

HOUSE FINANCE COMMITTEE
February 07, 2002
1:43 PM

TAPE HFC 02 - 20, Side A
TAPE HFC 02 - 20, Side B
TAPE HFC 02 - 21, Side A

CALL TO ORDER

Co-Chair Mulder called the House Finance Committee meeting to order at 1:43 PM.

MEMBERS PRESENT

Representative Eldon Mulder, Co-Chair
Representative Bill Williams, Co-Chair
Representative Con Bunde, Vice-Chair
Representative Eric Croft
Representative John Davies
Representative Richard Foster
Representative John Harris
Representative Bill Hudson
Representative Ken Lancaster
Representative Carl Moses

MEMBERS ABSENT

Representative Jim Whitaker

ALSO PRESENT

Caren Robinson, Chair, Alaska Mental Health Trust Authority;
Nelson Page Budget Chair, Alaska Mental Health Trust Authority;
Jeff Jesse, Executive Director, Alaska Mental Health Trust Authority.

PRESENT VIA TELECONFERENCE

There were no teleconference testifiers.

GENERAL SUBJECT(S):

Alaska Mental Health Trust Authority

The following overview was taken in log note format. Tapes and handouts will be on file with the House Finance Committee through the 22nd Legislative Session, contact 465-2156. After the 22nd Legislative Session they will be available through the Legislative Library at 465-3808.

LOG	SPEAKER	DISCUSSION
	TAPE HFC 02 - 20	ALASKA MENTAL HEALTH TRUST

	SIDE A	AUTHORITY
000	CAREN ROBINSON, CHAIR, ALASKA MENTAL HEALTH TRUST AUTHORITY	Greeted the Committee and provided members with a copy of their presentation. (copy on file).
320	Ms. Robinson	She reviewed the history of Trust's formation. It resulted from litigation that had been ongoing for 13 years. The state would have been required to reconstitute the old Trust and was incurring millions of dollars in litigation costs and lost resources from lost development opportunities. The mental health community paralyzed and fractured.
328	Ms. Robinson	She discussed the key terms of settlement: <ul style="list-style-type: none"> • Trust Authority was free to use Trust resources to act as a catalyst for change; • Trust Authority funding recommendations considered in a single appropriation bill; • Trust Authority to aid in comprehensive planning for mental health; and Mental Health Trust Lands and associated state lands were released for development.
448	Ms. Robinson	She noted that the Trust's beneficiaries are: people with mental illness; people with mental retardation & similar disabilities; chronic alcoholics with psychosis; and people with Alzheimer's disease & other dementia.
512	Ms. Robinson	The Trustees are: Caren Robinson, Chair John Pugh, Vice Chair Susan LaBelle, Secretary/Treasurer Tom Hawkins, Asset Management Chair Nelson Page, Budget Chair John Malone, Program & Planning Chair Phil Younker Sr.
541	Nelson Page Budget Chair, Alaska Mental	Discussed the Asset management of the settlement.

	Health Trust Authority	He noted that intent is to: 1)To protect and enhance the value of Alaska Mental Health Trust Lands; and 2) to maximize revenues from Trust Lands over time. Emphasized that the intent has been to generate income to pay for programs for beneficiaries.
820	Mr. Nelson	Discussed the Trust Land Office's major accomplishments 1996 – 2001: Gross revenue increased from \$300,000 thousand to \$7.5 million dollars by Fiscal Year 2001. Timber sales through Fiscal Year 2001 totaled over 125 million board feet. Initiated an active minerals program. Offered over 100,000 acres in the Cook Inlet Basin for oil and gas exploration development with leases executed on over 40,000 acres.
903	Mr. Nelson	Stressed that the efforts of the Trust Land office has benefited communities. Facilitated agreement that resolved API replacement issues resulting in a new site for API.
1002	Representative John Davies	Pointed out that the only good access in point to the Tanana River was on Mental Health Lands. There was a serious of arrangements with the Department of Transportation and Public Facilities and Department of Natural Resources to provide a fair market disposal.
1048	Vice-Chair Bunde	Pointed out that there are groups that believe that revenues from Trust lands should not be maximized.
1113	Mr. Nelson	Reviewed the Community Enhancement Program in Southeast Alaska. He noted that MTH lands surround many of the communities. He observed that there were concerns that lands would be clear-cut. They created a

		program, which allowed the federal government to purchase the rights to log the lands. Everyone has benefited.
1256	Ms. Robinson	Noted that the first installment was in Sitka from a hillside that the community wanted protected. They are continued to work with communities to return lands so that they can develop them as they wanted.
1404	Mr. Jesse	Noted that the lands in question were not appealing to the timber industry.
1518	Mr. Jesse	He pointed out that the Trust has put 125 million board feet of timber on the market. The settlement brought the environmental community in with the timber industry and local government. They focused replacement lands where timber has already been developed.
1553	Co-Chair Williams	Concluded that the state got their cake and ate it too.
1615	Mr. Jesse	Pointed out that the land office is innovated and gave the example of buffer requirements. They worked out a deal to give larger buffers with the option to pick the parcels.
1719	Ms. Robinson	Observed that all the timber sales that have occurred in the last year and a half have been on trust lands.
1742	Representative Hudson	Noted problems in the Southeast Alaska's timber industry. He questioned what costs have been accrued in order to provide timberlands to communities.
1834	Mr. Nelson	Did not know the cost of providing timber sales versus the return from timber sales.
1903	Mr. Jesse	Explained that the Land Office successfully concluded a RFP with the Division of Forestry for their land sales at a competitive rate.
2027	Representative Croft	Referred to page 5 of the handout, which discussed the Land Office.

2103	Mr. Nelson	Observed that there are fluctuations depending on the cost to develop resources.
2135	Co-Chair Mulder	Asked if the growth potential would result in a greater gap between costs and revenues.
2222	Mr. Nelson	Affirmed but could not predict how large they would be.
2251	Mr. Jesse	Pointed out that there was a large advance payment in FY01, which accounted for the extent of separation between revenues and costs.
2336	Vice-Chair Bunde	Questioned how the Trust would assure that overhead remained down.
2367	Mr. Jesse	Noted that the Land Office is funded through beneficiary dollars and must submit a plan for their projects, which show the cost effectiveness of projects.
2461	Ms. Robinson	Discussed the Trust's mission and vision. The Alaska Mental Health Trust Authority administers the Mental Health Trust established in perpetuity. It has a fiduciary responsibility to its beneficiaries to enhance and protect the Trust; to provide leadership in advocacy, planning, implementation; to assist in funding a comprehensive integrated mental health program; and to improve the lives and circumstances of its beneficiaries.
2556	Ms. Robinson	Noted that they are attempting to bring their comprehensive plan on-line. It is developed every 2 years.
2618	Ms. Robinson	Discussed the Trust's major accomplishments in 1996-2001. She noted that the assisted living rate increase resulted through the cooperation of all of the Boards. The completed the Healthy Families Impact study. They pioneered mental health courts, which they believe work and should continue to receive more funding. She noted the importance of partnering with AFCAN to

		develop telepsychiatry. She stressed the success of the partnership with the Denali Commission to include MH/SA in new clinics Developed women's mental health unit in corrections.
2733	Mr. Nelson	Discussed the Trust Funds status. He noted that \$72.3 million was paid out since inception. [The Current value of fund to date is 277.8 million] The payout rate is 3.5 percent, which is sustainable over an indefinite period of time.
2837	Co-Chair Mulder	Referred to the payout and asked for clarification regarding the level of payout.
3022	Mr. Nelson	Explained that the rate is sustainable. The Trust chose a conservative payout. The current principle reserve fund is \$27.9 million. The Trust lost \$30 million dollars in value on the stock market last year. He explained that they will payout 3.5 percent on the asset value regardless of the market by taking the difference from the Principal Reserve Fund. This provides a reasonably secure stream of funding.
3048	Co-Chair Mulder	Observed that the rate was conservative in the beginning in order to allow the fund to grow. He noted that the highest recommended rate was 4.5 to 5 percent.
3129	Mr. Jesse	Observed that the earnings for the Permanent Fund were taken to create the 400 percent reserve. Once the reserve was created the payout was incrementally increased, each time the payout is increased half of a percent, 2 percent of value needs to be placed into the reserve to retain the 400 percent. The market went down before they were able to fully pay the reserve. Once the market returns they will be able to return the Fund to it's assured sustainability level.

3252	Representative Croft	Clarified that 400 percent of the yearly payout needs to be in reserve.
3326	Mr. Jesse	Agreed and provided examples. Four years of the payout needs to be in reserve.
3354	Co-Chair Mulder	Recalled that the 1999 House fiscal plan allowed a higher payout because a secondary account of 500 percent already existed.
3433	Mr. Nelson	In response to a question by Representative Hudson, explained that the original payout was \$200 million dollars in cash. He noted that the state had not added to the original amount. The administrative cost of trust management is approximately 7 percent. The majority of funds are spent in conjunction with legislative approval.
3718	Mr. Nelson	Observed that capital expenditures on behalf of the beneficiaries were spent by the Trust in conjunction with funds by the Legislature to develop Alaska Psychiatric Institute.
3740	Representative John Davies	Clarified that the 3.5 percent pay out rate includes the reserve amount.
3801	Mr. Nelson	Explained that in addition to the 3.5 percent payout the Trust spends money received from Trust Fund Office each year and interest from money in the Department of Revenue. They actually paid out 4.2 percent for FY01. He observed that \$2.5 - \$3 million dollars is contributed from the lands for overall operations. Their permanent fund provides \$11 million dollars for operations.
4015	Co-Chair Mulder	The total expenditures would be \$146 million dollars. He added that 10 percent of their expenditures come from the land and cash and the state supplies the rest.
4038	Mr. Nelson	Noted that the Alaska Mental Health Trust Authority submits the budget. The legislature and

		governor must show cause for anything that is not funded.
4059	Mr. Nelson	Observed that the state is still primarily responsible for providing services. The Trust is not intended to remove the state's responsibility. They are an adjunct. If the state failed in its duty the Trust would take them to court.
4215	Representative Croft	Asked how much was the actual growth of general fund.
4243	Mr. Jesse	Noted that growth of the General Fund has been modest: approximately \$2 million a year.
4349	Ms. Robinson	Emphasized the importance of partnering with the state and pointed out that the Trust would not be able to cover all of the needs. The Trust worked with the state for a women's shelter that was later placed under the state's budget.
4457	Representative Hudson	Asked if all of the lands have been selected.
4492	Mr. Jesse	Stated that all of the lands have been selected. The land list was approved and conveyed.
4526	Co-Chair Mulder	Observed that there was a 15 percent increase in the current year.
4555	Mr. Jesse	Noted that only 1.5 percent was received last year
4601	Ms. Robinson	Observed that the needs are higher than the funding is able to cover.
	TAPE HFC 02 - 20, Side B	
4613	Mr. Jesse	Noted that the range of options was provided with an acknowledgement of the fiscal difficulties of the state.
4534	Representative Hudson	Questioned if they could demonstrate the effects of a 5 percent reduction if it were necessary to ask for one.
4450	Mr. Nelson	Responded that they would work with the state to minimize damage, but that it would be significant.
4423	Ms. Robinson	Pointed out that they would have to work closely with the Boards and departments, which work

		closely with the consumers. Money has been placed into the departments for services provided on their behalf.
4347	Ms. Robinson	Observed that four boards advise the Trust: Alaska Mental Health Board; Governor's Council on Disabilities Special Education; Advisory Board on Alcoholism & Drug Abuse; and Alaska Commission on Aging
4306	Ms. Robinson	Discussed the Comprehensive Integrated Mental Health Plan. The Authority is responsible for preparation of a plan for an integrated comprehensive mental health program that is coordinated with federal, state, regional, local and private entities involved in mental health services.
4145	Ms. Robinson	Observed that the purpose of the Plan is to guide policy and budget decisions; identify key indicators to measure results; communicate the direction of the comprehensive integrated state mental health program; and foster collaboration in service design.
4124	Vice-Chair Bunde	Questioned what duplications exist and how can they be streamlined.
4111	Ms. Robinson	Observed that placing the boards on the same floor has helped collaborations.
4053	Mr. Jesse	Noted that their data systems are terrible and it is difficult to get the data. There is a plan to provide data on program outcomes, which would allow programs information for their own use. Currently there are two systems with two different software programs.
3902	Vice-Chair Bunde	The funding will be predicated on the ability to reduce employees. Technology should result in a savings in personnel.
3812	Ms. Robinson	Observed that the two-year budget cycle will enable them to find a savings and to have more time to implement the work.

3713	Mr. Nelson	Added that the two-year budget cycle changes the emphasis or the distance of the vision, which should provide better planning.										
3652	Mr. Jesse	Did not think that the two-year budget cycle would result in fewer employees. The process would allow the employees to be engaged in other activities. The cycle corresponds to the legislative cycle.										
3591	Ms. Robinson	Noted that there were four result-based planning areas: health, safety, economic security, and living with dignity.										
3459	Ms. Robinson	Enhance quality of life through appropriate services for people with mental and cognitive disabilities and substance abuse disorders. Promote Healthy births and early intervention to reduce risk factors for disabilities and mitigate impacts. Reduce substance abuse to protect health, safety and quality of life. Reduce the number of suicides in Alaska										
3321	Mr. Jesse	Discussed the number of days in the month when mental health was reported "not good" by age. He noted that 3 people would report bad mental health days 3 - 5 days a month. Two would report bad days a week or more every month.										
3226	Mr. Jesse	Reviewed improvement through treatment. (DHSS Measure target Adults 25%, Children 20%) <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">served Improved</th> <th style="text-align: right;">Total %</th> </tr> </thead> <tbody> <tr> <td>FY00 Adults</td> <td style="text-align: right;">10,110</td> </tr> <tr> <td>FY01 Adults</td> <td style="text-align: right;">10,507</td> </tr> <tr> <td>FY00 Children</td> <td style="text-align: right;">6,355</td> </tr> <tr> <td>FY01 Children</td> <td style="text-align: right;">6,396</td> </tr> </tbody> </table>	served Improved	Total %	FY00 Adults	10,110	FY01 Adults	10,507	FY00 Children	6,355	FY01 Children	6,396
served Improved	Total %											
FY00 Adults	10,110											
FY01 Adults	10,507											
FY00 Children	6,355											
FY01 Children	6,396											
3127	Mr. Jesse	Pointed out that there is a good improvement rate and compared improvement with colon cancer.										
3057	Co-Chair Mulder	Pointed out that how you measure improvement can set up success or failure.										

3024	Mr. Jesse	Stressed the need to consistently apply the same measures overtime and have the ability to look at programs from standardized assessment.
2948	Vice-Chair Bunde	Referred to substance abuse disorders. He questioned if every addict has a disorder. He questioned if the adults served from year to year remained the same. At what point does the increase get so small that it is not a positive indicator?
2755	Mr. Jesse	Responded that the data helps to identify failure. High rates of incarceration or treatment are indicators that programs are not working. He acknowledged that they would never be at zero. He referred to the Harborview facility.
2634	Mr. Jesse	Reviewed the healthy birth indicator. He noted that the highest predictor is a child with fetal alcohol syndrome (FAS). Therefore if they can get the alcoholic mothers into treatment there will be the highest reduction in the indicator.
2355	Co-Chair Mulder	Questioned if 5 percent of the population are causing 90 percent of the problem in relationship to FAS.
2259	Mr. Jesse	Acknowledged that a significant percentage is a relatively small group.
2139	Mr. Jesse	Pointed out that the act of measuring can affect the outcome. For instance, the fact that it became less socially acceptable to drink while pregnant may have affected the rate.
2102	Co-Chair Mulder	Noted that there was a heightened awareness [of the affects of alcohol on fetuses] in the mid 90's [which corresponded to a reduction in the rate].
2038	Mr. Jesse	Referred to alcoholism indicators. He noted that since 1997 the state has reduced alcohol grants. Alcohol programs have also experienced a 4 percent reduction through the cost of

		living.
1941	Vice-Chair Bunde	Questioned if the data is based on self-reporting.
1925	Mr. Jesse	Confirmed that they are the results of questionnaires given every year.
1845	Representative John Davies	Observed that the rate of alcohol abuse in Natives is not improving. He questioned what could be done.
1749	Mr. Jesse	Stated that treatment works and that more funding for treatment would drive the numbers down.
1726	Mr. Jesse	Observed that funding has been focused on family camps and other wellness and village based counseling. There is no easy fix.
1542	Mr. Jesse	Suicide he observed that they are working with communities to bring the numbers down.
1510	Ms. Robinson	Discussed the safety result area. She observed that the goal is to: provide appropriate referral and treatment for mental illness and substance abuse as an alternative to inappropriate incarceration; protect children and vulnerable adults from abuse, neglect and exploitation; and improve the quality of behavioral health care provided to the public.
1448	Mr. Jesse	Discussed the safety indicator and observed that local government discontinued services with the result of an increase in incarceration. He emphasized that inappropriate criminalization of beneficiaries does not make sense fiscally.
1241	Co-Chair Mulder	Observed that jails are the place of last resort. He acknowledged the cost of treatment. He questioned who the clients are and what is the nature of recidivism. He asked how the cycle of 5 percent of the people causing 80 percent of the problem could be broken.
1130	Mr. Jesse	Noted that they can be involuntarily treated and that treatment works. High end users can be identified.

1040	Vice-Chair Bunde	Did not think that public drunkenness was a crime in Anchorage.
1024	Mr. Jesse	Observed that there are non-criminal holds, which makes the jails the last resort. Clients are held for 24 hours.
938	Ms. Robinson	Pointed out that the beds are full.
919	Vice-Chair Bunde	Questioned at what point the state becomes an enabler by taking care of chronic abusers.
851	Mr. Jesse	Stressed the need to get chronic alcoholics treatment. He pointed out that chronic alcoholics do not stop overnight. He noted that programs that allow the alcoholic control are successful.
738	Mr. Nelson	Stated that it is not efficient to have jails to hold public inebriates. He stressed the need for programs that will get clients out of the cycle.
640	Representative John Davies	Observed that the city of Fairbanks has appointed a task force to address the problem of the "revolving door." He observed that there is a problem of not enough beds.
535	Representative Lancaster	Clarified that non-criminal holds include substance abuse.
515	Ms. Robinson	Observed that the goal of economic security is to make it possible for all Alaskans to live in dignity with adequate food, shelter and medical care and increase work opportunities for Alaskans with disabilities and/or cognitive disorders.
446	Mr. Jesse	Asked the question: How do we get clients away from government programs? Noted that one way is by starting small businesses that allow people to get around their illness. Coordinated transportation has been emphasized to provide beneficiaries with a means to work. The most exciting initiative is the development of individual accounts. They take earned income and match it, then

		shelter it to buy appreciable assets and encourage and reward people to get off of public benefits.
224	Ms. Robinson	Stated that the goal of living with dignity is to: provide options so people are able to live in appropriate housing in the community; assure that Alaskans with disabilities have the opportunity to complete their education; reduce stigma associated with mental illness, substance abuse, developmental disabilities and age related dementia.
159	Mr. Jesse	Housing is a critical need for beneficiaries. He stressed the value of working with AHFC and HUD. They are beginning to work with Native housing developments to provide housing to elders and other beneficiaries in their villages.
TAPE HFC 02 - 21, Side A		
021	Representative John Davies	Referred number of children with reports of harm. He observed that there is 10,600 and 11,800 cases or 29 - 32 reports a day, which is unacceptable. He observed that the number increased in 1997.
117	Mr. Jesse	Observed that in 1996 the alcohol budget was cut by \$1.3 million dollars and programs have failed to keep pace with inflation or need. He pointed out that the increased cases of children in need are responses to the alcohol problems.
230	Representative John Davies	Asked for programs with the most success to address.
248	Mr. Jesse	Stressed that the cost of health insurance is going up. Programs are diverting resources that could be used to provide services or discarding health insurance, which results in a recruitment problem. As funding has been reduced from \$22.7 million in 1992 to \$19.9 million dollars in 1999, there has been 20 percent increase in the cost of living and disproportioning increases in

		health care and an additional increase in need.
400	Co-Chair Mulder	Thanked the Trustees for their results based information.
	<u>ADJOURNMENT</u>	The meeting was adjourned at 3:24 PM