHFC receives no state general funds for the first time. All programs and operations now funded by Corporation funds.

Signs Pool Purchase Contract with Federal National Mortgage Association (Fannie Mae), allowing the funding of tax-exempt loans, and AAA ratings for the tax-exempt Home Mortgage Bonds and Veterans Mortgage Bonds

Implements Delegated Underwriting Program, allowing seller/servicers to approve and purchase loans, giving them more flexibility and resulting in shorter turnaround times for borrowers

Issues \$604,935,000 million in bond debt

Principal balance of 52,000 mortgages held: \$4.3 billion

1986

Legislature approves refinancing, allowing AHFC borrowers to take advantage of new low interest rates now at 9.25 percent. AHFC offers some of the lowest interest rates available in the country. Six-hundred eight borrowers take advantage of the program, saving an average of \$240 per month and making \$7 million available for spending elsewhere in the economy. Full credit and property package still required.

AHFC implements Rental Refinance Program, allowing AHFC borrowers an alternative to selling their homes.

Adopts regulations allowing assumptions. AHFC reached an agreement with the Federal National Mortgage Association (Fannie Mae) restructuring bond maturities to allow for refinancing

Sells second European bond issue for \$100 million

Obtains Approval of ABE Loan Structure from FHA, easing down-payment requirements for moderate-income borrowers

Issues \$1,277,445,000 in bond debt. This was a record year for obtaining capital because of refinancing and refunding of outstanding tax-exempt debt

Principal balance of 53,121 mortgages held: \$4.6 billion

1987

The Alaska economy slows; no employment growth; oil prices decline, cutbacks in industry. AHFC's delinquency rate increases; foreclosures on properties begin; loan portfolio balance decreases for the first time.

Homeowners and AHFC grapple with declining income and property values. AHFC experiences increasing delinquency and foreclosures due to the slow economy. Most private-mortgages insurers and mortgage lenders pull out of Alaska. AHFC implements new procedures and programs; and with multi-layers of insurance, weathers the situation without serious impact.

Legislature approves Refinance Program, allowing AHFC borrowers to refinance existing loans to lower-interest-rate loans with minimal qualifications and no appraisal. Program approval is for only one year, with a one-year extension.

Legislature allows non-conforming housing to be located on land to which borrower has agricultural rights. (AS18.56.106 (b))

AHFC expands Special Credits department; implements a real-estate-owned (REO) broker program, employing real-estate firms across Alaska.

Restructures the Mobile Home Loan Program, changing the basis of valuation from real estate to personal property

Purchases \$70 million in mortgage loans from the Alaska Department of Community & Regional Affairs, Housing Assistance Division

Issues \$482 million in bond debt

Principal balance of 51,973 mortgages held: \$4.25 billion

1988

Another difficult year for the economy and housing market. Population and employment drop, delinquency rates are in the double digits, and foreclosures are at record levels. AHFC's portfolio of foreclosed properties swells to more than 4,000. AHFC develops an extensive marketing plan. Forbearance and workout plans are developed and refined.

AHFC experiences first net loss. A \$12.6 million net loss results from substantial increases in loan-loss reserves, a decrease in the value of real-estate-owned, and a decrease in the collective value of the real-estate-owned

Legislature approves Housing Stabilization legislation to stabilize the market price and demand for residential housing. (AS 18.56.210) The legislation: 1) allows for conveyances for borrowers; 2) allows for exchanges of condominiums; 3) allows AHFC to demolish substandard housing; 4) allows AHFC to convert resident housing to other uses; 5) provides financing to promote the sale of resident housing owned by AHFC; and 6) establishes a stabilization fund to permit grants by the Corporation to fund the cost to demolish resident housing. Bulk sales of properties are allowed.

Legislature mandates loan servicing requirements. (AS 18.56.135)

AHFC implements HOAP, the Home Owners' Assistance Program, designed to make mortgage payments more affordable for AHFC borrowers experiencing involuntary economic hardships.

Signs \$200 million commitment contract with Federal Home Loan Mortgage Corporation (Freddie Mac). AHFC discontinues ABE mortgage

Doubles the size of the staff to 80 to take on the increasing number of properties and special programs

Issues \$447 million in bond debt

Principal balance of 44,815 mortgages held: \$3.76 billion

1989

Delinquency and foreclosure rates steadily decrease. Property sales increase substantially, averaging 200 to 400 percent higher than prior year.

Legislature permanently approves ability of AHFC to refinance mortgages. (AS 18.56.108)

AHFC purchases 9081 loans totaling \$868.4 million

Establishes the Condominium Stabilization Program

Adds 74 staff positions to handle increasing workloads; staff totals 154

Reports net loss of \$124 million due to increased loan losses and reduction in values of loan portfolio

Processes six thousand refinances under HOAP

Continues Condominium Stabilization Program by adding Special Retail Sales Financing Program and Condominium Association Loan Program

Implements Health and Safety Repairs Program for borrowers with AHFC loans who have properties in need of improvement because of a threat to the homeowners' health or safety

Opens branch office in Fairbanks

Issues \$635 million in bond debt

Principal balance of 42,785 mortgages held: \$3.52 billion

1990

Alaska's real estate market strengthens. Past-due loans decrease by 5 percent, foreclosure rate decreases to low of 120 properties per month from a high of 230 per month; portfolio of foreclosed properties down from 4653 to 2504.

Legislature mandates subsidy phaseout over three years. AHFC returns focus to serving low- to moderate-income Alaskans. (AS 18.56.098)

Legislature increases Board of Directors membership from five to seven. (AS 18.56.030)

Legislature mandates Construction Standards/Inspection Program effective June 1992. (AS 18.56.300)

Legislature creates Senior Housing Loan Program in Department of Community & Regional Affairs; appropriates \$10 million in AHFC funds to the program; authorizes AHFC to issue bonds not to exceed \$30 million. (AS 18.56.083)

AHFC earns \$34.3 million following two years of losses

Implements bulk sales

Issues \$567 million in bond debt

Principal balance of 42,330 mortgages held: \$3.39 billion

1991

Alaska's housing indicators improve; delinquencies at or below national averages. Real-estate-owned decreases to 1,000 properties.

Legislature allows AHFC to lend to public and private corporations to develop housing for low- to moderate-income Alaskans. (AS 18.56.900 (14)).

Legislature requires annual accounting of AHFC's assets. (AS 18.56.089)

Legislature requires five construction inspections of new homes to qualify for AHFC financing.

Board of Directors approves Dividend Plan; AHFC pays \$17,171,000 in dividends to State. Moody's Investors Service upgrades credit ratings of three AHFC bond issues, citing its ability to withstand economic and financial instability such as occurred in the 1980s.

AHFC posts \$99.9 million net income.

Leads collective effort in solving state's housing problems, including the Comprehensive Housing Affordability Strategy

Becomes first state or local housing entity in the U.S. to be assigned a short-term rating on an unsecured financing; Moody's Investors Service assigns Prime-1 rating to AHFC's Euro Commercial Paper Program

Issues \$831,103,544 million in bond debt

Principal balance of 42,723 mortgages held: \$3.2 billion

1992

Alaska's housing indicators favorable; 330 foreclosed properties in portfolio; phaseout of mortgage subsidy continues.

Legislature mandates merger of all State housing functions into AHFC; mandates purchase of rural housing portfolio from Alaska Department of Community & Regional Affairs; mandates that Public Housing report under the Executive Budget Act. Housing functions of the Alaska Department of Community & Regional Affairs and the Alaska State Housing Authority merge into AHFC. AHFC now has 350 employees in 27 offices statewide.

MGIC settles lawsuit, \$58 million in payments to AHFC.

Standard & Poor's affirms A+ rating of AHFC's general obligation debt, following passage of legislation which merges two State housing departments into the Corporation

U.S. Department of Energy recognizes AHFC's residential energy-efficiency program, Alaska Craftsman Home Program, as one of the most outstanding state energy programs in the nation.

AHFC posts a \$147.4 million profit; pays \$19.4 million dividend to the State

Revises Homeownership Assistance Program (HOF Program) to allow for subsidized loans to low- to moderate-income borrowers

Begins Multi-Family Loan Programs. Financed \$15.4 million purchase of 476 units in Anchorage, refinanced a property loan in Juneau

Grants \$285,000 for emergency shelters for homeless

Sells Anchorage property to the Salvation Army for \$10 to be used as a temporary home for women and children

Grants \$580,000 and the use of 10 Fairbanks properties to the Permafrost Technology Foundation for permafrost mitigation research

Issues \$831,104,544 in bond debt

Principal balance of 40,405 mortgages held: \$3.0 billion

1993

Survey shows average rents in Alaska up sharply since 1990; rental vacancy rates dropped significantly; single-family homes more affordable with lower interest rates and sales prices and higher incomes.

Moody's upgrades seven AHFC bond issues.

AHFC posts earnings of \$89.4 million; pays \$40.7 million dividend to State.

Implements Streamlined Refinance Program

Finances \$16.5 million in multi-family and special needs housing

Approves \$54 million in long-term financing for housing at Eielson Air Force Base in Fairbanks

Provides \$250,000 in homeless emergency grants

Receives \$269,000 HUD grant for prevention and elimination of drug problems in public housing and literacy and basic education

Receives award from the National Council of State Housing Agencies for Warm Homes for Alaskans program as most outstanding in the nation for serving low- and moderate-income citizens in the area of homeownership, home improvement, and rehabilitation

Implements rural loan program that allows a portion of the home to be used for in-home business purposes

Enters into agreement with Idaho, Oregon, and Washington to promote residential energy efficiency and export Alaska's energy know-how to the Pacific Northwest; enters into similar agreement with United Kingdom's National Energy Foundation

Grants property in the Anchorage Muldoon area to Habitat for Humanity for construction of a home for a low-income family

Issues \$200 million in bond debt

Principal balance of 35,310 mortgages held: \$2.56 billion

1994

Alaska's rental market continues to stabilize; rents unchanged in many markets; slight increase in overall vacancy rate; Anchorage construction costs increase less than inflation.

AHFC realizes net earnings of \$72,519,000; pays \$16,983,000 dividend to State of Alaska general fund; Board approves "State Payment Plan" calling for payment of \$200 million to the general fund in \$50 million installments over one year.

Implements Small Building Material Loan Program for rural Alaskans

Implements Interest-Rate Reduction for Energy Efficiency Program

Awards \$230,000 Emergency Housing Assistance Grant to build temporary emergency housing for Koyukuk flood victims

Develops HomeChoice, a statewide homebuyer counseling program

Installs three experimental multi-point, rigid-frame foundation systems (triodetic foundations) in rural Alaska

Implements Affordable Housing Enhanced Loan Program (AHELP)

Awards \$735,000 in grants to statewide electric utilities to develop electrical savings programs

Makes five-year commitment of \$37.4 million to the Warm Homes for Alaskans Initiative

Purchases 8,110 loans totaling \$732.5 million under Streamlined Refinance Program

Contributes \$8 million to Supplemental Housing Development Grant Program

Completes construction of 47 three- & four-bedroom units in Fairbanks to replace Birch Park public housing

Purchases 20 Family Self-Sufficiency housing units in Anchorage

Approves \$51 million in Multi-Family and Special Needs loans
Awards \$4.9 million in Low-Income Housing Tax Credits

Receives \$997,672 HUD grant for Housing Opportunities for Persons with AIDS

Commits to a \$54 million term take-out loan to provide 366 units of military housing on Eielson Air Force Base under Section 801 Military Construction Authority Act

Receives national "best in category" award for Energy Technology and Education from the U.S. Department of Energy for its role in transforming the state's housing market by mainstreaming the concept of energy efficiency through its Energy Rated Homes of Alaska Program

Awards \$728,000 in HOME grants to low-income homeowners for energy-efficiency and moderate rehabilitation improvements.; \$150,000 in CHDO operating assistance funds; and \$2.6 million under the Owner-Occupied Rehabilitation Program

Receives one of four National Agency Awards of Excellence in Program Innovation: Direct Client and Resident Services from the National Association of Housing & Redevelopment Officials for Juneau's "Breakfast Club"

Receives awards from the Alaska Chapter of the Public Relations Society of America: first place for "Mortgage Problems" brochure; third place for 1992 annual report; and third place for the video "Making Your House a Home."

Issues \$514,060,000 in bond debt

Principal balance of 35,320 mortgages held: \$2.25 billion

1995

Alaska's rental housing market continues to tighten, with average contract rents increasing in eight of ten selected areas of Alaska. Rural loan activity doubles to \$33.5 million.

Today's Environment features AHFC's energy-efficient mortgage on its national television series.

AHFC posts net earnings of \$96,058,000; pays \$20,043,000 dividend to the State.

Approves \$200 million "State Payment Plan"; pays to the State of Alaska general fund in four installments

Approves a Series (State) Transfer Plan and authorizes an agreement between the State of Alaska Commissioner of Revenue and the Corporation, which provides for the transfer of \$270 million to the State's general fund in a series of scheduled installments during the subsequent five fiscal years

Provides \$12 million for energy and weatherization programs

Awards grants totaling \$603,270 under the HOME Rental Development Program

Implements a 10-year modernization and rehabilitation plan for public housing
Completes reconstruction of 31 homes at Bethel Heights, Bethel, and 28 three- and four-bedroom units at Birch Park, Fairbanks

Provides \$5.6 million in financing under the Multi-Family and Special Needs Loan Program

Awards \$815,000 in Low-Income Housing Tax Credits

Awards \$8.3 million in grants and loans toward development of senior housing

Obtains judgments of more than \$75,000 in three fraud cases against former AHFC public housing tenants

Awards \$150,000 in Operating Assistance Funds

Awards \$2,720,758 in grants for acquisition, rehabilitation, or new construction of single-family, multi-family, and senior facilities

Funds \$460,000 in low-income rental assistance Coupons outside Anchorage

Establishes Family Self-Sufficiency (FSS) Program in Anchorage

Opens AHFC's first computer learning lab at Geneva Woods, Juneau

Awards \$9,443,310 in Supplemental Housing Development grants

Awards \$2.7 million in grants for emergency and supportive housing assistance

Offers Affordable Homeownership Guaranteed Loan Program—also known as the 5% Program. Purchased 910 loans, for a total of \$92.6 million, under the program

Maintains an average real-estate-owned (REO) inventory of 60; average mortgage portfolio delinquency rate of 3.9%; forecloses on 109 loans and disposes of 68 properties

Issues \$365 million in bond debt; reaches milestone of \$10 billion in bonds issued since inception

Principal balance of 31,426 mortgages held: \$2.27 billion

1996

Miller's Reach Fire devastates Wasilla/Big Lake area 60 miles north of Anchorage in June; more than 37,500 acres burn, 344 buildings destroyed, valued at \$8.8 million. Survey shows an increase in Alaska's homeless women and children; chronic homelessness increases; transient population in economically-distressed areas of the state declines. Alaska's homeownership increases by 7.5% from 1993 to 1996, while increasing 2% nationally. Construction costs decrease in rural Alaska; slight increase in urban areas.

Legislature authorizes the University of Alaska to borrow \$33 million from AHFC to finance the construction of student housing and dining facilities in Anchorage.

***Institutional Investor* names AHFC's \$335 million mortgage-backed governmental-purpose bond issue "Deal of the Year."**

Standard & Poor's issues improved outlook on AHFC's rating from negative to stable; affirms single 'A'-plus rating on AHFC's G.O. bonds and 'A-1' rating on its Eurocommercial paper program.

Family Self-Sufficiency Program has first successful "graduate" participant.

AHFC posts net earnings of \$114,805,000; pays \$70 million to the State of Alaska general fund pursuant to Series (State) Transfer Plan.

Provides grants, gap financing, and initial construction funds to nearly 100 fire victims

Awards \$8,879,010 in Supplemental Housing Development grants

Maintains an average real estate-owned (REO) inventory of 51; average mortgage portfolio delinquency rate of 4.24%

Purchases 417 home loans totaling \$51 million under the Conventional Loan Programs

Purchases 584 loans under the First-Time Homebuyer Program

Purchases \$1,762,300 in loans under the Non-Owner-Occupied Loan Program

Participates in Homeownership Demonstration Project by donating a 6250 sq. ft. lot in Mountain View, Anchorage, to establish affordable homeownership opportunities for five targeted communities

Receives a 1996 national "Significant Achievement" award from the National Council of State Housing Agencies for encouraging new production of affordable housing through *Building Homes to Build Communities*, a video and workbook package

Grants \$250,000 to organizations to assist homeless or near-homeless families

Receives HUD's "High Performer" rating for the 1995 Public Housing Management Assessment Program (PHMAP)

Provides Supportive Housing matching grants totaling \$775,000

Obtains a \$716,166 Housing Opportunities for Persons with AIDS grant

Provides grants of \$60,000 to the Alaska Native Health Board and \$175,000 to the Association of Alaska Housing Authorities

Uses \$6,229,967 for comprehensive weatherization of homes in rural Alaska

Obtains judgments of \$131,439 in two fraud cases against former public housing and Section 8 tenants

Amends public housing lease to allow evictions for "any drug-related activity on or off" AHFC's property to implement President Clinton's "One-Strike-You're-Out" Policy

Approves Resident Home Business Policy & Procedures to allow tenants in AHFC's public housing properties to operate home businesses

Offers new Interest-Rate Reduction for Energy Efficiency Program, for new and existing homes

Approves \$1 million loan to Fairbanks Neighborhood Housing Services under the Loans to Sponsors Program

Amends Multi-Family Loan Program to include participation from the private lending institutions and equity extraction

Commits to loans of \$11,440,250 under the Multi-Family and Special Needs Loan Program

Awards \$790,970 in Low-Income Housing Tax Credits

Purchases \$1,762,300 in loans under the Non-Owner-Occupied Loan Program

Originates \$283,850 in Building Material loans

Provides \$790,970 in start-up funding for senior housing

Awards \$100,000 in operating grants to development organizations

Awards \$3,661,400 in rental development grants

Issues \$365 million in long-term debt to continue various ongoing lending programs

Adopts Fiscal Policies for investments, securities lending, reverse-repurchase agreements, underwriter selection, and the issuance of long-term debt

Completes reconstruction of final 31 units at Bethel Heights, Bethel

Receives \$800,003 in HUD Supportive Housing grants

Completes replacement of 33 houses and an office/maintenance building at Beringvue, Nome; exterior/interior renovation of 17 units at Cedar Park Annex, Juneau; and demolition of 50 units at Cedar Park, Juneau

Establishes AHFC website, www.ahfc.state.ak.us

Issues \$370,055,000 in bond debt; completes refundings of two issues totaling \$5,055,000

Principal balance of 29,015 mortgages held: \$2.2 billion

1997

Survey shows continuing decline in percentage of homeless veterans.

AHFC posts net earnings of \$101,346,000; pays \$50 million to the State of Alaska general fund pursuant to Series (State) Transfer Plan.

Family Self-Sufficiency Program "graduates" 20 participants.

AHFC employees reject ASEA union representation.

AHFC finances \$180 million in home loans.

Issues 1024 HomeChoice Certificates of Completion at 71 classes held in 36 communities; holds record class of 139 participants.

Approves \$4 million in loans and \$1.8 million in grants for senior housing

Completes construction of the 50 replacement units and multipurpose room at Cedar Park, Juneau

Uses the Weatherization Assistance Program to increase energy efficiency of 1140 homes

Receives A *Blue Ribbon Practices in Community Development Award for 1997 for Effectively Leveraging HOME Funds* from HUD's Office of Community Planning and Development

Receives an *Annual Award for Significant Achievement for Homeownership: Home Improvement and Rehabilitation* from the National Council of State Housing Agencies

Receives a *1997 Merit Award for Administrative Innovation* from the National Association of Housing & Redevelopment Officials for "The Raven Makes a Home—Alaskar-miut enili Tulukaruum—Program"

Receives a *1996 International Blue Pencil Competition Award, First Place for Publications for a Technical Audience*, from the National Association of Government Communicators for the *Alaska Affordable Housing Development Workbook*

Receives a score of 100% on HUD's 1996 Public Housing Management Assessment Program (PHMAP)

Provides \$15 million to Alaska DEC for water and sewer projects and \$1.5 million to Alaska DHSS for Mental Health Trust beneficiaries

Provides \$33 million in financing to the University of Alaska to build student housing in Anchorage

Contributes \$2.6 million to DHSS for Pioneer Home renovations

Contributes nearly \$2 million toward construction of the Bethel sea wall and the Valdez Harborview study

Finances the purchase of the Bank of America building in Anchorage for future occupancy by State agencies, estimated to result in cost savings of more than \$100 million to the State over the life of the building

Contributes \$1 million toward the design and construction of a multipurpose center in Mountain View, Anchorage

Awards \$11,753,532 in development grants and Low-Income Housing Tax Credits

Grants \$250,000 under the Emergency Reconstruction HOME Program

Awards \$60,000 to match a USDA Emergency Housing Preservation Grant

Awards \$200,000 to the Northwest Arctic Borough to match a federal grant to study the feasibility of relocating the village of Kivalina

Awards \$7,353,828 in Supplemental Housing Development grants

Releases AkWarm, a Windows-based home-energy-rating-and-weatherization-assessment software developed by AHFC

Provides \$6.1 million in HOME Single-Family Owner-Occupied Program funds to improve the health and safety and energy efficiency of homes

Provides \$180 million in financing for 1535 Alaskans to purchase or refinance homes

Maintains an average real-estate-owned inventory of 41; average mortgage-portfolio delinquency rate of 3.92%

Purchases 821 home loans for more than \$76 million under the tax-exempt First-Time Homebuyer Program, 340 loans for \$52 million under the Veterans Mortgage Program, and 97 loans for nearly \$19 million under the taxable loan programs

Approves \$5 million loan commitment to Tlingit-Haida Regional Housing Authority under the Loans to Sponsors Program

Implements Interest-Rate Reduction for Low-Income Borrowers Program to provide a sliding-scale interest-rate reduction for borrowers with incomes at or below the median income for their location

Purchases \$2 million in loans under the Non-Owner-Occupied Loan Program

Approves nearly \$4 million in financing for senior housing

Revises Multi-Family and Special Needs Participation Loan Program to allow for equity extraction

Provides lower mortgage interest rates for 580 existing and new homes under the Interest-Rate Reduction for Energy-Efficient Homes

Purchases the largest volume of loans in the history of the rural loan program: 292 loans at \$40.1 million

Purchases first straw-bale home under the rural loan program

Provides loan commitments of more than \$27.1 million under the Multi-Family and Special Needs Program

Creates a Regional Housing Authority (RHA) Exchange Program to enable RHAs to initiate and service loans in rural Alaska to expand AHFC's housing services into remote areas of the state

Provides \$1,209,950 for Emergency Reconstruction loans to people who suffered a loss in the Miller's Reach fire

Issues \$594,781,477 in bond debt; reaches milestone of \$11 billion in bonds issued since inception

Principal balance of 27,466 mortgages held: \$2.05 billion

1998

Survey shows decrease in reported homeless; increase in homeless veterans. Alaska's rental vacancy rates continue to decline.

Legislature directs \$17,444,000 of AHFC's \$50 million dividend toward school funding, with the balance available for debt-service payment on capital-project bonds.

Legislature authorizes AHFC to issue \$224 million in bonds to finance projects of the State and municipalities.

Legislature appropriates \$37,795,000 of AHFC's capital budget for non-housing purposes, including \$33,246,700 for water and sewer projects.

Family Self-Sufficiency Program "graduates" eight participants.

AHFC posts net earnings of \$95,916,000; pays \$50 million to the State of Alaska general fund pursuant to Series (State) Transfer Plan.

Opens the Gateway Learning Center in Anchorage

Implements a Section 3 Program to give a preference to public housing tenants or applicants who qualify as low-income

Increases the energy efficiency of 1504 low-income homes

Processes more than 1500 home-energy ratings, a 50% increase from FY'97.

Becomes an Ally of the U.S. Environmental Protection Agency's ENERGY STAR Homes Program

Completes nearly \$1 million in statewide energy upgrades at public-housing properties

Provides \$112.5 million in lower-interest mortgage loans under the Energy Efficiency Interest-Rate Reduction program

Provides financing of \$33 million for the University of Alaska to build student housing in Anchorage

Contributes \$700,000 to DHSS for Pioneer Home renovations

Awards \$1 million to non-profits under the Owner-Occupied Rehabilitation Program

Finances \$2.7 million in senior housing complexes

Completes total renovation of Golden Ages, a 20-unit senior facility in Fairbanks

Provides \$706,541 in Low-Income Housing Tax Credits, \$1,878,300 in HOME funds, and \$1,581,700 in Senior Citizen Housing Development (SCHDF) funds

Develops the Assistance Provider Interest Rate Reduction Program

Provides loan commitments of nearly \$19 million under the Multi-Family and Special Needs Loan Program

Awards \$1.9 million in HOME rental development funds

Solicits and hires two firms for Investment Management Services (IMS)

Provides \$14.6 million to Department of Environmental Conservation for water and sewer projects throughout the state and \$1.7 million toward joint housing programs with the Alaska Department of Health & Social Service for Mental Health Trust beneficiaries

Transfers \$27.6 million from the State Mortgage Insurance Fund (SMIF) to the State after it became legally available upon the redemption of AHFC's remaining Insured Mortgage Program Bonds

Increases urban loan activity by 130%; rural loan activity by 88%

Conducts 114 HomeChoice workshops in 30 communities, with 2,219 certificates issued

Provides \$384 million in financing for 3159 Alaskans to purchase homes

Purchases 1615 First-Time Home Buyer loans totaling \$156 million

Provides \$85.5 million to finance 864 loans under the Interest-Rate Reduction for Low-Income Borrowers Program

Implements a Streamline Refinance Program, with \$99 million used to refinance 1145 loans

Provides financing for 597 low-interest loans under the Veterans Mortgage Program

Implements Rural Initiative Housing Pilot Program in Bethel and Aniak

Awards \$7,735,696 in Supplemental Housing Development Grants to regional housing authorities

Completes construction of 50 replacement units at Cedar Park and 45 new units at Riverbend in Juneau

Receives a score of 100% on HUD's 1997 Public Housing Management Assessment Program (PHMAP)

Receives John J. Gunther award from HUD for using HOME funds to provide assistance to low-income homeowners following the Miller's Reach fire

Contributes more than \$132.5 million toward state revenues and capital projects

Completes purchase of the Bank of America building

Contributes \$1 million toward the design and construction of a multipurpose community center in the neighborhood of Mountain View in Anchorage

Forms a Y2K team, writes a plan, accesses all hardware and software for compliancy, and begins remediation and testing of all systems

Uses \$233,500 in funds from the U.S. Department of Energy for consumer energy education, institutional conservation, Healthy House training, and rural technical assistance

Maintains a 2.2% average vacancy rate for the Conventional Low Rent Housing program

Provides public housing or Section 8 rental assistance to 1819 new individuals or families

Develops workshop curriculum for Realtors®, builders, and lenders; receives approval for Continuing Education Units for Realtor® training

Maintains an average real estate-owned inventory of 27; average mortgage portfolio delinquency rate of 3.83%

Maintains a delinquency rate of zero percent for multi-family loans

Approves \$1 million loan to Fairbanks Neighborhood Housing Services under the Loans to Sponsors Program

Receives a \$572,800 HUD grant for AIDS supportive services and rental assistance

Awards \$125,700 in matching funds under the USDA Housing Preservation Grant program and \$750,000 in grant matching funds under the Continuum of Care, Supportive Housing Program

Awards \$386,000 in grants under the Homeless Assistance Program

Holds statewide workshops for more than 200 agencies and individuals in housing quality standards, internal controls, supported housing, reasonable accommodations, and fair housing

Partners with the Department of Health & Social Services and the Alaska Mental Health Trust Authority for a housing-grant program to provide \$1.1 million to non-profit service providers for housing Alaskans with special needs and \$150,000 for home accessibility modifications

Issues \$470,404,750 in bond debt

Principal balance of 26,044 mortgages held: \$2.1 billion

1999

Loan portfolio increases slightly to 26,776; delinquency rate rests at less than 4%

Posts net earnings of \$79,850,000

Develops a northern housing and development Web site—www.north.rthn.org—in cooperation with the Canada Mortgage Corporation and Yukon College

Receives annual Award for Significant Achievement from the National Council of State Housing Agencies for *Homeownership: Encouraging New Production*, recognizing the Rural Initiative Housing Pilot Program

Approves new loan program: Interest-Rate Reduction for Housing for Disabled (later renamed Assistance Provider Interest-Rate Reduction Program)

Receives design award from the Pacific Northwest Regional Council and Award of Merit from the National Association of Housing & Redevelopment Officials for landscaping improvements and playground equipment installed on a special surface at Etolin Heights in Wrangell

Receives \$338,000 HUD Drug Elimination grant

Receives 100% score on HUD's 1998 Public Housing Management Assessment Program (PHMAP)

Receives National Recognition Award from the U.S. Department of Energy for outstanding contributions to the Weatherization Assistance Program

Issues \$93 million in non-housing bonds to pay for deferred maintenance and capital projects throughout Alaska; 10 percent of the bonds are purchased by Alaskan investors prior to major investor offering

Receives National Award of Merit for Project Design from the National Association of Housing & Redevelopment Officials for the Cedar Park Affordable Housing Program in Juneau

Receives National Award of Merit for Project Design from the National Association of Housing & Redevelopment Officials for the Riverbend Affordable Housing Program in Juneau

Receives 1998 Award of Excellence from the Alaska Chapter Public Relations Society of America for Second Place Tie for 1997 Annual Report

Principal balance of 26,776 mortgages held: \$2,367,754,221

2000

Loan portfolio increases to 28,325; delinquency rate rests at less than 3.8%; homeownership rate stabilizes at 66.4%

Alaska sees highest percentage increase of any state in homeownership throughout the '90s

Posts net earnings of \$81,802,000

Receives HUD Secretary's commendation in recognition as a High Performer

Receives Standard & Poor's highest rating of "strong" for AHFC's Public Housing Division

Receives 2000 HUD Best Practices Award for the HOME Opportunity Program

Receives HUD's John J. Gunther Blue Ribbon Best Practices Award for the Supplemental Housing Development Grant Program

Receives 1999 Award of Excellence from the Alaska Chapter Public Relations Society of America for Third Place for 1998 Annual Report

Contributes \$103.6 million toward state revenues and capital projects

Develops an Intranet

Becomes HUD contract administrator for 24 Section 8 Project-Based contracts throughout Alaska

Provides a \$6.75 million loan to Alaska Pacific University for housing and student-activity-center renovations

Approves a \$38.8 million loan to Aurora Military Housing LLC to build and own 780 units of military housing on Elmendorf Air Force Base

Awards 52 grants for a total of \$14.8 million

Awards \$6 million in Supplemental Housing Development grants for new construction of 222 houses in 27 communities statewide, including Kwigillingok, Koyuk, Chignik Lagoon, Rampart, Nanwalek, and Hoonah, leveraging \$30 million in federal funds

Increases Energy-Efficiency Interest-Rate Reduction Program (EEIRR) loans by 12%, to 1,345

Expands EEIRR program to include previously owned energy-efficient homes

Weatherizes 941 homes

Co-sponsors the Energy Northwest weatherization conference

Trains 405 persons in the application of computerized home-energy ratings and 118 builders in energy-efficient residential construction

Responds to 3,632 requests for energy and construction information from 2,979 users in 67 communities in Alaska and throughout the world

Issues \$103,980,000 in State Capital Project Bonds, 1999 Series B—the second of two issues to provide financing for capital projects throughout Alaska

Legislature authorizes AHFC to issue \$77 million in general obligation debt for state capital projects

Legislature authorizes AHFC (or a subsidiary) to purchase 40% of the State of Alaska's right to receive tobacco-settlement proceeds and issue bonds secured by the tobacco settlement payments to finance \$93 million of school construction projects

Legislature authorizes the issuance of bonds to fund the construction of various State capital projects; extends the Transfer Plan authorizing transfer of \$103 million annually from AHFC to the State until the year 2008

Conducts 214 HomeChoice workshops in 28 communities with 5,446 certificates issued

Holds 41 classes for 1,319 home buyers, home builders, housing agencies, subcontractors, lenders, real estate agents, and general audiences on AHFC loan and energy programs

Provides \$229 million to finance 2,205 homes under the Tax-Exempt First-Time Home Buyer Program

Implements Taxable First-Time Home Buyer Program; purchases 285 loans, totaling \$42.4 million

Provides \$561 million for 4,295 Alaskans to purchase homes

Increases 1-4 residential loan activity by 20% in the urban loan programs

Provides \$153 million to lower mortgage rates for 1,530 low-income borrowers under the Interest-Rate Reduction for Low-Income Borrowers Program

Graduates 22 families from the Family Self-Sufficiency Program

Receives a set-aside from HUD of 652 Welfare to Work vouchers

Provides \$250,000 to the Department of Health & Social Services for housing modifications for people with special needs

Expands role of Senior Housing Office to help special needs groups and developers increase accessible housing

Receives funding for 310 new vouchers with approximately 50 set aside for people with disabilities or families receiving a Medicaid waiver

Purchased/closed 76 Multi-Family Loans in 14 communities totaling \$54.5 million for 1,468 units of affordable housing

Provides \$6.2 million in funds under the Loans to Sponsors Program

Issues \$883,535,000 in long-term bond debt

Principal balance of 28,325 mortgages held: \$2,714,816,145

2001

Loan portfolio increases to 30,239; delinquency rate remains low at 3.47%; homeownership rate stabilizes at 66.4%

Posts net earnings of \$96,353,000, up 18% from FY00 and 21% from FY99.

Sees 13% increase in mortgage-loan interest from 16% increase in net mortgage loans

Submits score of 100% "High Performer" under HUD's Public Housing Assessment System (PHAS)

Submits score of 100% under HUD's Section 8 Management Assessment Program (SEMAP)

Receives 2000 Award of Excellence from the Alaska Chapter Public Relations Society of America for Third Place for 1999 Annual Report

Renovates five single-family public housing units in Anchorage for sale to low-income first-time home buyers

Increases loan applications from 3,940 to 4,742 and loan purchases to \$647.6 million

Completes construction of 15 low-income rental duplexes and a multi-purpose building at Spruce Park in Fairbanks

Provides grants of \$6,454,147 under the Supplemental Housing Development Grant Program to 11 regional housing authorities to facilitate the construction of 198 single-family homes and 68 multi-family units of housing in rural Alaska.

Constructs multi-purpose building at Riverbend public housing development in Juneau

Completes replacement of seven public-housing units in Valdez

Weatherizes 1,127 homes

Awards 92 grants for a total of \$25 million

Establishes AHFC Toastmasters Club

Completes video production of *Alaska Log Building Construction Techniques*

Conducts 198 HomeChoice workshops in 41 communities with 4,464 certificates issued

Graduates 11 families from the Family Self-Sufficiency Program; 112 participants enrolled in the program.

Responds to 4,056 requests for energy and construction information—the highest number on record—from 3,105 users in 56 communities in Alaska and throughout the world

Provides \$190 million for 1,230 home buyers under the Energy-Efficiency Interest-Rate Reduction

Provides \$176 million to finance 1,764 homes under the Tax-Exempt First-Time Home Buyer Program and \$270 million to finance 1,768 homes under the Taxable First-Time Home Buyer Program

Provides \$648 million for 4,816 Alaskans to purchase homes

Provides \$155 million to lower mortgage rates for 1,527 low-income borrowers under the Interest-Rate Reduction for Low-Income Borrowers Program

Purchased/closed 117 Multi-Family Loans in 14 communities totaling \$103.8 million for 2,976 units of affordable rental housing

Issues \$156,635,000 in Mortgage Revenue Bonds and \$62,450,000 Housing Development Bonds

In October 2001, AHFC creates subsidiary, the Northern Tobacco Securitization Corporation (NTSC), to purchase from the State 40% of the revenues to be received from the Master Settlement Agreement between major tobacco producers and the State of Alaska.

NTSC sells \$116,050,000 of Tobacco Settlement Asset-Backed Bonds, Series 2000. The net proceeds of \$93 million are made available for the capital projects authorized by the Legislature.

Legislature authorizes NTSC to purchase an additional 40% of the tobacco-settlement revenues for \$109,942,839, and issue bonds for additional State capital projects.

Issues \$74,535,000 in State Capital Project Bonds for State construction and renovation projects throughout Alaska

Principal balance of 30,239 mortgages held: \$3,215,722,000

2002

Loan portfolio increases to 30,263; delinquency rate steady at 3.8%; homeownership rate drops slightly to 65.2%

Posts net earnings of \$75,660,000, down 21% from FY02 and 8% from FY00

Receives HUD Secretary's commendation in recognition as a High Performer

Receives three national awards and a local award for the Assistance Provider Interest-Rate Reduction program for increasing the quality of life for Alaskans who experience a developmental disability

Receives award from the National Association of Housing and Redevelopment Officials (NAHRO) for the 5(h) Homeownership Program

Receives Award of Excellence from the Alaska Chapter Public Relations Society of America for Third Place for 2001 Annual Report

Distributes \$15.5 million to 30 grantees

Weatherizes nearly 900 homes

Responds to 3,525 requests from 2,955 users in 74 Alaskan communities for RIC library and information services

Completes sale of sixteenth former public housing home to first-time home buyer in Anchorage under HUD's 5(h) Public Housing Homeownership Program

Conducts 240 HomeChoice workshops in 35 communities with nearly 4,000 certificates issued

Provides \$514.8 million for 3,721 Alaskans to purchase homes

Provides \$160.2 million to finance 1,475 homes under the Tax-Exempt First-Time Home Buyer Program and \$159.1 million for 1,023 homes under the Taxable First-Time Home Buyer Program

Provides \$79.3 million to lower mortgage rates for 782 low-income borrowers under the Interest-Rate Reduction for Low-Income Borrowers Program

Provides \$125 million in financing for 791 homes under the Rural Owner-Occupied Loan Program

Closes 21 Assistance Provider Interest-Rate Reduction loans totaling \$4.4 million

Purchases/closes 94 Multi-Family Loans totaling \$58.477 million for 1,368 units of affordable housing

Issues \$370,170,000 in Governmental Purpose Bonds; \$137,190,000 in Mortgage Revenue Bonds; \$50 million in Veterans Collateralized Bonds; and \$200 million in Home Mortgage Revenue Bonds

Principal balance of 30,263 mortgages held: \$3,373,640,000

ALASKA HOUSING FINANCE CORPORATION

Alaska Housing Finance Corporation was originally developed to help families find homes after World War II. It has evolved into an organization that now contributes more than \$100 million annually to Alaska's state revenues through cash transfers, capital projects and debt-service payments.

Alaska's population increased from about 4,000 in 1940 to 9,000 just one year later. But when the war ended, families left by the hundreds—not because of a lack of employment, but because of a severe shortage of housing. To that end, the Alaska Territorial Legislature created the Alaska Housing Authority (AHA). When the Federal Housing Act of 1949 was passed, it authorized the federal government to make up to \$1.5 billion in loans and grants nationwide for slum clearance and redevelopment. AHA was appointed the agency to work with Alaska in urban renewal.

AHA fulfilled these roles until the 1959 Alaska Statehood Act, when AHA became known as the Alaska State Housing Authority (ASHA). Throughout the 1960s, ASHA was the key source of housing, including affordable rental and homeownership programs, bonding for government office space, and urban renewal, especially following the devastation of the 1964 earthquake.

In 1971 the Alaska Legislature created the Alaska Housing Finance Corporation, a public corporation having legal existence independent of and separate from the State of Alaska to



provide affordable housing for low- and moderate-income residents. During AHFC's first two years of operation, the ten-member staff provided nearly \$10 million in conventional mortgages in forty communities and financed a ninety-eight-unit apartment building in Juneau. In 1972 the Legislature created the Department of Community & Regional Affairs, repealing ASHA's community planning authority and transferring those duties to DCRA.

For the next twenty years, AHFC, ASHA, and DCRA each provided housing services to a distinct segment of Alaska's population. Products included programs for a state mortgage insurance program, rehabilitation loan programs, and rural and mobile home mortgage programs. In 1992 the Legislature recognized a need for all of the state's housing programs to come together, precipitating a merger of AHFC, ASHA, and the housing and energy programs of DCRA. Today, AHFC's Public Housing Division continues the role that AHA began fifty years ago, while the Research and Rural Development Division has assumed the duties previously administered by DCRA.

AHFC is the only housing authority in the United States with true statewide jurisdiction. The challenge of size and remoteness in Alaska, along with its extreme climate, demands innovative solutions that have become models



Above: The home of the Ward family in Haines, Alaska.

Below: Dormitories for the University of Alaska Anchorage.





for other housing authorities and housing finance agencies nationwide. Alaska's population of 620,000 is spread across an area one-fifth the size of the entire United States (Alaska is two and a half times the size of Texas!). From the tip of the Southeast Panhandle to the furthestmost island in Alaska's Aleutian Islands spans a distance equalling that from California to Florida. The majority of Alaska is accessible only by air.

Throughout its more than fifty years, AHFC has provided assistance to thousands of Alaskans in more than two hundred often-remote communities. While best known for financing single-family homes, its diverse programs include community planning and development, direct and pass-through grants, technical assistance, tax credits, affordable rental housing, energy/weatherization programs, drug-elimination programs, computer learning centers, breakfast for children, programs to coordinate services, self-sufficiency programs, and youth sports activities.

Through targeted programs, AHFC can have direct, positive impact on the community. For instance, in June 1996 the Miller's Reach fire devastated the Wasilla/Big Lake communities sixty miles north of Anchorage. More than 37,500 acres burned, destroying 344 buildings valued at \$8.8 million. AHFC's emergency loan program provided gap financing and initial

construction funds while fire victims awaited insurance settlements, private construction-loan financing or federal/state emergency assistance funds. Made available through AHFC's arbitrage funds, the loans provided zero interest for two years, then 3.875% interest for up to 13 years. During this crisis, AHFC took 86 applications and closed 42 loans for a total of \$1.05 million. AHFC received a national HUD award for its response to the crisis.

AHFC continues to make its most tangible impact on the Alaskan homebuyer through innovation. In 1999 AHFC provided financing under the tax-exempt program for 2,182 first-time homebuyers, bringing total homes financed under that program to 15,446 for \$1.3 billion. In August 2000 AHFC introduced a new loan program to reach a broader group of Alaskans by offering first-time homebuyer loans that do not restrict the purchase price or the income of the borrower.

AHFC has been recognized with numerous national awards, such as the annual Award for Significant Achievement from the National Council of State Housing Agencies, Award of Merit from the National Association of Housing & Redevelopment Officials, and one hundred percent on HUD's Public Housing Management Assessment Program four consecutive years.

A key to AHFC's success is its strong credit rating. AHFC's ability to issue highly rated taxable and tax-exempt bonds helps keep mortgages affordable and provides Alaska with the financial means to fund capital projects.



Above: Chugach Manor Senior Housing, Anchorage, Alaska.

Below: Bethel home ownership program, Bethel, Alaska.



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Unprecedented State Budget Deficits Across Nation Prompt Surge In HFA Transfer Proposals

*Raids Continue To Stress Many Hfas At A Time When Industry
Is Dealing With Its Own Market Challenges. Twelve Proposals
Totaling More Than \$360 Million Under Analysis- More State Raids Expected*

Summary Opinion

- For 2003, Moody's expects state governments to continue last year's trend of tapping their housing finance agencies (HFAs) to help close projected budget gaps. State raids of HFAs topped \$500 million in 2002 and Moody's expects similar, or even greater, amounts to be transferred in the coming months.
- In the last few weeks, Moody's has been advised of 12 proposals that, if enacted as currently proposed, would transfer \$364.76 million from HFA coffers for either general state purposes or other state-related housing activities. While most of the current proposals call for direct cash transfers, others are less burdensome and therefore have a less dramatic financial impact on the HFA.
- While no state HFA Issuer Rating or bond rating was downgraded in 2002 as a result of these raids, the risk of downgrades is far greater this year given the magnitude of fiscal imbalance for many states and the unprecedented challenges facing HFAs at this time. These HFA industry-wide challenges include decreasing asset bases and lower profitability caused in large part to the continuing record-low interest rate environment.
- Because state HFAs are creations of their parent state governments and tend to have healthy fund balances even during recessions, HFAs have often been called upon to help close state budget gaps through the transfer of monies to their state treasuries. In some cases, this money comes from rated single family or multi-family bond programs, and in other instances, the money is transferred from unrestricted and unpledged monies of the state HFA.
- Due to the ever-present risk of state raids, Moody's analyzes the potential of such transfers when assigning Issuer Ratings to state HFAs. Because each situation is unique, Moody's has taken several different actions when making credit decisions resulting from state transfers. These can include capping ratings, assigning negative outlooks, as well as maintaining the status quo.



Magnitude of State Budget Deficits Cause Greater Reliance on HFAs

Unlike their parent state governments, the financial condition of housing finance agencies has been historically very steady and predictable. As a result, state housing finance agencies tend to have healthy fund balances even during recessions. Consequently, state raids of housing finance agency reserves are an ever-present risk and represent one of the few negative credit factors affecting the otherwise strong credit position of the state housing finance sector.

While many states have counted on their HFAs to help plug projected deficits in the past, today's environment is much more grave. The nation's current economic slowdown has produced plummeting tax revenues over the past two years that have wrought staggering projected budget deficits for many states. Given the continued economic weakness and the concomitant decline in revenues - particularly from securities-related activities, the enormity of many projected state budget gaps for 2003 and 2004 is unprecedented. Fiscal experts have predicted cumulative deficits of over \$50 billion for 2003 and over \$75 billion for 2004.

These economic circumstances, in turn, have increased significantly the reliance of states on their HFAs for help in closing these projected budget gaps. It is therefore not surprising that since the beginning of the year Moody's has been made aware of 12 proposals that if enacted as proposed, would transfer over \$360 million from housing finance agency coffers to their respective state treasuries.

Some of these new transfer proposals would involve funds being withdrawn from rated single family or multi-family bond programs, and in other instances, the money would be transferred from the general monies of the state HFA. While most of the current proposals call for direct cash transfers, others are less burdensome and are likely to have a less dramatic financial impact on those HFAs. In these proposals the state raids take other forms such as having the HFA take on new expenses and responsibilities that the state would have otherwise financed itself. In these instances, monies would not flow from the HFA, rather, the state would not appropriate monies this year that it normally does, leaving the HFA to replace these amounts from internal sources. Still other types of state raids include having the HFA offer a line of credit, or reducing or eliminating state funding to the HFA for certain programs.

STATE RAID PROPOSALS COME AT A CRITICAL TIME FOR HFAS

While state reliance on housing finance agencies in the past has not been particularly burdensome to the HFAs, this year the industry is having its own stresses affecting the financial strength of many housing finance agencies. Indeed, the past two years of record low interest rates have caused HFA assets to decrease as a result of an unprecedented level of mortgage prepayments and the more competitive nature of mortgage originations. Transferring significant amounts of money from state HFAs this year may hurt their balance sheet and profitability more than ever before. Moody's has already made certain conclusions regarding some of the proposals and is in the midst of reviewing the details of others to determine if these raids will have any negative affect on credit ratings. Although most of the proposed amounts have yet to be finalized, thus far proposals include:

Alaska Housing Finance Corporation	\$75.66 million
Connecticut Housing Finance Authority	\$ 40 million
Hawaii Housing and Community Development Corporation	\$ 14 million
Maine State Housing Authority	\$ 1.9 million
Maryland Housing Fund/Maryland Community Development Admin.	\$ 10 million
Massachusetts Housing Finance Agency	\$ 4 million
New Jersey Housing and Mortgage Finance Agency	\$50 million
New York State Housing Finance Agency	\$1.5 million
State of New York Mortgage Agency (Mortgage Insurance Fund)	\$50 million
South Carolina State Housing Finance and Development Authority	\$5.7 million
Virginia Housing Development Authority	\$87 million *
West Virginia Housing Development Fund	\$25 million
	\$364.76 million

*Face amount of loans to be purchased. Purchase price expected to be discounted.

Current State Raid Proposals

Below is a list of this year's proposed transfers to date. Since these transfer proposals are a constantly moving target, the ultimate transfer amount is likely to change for many of these state HFAs.

Alaska Housing Finance Corporation - AHFC recently submitted a plan to the Legislature that would transfer \$76.55 million from the Corporation's General Fund to the state in fiscal year 2004. This transfer plan was not unexpected as the Corporation regularly sends monies to the State as part of a comprehensive long-term transfer agreement. Given the history of these annual transfers and the existence of the long-term agreement, Moody's does not

believe this latest transfer will affect any of the Corporation's ratings. Last year, the Corporation transferred \$96.3 million to the state for budgetary relief.

Connecticut Housing Finance Authority - CHFA is facing the second part of a raid that was negotiated last year that transfers a total of \$85 million over two years from its sole bond program - the Housing Mortgage Finance Bond Program - in exchange for state-owned housing assets. This \$3.1 billion bond program finances both single family and multi-family housing and is rated Aaa. Moody's has determined that the purchase of \$85 million of state-owned assets will not cause a rating downgrade on the program. Any further transfers, however, would need to be analyzed closely to determine the potential credit impact.

Hawaii Housing and Community Development Corporation - Because the State of Hawaii did not participate in the robust national economy of the 1990s, the Corporation has been subject to a number of transfers over the last decade totaling more than \$175 million. Another proposal is on the table to transfer a rather modest amount - \$14 million - from various Corporation funds to the State. In addition, the legislature has proposed other transfers but no dollar amount has been associated with those bills. Moody's is carefully monitoring these proposals as we currently have the Corporation's A1 Issuer Rating on watch for downgrade. Last year, the Corporation transferred just over \$25 million to the state for budgetary relief.

Maine State Housing Authority - The Legislature has submitted a proposal that may result in a raid of up to \$1.9 million each year over the next two years. Typically, the State realizes HOME funds in the amount of \$9 million each year from real estate transfer taxes. Under the proposed legislation, if HOME funding comes in at less than typical levels, Maine Housing would be expected to maintain funding at the current levels by covering the expense of a homeless shelter program. The maximum amount that the Authority may be expected to fund is \$1.9 million per year in fiscal years 2004 and 2005 as the State plans to take the first \$7.5 million of HOME funds in those years. If HOME funding comes in at historical levels, the Authority should receive HOME funds for the shelter program as has been the case in the past. The Authority reports that any funding it is asked to make will come from General Funds of the Authority. If this occurs, Moody's does not believe it will have an impact on the Authority's Issuer Rating.

Maryland Housing Fund/Maryland Community Development Administration - The Legislature has proposed transferring \$10 million from the Maryland Housing Fund's Unallocated Reserves to the State. The Maryland Housing Fund (MHF), a sister agency to the Maryland Community Development Administration (CDA), provides mortgage insurance for single family and multi-family loans, most of which are bond financed through the Maryland Community Development Administration. The proposal leaves intact all of the monies held in MHF's specific Multi-family and Single Family Reserves as well as a portion of the monies in the Unallocated Reserve. Given the level of MHF's remaining reserves and the financial strength of CDA's Single Family Program Bonds and Multi-family Housing Revenue Bonds (Insured Mortgage Loans) which rely on the Maryland Housing Fund, Moody's does not believe that the Aa2 ratings on these two programs would be negatively affected.

Massachusetts Housing Finance Agency - Massachusetts HFA is expecting the Commonwealth to withhold its annual SHARP payments to the Agency which was to be approximately \$4 million. This decrease in state appropriations is not expected to affect either the Agency's bond ratings or its Issuer Rating as the SHARP subsidies have been declining over time and the Agency has established sufficient reserves for the eventual termination of the SHARP subsidies within the next couple of years.

New Jersey Housing and Mortgage Finance Agency - New Jersey's HFA has already transferred \$25 million to state coffers in fiscal year 2003 and may be facing another \$25 million raid for fiscal year 2004. According to the current proposal, the additional \$25 million would be used for housing purposes at the state level, in keeping with Agency's mission. We expect that the funds will come from general Agency reserves, rather than bond related reserves. New Jersey Housing and Mortgage Finance Agency's Issuer Rating stands at Aa2 with a positive outlook. Given the strength of the Agency's financial position, even if the entire \$25 million is utilized, Moody's does not believe that Aa2 Issuer Rating will be negatively affected. These two \$25 million transfers are in addition to the \$25 million transferred to the state last year for fiscal year 2002 budgetary relief.

New York State Housing Finance Agency - For the second consecutive year, New York State HFA has funded the Small Cities Program in the annual amount of \$1 million, a program that has historically been funded through regular state appropriations. NYS HFA reports that it is expecting to fund the program again in fiscal year 2003/2004. The Agency is also expecting to be given the responsibility of funding a \$500,000 capital grant program that it has been administering but had previously been funded by the State through its Division of Housing and Community Renewal. Last year, the State relied on HFA for \$50 million of budgetary relief in addition to its \$1 million funding of the Small Cities Program.

State of New York Mortgage Agency - Subject to legislative approval, the New York State Executive Budget proposal authorizes the State of New York Mortgage Agency's (SONYMA) Mortgage Insurance Fund (MIF) to provide credit enhancement to the proposed Tobacco Settlement Financing Corporation. This new public benefit corporation is expected to be created in order to securitize New York State's future share of tobacco settlement monies. The

MIF currently insures single family and multi-family loans and is used extensively as credit enhancement on SONYMA's single family bond programs as well as a number of multi-family bond issuers including the New York State Housing Finance Agency. The amount of credit enhancement, if any, and how it would be funded is not yet clear but is expected to be at least \$50 million. SONYMA is looking to structure any such credit enhancement so as to not affect the Fund's ratings. While recent legislative negotiations make the Mortgage Insurance Fund's involvement less likely, nothing has yet been finalized. Last year, the Agency transferred \$150 million of MIF monies to the State for budgetary relief.

South Carolina State Housing Finance and Development Authority - For fiscal year 2004, South Carolina's House has passed a bill that would transfer \$5.7 million from the state's Housing Trust Fund - a Fund that resides with the State Treasurer. The proposal is currently awaiting Senate approval. The Authority receives monies from a percentage of the documentary stamp tax relating to real estate transactions within the State which are deposited into the Housing Trust Fund. This Fund is specifically segregated on the Authority's financials and is used for designated affordable housing projects and is not available for other purposes of the Authority. Moody's does not take these monies into account when assessing the issuer credit rating so there should be no impact on the Authority's Issuer Rating. Last year, the Authority transferred \$2.5 million of restricted assets to the state for budgetary relief.

Virginia Housing Development Authority - VHDA has committed to buying a portfolio of \$87 million face amount of loans from the Commonwealth at a price to be determined utilizing a third party evaluator. VHDA originated and continues to service these loans on behalf of the Commonwealth. These loans, however, are primarily very low-rate, high-risk, multi-family and single family loans, and accordingly the purchase price is expected to be at a discount. VHDA may issue taxable bonds to finance the acquisition of these loans.

West Virginia Housing Development Fund - West Virginia's HFA has been asked to fund a \$25 million economic development program for the state. According to WVHDF, the program will likely be financed through the issuance of WVHDF general obligation bonds and repaid over ten years. Despite this proposal, Moody's expects WVHDF to maintain its Issuer Rating of Aaa. Last year, the Fund transferred \$5 million to the state for budgetary relief.

Conclusion

The dramatic increase in state raids on HFAs over the past two years has not been unexpected. Moody's had anticipated that these types of raids on state HFAs would likely result from the budgetary pressures of the weakening national economy and the effects of the September 11th terrorist attacks. As stated in our October 2001 Special Comment on the Housing Bond Sector, "Moody's believes that the risk of future state raids has increased this year given the nation's weaker economy." Indeed, Moody's expects to see more state raid proposals as more states finalize their budgets. Moody's will review each transfer to determine what actions, if any, to take on single family and/or multi-family bond ratings, or in some cases, state HFA Issuer Ratings. This year's raids, however, come at a critical time for many state HFAs as they struggle with dwindling assets and lower profitability. Hence, the possibility of downgrades this year is far greater than at any other time in history.

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Research:

Summary: Alaska Hsg Fin Corp; Housing, General Obligation

Publication date: 13-Nov-2002

Credit Analyst: Peter Block, San Francisco (1) 415-371-5044; Lawrence Witte, San Francisco (1) 415-371-5037

Credit Profile

\$35.1 mil muni debt muni issue ser 2002 A due 2012	AA-
Sale date: 13-NOV-2002	
\$60.3 mil muni debt muni issue ser 2002 C due 2022	AA-/A-1+
Sale date: 13-NOV-2002	
\$14.6 mil muni debt muni issue ser 2002 B due 2024	AA-
Sale date: 13-NOV-2002	

OUTLOOK: POSITIVE

Rationale

The 'AA-' rating on Alaska Housing Finance Corp.'s (AHFC) state capital project bonds series 2002 A, B, C, reflects the GO of the corporation. The 'A-1+' short-term rating on series 2002 C bonds reflects liquidity for tenders provided by the corporation. AHFC's key credit strengths are as follows:

- A large and liquid asset base,
- Capable management, and
- The ability to meet its legislative mandate.

Offsetting credit weaknesses include:

- Ongoing legislative appropriation of assets and earnings,
- A highly concentrated Alaska economy,
- A high-risk mortgage loan portfolio, and
- A GO pledge to all debt obligations.

This is the fourth state capital project bond issuance. Proceeds refund prior debt, finance the corporation's capital budget, and pay deferred maintenance on public housing facilities.

The series 2002A bonds are issued as fixed-rate bonds, the series 2002B bonds are initially issued as auction rate bonds, and the series 2002C bonds are initially issued as variable rate demand bonds in a weekly rate mode. AHFC has the option to convert auction and weekly rate bonds to bear interest in a daily, weekly, monthly, quarterly, semi-annual, fixed, or auction interest rate mode. The series 2002C bonds are subject to mandatory tender on interest mode conversion dates, and upon expiration, substitution, or early termination dates of the liquidity facilities. Series 2002 C bondholders may also optionally tender bonds. Scheduled expiration of AHFC's tender agreement for series 2002 C bonds is at final bond maturity, although the corporation may substitute the facility for an alternate liquidity facility at any time.

Outlook

The positive outlook for reflects the positive outlook on AHFC's issuer credit rating (ICR).

Alaska State Legislature

House Finance Committee



REPRESENTATIVE
BILL WILLIAMS

Co-Chair

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State Capitol, Juneau, Alaska 99801-1182

SPONSOR STATEMENT

House Bill 256, An Act relating to a dividend payment to the state made by the Alaska Housing Finance Corporation each fiscal year

House Bill 256 would amend and codify the agreement between the Alaska Housing Finance Corporation and the Legislature calling for the transfer of AHFC's net income to the State General Fund in the form of an annual dividend that funds debt service for certain bonds and capital projects.

Under the current plan, the transfer from AHFC for FY 2004 would be \$75.6 million, down from \$103 million for FY 2003. With the modifications in this bill, the transfer amount would remain at \$103 million for Fiscal Years 2004 through 2006.

In order to allow AHFC to make these payments in excess of net income without affecting their bond ratings, starting in FY2007 the payments from AHFC to the state would be a percentage of net income. This change would bring the AHFC dividend more in line with the AIDEA and Alaska Student Loan Corporation dividend plans. Currently the ASLC pays less than 35% of its net income and AIDEA pays 50% of its net income to the State, while this proposal has AHFC paying 95% in 2007, 35% in 2008 and 75% thereafter.

The purpose of this bill is to keep the transfers from AHFC at a predictable, sustainable level while assisting the Governor and the Legislature in finding a balance between state revenues and expenditures.

This orderly and sustainable approach to transfers will help AHFC and the State of Alaska maintain their strong bond ratings and access to capital markets—which will likely be critical to any fiscal plan developed by the State.

HB

256

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT

MAY 7 2003

SENATE FINANCE
COMMITTEE

DATE: 4/25/03

FURTHER:

DATE TURNED
IN TO OFFICE: 7 May 2003

Finance Committee considered

HOUSE BILL NO. 256

HB 256 DIVIDEND PAYMENT TO STATE BY AHFC

"An Act relating to a dividend payment to the state made by the Alaska Housing Finance Corporation each fiscal year; and providing for an effective date."

and recommends:

- be replaced with S CS HB 256 (FIN)
- adopt previous _____ CS CS forthcoming (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:

- same title
- new title

House Bill:

- same title
- technical title
- new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
Revenue	4/16/03		✓	#1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Adrian Taylor</i>			✓	
<i>Ben Stevens</i>			✓	
<i>Ben Stevens</i>	✓			
COCHAIR: <i>Lyda Green</i>	✓			
COCHAIR: <i>Gary Williams</i>	✓			

CORRECTION

THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

Central Microfilm Services
Department of Education & Early Development
State of Alaska

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT

MAY 7 2003

SENATE FINANCE
COMMITTEE

DATE: 4/25/03

FURTHER:

DATE TURNED
IN TO OFFICE: 7 May 2003

Finance Committee considered HOUSE BILL NO. 256

HB 256 DIVIDEND PAYMENT TO STATE BY AHFC

"An Act relating to a dividend payment to the state made by the Alaska Housing Finance Corporation each fiscal year; and providing for an effective date."

and recommends:

- be replaced with S CS HB 256 (FIN)
- adopt previous _____ CS CS forthcoming (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

- Senate Bill:**
- same title
 - new title
- House Bill:**
- same title
 - technical title
 - new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
Revenue	4/16/03		✓	#1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Adrian Taylor</i>			✓	
<i>Donna Cook</i>			✓	
<i>Bob Beube</i>	✓			
<i>Don Stevens</i>	✓			
COCHAIR: <i>Lyda Green</i>	✓			
COCHAIR: <i>Gary Wilhelm</i>	✓			

FISCAL NOTE

REPORTED OUT

MAY 7 2003

SENATE FINANCE
COMMITTEE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 256
 (H) Publish Date: 4/14/2003

Revision Date/Time _____ Dept. Affected: Revenue
 Title "An Act relating to a dividend payment
to the state made by the AHFC each fiscal year. BRU Alaska Housing Finance Corp.
 Component Operations
 Sponsor House Finance Committee
 Requester House Finance Committee Component No. 110

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
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

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The passage of HB 256 would not have an impact on AHFC's operating budget.

This bill would increase the dividend from AHFC to the State General Fund from the FY 2002 net income amount of \$75.6 million to \$103 million for FY 2004. The dividend for FY 2005 and FY 2006 would also be \$103 million. In FY 2007, the dividend would equal 95% of AHFC's net income, in FY 2008 the dividend would equal 85% of net income, and the dividend thereafter would be equal to 75% of AHFC's net income.

Prepared by: Bryan Butcher Phone 330-8445
 Division Alaska Housing Finance Corporation Date/Time 4/16/03 9:54 AM
 Approved by: _____ Date 4/16/2003
 Agency _____

1 (C) minus any appropriation of unrestricted, unencumbered money of
 2 the corporation during fiscal year 2004, other than an appropriation for the
 3 corporation's operating budget;

4 (2) fiscal year 2005:

5 (A) \$103,000,000;

6 (B) minus the amount of money from the Alaska Housing Finance
 7 Corporation used during fiscal year 2005 for bond repayments and other costs related
 8 to the bonds issued under

9 (i) ch. 26, SLA 1996, up to a maximum of \$1,000,000;

10 (ii) sec. 2, ch. 129, SLA 1998;

11 (iii) sec. 10(b), ch. 130, SLA 2000;

12 (iv) sec. 1, ch. 1, SSSLA 2002; and

13 (C) minus any appropriation of unrestricted, unencumbered money of
 14 the corporation during fiscal year 2005, other than an appropriation for the
 15 corporation's operating budget;

16 (3) fiscal year 2006:

17 (A) \$103,000,000;

18 (B) minus the amount of money from the Alaska Housing Finance
 19 Corporation used during fiscal year 2006 for bond repayments and other costs related
 20 to the bonds issued under

21 (i) ch. 26, SLA 1996, up to a maximum of \$1,000,000;

22 (ii) sec. 2, ch. 129, SLA 1998;

23 (iii) sec. 10(b), ch. 130, SLA 2000;

24 (iv) sec. 1, ch. 1, SSSLA 2002; and

25 (C) minus any appropriation of unrestricted, unencumbered money of
 26 the corporation during fiscal year 2006, other than an appropriation for the
 27 corporation's operating budget;

28 (4) fiscal year 2007:

29 (A) the lesser of \$103,000,000 or 95 percent of the net income of the
 30 Alaska Housing Finance Corporation for fiscal year 2005;

31 (B) minus the amount of money from the Alaska Housing Finance

Amend #1
adopted

23-LS0838V

1 Corporation used during fiscal year 2007 for bond repayments and other costs related
2 to the bonds issued under

- 3 (i) ch. 26, SLA 1996, up to a maximum of \$1,000,000;
- 4 (ii) sec. 10(b), ch. 130, SLA 2000;
- 5 (iii) sec. 1, ch. 1, SSSLA 2002; and

6 (C) minus any appropriation of unrestricted, unencumbered money of
7 the corporation during fiscal year 2007, other than an appropriation for the
8 corporation's operating budget;

9 (5) fiscal year 2008:

10 (A) the lesser of \$103,000,000 or 85 percent of the net income of the
11 Alaska Housing Finance Corporation for fiscal year 2006;

12 (B) minus the amount of money from the Alaska Housing Finance
13 Corporation used during fiscal year ²⁰⁰⁸~~2007~~ for bond repayments and other costs related
14 to the bonds issued under

- 15 (i) ch. 26, SLA 1996, up to a maximum of \$1,000,000;
- 16 (ii) sec. 10(b), ch. 130, SLA 2000;
- 17 (iii) sec. 1, ch. 1, SSSLA 2002; and

18 (C) minus any appropriation of unrestricted, unencumbered money of
19 the corporation during fiscal year 2008, other than an appropriation for the
20 corporation's operating budget.

21 (b) For purposes of this section, "net income" has the meaning set out in
22 AS 18.56.089(d).

23 * Sec. 3. This Act takes effect July 1, 2003.

SENATE FINANCE COMMITTEE
5/7/2003 COMMITTEE ACTION

Bill Number	HB 256		
Amendment	#1		
Motion	adopt		
<u>Motion by</u>	Wilken		
<u>Objection by</u>	none		
<u>Removed</u>			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Stevens			
Senator Taylor			
Senator Bunde			
Senator Hoffman			
Senator Olson			
Co-Chair Green			
Co-Chair Wilken			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	Pass		

SENATE CS FOR HOUSE BILL NO. 256(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): HOUSE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to a dividend payment to the state made by the Alaska Housing**
2 **Finance Corporation each fiscal year; and providing for an effective date."**

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

4 *** Section 1.** AS 18.56.089 is amended by adding new subsections to read:

5 (c) Th corporation shall make a dividend available to the state each fiscal
6 year. The corporation shall pay the dividend for a current fiscal year to the state
7 before the end of that fiscal year. The corporation shall notify the commissioner of
8 revenue of the amount of each dividend under this subsection for inclusion in the state
9 operating budget and shall also notify the commissioner when each dividend is
10 available for payment to the state. The amount of the dividend for a current fiscal year
11 is calculated as follows:

12 (1) the lesser of \$103,000,000 or 75 percent of the net income of the
13 corporation for the base fiscal year;

14 (2) minus the amount of money from the corporation used during that

1 current fiscal year for bond repayment and other costs related to the bonds issued
2 under

3 (A) ch. 26, SLA 1996, up to a maximum of \$1,000,000;

4 (B) sec. 10(b), ch. 130, SLA 2000;

5 (C) sec. 1, ch. 1, SSSLA 2002; and

6 (3) minus any appropriation of unrestricted, unencumbered money of
7 the corporation during the current fiscal year, other than an appropriation for the
8 corporation's operating budget.

9 (d) In (c) of this section,

10 (1) "base fiscal year" means the fiscal year ending two years before the
11 end of the current fiscal year in which the dividend is made available to the state;

12 (2) "dividend" means a payment made to the state under (c) of this
13 section;

14 (3) "net income" means the corporation's operating income before
15 deducting nonoperating expenses, special items, and transfers as set out in the audited
16 financial statements of the corporation for the base fiscal year.

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

19 **TRANSITION: PHASE-IN OF AMOUNT OF DIVIDEND.** (a) Notwithstanding the
20 amount of the annual dividend under AS 18.56.089(c), added by sec. 1 of this Act, the
21 dividend is calculated as follows for the following years:

22 (1) fiscal year 2004:

23 (A) \$103,000,000;

24 (B) minus the amount of money from the Alaska Housing Finance
25 Corporation used during fiscal year 2004 for bond repayments and other costs related
26 to the bonds issued under

27 (i) ch. 26, SLA 1996, up to a maximum of \$1,000,000;

28 (ii) sec. 2, ch. 129, SLA 1998;

29 (iii) sec. 10(b), ch. 130, SLA 2000;

30 (iv) sec. 1, ch. 1, SSSLA 2002; and

31 (C) minus any appropriation of unrestricted, unencumbered money of

1 the corporation during fiscal year 2004, other than an appropriation for the
2 corporation's operating budget;

3 (2) fiscal year 2005:

4 (A) \$103,000,000;

5 (B) minus the amount of money from the Alaska Housing Finance
6 Corporation used during fiscal year 2005 for bond repayments and other costs related
7 to the bonds issued under

8 (i) ch. 26, SLA 1996, up to a maximum of \$1,000,000;

9 (ii) sec. 2, ch. 129, SLA 1998;

10 (iii) sec. 10(b), ch. 130, SLA 2000;

11 (iv) sec. 1, ch. 1, SSSLA 2002; and

12 (C) minus any appropriation of unrestricted, unencumbered money of
13 the corporation during fiscal year 2005, other than an appropriation for the
14 corporation's operating budget;

15 (3) fiscal year 2006:

16 (A) \$103,000,000;

17 (B) minus the amount of money from the Alaska Housing Finance
18 Corporation used during fiscal year 2006 for bond repayments and other costs related
19 to the bonds issued under

20 (i) ch. 26, SLA 1996, up to a maximum of \$1,000,000;

21 (ii) sec. 2, ch. 129, SLA 1998;

22 (iii) sec. 10(b), ch. 130, SLA 2000;

23 (iv) sec. 1, ch. 1, SSSLA 2002; and

24 (C) minus any appropriation of unrestricted, unencumbered money of
25 the corporation during fiscal year 2006, other than an appropriation for the
26 corporation's operating budget;

27 (4) fiscal year 2007:

28 (A) the lesser of \$103,000,000 or 95 percent of the net income of the
29 Alaska Housing Finance Corporation for fiscal year 2005;

30 (B) minus the amount of money from the Alaska Housing Finance
31 Corporation used during fiscal year 2007 for bond repayments and other costs related

1 to the bonds issued under

2 (i) ch. 26, SLA 1996, up to a maximum of \$1,000,000;

3 (ii) sec. 10(b), ch. 130, SLA 2000;

4 (iii) sec. 1, ch. 1, SSSLA 2002; and

5 (C) minus any appropriation of unrestricted, unencumbered money of
6 the corporation during fiscal year 2007, other than an appropriation for the
7 corporation's operating budget;

8 (5) fiscal year 2008:

9 (A) the lesser of \$103,000,000 or 85 percent of the net income of the
10 Alaska Housing Finance Corporation for fiscal year 2006;

11 (B) minus the amount of money from the Alaska Housing Finance
12 Corporation used during fiscal year 2008 for bond repayments and other costs related
13 to the bonds issued under

14 (i) ch. 26, SLA 1996, up to a maximum of \$1,000,000;

15 (ii) sec. 10(b), ch. 130, SLA 2000;

16 (iii) sec. 1, ch. 1, SSSLA 2002; and

17 (C) minus any appropriation of unrestricted, unencumbered money of
18 the corporation during fiscal year 2008, other than an appropriation for the
19 corporation's operating budget.

20 (b) For purposes of this section, "net income" has the meaning set out in
21 AS 18.56.089(d).

22 * Sec. 3. This Act takes effect July 1, 2003.

Amend
#1



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

FAX COVER SHEET

DATE: 7 May 2003 TIME: 10:20 am

TO: Legal Services

NUMBER OF PAGES, INCLUDING COVER SHEET: 1

FROM: MINDY ROWLAND
SENATE FINANCE COMMITTEE SECRETARY
PHONE: 465-4935
FAX: 465-2187

NOTES: HB 256 23-0838 \ I

plus one amendment:

pg 4 line 13: delete "2007"

insert "2008"

Final Please!

Thanks
Mindy