

HOUSE FINANCE COMMITTEE
February 2, 2005
1:35 P.M.

CALL TO ORDER

Co-Chair Chenault called the House Finance Committee meeting to order at [1:35:51 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Richard Foster
Representative Mike Hawker
Representative Jim Holm
Representative Mike Kelly
Representative Carl Moses
Representative Bruce Weyhrauch

MEMBERS ABSENT

Representative Eric Croft
Representative Reggie Joule

ALSO PRESENT

Jeff Jesse, Executive Director, Alaska Mental Health Trust Authority; John Pugh, Chair, Alaska Mental Health Trust; Nelson Page, Finance Chair, Alaska Mental Health Trust; Wendy Woolf, Deputy Director, Land Trust Office, Alaska Mental Health Trust

GENERAL SUBJECT(S):

**Overview:
Alaska Mental Health Trust**

The following overview was taken in log note format. Tapes and handouts will be on file with the House Finance Committee through the 24th Legislative Session, contact 465-6814. After the 24th Legislative Session they will be available through the Legislative Library at 465-3808.

TIME	SPEAKER	DISCUSSION
1:36:35 PM	Co-Chair Chenault	Convened the House Finance Committee meeting in order to hear a presentation

		by the Alaska Mental Health Trust (AMHT).
		ALASKA MENTAL HEALTH TRUST
1:39:09 PM	JOHN PUGH, CHAIR, ALASKA MENTAL HEALTH TRUST	Introduced members of the Alaska Mental Health Trust staff, Chief Executive Officer, Jeff Jesse, Finance Chair, Nelson Page, Wendy Woolfe, Deputy Director of the Land Trust Office and members of the Land Trust Board. Mr. Pugh pointed out that the Board consists of 7 members. He stated that Mr. Jesse would provide historical data, having one of the attorneys on that case.
1:40:36 PM	JEFF JESSE, EXECUTIVE DIRECTOR, ALASKA MENTAL HEALTH TRUST AUTHORITY	Distributed handouts. (Copy on File). Mr. Jesse explained before statehood, Alaska had a "barbaric" mental health system. There were little supports available. He addressed trials and convictions pertaining to "insanity" and then the person being imprisoned. He pointed out that the history of statehood was held up for a couple of years because of national concerns with the mental health system in Alaska. Eventually, a three point strategy was determined: <ul style="list-style-type: none"> • Capital appropriation that built the original Alaska Psychiatric Institute (API) and purchased the original motel in Valdez that became the Harborview Medical Center; • Operating money that was reduced for eight years to wean off the federal government; and • Offering of a one million acre land trust that the State would use for generating income to pay for mental health services. Great lands were chosen. As Alaska grew, the land would become more valuable.
1:42:27 PM	Mr. Jesse	Over the next 25-years, about half of the land was taken from the Trust. It all came undone when local government's selected some of the Trust lands.
1:43:25 PM	Mr. Jesse	In 1979, the Legislature, in an attempt to solve the problem, declared that all Trust land was general State land. The Legislature then pledged 1.5% of the income from all-State lands into the

		account to pay for mental health services. The Legislature never made any deposits into that account.
1:44:11 PM	Mr. Jesse	In 1982, a lawyer in Fairbanks, Steve Cooper, filed the original Mental Health Lands Trust lawsuit.
1:44:34 PM	Mr. Jesse	Pointed out that the litigation went on for over a decade. The final resolution was that the State would reconstitute the million acres of land. That did not make up for the value of the land lost, as it originally had been a \$2 million dollar endowment. The most important development was the appointment of the 7-member board or trustees, appointed by the Governor, to oversee the management of the assets and spend Trust income to improve the life of the beneficiaries.
1:45:35 PM	Vice-Chair Stoltze	Noted his appreciation of the work of the Board. Vice Chair Stoltze asked for more discussion regarding whom the original beneficiaries were and how that has evolved.
1:46:28 PM	Mr. Pugh	Commented that he would discuss the beneficiaries. The original beneficiaries where the people being sent out to Morningside with mental health needs. At that time in the territorial days, there was not a clear definition of who those people were. Developmentally disable individuals were also placed in institutions. When the settlement came about, lawyers attempted to reconstruct who were the beneficiaries. AMHT determined that they were: <ul style="list-style-type: none"> • People with mental illness • People with developmental disabilities • People with chronic alcoholism • People with traumatic brain injuries, a new expanded area.
1:48:16 PM	Mr. Pugh	Those injuries can look like mental illness; consequently, the Trust has taken that group under their umbrella.
1:48:50 PM	Vice-Chair Stoltze	Asked if there had been any prioritization in the settlement. Mr. Jesse advised that the only prioritization was for beneficiaries at-risk of institutionalization and was tied to Morningside.

1:49:23 PM	Mr. Pugh	Continued, in the legislation passed by the Legislature creating the Trust, there is an advisory board, which acts as a key piece in the comprehensive and budget planning. He introduced the directors of each of those boards.
1:50:43 PM	Mr. Pugh	Added that in recent years, the Legislature added the Suicide Prevention Council. He pointed out that there is a bill to extend the life of that Board.
1:51:15 PM	Mr. Pugh	Those boards make recommendations to the budget and advocate for their populations. He requested that Mr. Page discuss land and resources.
1:51:39 PM	NELSON PAGE, FINANCE CHAIR, ALASKA MENTAL HEALTH TRUST	Explained that this Trust is like any other Trust developed. There are property and assets, which are managed on behalf of the beneficiaries by the Board. He discussed the assets and how they are managed. He pointed out that an endowment had been established by the Legislature and invested like the Permanent Fund.
1:52:49 PM	Mr. Page	The investment has been managed as an endowment and each year percentage of the asset value is taken and it is spent on behalf of the beneficiaries. In 2005, \$11-\$12 million dollars was paid out. The percent of market pay out has been increased and raised from 3.5% to 3.75%, projecting somewhere between \$13 and \$14 million dollars this year.
1:53:53 PM	Mr. Page	Added, in addition, the Trust received a settlement of land. He noted the types of lands and assets as listed on Page 3, Attachment #1. (Copy on File). There are a total of 957,000 acres, broken down into mineral estates and rights to coal, oil and gas in some of the acreage. The Trust attempts to generate revenue from that land for the beneficiaries and it has been very successful.
1:55:04 PM	Mr. Page	In 1997, the Trust generated about \$2 million dollars total revenue some of which was in the form of land sales and the sale of minerals. When there are sales of resources that are not replaceable, those funds are turned back into the Permanent Fund of the Trust principle. When things are sold

		<p>that are replaceable, such as leased land, that is considered income and the money is spent in the fiscal year that it is earned.</p> <p>In 1997, the income available to be spent was \$785 thousand dollars and by 2004, the Trust almost quadrupled that amount. Income generated from a variety of things such as timber sales and management of land. He reiterated that is a success story of the ability of the Trust to manage it assets.</p>
1:56:28 PM	Representative Weyhrauch	Asked to which Board would the resource lands fall into the consideration of.
1:56:55 PM	Mr. Page	Replied that Mr. Hawkins is the Chair of the Resource Management Committee. He does have the expertise.
1:57:16 PM	Representative Weyhrauch	Referenced Page 3, the anticipated revenues. Mr. Page pointed out the chart on Page 3. He stated that the projected revenues were substantially succeeded.
1:57:57 PM	Representative Weyhrauch	Noted the 3.5% to 3.75% increase. He asked if it was an annualized decision made by the Board. Mr. Page clarified that was a decision made to increase the payout. It is not anticipated that it would be changed from year to year.
1:58:46 PM	Representative Weyhrauch	Asked if it would be annually. Mr. Page clarified that they went from a 3.5% to a 3.75% payout. He added that the money is generated and to the extend that will be used, it is moved into a series of accounts within the Department of Revenue.
1:59:17 PM	Representative Weyhrauch	Asked about the use of the funds. Mr. Page explained that is the reason it is moved from the Permanent Fund to "more liquid funds" within the Department of Revenue.
1:59:29 PM	Representative Weyhrauch	Commented on the restriction of the use of the funds and the uniqueness of the program. Representative Weyhrauch encouraged linking asset management and workings with the concerns of the Board. (inaudible) Mr. Page explained that there is a strategic plan in place and that it is part of the settlement requirement that the Trust works with the Department of Health & Social Services.
2:00:35 PM	Mr. Page	The first of those plans was adopted

		four years ago and was implemented after a great deal of work with Advisory Boards within that Department.
2:01:23 PM	Representative Weyhrauch	Asked if the highest and best use for all the acreage has been identified.
2:02:01 PM	Mr. Pugh	Emphasized that there is a planning process in place in the Land Office regarding establishing objectives. Capital money is set aside to address those concerns.
2:02:27 PM	WENDY WOOLF, DEPUTY DIRECTOR, LAND TRUST OFFICE	Advised that AMTA develops an annual work plan. The office has turned from being reactive in management to being pro active and capable of responding to applications coming to the Trust. The Trust looks at properties in places like Anchorage and Juneau and actively partners with those communities. The planning process is long and involved. She noted that there has been competitive leasing on some parcels. She stressed that they use the highest and best use for lands and direct land sales, which are sometimes held in order to sell until they are in their best markets. Some of the larger lots are subdivided. When property is disposed of, the Trust determines the best way to handle it.
2:04:35 PM	Ms. Woolf	Added that asset management plans are done by area and resource category.
2:05:01 PM	Mr. Page	Noted that Page 4, highlights what is available for the beneficiaries. The chart indicates where the funds come from. Co-Chair Chenault asked if they were renewable. Mr. Page replied the income is renewable.
2:05:55 PM	Mr. Page	Referenced Page 4. In FY06, it is expected that the Trust will be able to provide \$20 million dollars to fund programs on behalf of beneficiaries.
2:07:23 PM	Mr. Page	Stated that the next portion of the handout indicates recommendations for funding the FY06 budget and that \$11 would go into operating programs. The total recommendations for funding are \$19 million dollars.
2:07:38 PM	Representative Hawker	Remembered the meeting from two years ago, in which the Trust committed to pursue an independent audit and annual report. He requested an update on that

		project.
2:08:16 PM	Mr. Jesse	Advised that the first year audit was completed and was "clean" with no discrepancies found.
2:08:44 PM	Mr. Page	Stated that the Trust could provide the "judgment letter" to Committee members.
2:08:57 PM	Mr. Page	Addressed the recommendations being presented on spending the fund. It is the Trust's responsibility to have a careful and rigorous process of review. The Trust believes that they are a catalyst for change. The programs must be efficient and responsive and effective to the needs of the beneficiaries.
2:10:01 PM	Mr. Page	Last year, the process was revamped. A collaborative planning process has been created and the Trust has taken the leadership to make recommendations to where the emphasis of the program should be.
2:10:45 PM	Mr. Pugh	The planning process involved extensive work with the Department of Health & Social Services. Commissioner Gilbertson wanted to make sure that the Trust was working in concert with the Department for making progress.
2:11:39 PM	Mr. Pugh	The areas chosen were the four listed on Page 5: <ul style="list-style-type: none"> • Bring the kids home • Affordable housing • Justice for persons with disabilities • Trust Beneficiary Group Initiatives in which beneficiaries come together to service one another to determine what works best for that group.
2:15:04 PM	Vice-Chair Stoltze	Asked about homelessness and if the initiative had been targeted toward those with mental illness.
2:15:39 PM	Mr. Jesse	Replied that when housing was selected as a focus area, it was realized that housing is a major need for all Trust beneficiaries. He stated that when a person loses their living opportunity after hospitalization, they then become homeless. That includes people coming out of prisons. Housing is looked at from a broad perspective. He added that there are specific initiatives focused on the homeless issue alone.

2:16:42 PM	Mr. Jesse	The Trust participated in the Alaska Interagency Council on the Homeless. The role for the Trust in that type process is an attempt to keep everyone going in the same direction. There were attempts to determine the common element that connects these issues.
2:17:42 PM	Mr. Jesse	Reiterated that the Trust attempts to serve their beneficiaries and the broader and more complicated issues. Vice-Chair Stoltze thought that the definition was too basic and not addressing what homelessness is accurately. He noted his personal focus in that precious resources be used for highest and best use of all concerns. He favored assisting young adults with developmental disabilities over the drug addicts claiming services.
2:19:27 PM	Mr. Pugh	Clarified expenditures from the Trust Authority and that affordable housing has been the major issue. The Trust has been working with Alaska Housing Finance Corporation (AHFC). He stressed that concerns voiced by Vice Chair Stoltze have been a focus for the Trust. Vice-Chair Stoltze commented on the assisted living center in Chugiak, acknowledging that contribution from the Trust.
2:20:44 PM	Representative Holm	Observed that there is no information, providing data on how to lower these numbers. He pointed out that only the process is highlighted and that he wanted to see a statement of goals to lessen the rates.
2:22:24 PM	Mr. Pugh	Advised that there are performance measures placed on each of the initiatives for every fiscal year. He offered to provide that information to the Committee.
2:22:50 PM	Mr. Page	Noted that since the beginning of the Trust, there has been insistence that there be results. He spoke to the comprehensive plans drafted, requiring information to be objectively measured.
2:23:38 PM	Representative Holm	Appreciated addressing the intent of the legislative process. He wanted to guarantee that this work is not about process only. He acknowledged that the work of the Trust is large. He

		reiterated that he would like to see the definitions of goals, outcomes and measurements.
2:24:57 PM	Mr. Pugh	<p>Stated that there are two other major initiatives:</p> <ul style="list-style-type: none"> • Behavioral Health Workforce Development - Work Force Development issue and what it will require building out the system. Together with the University of Alaska to match funding to move forward. • Adult Preventive & Restorative Dental.
2:26:16 PM	Mr. Pugh	Continued, the last initiative works with Medicaid. The Department of Health & Social Services came to the Trust to see if they would be willing to partner with them to execute the program. The Trust knows that it is an expansion of Medicaid and would prevent other dental problems.
2:27:23 PM	Mr. Jesse	<p>Addressed the top priorities in the FY06 budget.</p> <ul style="list-style-type: none"> • Medicaid is critical • AHFC funding is critical to providing affordable housing • Support extension/expansion of Senior Care program • Address DD waitlist • Alcohol prevention and treatment <p>Trust has about \$26 million dollars per year.</p>
2:28:25 PM	Mr. Jesse	<p>Stated that the Legislature and the Department of Health & Social Services are looking for dollars for Medicaid expansion. Medicaid is critical. For the last seven years, the Trust has relied on Medicaid for primary funding. Medicaid is a medical based model, which is not the best situation to be in when attempting to get people to become more productive members of society.</p> <p>The Trust does not have the grant resources and is more dependant than ever on the Medicaid program. A policy decision has been made that Medicaid will be the primary funding source for most of the mental health programs. It is critical that investment be</p>

		maintained.
2:30:17 PM	Mr. Jesse	The Trust is attempting to make the programs more efficient and effective.
2:30:35 PM	Mr. Jesse	Noted that AHFC is very beneficial to the State. It is closely linked to the Trust. The consequences of the State removing out large sums of money from AHFC is that the Trust is then no longer able to create long-term, stable and secure housing for its members. He urged the Legislature to help assist AHFC in how to retain as much of their assets by securing a safe and secure housing stock.
2:31:29 PM	Representative Hawker	Asked if the special needs housing program in AHFC was functioning well. Mr. Jesse responded that it is functioning well but at a fraction of the capacity that it needs to be. The housing allowance is at \$7.85 million dollars.
2:32:20 PM	Mr. Jesse	Extensively addressed the AHFC working programs.
2:33:04 PM	Representative Hawker	Asked about private sector support. Mr. Jesse replied that it is not realistic for the State to assume all of the responsibility; he spoke of other funding agencies such as Housing and Urban Development & the Denali Commission. He reiterated that it is difficult when the major funding driver (AHFC) has \$100 million dollars in assets pulled out of it every year. Representative Hawker observed that the entities referenced are public activities; he asked about the private sector. Mr. Jesse replied that safe and affordable housing is not going to happen without the private sector. Housing gets developed through private developers. Mr. Jesse mentioned tax credits. He addressed housing trusts to pin point the long-term strategic plans. The Trust has allocated dollars to explore what they could look like for Alaska.
2:36:46 PM	Mr. Jesse	Reviewed the goals of support extension/expansion of the: <ul style="list-style-type: none"> • Senior Care programs and income limits; • DD waitlist; and

		<ul style="list-style-type: none"> • Alcohol prevention and treatment.
2:38:20 PM	Mr. Jesse	Referred Page 8, noting statistics revolving around injuries related to alcohol involvement. He highlighted Page 8, payment sources for injury and hospitalizations involving alcohol. Page 10 depicts the costs of alcohol. Mr. Jesse emphasized the need for prevention and treatment to deter those costs. He recommended that an alcohol tax increase does have merit.
2:41:52 PM	Representative Weyhrauch	Questioned if there is a correlation between alcohol intake and a tax. Mr. Jesse stressed that in certain areas there is, especially where youth are involved. Representative Weyhrauch rephrased his question, stressing dollar for dollar treatment and prevention. Discussion on that followed between Representative Weyhrauch and Mr. Jesse.
2:43:50 PM	Mr. Jesse	Claimed that alcohol is a manageable disease and that no one would ever suggest that treatment should be stopped. Relapse does happen and at some point and it must be decided what the investment should be.
2:44:50 PM	Mr. Pugh	Pointed out that the national trend indicates that the Wellness Court has succeeded; it is a tightly run organization. He reiterated impact from the results of the Wellness Courts.
2:45:46 PM	Mr. Jesse	Acknowledged that money cannot just be thrown at the problem; there needs to be concrete performance measures and the Department must be held accountable for getting those results. He stressed that it is proven that impacts can be made.
2:46:15 PM	Mr. Jesse	Referenced Page 10 & 11, the priorities for the Alaska Mental Health Board. He pointed out that this year, SB 63 will be up and addresses seat belt usage. He asked that legislation be supported to help address brain injury concerns.
2:46:57 PM	Representative Weyhrauch	Commented on the program issues and the work done by the Trust. He voiced his appreciation of the time and energy exerted by the Trust.
2:47:50 PM	Representative Kelly	Mentioned the quickly approaching Gross Domestic Product (GDP) and concerns for

		the next generation. He commented on the individual and personal accountability and responsibility. He asked how to fund "reentering" issues and the dollars associated with that.
2:49:33 PM	Mr. Pugh	Commented that Wellness Courts have a strong plan on how people take responsibility. They have to pay for their own monitors and that most of them have lost their Permanent Fund. The Legislature has collected it back when possible. Most drug and alcohol programs have a strong accountability model.
2:50:20 PM	Mr. Pugh	Regarding mental illness, the accountability standards are different. The model is called recovery. There is a national trend to change the way treatment programs are being operated.
2:51:12 PM	Mr. Jesse	Added that one of the problems is the "benefits mentality" that people get into. The system often promotes it, such as Social Security benefits (SSI). A person cannot accumulate any assets and could lose their health care. He stressed that home ownership is a huge issue. If a renter loses their home that is huge. If you own a home, there is a different approach. The Trust is attempting to get their beneficiaries more into an independent mode, which is part of a long-term solution.
2:53:03 PM	Mr. Page	Added, that one of the four major focus of the Trust is the "Trust Beneficiary Focus", which attempts to make beneficiaries more responsible. The Trust attempts to afford beneficiaries resources to be responsible.
2:53:56 PM	Representative Kelly	Appreciated the work done by the Trust.
2:55:13 PM	Co-Chair Chenault	<u>ADJOURNMENT</u> The meeting was adjourned at 2:56 P.M.