

**MINUTES**  
**SENATE FINANCE COMMITTEE**  
**February 05, 2004**  
**9:00 AM**

**TAPES**

SFC-04 # 5, Side A  
SFC 04 # 5, Side B  
SFC 04 # 6, Side A

**CALL TO ORDER**

Co-Chair Gary Wilken convened the meeting at approximately 9:00 AM.

**PRESENT**

Senator Lyda Green, Co-Chair  
Senator Gary Wilken, Co-Chair  
Senator Fred Dyson  
Senator Ben Stevens  
Senator Donny Olson  
Senator Con Bunde

**Also Attending:** PHIL YOUNKER SR., Chair, Board of Trustees, The Alaska Mental Health Trust Authority; STEVE PLANCHON, Executive Director, Trust Land Office, The Alaska Mental Health Trust Authority, Department of Revenue; JEFF JESSEE, Executive Director, The Alaska Mental Health Trust Authority, Department of Revenue; Alaska Mental Health Trust Authority Board of Trustees Members: TOM HAWKINS, JOHN PUGH, SUSAN LABELLE, JOHN MALONE, and CAREN ROBINSON; MILLIE RYAN, Executive Director, Governor's Council on Disabilities & Special Education, Department of Health and Social Services; DENNY DEWITT, Special Staff Assistant, Office of the Governor; JOHN BELL, Director, Division of Alaska Longevity Programs, Department of Administration; CHARLIE HUGGINS, State Veterans Affairs Coordinator; Governor's Veteran's Home Advisory Council Members: RONALD ELLER, JOSEPH FIELDS, JIM BRASELL, RONALD HUFFMAN, ROBERT MURRAY, WEVLEY SHEA, TED TAYLOR, JOHN WILKENS, CLAY GLOVE, ROBERT (BERT) HALL, SR., Chair

**Attending via Teleconference:** There were no teleconference participants.

**SUMMARY INFORMATION**

THE ALASKA MENTAL HEALTH TRUST AUTHORITY PRESENTATION

VETERAN'S HOME: PROJECT UPDATE

The Committee heard presentations from the Alaska Mental health Trust Authority and an update on the status of an Alaska Veteran's Home in Palmer.

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The Alaska Mental Health Trust Authority  
Presentation

PHIL YOUNKER SR., Chair, Board of Trustees, The Alaska Mental Health Trust Authority, introduced the attending members of the Board of Trustees as follows: JOHN PUGH; TOM HAWKINS; JOHN MALONE; and CAREN ROBINSON. Board members not in attendance, he continued are Nelson Page and Susan LaBelle.

Mr. Younker noted that Members' packets contain "The Alaska Mental Health Trust Authority (AMHTA) 2003 Annual Report [copy on file] which, he noted, provides financial details; the AMHTA's Fall 2003 newsletter, "Trustworthy" [copy on file]; and a flowchart titled "AMHTA FY 06/07 Budget Recommendation Planning Process - draft" [copy on file]. He communicated that the flowchart portrays a new budgetary process that the Trustees and AMHTA staff have developed and that the newsletter contains an insert titled "inside Trustworthy, Budget Recommendations - Fall 2003)" [copy on file] which portrays the FY 05 Budget Recommendations. He read from the "AMHTA Presentation to the Senate Finance Committee," report [copy on file] dated February 5, 2004, as follows.

History of Trust Formation

- \*Litigation (related to breach of Mental Health Enabling Act trust established by Congress in 1956) ongoing for 13 years
- \*State would have been required to reconstitute the old Trust
- \*Millions of dollars in litigation costs
- \*Millions in lost resource development opportunities
- \*Paralyzed and fractured mental health community

Key Terms of Settlement

- \*Trust Authority 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 program
- \*Mental Health Trust Lands and associated state lands released for development

Mr. Younker stated that during the years that the State "ignored" the fact that the Trust had been federally established, it disposed of a lot of designated Trust land. However, he noted that as per the 1995 settlement of the Trust's lawsuit against the State, Trust land that had not been disposed of; \$200,000; and the right to re-select land to provide the Trust with a total of one million acres of land, as per the original agreement, was awarded. He informed the Committee that the State's thirteen-year action of denying the Trust's rights was "very expensive" to the Trust as it was unable to develop its resources during that time and, therefore, was unable to provide for its beneficiaries.

Mr. Younker stated that AMHTA would prefer a single appropriations bill because it would enable the Trust to track items.

#### The Trust Beneficiaries

- \*People with mental illness
- \*People with developmental disabilities
- \*People with Alcoholism/other addictions
- \*People with Alzheimer's disease & other dementia

Mr. Younker stated that the Trust serves these four groups of beneficiaries, and he noted that, oftentimes, individuals being served are "crossovers" from one group to another.

#### Four Boards Advise the Trust

- \*Alaska Mental Health Board
- \*Advisory Board on Alcoholism & Drug Abuse
- \*Governor's Council on Disabilities & Special Education
- \*Alaska Commission on Aging

The Four Advisory Boards have been engaged in a collaborative effort with the Division of Behavioral Health to oversee a federal CMMS grant for planning and implementation of a service delivery system for individuals with a Traumatic Brain Injury.

Mr. Younker stated that these Boards were established upon the State's settlement with the Trust. He identified Richard Rainery as the Executive Director of Alaska Mental Health Board, and Millie Ryan as the Executive Director of the Governor's Council on

Disabilities & Special Education. He noted that the Executive Director positions of the Advisory Board on Alcoholism & Drug Abuse and the Alaska Commission on Aging are currently vacant.

Mr. Younker shared that the AMHTA is participating in a new federal Center for Medicaid and Medicare Services grant program in order to address the needs of individuals with traumatic brain injuries, and he noted, "that Alaska has a fairly high incidence of people" with this condition. Furthermore, he shared that a large percentage of these injuries are incurred by children below the age of three who are injured as the result of being shaken "violently" by their caregivers or as the result of a fall. Furthermore, he noted that in Alaska, injuries of this type also result from such things as motorcycle and snow-machine accidents.

STEVE PLANCHON, Executive Director, Trust Land Office, The Alaska Mental Health Trust Authority, Department of Revenue, shared with the Committee that the mission of the Trust Land Office "is to protect and enhance the value of Trust lands, and... to maximize the revenue from Trust lands over time." He shared that the Trust Land Office's ten person staff is charged with operating and adhering to Trust specific regulations; a long-term asset management strategy; and "a prioritized annual work plan," all of which were developed in consultation with the Board of Trustees. He stated that the Trust Land Office generates "spendable income" by establishing such things as land leases and licenses, and that the Trustees could use this spendable income to support the following year's Mental Health services. He noted that the Land Trust generates revenues exceeding \$2.4 million annually in this manner. He stated that further information regarding the Land Trust Office's operations are depicted in charts located on page three and four of the aforementioned handout.

Mr. Planchon noted that, in addition, the Trust Land Office "converts land corpus to cash corpus via such things as land and timber sales as well its recent undertakings to develop revenue from mineral and gas royalties." He stated that, to date, the Trust Land Office has generated approximately \$25 million by the conversion of land corpus to cash, and he noted that this money is deposited into the Trust Fund, which is the principle account of the AMHTA. He voiced pride in the fact that the operational expenses of the Trust Land Office average less than 15 percent of the budget, annually. He stated that the Trust Land Office operates efficiently with minimal staffing because it "makes strategic use of public and private contractors," who are experts in their field, to provide project resources.

Mr. Planchon stated that during the past nine years, the Trust Land

Office has generated revenue from the entirety of its resource categories including the sale of 200 million board feet of timber and the leasing of one tenth, or 100,000 acres, of the Trust's land for oil and gas development.

Senator Bunde observed that according to the information provided in the chart on page three, titled "Spendable Income from Trust Land," the Trust's FY 03 projected income was less than its actual income.

Mr. Planchon clarified that the chart is limited to depicting the revenue generated each year that is classified as spendable income. He communicated that because this is the category of revenue upon which AMHTA primarily bases the following year's budget, it is important to project it "very tight" as the budget for the following year is often established before the current year's total revenue is realized. He noted that the chart titled "Trust Land Office Operating & Capital Expenditures VS. Revenue Earned," located at the top of page four, depicts the total revenue earned. Therefore, he noted that while the FY 03 spendable income was lower than expected, the overall funding revenue in FY 03 was sufficient due to several multi-year real estate transactions being solidified and producing cash in FY 03 with additional assistance by an accelerated timber harvest in Thorne Bay, which generated more money than anticipated. However, he cautioned that even though revenue projections are tightly monitored and forecast, the unexpected spikes, such as occurred in FY 03, and should not be expected, as they are unpredictable. He communicated that the monies above the projections are deposited into the Trust fund principle.

Senator Bunde voiced appreciation for the conservative approach the AMHTA undertakes in regard to its budget.

Mr. Planchon compared the Trust Land Office operations to that of a small Alaska Native corporation with a million acres that has a goal of utilizing all its resources over time. He noted that in regard to mineral development, the Trust has supported such things as improvements at the Fairbanks' Fort Knox Mine mill site to convert it into a regional rather than a local processor of ore. Other noteworthy things, he shared, include the mineral leasing of approximately 11,000 acres in the Livengood area for drilling which would subsequently generate royalties; land sales; coal leases; and being involved in "numerous community enhancement projects" wherein AMHTA owns a significant amount of land in a community and of which the development would benefit both the AMHTA and the community. He noted that the Sub-port area in the City & Borough of Juneau is an example of this endeavor.

Co-Chair Wilken asked the level of funding that the Fort Knox facility might provide, annually, to the Trust.

Mr. Planchon responded that annually, the Trust receives approximately "\$160,000 in distributable income in the form of rents." He noted that once the mine returns a net profit, the State, who has an operating lease with the mine, and the Trust would begin to receive royalty monies. He noted that continuing elevated gold prices would benefit the situation.

Co-Chair Wilken asked whether the True North Project mining operation involves Trust Land.

Mr. Planchon replied that the True North Project is operating on State land.

Co-Chair Wilken asked the potential monetary impact to the Trust were the Fort Knox mine to become profitable.

Mr. Planchon estimated that, on an annual basis, "no more than \$50,000" would be generated through the three percent of net profit arrangement between the Trust and Fort Knox.

Mr. Younker noted that the Trust's more recent leases are calculated on gross revenue rather than a net profit basis. He stated that this method assures that some royalty would be generated.

Trust FY05	
<u>TRUST Distributable Income</u>	
Land Office Income	\$ 2,400,000
Trust Fund Payout 3.5%	\$10,858,800
Prior Year Lapse	\$ 2,317,400
Interest	\$ 900,000
Trust Projected Payout	\$16,476,200
MHTAAR Expenditure	
Recommendations	\$11,986,900 Operating
	\$ 3,730,000 Capital
Total MHTAAR Recommendations	\$15,698,900
MH Budget Base FY 04	\$136,372,000
MH Budget Base FY 05	\$125,788,000
FY 04 GF/MH 99,774,200/Alcohol Tax 21,400,000/AHFC 1,700,000	
FY 05 GF/MH 93,172,500/Alcohol Tax 17,925,000/AHFC 1,800,000	

Mr. Younker informed the Committee that the information contained in the chart titled "Trust FY05," which is located at the top of page five in the handout, provides the Trustees with the information upon which the budget is determined each year. He reiterated that the Land Trust Income specified on the chart is the spendable income rather than the Land Trust's total income. He also noted that even though the total income is projected to be \$16,476,200, FY 05 expenditures would amount to \$15,698,900 because the Trustees retain some monies to provide for emergencies that might occur during the year. Furthermore, he stated that the total Mental Health Trust Fund FY 05 budget "is a dramatic drop" from the FY 04 budget, and he pointed out that the primary causes of the reduction are a decline in State general funds and a decline in alcohol tax revenue as a result of the FY 04 alcohol tax funds containing unallocated FY 03 program funds. He noted that this was because the program operated for only a portion of FY 03.

Mr. Younker declared that while the Trust's \$12 million contribution to its total operating budget is a "small drop in the bucket," the Trust's role as "a catalyst for change...makes a tremendous difference." He declared that the Trust's programs were never intended to "supplant the State's general funds contribution to AMHTA budget. As an example of the Trust being a catalyst for change, he reminded the Committee of its involvement in the effort to allow persons with disabilities to live in their own communities rather than being cared for in institutions such as the State-run Harborview Psychiatric Institute. He declared that without Trust funding support during the transition period, the effort would have been unsuccessful.

Senator Bunde pointed out that "traditionally," Trusts return five percent as opposed to the AMHTA's 3.5 percent.

Mr. Younker responded that the Trust's operation model differs from traditional operation models. Continuing, he reminded that the Trust's operation model was originally based on a three percent payout level, which he noted has been, over time, increased to 3.5 percent "as assets developed." He stated that the objective is to maintain a level of income to assure a continuity of services, as most of the programs operated by the Trust are three to five year programs as opposed to being one-year programs. Therefore, he declared that a level and continuous income model is preferred to a more volatile model.

Mr. Younker detailed the current operations model as one based on the establishment of two principal funds: the first being a principal fund from which the Trust is limited to spending the income generated from it; and the second being a principal reserve

fund. He stated that the principal reserve fund is regulated to equate to 400-percent of the year's payout; therefore, he noted that the amount required in the principal reserve fund changes in relation to each budget, and that when the specified principal reserve fund level is reached, any excess funds flow into the other fund. He noted that there have been years when the balance of the principal reserve fund was 50-percent of the obligated level, and in that case, he continued, continuing efforts are made to reach the appropriate level. He also noted that while no inflation appropriation is required, the flexible model allows for that and other considerations to be addressed. He noted that while the payout level evolving from this model was questioned by current Governor Frank Murkowski's Administration, the Office of Management and Budget analysis [copy not provided] determined that the Trust "actually paid out more" over the long term than were the standard five-percent payout model in effect. He assured that two things are in place to maintain program continuity: the first being that were the principal reserve fund account to shrink to 200-percent of its allotted amount, consideration would be given to lowering the 3.5 percent payout level; and the second action that has been implemented to protect the Trust is that a specified percentage of money has been transferred from the Trust's Permanent Fund to the Department of Revenue and placed into "an intermediary account" in order to protect the fund from stock market volatility. He stated that this intermediary account is a more stable earning account than a traditional "full growth account."

Senator Bunde stated that AMHTA has established an account akin to the State's Constitutional Budget Reserve (CBR) and that perhaps the State would benefit from studying this model.

Co-Chair Wilken complimented the AMHTA on its financial model. He concluded that the amount of money specified for the principal reserve fund is equal to four times the Trust's annual expenditure amount. He also asked Mr. Younker for his professional background.

Mr. Younker stated that he is a finance business professional; and he credited his son with developing the Trust's financial model.

New Trust Budget Recommendation  
Planning Process for FY 06/07

- Collaborative planning process with four Trust advisory groups, state agencies and major partners.
- Limited number of focus areas targeting system change + Partnerships, mini-grants and other ongoing projects.
- Emphasis on partnering to maximize and coordinate funding goals across systems serving beneficiaries.

Mr. Younker informed that rather than funding and tracking a multitude of small projects, AMHTA is developing a new budgetary process that would concentrate on "four major work projects" with a fifth work project capturing miscellaneous small projects. In addition, he noted that another budget component would address the Trust's partnership programs with other entities.

Mr. Younker informed the Committee that in addition to the four aforementioned advisory boards, the Trust would further seek to develop four working groups consisting of individuals from the four advisory boards, the Trustees, Alaskan Native groups, State employees from departments that would be involved in a particular project, as well as other individuals to assist in the development of a plan. He noted that as this effort is formalized, and a budget that would be presented to the Board of Trustees for approval. He noted that further information regarding this process is outlined in a handout titled "Proposed New Trust Budget Recommendations Planning Process (BRPP)" [copy on file], dated January 23, 2004. He noted that these groups would continue to oversee their project during its three to five year duration, and he continued, were a project determined to be "off track," action would be taken to revise it before it might be eliminated.

Mr. Younker stated that in addition to program development, these work groups would provide an opportunity through which AMHTA could develop partnership opportunities "on this level, too." He exemplified therefore, that as a program is developed, partnerships could include the Trustees, departments, private organizations, Native organizations, so that, for instance, the \$5 million contributed by the Trust could be leveraged, through these partnerships, into a \$25 million project. He assured that while the Trust would be furthering partnerships to enhance its endeavors, the consideration of providing Trust beneficiaries with programs that provide quality benefits would be a foremost priority.

Co-Chair Wilken interjected to note that a forthcoming Senate bill, SB 258 contains the proposed AMHTA's budget, including language pertaining to the biennial budget process that has presented here.

Mr. Younker asserted that the development of multi-year projects via the working and advisory group process would align well with a biennial budget approach.

JEFF JESSEE, Executive Director, The Alaska Mental Health Trust Authority, Department of Revenue, explained that the Trust does not "budget toward specific results" such as the Mission & Measures exercise. Instead, he stated, the Trust has begun "budgeting toward target numbers for specific areas of the budget and then trying to

figure out, within those boxes, how we can to best serve people, mitigate any damage that people might suffer" by a reduction in such things as services. He characterized the current budgeting approach as a paradigm in that it switches the process "from aiming at a result and then budgeting to get there to aiming at a number and figuring out how to mitigate the damage that's caused usually because the number requires reductions someplace in the budget." He shared that while the Trust does "a pretty good job" of identifying new things and what they might accomplish and concentrating on measurable outcomes and results; it is now, he conveyed, taking into consideration the base, which "is the big chunk of the money that is spent on the mental health program." Continuing, he stated that the focus now "is to look at how this base impacts" program beneficiaries. He stated that the Trust is currently gathering information about how the FY 04 budget affected the base and would use that information to determine the state of the base during FY 05.

Mr. Jessee stated that with the support of the Governor Murkowski Administration, "many very positive" Mental Health program initiatives such as the reorganization of the Department of Health and Social Services and the consolidation of the Division of Alcohol and Drug Abuse with a section of the Division of Mental Health were positive steps forward. These initiatives, he continued, would result in better, more comprehensive and more integrated services to Trust beneficiaries. In addition, he stated that, in some instances, cost efficiencies would occur and thereby more funds would be available for services.

Mr. Jessee voiced that the partnership model as explained by Mr. Younker would benefit the Trust and the State by allowing the maximum support of programs from external entities such as tribal organizations as opposed to using additional Trust or State funds to support the program. He asserted, therefore, that "the less pressure there is on the budget," the more available funds there are for such things as grant programs and other mental health programs to which the partnership method might not apply.

Mr. Jessee stated that the Administration's efforts to further efficiencies have also produced positive impacts as the result of shared services and administration consolidation of multiple non-profits that provide similar services. He commented that in addition to saving money, consolidation efforts also result in better services being provided.

Mr. Jessee informed the Committee that rather than being apprehensive about the concepts or ideas that are being furthered, the concern arises from "the aggressiveness and the risk levels

that are being undertaken in the budget." He stated that the assumption that all the programs would meet their expected outcome "and predicting that in advance" affects the entire savings and efficiencies in the budget as time advances. He stated that this concern is beginning to appear in the FY 04 budget as outlined on page 6 of the handout as follows.

#### FY 04 Budget

- Infrastructure cuts - will impact direct services to beneficiaries.
- Cuts to MH Budget Base + current DHSS FY 04 restrictions (belt tightening) = Service Cuts (examples)
  - 1.3 million in DD grants
  - Reduction in legal support for DD in Bethel, Fairbanks and Juneau offices of DLC.
  - Hope Community Resources - closed apartment for emergency rural housing.
  - Quality Assurance funds (GF/MH) for DD cut.
  - Care Coordination grants for seniors reduced by 20%.

#### FY 04 Impacts

- Tribal substance abuse program cuts 977.3 - 35% of all ADA cuts while AK Natives are 20% of population (and 40% of treatment population)
- Rural ASAP programs cut \$908.0 - 70-90% no show rates thus far in FY 04 for those programs that have tried self-pay.
- 10% to 25% match on alcohol grants

Mr. Jessee stated that the Trust is very supportive of saving administrative and staffing funds. However, he noted that as staff reductions are being implemented, impacts of that downsizing are beginning to surface in that such things as grant awards and quarterly reports are being delayed. This, he continued could negatively affect local non-profits. In addition, he stated that reduced staffing is resulting in such things as project delays, lapsed funds, and a lesser degree of program auditing.

Co-Chair Wilken asked that an example be provided.

Mr. Jessee exemplified that a partnership had been developed between the Divisions of Mental Health, the Developmentally Disabled (DD), the Infant Learning Program, and the Trust wherein the Trust's contribution of fifty percent of the program's funds was matched by the three divisions. He stated that teams of subject matter experts developed program expectation standards and results, and then the teams met with program managers and consumers to review and issue a report that rated the agency on a number of the performance measures. He stated that the review provided a qualitative analysis

that could be compared to different program standards. Furthermore, he stated that the reports were available on the Internet and interested individuals could compare one program to another or gauge the effective of a program in a community. However, he noted, the general fund match for this quality assurance program has been eliminated in the budget and renegotiations have had to occur with the Department and the Division regarding how this resource could be maintained. He opined that quality assurance of a program "is tricky as there is a temptation to make a program look like it is working." Therefore, he asserted that when two different entities are responsible for a program, it is more difficult "to spin" program results. While supportive of restructuring and other cost saving efforts, he stated that efforts are continuing to determine how to reinstate such things as the quality assurance measures.

Mr. Jessee stated that another impact to the FY 04 Mental Health base budget was the removal of \$1.3 million in State funds from the DD grant program. He explained that while this money lapsed with no affect on services, it did result in a reduction in such things as legal service support to persons recently released from the Department of Corrections' who need supportive housing and assistance in establishing Medicaid eligibility. He noted that many of these individuals had been receiving "serious treatments" while incarcerated, and that these people, without legal assistance, have been repeatedly denied services following their release.

Co-Chair Green clarified that inmates are not eligible for such things as Medicare while in State incarceration, and that upon their release they must reestablish their eligibility. She asked whether support could be provided by caseworkers rather than by legal staff.

Mr. Jessee stated that assistance from caseworkers would suffice were back-up legal assistance available as he declared that the eligibility re-determination process for social security is "very challenging."

Co-Chair Wilken noted that further and more in-depth discussion in this regard would occur when SB 258 comes before the Committee.

Senator B. Stevens asked whether the Mental Health Trust Authority budget or the State budget is being referenced in this discussion.

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Mr. Jessee responded that the State settlement with the Trust

established a system whereby the Trustees recommend to the Legislature the level of State funding required for AMHTA services. He continued, that were general funds not appropriated at that requested level, the Legislature would be required to provide a letter of explanation. He noted that the purpose of this presentation is to communicate to the Legislature how Trust funds have been spent as well as to explain the process regarding the general fund level requested by the Trustees and the consequences that would occur were the requested funding level unmet.

Co-Chair Wilken stated that, in order to more thoroughly answer Senator B. Stevens's question, this subject could be further discussed when the operating budget legislation comes before the Committee.

Senator Olson asked whether the State could be penalized were the requested appropriation level not allotted.

Mr. Jessee responded that rather than a penalty being imposed when either the Legislature or the Governor does not support the AMHTA general funds request, the purpose of the provision in the AMHTA/State settlement that requires a written explanation of the denial, is to encourage "policy and budget dialogue between the Trust and the Administration and the Trust and the Legislature." He stated that in addition to identifying areas of priority misalignment, the process has identified areas of common interest such as the desire to reduce program wait lists.

Senator B. Stevens noted that language on page eight of the 2003 Annual Report states that, "The total funding available for the mental health trust budget in FY 2004 is \$18,636,800 for an increase of 6.37 percent over FY 2003."

Senator B. Stevens questioned whether the FY 04 percentage rate of change increases are accurate as, according to his FY 05 verses FY 04 calculations, the proposed FY 05 Land Office Income of \$2,400,000 "is down 8.5 percent, Trust Office Payout is down 1.6 percent; Prior Year Lapse is down 28 percent." He continued that the FY 05 Total Trust Projected Payout of \$16,476,200 is down 11.6 percent. Continuing, he stated that the total FY 04 Mental Health Budget Base of \$136,372,000 as compared to the projected FY 05 Base of \$125,788,000 "is down 7.7 percent with the Trust payout down 11.8 percent."

Trust FY05	
<u>TRUST Distributable Income</u>	
Land Office Income	\$ 2,400,000
Trust Fund Payout 3.5%	\$10,858,800

Prior Year Lapse	\$ 2,317,400
Interest	\$ 900,000
Trust Projected Payout	\$16,476,200

Senator B. Stevens reiterated that the projected FY 05 Trust Payout of \$16,476,200 as compared to the FY 04 Trust Payout of \$18,636,8006 reflects a downturn of 11.8 percent.

Mr. Jessee responded that one million dollars of the difference is the result of a change in the lapsed amount.

Senator B. Stevens agreed; however he pointed out that the Trust FY 05 chart depicts the FY 04 General Funds/Mental Health funds total to be \$99,774,200 as compared to the FY 05 General funds/Mental Health funds total of \$93,172,500. He calculated this to be a 6.6 percent reduction. Therefore, he stated that the percentage rate of change of the Mental Trust's contribution to the total fund "is a greater negative rate of change" than the general funds rate of change. He surmised therefore that the State general funds contribution "is expected to make up that difference in the percentage rate of change."

Mr. Jessee stated that the reduction in the total market value of the Fund during recent years combined with the change in the Lapse has negatively affected the Trust's total available payout. He further acknowledged that the Trust' rate of reduction exceeds that of the State's general fund contribution to the Mental Health program. However, he communicated that from the Trust's perspective, rather than there being the expectation that the State should "make up" the AMHTA contribution decrease, it is the AMHTA's "job to work with the Legislature to meet the needs of the beneficiaries," as "it is a joint problem," regardless of whose contribution has decreased.

Senator B. Stevens concurred; however, he declared that the State's contribution is experiencing a lesser percentage rate of change reduction than that of AMHTA. He stressed that this should be reviewed when the FY 05 budget is being considered.

Co-Chair Wilken agreed that this would be discussed when SB 258- APPROP:MENTAL HEALTH BUDGET is presented to the Committee.

FY 05 Budget

- Medicaid - Federal Control and Support concerns
- Budget built on assumptions
  - Refinancing
  - Litigation around Medicaid
  - Proshare viability

- Tribal agenda
- Catchment area consolidation
- ASAP program self-pay
- Restructuring of service waivers
- Cost containment (really service cuts)
- Continued infrastructure cuts/Reorganization impacts

Mr. Jessee informed the Committee that in the proposed FY 05 budget, the Trust is continuing its ongoing efforts to refinance its public health programs by maximizing the use of federal Medicaid funds. However, he continued, the consequence of this action is that the State is becoming more reliant on the federal Medicaid program and must adhere to federal specifications. He compared the process of the State becoming less dependent on the federal Medicaid program as a youth trying to become less dependent on his or her parents by moving out and getting a job "in order to provide the environment," or in the case of the State, the services, that are required.

Mr. Jessee also characterized the public health programs supported by Medicaid as "swiss cheese" in that sometimes a single medical condition, such as Alzheimers, would not qualify someone for Medicaid; however, Alzheimers combined with another factor, might. He clarified that State funds, in the forms of grants, would be necessary to support those individuals with Alzheimers who do not qualify for Medicaid. He cautioned that as State grant program funding for services is reduced, the ability to provide services to these individuals is reduced. He stated that the State's "working poor "are also often ineligible for Medicaid, and were medical benefits unavailable at their place of employment, additional burden would be placed on the Trust services.

Mr. Jessee noted that, "the FY 05 budget ... has significantly increased the tolerance for risk in developing strategies to reduce the general funds." However, he stated that in developing the FY 05 budget, the Trust has relied upon and proceeded under the assumption that many factors such as the level of savings from various economic efforts would be realized. Continuing, he voiced that while some of the assumptions would work as planned, others might not work to the extent of the expectations or within the projected timeline. Therefore, he noted, when those deficits occur, either impacts would occur in other areas of the budget or a supplemental request would be forthcoming. He stated that the tolerance of the risk is increased when such things as consolidation of services occur. He reminded the Committee of the negative effects incurred by a reduction in the infrastructure where less staff is available to write regulations, administer, or monitor programs. Nonetheless, he stated that the Trust is very

excited about working with the Administration to develop partnerships to deal with issues such as waitlist reductions and other areas. In summary, he communicated that while the Trust is optimistic about the positive outcomes that might occur by partnering with the Administration and Legislature to address issues, the fact is that the Trust's beneficiaries are already being impacted and would continue to be impacted by infrastructure changes.

Senator Olson asked for a brief synopsis of how the Trust would be operating two years into the future.

Mr. Jessee responded that were the State's fiscal gap remedied, the Trust would be rebuilding its mental health program and progressing to serve its beneficiaries appropriately. Were the fiscal gap not remedied, he stated, "that despite the best efforts" of the Trust, people would be dying or receiving institutional care and costs would continue to spiral upwards.

Senator Bunde commented that the organization, "Psych Rights," had, earlier in this Legislative session, distributed information to Legislators pertaining to a lawsuit they might further regarding inadequate funding of programs. He asked the Trust's relationship with this group as well as the Trust's position regarding the merits of the lawsuit.

Mr. Jessee stated that Psych Rights is a mental illness advocacy association comprised of members who have mental illnesses. He stated that while the Trust has provided a grant to the group, that funding would not be used to support the group's litigation.

Mr. Jessee stated that one member of the Mental Health Board of Trustees has been participating in the development of a resolution to stabilize general fund funding and to provide sufficient resources for the Boards to conduct their missions as specified in the Settlement. He informed the Committee that the Board of Trustees recently approved the plan and, furthermore, the Board authorized Mr. Jessee to work with the Administration to determine whether the resolution would be acceptable to them. He stated that even though the Psych Rights group's litigation has been filed, were a consensus reached, the expectation is that the litigation would be terminated.

Senator Dyson spoke to the danger of litigation of this nature as it could serve to supplant the Legislature's "power of appropriation." He stated that the preferred avenue would be for the individuals furthering these types of endeavors to instead run for political office.

Senator Dyson asked whether the Trust views "soft brain injuries from prenatal alcohol poisoning as a mental illness."

Mr. Jessee stated that the Trust "considers those people our beneficiaries because they have a mental health disability, broadly defined."

Senator Dyson opined that treating this condition through "the mental health model" is "absolutely off-base" because he continued, this condition is "non-treatable." He further questioned whether the Trust is recommending that the current level of fetal alcohol disorder treatment is adequate.

Mr. Jessee responded that the treatment is inadequate.

Senator Dyson asked whether efforts are being taken to encourage people to refrain from drinking when they are pregnant.

Mr. Jessee responded in the affirmative.

Co-Chair Green complimented the Trust on the quality of the Annual Report.

Mr. Jessee introduced Trustee SUSAN LABELLE to the Committee and noted that her involvement on the Board has assisted the Board in its endeavors on rural and Native issues.

Co-Chair Wilken asked how the Trust is addressing Autism.

MILLIE RYAN, Executive Director, Governor's Council on Disabilities & Special Education, Department of Health and Social Services stated that the Council has furthered programs to address the needs of Autistic people and their support groups. She stated that the most common request was for the development of an information and resource center to enable Autistic individuals to live at home and receive the help they need. She stated that both the Trust and the Department of Education and Early Development have provided funds to provide a grant to the Special Education Service Agency (SESA) to provide this service on a Statewide basis. She stated that while this is the beginning step and that further program assistance would be required, the response to this resource has been positive.

Co-Chair Wilken noted that an acquaintance of his who has a family member with Autism has affirmed that the SESA program is helpful to the family.

There being no further discussion, Co-Chair Wilken concluded the

presentation on the Alaska Mental Health Trust Authority.

AT EASE 10:09 AM/ 10:10 AM

AT EASE 10:10 AM/ 10:11 AM

#### Veteran's Home: Project Update

DENNY DEWITT, Special Staff Assistant, Office of the Governor, informed the Committee that were the Palmer Pioneers Home converted into the State's Veteran's Home, it would culminate a minimum of twelve years of his and many other people's efforts to establish a Veteran's Home in Alaska. He declared that a Veteran's Home would provide a multitude of positive opportunities to the Pioneer Home system, to the State's veterans, and to the State's pioneers. He shared that Governor Murkowski has "directed staff to get this done."

Mr. Dewitt communicated that as part of the on-going discussions regarding the establishment of an Alaska Veteran's Home, the Legislative Budget and Audit Committee conducted a study from which three Veteran's Home options were developed. He communicated that the Administration considered the most do-able of the three to be to convert the Palmer Pioneer Home into a Veteran's Home.

Mr. DeWitt noted that Alaska is one of three states, the other two being Delaware and Hawaii, that does not currently have a Veteran's Home; however, he noted that all three of these states have submitted applications to develop a Veteran's Homes.

Mr. DeWitt noted that, in the year 2003, there were 96 veterans living in the State's Pioneer Homes and this number provides the State with a good base upon which to project the program. He shared that the Palmer Pioneer Home currently has 17 resident veterans and 22 open beds. He stated that this situation would allow the State to make the transition without displacing very many pioneers. He stated that currently the federal Veteran's Home formula for Alaska specifies 79 beds be available for veterans; however, due to the fact that the proposed Veteran's Home would use an existing facility which has 82 beds, the State would be submitting an application to increase the State's allotment by three beds. He voiced confidence that the increase to a total of 82 beds would be approved. He stated that the establishment of a Veteran's Home would be a phased process with the first step of the process having been the submittal of the application to the federal Veterans Administration (VA). He noted that this application was positively

received. He commented that continuing discussions between the State and the VA are occurring, and he shared that the VA is anxious that the State secure its' funding of the project so that the VA could match it.

Mr. DeWitt stated that the concept of transitioning the current Palmer Pioneer Home into a Veteran's Home is based upon the commitment to assure that no pioneer in a Pioneer's home would be displaced and that were a veteran living in another Pioneer Home to desire to move to the Palmer Veteran's Home, the accommodation would occur on a space available basis. He assured that no resident living at the Palmer Pioneer Home would be asked to relocate, and he noted that Governor Murkowski is upholding the State's current policy in that no pioneer would be moved unless they initiated the request.

Mr. DeWitt mentioned that a request has been submitted to the VA to allow for an adequate transition period, and that request is moving forward. Continuing, he shared that the State would establish the admission criteria for the Palmer Veteran's Home, and that criteria, he continued, would be similar to the current Pioneer Home admission policies with the additional requirement being that the person must be a veteran.

Mr. DeWitt specified that 75 percent, or 62 beds, of the Veteran's Home would be reserved for veterans, and he noted that the balance of the beds would be available for individuals meeting the criteria currently in place for admission to the State's Pioneer Homes. He summarized the facility as "a home that will be focused towards veterans but will also have a substantial number of beds available for pioneers," with the expectation that the majority of those individuals would be from the Matanuska-Susitna (Mat-Su) area.

Mr. DeWitt stated that the numbers have been reviewed and the belief is that the home could be transitioned into a Veteran's Home, "without disrupting anyone," in approximately five years. He noted that during a recent inspection of the facility, the VA "cautioned us that that might be too quick a transition period." He understood that, while a formal response to the State's question regarding an acceptable transition timeframe has not yet been received, efforts are in play at the federal level to allow for an open-ended transition period. He commented that the transition would require approximately \$3.5 million in facility upgrades to address such concerns as fire safety, heating, and ventilation. He noted that of the upgrade estimation, 65-percent would be paid with federal funds with the State being responsible for the 35-percent balance. He stated that this funding request has been included in the Department of Health and Social Services section of the FY 05

Capital Budget Request. He stated that upon the State's action in this regard, the VA would be able to award the balance. He stated that the VA has also informed the State that efforts are being made to accelerate the federal funding prior to the federal FY 05 budget being formalized.

Mr. DeWitt declared that a tremendous amount of activity is occurring to further the establishment of a Veteran's Home in the State. He shared that during an August 2003 visit to the facility, the VA was "extremely impressed" with the State's senior care social model that provides seniors with a wide ranges of services, from assisted living services to comprehensive care services. He stated that this care model differs from the "traditional medical model" currently in effect in VA homes, and he shared that the VA is contemplating the incorporation of some of the State's care model into its care model.

Mr. DeWitt voiced the hope that the Legislature would authorize the conversion of the Palmer Pioneer Home into a State Veteran's Home. He informed that in addition to the budgetary request, the Governor would be requesting some additional legislative changes. He stated that the transition could be completed by the summer or fall of 2005. He stated that the establishment of a Veteran's Home in the State would provide a great opportunity to veterans as it would enable them to receive the federal VA services to which they are entitled, and he continued the establishment of a Veteran's Home would be combined in a context which would continue to serve the State's pioneers. He also noted that a Veteran's Home would also provide an additional revenue stream to the Pioneer Home system that would strengthen the system on a statewide basis. He characterized this as "a win/win" situation.

Senator Dyson voiced appreciation for the efforts that have been exerted in this endeavor. He asked whether a veteran's spouse would be allowed to reside in the Home with his/her spouse.

Mr. DeWitt responded that the system "envisioned" by the State would allow a spouse to reside at the Home, as he reminded, the proposed admission policy would allocate 25-percent of the beds in the Home to non-veterans. He further noted that the spousal situation would be similar to that currently in place in the Pioneer Home regulations. However, he cautioned that while there might be a case where an appropriate bed is unavailable or another "abnormality" existed, efforts would be undertaken to accommodate the spouse.

Senator Bunde understood that the monthly fee for resident care in the Pioneers Home is determined on a sliding scale of ability to

pay, and that the average expense is approximately \$6,000 per month. He asked for an estimate of the expected monthly charge for the Veterans Home.

JOHN BELL, Director, Division of Alaska Longevity Programs, Department of Administration, explained that currently five levels of care programs are available to Pioneer Home residents, and he noted that these programs would be available to both veterans and pioneers in the Veteran's Home. He specified that a specific fee is in place for each level of care.

Senator Bunde asked for examples of the costs of those programs.

Mr. Bell responded that the average cost ranges from \$2,000 to \$6,000 per month.

Senator Bunde asked whether veterans would qualify for the sliding fee scale for services that applies to pioneer residents.

Mr. Bell clarified that a veteran would pay "the same rate as anyone else in the facility." However, he explained that the VA would be responsible for a daily contracted per diem rate of approximately \$26.95 per day. He stated that the VA would be billed, and that the VA payment would offset the amount that the individual would be responsible for.

Senator Bunde asked for verification that the VA payment would be deducted from the individual veteran's sliding scale fee.

Mr. Bell qualified that rather than characterizing the fee as a sliding fee, it should more correctly be referred to an ability to pay schedule. He reiterated that the resident would be responsible for the entire fee; however, the per diem amount paid by the VA would reduce the amount owed by the individual.

Senator Bunde understood therefore, that an impoverished non-veteran who requires care amounting to \$6,000 per month would pay based on their ability to pay.

Mr. Bell concurred.

Senator Bunde asked, therefore, how the fee for an impoverished veteran would be determined.

Mr. Bell stated that the fee for a veteran would also be based on the individual's ability to pay.

Mr. Dewitt informed the Committee that the State has agreed with

the VA to "initially begin billing at a domiciliary rate, which is the lower rate." He clarified that while rate negotiations would continue, the current objective is to get the Veteran's Home operational.

Senator Olson asked whether any private funds could be used toward the improvements that the Veteran's Home would be required to conduct.

Mr. DeWitt stated that no private funding is included at this time. However, he noted that among the requests that the Governor would be presenting for consideration would be one to allow the State to receive private funds for the Home.

Co-Chair Green mentioned that she had attended some of the initial meetings that were conducted in Palmer regarding transitioning the Palmer Pioneer Home into a Veteran's Home. She noted that a depressing tone was evident at the beginning of those meetings; however, she continued, as questions concerning such things as whether current and new pioneers would be allowed to live in the home and how would the Veteran's Home affect other Pioneer Homes in the State were answered, the tone changed from negative to accepting. She thanked everyone involved for the effort to further this endeavor.

CHARLIE HUGGINS, State Veterans Affairs Coordinator, informed the Committee that the Governor's Veteran's Home Advisory Council had just met for the first time as a group to discuss some areas of concern.

JIM BRASELL, a World War II Veteran, was recognized for being selected to represent the State at the upcoming May 2004 dedication of the World War II Memorial in Washington, D.C.

ROBERT (BERT) HALL introduced himself as Chair of the Governor's Veteran's Home Advisory Council.

WEVLEY SHEA, Member, The Governor's Veteran's Home Advisory Council, informed the Committee that his service consisted of combat missions in Vietnam from 1965 to 1970. He stated that it is a privilege to serve on the Veteran's Home Advisory Council and to appear before the Committee.

RONALD ELLER, Member, The Governor's Veteran's Home Advisory Council, noted that he was from Kodiak and had served in the military from 1966 to 2000. He assured the Committee that this is a "good council" of veterans.

RONALD HUFFMAN, Member, The Governor's Veteran's Home Advisory Council, informed the Committee that he had served in the United States Air Force from 1961 to 1993.

Mr. Brasell informed the Committee that he had served in the United States Marine Corps during World War II, from December 8, 1941 - 1945, in the South Pacific.

Senator Dyson pointed out that the Battle of Coral Sea saved Australia and was the "turning point in the Pacific" as it curtailed the Japanese expansion and set the stage for "the huge victory" over Japan at the Battle of Midway.

JOHN WILKENS, Member, The Governor's Veteran's Home Advisory Council, informed the Committee that he had served in the military from 1964 through 1984 and had conducted two tours in Vietnam.

CLAY GLOVE, Member, The Governor's Veteran's Home Advisory Council, informed the Committee that he had served in the military from 1972-90.

TED TAYLOR, Member, The Governor's Veteran's Home Advisory Council, informed the Committee that he had served in numerous capacities in the military from 1973 through 1976 including tours in Vietnam and Cambodia.

JOESPH FIELDS Member, The Governor's Veteran's Home Advisory Council, informed the Committee that he had served as a helicopter gunner from 1965 to 1968.

ROBERT MURRAY Member, The Governor's Veteran's Home Advisory Council, informed the Committee that he had served as a member of a fighter squadron.

Mr. Huggins stated that his military experience includes 25 years in the Army.

Mr. Hall stated that when he was in the service, he was an Army Medic. He shared that another member of the Council is Nona Johnson.

Mr. Huggins stated that other members of the Council include Victor Karmun, Richard Franks, and George Gaguzis.

Mr. Huggins stated that in his capacity as State Veterans Affairs Coordinator, he is proud to represent the 71,000 veterans in the State of Alaska. He noted that in addition to personal health issues, the most talked about issue and the thing that brings "the

biggest glee" to a veteran is the prospect of having a Veteran's Home in the State. He noted that every veteran's organization in the State supports the Palmer Veteran's Home concept.

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Mr. Huggins also informed that efforts are underway to recognize the 6,000 Alaskans who served in the Alaska Territorial Guard and helped protect the State between 1941 and 1947, before Statehood. He stated that these great Alaskans have never been recognized nor received honorable discharge certificates. He continued that the recognition of these individuals' service would also allow the 300 living Guard veterans to receive VA assistance, including residency in the Veteran's Home. He stated that the ages of these individuals range between 70 and 104 years of age.

Mr. Huggins next attested to the tremendous return on investment that the State receives by the Department of Military and Veterans Affairs' hiring of three Veterans Service Officers. He stated that because of these Veterans Service Officers' efforts on behalf of the State's veterans, \$27 million of VA benefits are pumped into the State's economy. He urged the Committee to continue to support the funding of these three positions.

Mr. Huggins also noted that there is a national Veteran's cemetery in Anchorage and one in Sitka; the first having a projected 40-year life and the latter having a ten-year life. He noted that discussions to address long-term demand are taking place and that a variety of concepts have been identified. He stressed that while no money is being requested; setting aside land in such places as Fairbanks, which has the third largest concentration of veterans in the State, could be a consideration. He stated that the Council would continue to provide information in this regard. He noted that were a State Veteran's Cemetery built, the federal government would fund "everything up to opening the gates."

Mr. Huggins informed that the State's Veterans Memorial Endowment is now operational, and that the Council would be distributing the grant application guidelines to communities in the State. He noted that the Council would be awarding up to \$10,000 grants to be used for the maintenance and preservation of war memorials. He thanked the Committee for establishing the program and he noted that the monies in the endowment are the result of private contributions.

Senator Dyson opined that the federal VA "often takes an adversarial role or posture in addressing combat related injuries

and diseases for veterans" such as Agent Orange. However, he noted that in most cases, over time, evidence in support of the Veteran's position that they were wronged is being provided. He asked the Council's position on this issue, and also asked whether any action by the Legislature could assist the situation.

Mr. Huggins responded that while the situation was once abysmal, the situation has tremendously improved in recent years. He noted that "where the VA is headed and what it is doing is very positive." He attested that while the treatment of Gulf War veterans is still being tested, the VA treatment of Vietnam veterans is encouraging. He noted that in addition to resource shortages, another issue of concern is concurrent receipts in that those people, who are retired and have a disability, get a disability payment that offsets retirement pay. He stated however, that this issue is being remedied via a ten-year phase out program.

Senator Dyson asked whether the Legislature could do anything to further the veterans' cause.

Mr. Huggins responded that the veterans realize that transitioning the Palmer Pioneer Home into a Veteran's Home is the most cost effective and deliverable option. However, he asked that, in the future, veterans be provided an opportunity to present their position when things concerning them arise in the future.

Mr. Hall added that at the Council's meeting, "the common thread" between the members was their "passion" to act on the behalf of other veterans. He stated that the Council is receiving widespread support that could serve to benefit the State's veterans.

Co-Chair Wilken recognized the efforts exerted by citizens of the State to further veteran's needs, and also acknowledged the efforts exerted by US Congressman, Senator Ted Stevens in support of veterans.

Mr. Huggins informed the Committee that the Council voted in support of the continuance of the Veterans Service Officers' contract. He noted that the funds to continue this contract are not included in the State budget, and he urged the Committee to provide the required funding.

Senator Olson inquired as to whether a 79 to 82-bed Veteran's Home facility would be adequate in ten years.

Mr. Huggins responded that the VA has dictated that the number of beds be 79. He noted that the State has petitioned the VA to increase that number to 82 beds, which is the capacity of the Home.

He acknowledged that the veterans' population in the State would be growing; however, he noted that veterans have the choice of living in the Palmer home or other Pioneers homes in the State. He voiced doubt that the VA would authorize a larger number of beds.

Co-Chair Wilken thanked the veterans for their participation in the discussion, and concluded the presentation.

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**ADJOURNMENT**

Co-Chair Gary Wilken adjourned the meeting at 10:53 AM