

MINUTES
SENATE FINANCE COMMITTEE
February 14, 2007
9:03 a.m.

CALL TO ORDER

Co-Chair Lyman Hoffman convened the meeting at approximately [9:03:20 AM](#).

PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Charlie Huggins, Vice Chair
Senator Kim Elton
Senator Fred Dyson
Senator Joe Thomas
Senator Donny Olson

Also Attending: REPRESENTATIVE ANDREA DOLL; LARAINA DERR, Vice-chair, Alaska Mental Health Trust Authority; JEFF JESSEE, Chief Executive Officer, Alaska Mental Health Trust Authority.

Attending via Teleconference: There were no teleconference participants.

SUMMARY INFORMATION

^Alaska Mental Health Trust Authority
Presentation by Jeff Jessee.

[9:03:56 AM](#)

Co-Chair Hoffman identified two documents to accompany the presentation, one titled "Legislative Fiscal Analyst's Overview of the Governor's FY08 Request" [copy on file] prepared by the Division of Legislative Finance, and the related legislation, Senate Bill 51.

[9:05:02 AM](#)

LARAINÉ DERR, Vice-chair, Alaska Mental Health Trust Authority, introduced herself as the Vice-chair of the Authority and the Chair of Finance for the Authority.

[9:05:48 AM](#)

JEFF JESSEE, Chief Executive Officer, Alaska Mental Health Trust Authority, directed members to the handout titled "The Trust; History of the Alaska Mental Health Trust Authority" [copy on file].

[9:06:36 AM](#)

Page 1

Territorial Days

- ❖ All mental disabilities lumped together.
- ❖ "Insane Person At Large" - A territorial crime.
- ❖ Federal marshals transport to Morningside in Oregon.

Mr. Jessee reviewed the information on the page, adding that the crime of being an "insane person at large" required no act of wrongdoing. The mere existence of a mental disability was sufficient to commit a person for life to the Morningside hospital.

[9:08:04 AM](#)

Page 3

Barriers to Statehood

- ❖ No way to continue payment for Morningside.
- ❖ Territorial mental health "program" unacceptable to Alaskans.
- ❖ Washington Post exposes "Siberia USA."

Mr. Jessee summarized the page, stressing that the Washington Post headline implied that the creation of a State mental health program in Alaska would result in a "gulag" to which dissidents would be sent.

[9:08:52 AM](#)

Alaska Mental Health Enabling Act of 1956

- ❖ Cash payment for construction of API and purchase of Harborview.
- ❖ Phased out operational support to wean Alaska off federal dole.
- ❖ 1,000,000 acres of land in trust to generate money to pay for ongoing expenses.
- ❖ State legislature appointed trustee.

Mr. Jessee pointed to a three-pronged approach to address Alaska's mental health needs. The first was the construction of the Alaska Psychiatric Institute (API) and the purchase of what would become the Harborview Developmental Center. He asided that the Harborview Motel in Valdez was purchased by Governor Egan to generate employment and revenue for his hometown, as well as to provide for mental health needs of the State. The federal Enabling Act secondly provided funding for these projects to diminish over a period of eight years, and, thirdly, established the Mental Health Land Trust.

[9:10:27 AM](#)

Early Land Trust Management

- ❖ Desirable Trust lands selected first.
- ❖ Legislature designates some trust land as state parks, forests, and wildlife preserves (over 350,000 acres).
- ❖ Legislature releases 50,000 acres to 5,000 individuals through homesteading, lotteries, and sales.
- ❖ Legislature allows local governments to select over 40,000 acres.

Mr. Jessee remarked that the State "did an excellent job" of selecting the Trust lands, which included the Homer Spit, Kenai River frontage, portions of the Chugach State Forest, Beluga Coal Fields, and much of the areas surrounding the communities of Southeastern Alaska. When the State of Alaska received 100 million acres of land via the Statehood Act, the one million acres of Trust lands were "rolled into" the other federally granted lands. For several years the State treated the Trust

lands the same as other State lands, and during that time, half of the one million acres was taken out of trust through the establishment of wildlife preserves, sales, and homesteading allowances.

[9:12:41 AM](#)

Page 6

A Change in the Climate

- ❖ Internal DNR memos raise concern over trust land management.
- ❖ "Moms and pops" have problems with financing due to title issues.
- ❖ Local governments are on notice that the state has breached trust and they do not have clear title.
- ❖ Legislature realizes that land removed from trust has clouded title.

Mr. Jessee noted that the mismanagement of the Trust lands became apparent in the 1970s when local governments were allowed to select land from the State for their own use. When local organizations selected lands and went to record their title, it was revealed that nearly 25 percent of the lands chosen were Mental Health Trust lands. While the Trust lands comprised only one percent of the total State lands, the Trust lands were highly desirable and thus accounted for 25 percent of the lands selected by local entities.

[9:13:10 AM](#)

Page 7

Damage Control

- ❖ 1978 Legislature redesignates trust land as general state land.
- ❖ Mental health income account created to compensate trust for lost revenue.
- ❖ Legislature never makes any deposits.

Mr. Jessee reviewed the information on the slide, adding that within three years of the establishment of the mental health

trust income account, officials realized that no deposits were being made.

[9:14:06 AM](#)

Page 8

Litigation

- ❖ Weiss v. State filed as a class action in 1982 alleging breach of trust. Class broadly defined.
- ❖ Alaska Supreme Court rules in 1985 that trust must be reconstituted buy only 35% of original land remains.
- ❖ Court injunction freezes all activity on all trust land.

Mr. Jessee relayed that the Alaska Supreme Court relied on "private trust principles" in determining that the State had breached its trust responsibility. The Court identified the remedy as the return of the lands to the Trust, which was not "feasible". Since the original lands could not be returned due to various forms of development, the result was over a decade of negotiations, during which time much of the land was "frozen".

[9:16:30 AM](#)

Page 9

Beneficiaries Defined

- ❖ mentally ill,
- ❖ chronically alcoholic
- ❖ Developmentally disabled
- ❖ Suffering from Alzheimer's and related dementias

Mr. Jessee read the page, adding that the Trust's beneficiaries were defined in the course of the litigation.

[9:16:58 AM](#)

Page 10

Settlement Attempts

- ❖ Specially appointed commission values trust land at \$2.2 billion.
- ❖ 1987, 1990, 1991 - major failed settlement attempts based on percentage of general fund revenues or land swaps.
- ❖ After the 1991 settlement attempt is rejected by Judge Green, "unholy alliance" of stakeholders gathers to craft final settlement package.

Mr. Jessee overviewed the information.

[9:17:14 AM](#)

Page 11

1994 - Settlement at Last!

- ❖ Designation of 995,502 acres to be managed by a special unit within DNR
 - 341,421 - subsurface estate
 - 104,286 - hydrocarbon interest
 - 549,795 - fee simple
- ❖ Appropriation of \$200 million to a trust fund to be managed by the Alaska Permanent Fund Corporation.

Mr. Jessee identified the Trust's goal of reestablishing the million acre land trust as initially provided for by Congress. A diverse group of stakeholders was assembled to develop a replacement list of one half million acres to make the Trust whole. These lands would be managed by the Trust Land Office within the Department of Natural Resources, and would operate under trust principles rather than general State land management principles.

Mr. Jessee informed that the replacement lands were not as valuable as the originally selected properties. The difference in value was agreed to be \$200 million which the State appropriated, and is managed by the Permanent Fund Corporation.

[9:19:37 AM](#)

Page 12

1994 - Settlement at Last!

- ❖ Creation of the Alaska Mental Health Trust Authority to act as trustee. Separate appropriations bill for mental health program.
- ❖ Comprehensive Integrated Mental Health Program Plan required.
- ❖ Four advisory boards make budget recommendations to Trust trustees.
- ❖ Commissioners (DNR, DOR, DHSS) designated as advisors to The Trust.

Mr. Jessee indicated the "most important" aspect of the settlement was the creation of the Mental Health Trust Authority Board of Trustees, which acts as a trustee of the Trust to improve mental health services throughout the State.

Mr. Jessee noted the settlement also created an integrated mental health program by regrouping all of the services offered by the State into one budget appropriation that included both capital and operating costs. Additionally, the Department of Health and Social Services (DHSS) was charged with creating a "comprehensive integrated mental health plan". Benchmarks and performance measures are reflected in the plan, as the trustees have placed great value on accountability and a focus on results. Results are monitored both in terms of the number of people assisted by a program, and the number of those people who remain "better" after a period of time. He encouraged Members to examine the DHSS Bring the Kids Home program in terms of the benchmarks and program results.

[9:24:09 AM](#)

Page 13

Trust Mission Statement

- ❖ 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 and to provide leadership in advocacy, planning, implementing and funding of a comprehensive integrated mental health program to improve the lives and circumstances of its beneficiaries.

Mr. Jessee identified the Trust mission statement.

[9:24:19 AM](#)

Page 14

The Trust Authority Roles

- ❖ Oversee management of Trust assets.
- ❖ Maintain Trust management framework.
- ❖ Safeguard Annual payout from principal (currently 4.00%).
- ❖ Maintain Budget reserve account.
- ❖ Inflation proof principal to preserve Trust for future generations.
- ❖ Spend trust income.
- ❖ Separate Mental Health budget bill - recommend to Governor and Legislature how the State of Alaska should spend general fund resources.

Mr. Jessee informed that the trustees expend a percentage of the endowment each year. As a perpetual trust, the trustees could not pay out any of the principal trust dollars, and have therefore allocated a portion of the funds to a reserve fund. The Trust hired Callan & Associates, a consulting firm, which advised that an amount equal to four times the annual payout be placed in an income reserve account to be used in times of poor market returns. This ensures a consistent level of funding and allows for long-term projects.

Mr. Jessee told that at one point, the reserve balance fell to 158 percent from a target of 400 percent. When the reserve reached the targeted 400 percent, the payout would be increased, and the amount paid into the reserve account would increase correspondingly. The current payout is four percent, and would likely not increase over 4.75 percent.

[9:27:43 AM](#)

Senator Huggins referred to the last bullet on Page 14, and asked whether the Trust had already communicated its recommendations to the Governor and Legislature for FY08.

Mr. Jessee affirmed.

Senator Huggins asked the time schedule for those recommendations.

Mr. Jessee replied that the Trust is required by statute to provide that information by September 15. He continued that after the Trustees forward recommendations to the legislature and governor, and, if either body does not follow the recommendations of the Board, it must provide a written explanation to the Trustees of why the recommendations were not adhered to. This provides an opportunity for "policy dialogue" between the two bodies and the Board.

[9:29:54 AM](#)

Page 18

Beneficiaries by the Numbers:

- ❖ 8.5% of Alaskans age 18 and over have a Serious Mental Illness.
- ❖ An estimated one in 10 Alaskans over age 65, and nearly half of those 85 or older have Alzheimer's disease.
- ❖ Approximately 11,500 Alaskans have developmental disabilities.
- ❖ 15% of all Alaskans aged 18 to 25 are "heavy drinkers."

Mr. Jessee reviewed the slide, and commented that the Pioneers Homes are transitioning to serve the needs of an increasing number of Alaskans with Alzheimer's disease or other dementia.

[9:31:11 AM](#)

Page 19

Focus Area: Justice for Persons With Disabilities

- ❖ Up to 37% of persons in custody or under supervision of the Department of Corrections suffers from a mental illness, and 12% have major psychiatric disorders.
- ❖ This special program is funded in large part by the AMHTA, and is aimed specifically at getting mentally ill people out of the pattern of repeated petty crimes.

Mr. Jessee revealed that initially the Trustees sought to make major far-reaching changes to the mental health system. When that approach proved less effective than desired, the Board amended their method to focus on five specific areas. These areas are issues that the Trustees identify as significant, and they commit to attend to for an average of four to six years, or until marked progress is made.

Mr. Jessee told that one focus area was justice for persons with disabilities. He noted that the Department of Corrections is the single largest mental health provider in the State. The Trustees seek to affect this group of persons in need of mental health services on three levels: therapeutic and mental health courts; opportunities to assist those in custody; and methods to help offenders upon release so they do not return to custody. Mr. Jessee mentioned that incarcerated persons are now prequalified to receive Social Security assistance before release from prison.

[9:34:24 AM](#)

Page 24

Focus Area: Bring the Kids Home

- ❖ Today nearly 700 Alaskan youth receive care at a Residential Psychiatric Treatment Center outside the State of Alaska.
- ❖ This initiative has been designed to reverse the trend of exporting young Alaskans with serious emotional disturbances.

Mr. Jessee noted that the Board had collaborated extensively with the Department of Health and Social Services, and had "turned the curve" in returning Alaskan youth to the state. Alaska Natives constitute 40 percent of the youths in treatment outside of the state, therefore the Trustees have worked in partnership with tribal providers to serve people within their system.

[9:35:13 AM](#)

Page 27

Focus Area: Beneficiary Project Initiatives

- ❖ The Trust combines financial support with technical assistance options. Beneficial results include:
 - o The creation of sustainable organizations controlled by the beneficiaries.
 - o The creation of innovative programs to better serve the beneficiaries.

Mr. Jessee summarized this focus area by stating: "It is not necessary for people to totally be dependant on government-funded treatment programs. People can and do recover, and are able to support each other in that recovery."

[9:35:43 AM](#)

Page 29

Workforce Development

- ❖ A trained workforce is critical to all Trust beneficiary services. The Trust is working in partnership with the University of Alaska, State of Alaska, service providers, professional organizations and the Alaska Native Tribal Consortium to develop strategies to prepare new workforce and to recruit and retain people in the workforce.

Mr. Jessee informed that workforce development is applied to all of the Authority's focus groups. A shortage of health care providers exists in the state to offer assistance to those with mental health needs.

[9:36:50 AM](#)

Mr. Jessee played a video for the Committee. The following is a transcript of the presentation.

Narrator:

Many people think that the homeless population is made up mostly of alcoholic single men who just don't want to work. But the reality is quite different. In Alaska, the average age of a homeless person is nine years old.

Alaska is one of the wealthiest states in the nation. Yet on any given night approximately 3500 Alaskans are homeless. People are at risk of homelessness when they have to choose between food, shelter, and other basic needs. All it takes is an unexpected medical bill to put someone on the street.

Alaskans want to help. In a recent statewide public opinion survey, 90 percent agreed that we have a responsibility to help people who need a place to live.

In Alaska there is a gap between what low-income people can afford for housing and what housing actually costs.

9:38:04 AM

Dan Fauske, CEO/Executive Director, Alaska Housing Finance Corporation, Department of Revenue:

Average cost of a new home in Anchorage, for instance, is around \$329,000. That takes some income to support that kind of debt.

Even in the rental market, if you're on disability or unable to work, for whatever reason, you're not going to be able to even afford rent.

Narrator:

Who is homeless in Alaska?

9:38:56 AM

Jeff Jessee:

They're barely making it on the salary that they have, and it doesn't take much. A car repair, and emergency, a medical emergency, they often don't have health insurance either. Any sort of additional expense and they are pushed over the edge.

Narrator:

The fact is about 45 percent of Alaska's homeless are families with children.

9:39:15 AM

Tawnya:

I lost my job. My mom passed away. I missed a lot of work. And it made it difficult. And so we ended up not being able to pay our bills. And so we ended up being homeless.

Kuya:

I was employed, working. I'm a single parent with three kids. How everything came crashing down is when I got sick at work, and I didn't have any leave, and there was nobody there to help. It went from bad to worse. I lost my car. So then we didn't have transportation. I had no idea how I was going to get my children to school.

Narrator:

More than 3,000 school children who are homeless or inadequately housed at some time during the 2005-2006 school year.

9:39:55 AM

Barb Dexter, Child in Transition/Homeless program, Anchorage School District:

The average age of a homeless person is nine years old. And we anticipate that even getting younger because the largest growing population are families with young children.

Carol Comeau, Superintendent, Anchorage School District:

Homeless kids, if they're moving around a lot and they're not able to go back to the same school during the year, they don't do as well. Most of them are embarrassed about their situation. A lot of them don't

like to talk about it, so they put some kind of protections around themselves.

9:40:27 AM

Tawnya:

Us being in the shelter, actually, my youngest daughter has gotten -- we got her first report card; she got all F's. It was very stressful for her. A lot of sleepless nights. Didn't know what to do. Didn't want to do her homework. She regressed really bad.

Barb Dexter:

One of the things that you look at is that children who experience homelessness are four times as likely to have learning disabilities, to have significant cognitive delays.

Narrator:

Homeless children experience more mental health problems such as anxiety, depression, and withdrawal. Children without a home are also more likely to suffer from asthma, ear infections, stomach complications, and speech problems.

About 14 percent of Alaska's homeless are severely mentally ill.

9:41:02 AM

Narrator:

Nena was homeless and slept on couches at her friends' house and sometimes on the street.

Nena:

My mother died and I went through a mental breakdown and I got sick and lost everything. Had to forfeit my condo and my car. I functioned normally. I functioned normally. I just had auditory hallucinations.

Jeff Jessee:

We have so many people that have a mental illness or chronic substance abuse problem and they cycle in and out of the psychiatric hospital, in and out of jail for petty misdemeanors. If they are able to actually find a secure home and have the support services that they need, and realize that over time they could actually remain stable in the community, then that's a life-changing experience for them.

Narrator:

Homelessness costs Alaska.

Hospitalization, incarceration, and mental-health treatment are just some of the costs a community must bear.

The Federal Government provides the lion's share of housing assistance, but it does not adequately focus on the problems faced by those who are on the brink of homelessness, or those who have already been forced out of their homes.

9:42:42 AM

Narrator:

How can we help?

A major step is the Alaska Housing Trust.

Jeff Jessee:

Well, the Housing Trust is a strategy that many states and other jurisdictions are using now to try to take our existing housing programs and target them more directly to people that are homeless or at risk of becoming homeless.

Narrator:

In 2004, the Governor created the Alaska Council on Homelessness to address the issue of homeless Alaskans and those struggling to stay in their homes.

The Council was composed of representatives of a number of state and federal agencies.

9:43:33 AM

Dan Fauske:

Within that group were eight Commissioners, the head of the Alaska Mental Health Trust Authority, HUD, and the Lieutenant Governor.

We met numerous times and gathered testimony and information from a variety of participants to gain as much knowledge about the subject of the homelessness throughout the state as we could. What we have arrived at was creating a housing trust to help support homeless issues and financing for homelessness.

9:44:43 AM

Narrator:

More than 30 states across the nation have created successful housing trust funds. Housing trust fund activities that reduce homelessness.

Some of those activities include the construction of new housing; the rehabilitation of existing housing; the purchase of land; the establishment of a community land trust; and the modification of housing to make it accessible.

Housing trusts can also provide down payment and deposit assistance; rental assistance; tenant education; case management and counseling; financial counseling; and crisis intervention services.

The Housing Trust will use proven strategies like the program started in Seattle by the Bill and Melinda Gates that provided \$40 million to build 1500 units of service-enriched housing.

Strategies implemented through housing trusts in the lower 48 have successfully addressed the issues faced by the homeless. They've also served the needs of those who work but are still at risk of homelessness.

It's time to make it work in Alaska.

By using innovation derived from the successful pilot projects around the state and the nation, the Alaska Housing Trust seeks to create long-term, affordable housing to reduce homelessness and to help those struggling to stay in their homes.

The Alaska Housing Trust: Opportunity begins with a home.

[9:45:38 AM](#)

Mr. Jessee shared that the majority of housing assistance funding is allocated to people with an income 70 percent or above the area median income. This is due to two factors. The first is that projects "pencil out better" if the tenants could contribute more money to the program in the form of rent. Secondly, homeless people are typically homeless because they suffer from other problems, including alcoholism or substance abuse, domestic violence, or health issues.

Mr. Jessee explained that a housing trust differed from the conventional approach in that a housing trust links support services directly to the housing developments. He exemplified the success of the Gates Foundation, which had reduced the percentage of school-aged kids who attended more than two schools in a year from 25 percent to five percent. He suggested that revenue generated by the Alaska Housing Finance Corporation could be used to fund a housing trust to address the homeless issue.

[9:48:25 AM](#)

Co-Chair Hoffman asked if SB 51, appropriating Mental Health Trust Authority funds for FY08, is supported by the Trust.

Mr. Jessee reported that the Authority generally supports the bill, but noted that a number of recommendations from the Board

were not included in the current legislation. The Trust would continue to work with the Administration and the subcommittees to address concerns.

Co-Chair Hoffman asked if Mr. Jessee anticipated amendments to the bill.

Mr. Jessee affirmed, indicating his expectation that Governor Sarah Palin's budget amendments would contain amendments to the mental health bill.

[9:49:17 AM](#)

Senator Dyson mentioned Alaska's problem with "fetal alcohol spectrum disorder," and asked if diagnostic services were available to the Authority's clients.

Mr. Jessee responded that the Trust had made progress and was concluding a five year federal grant program to address the issue. The federal grant had assisted in evaluation services and the establishment of prevention programs. However the funding would not continue and unless replacement funding could be identified, those programs would cease.

Senator Dyson asked the amount of the federal grant.

Mr. Jessee understood the necessary level of funding was approximately \$500,000.

[9:50:27 AM](#)

Senator Huggins asked the percent of homeless who were veterans.

Mr. Jessee was not sure of the percentage, but agreed that many veterans were homeless. He stressed that a key factor in maintaining housing for previously homeless veterans was support services, as many of them had issues beyond homelessness.

Senator Huggins asked Mr. Jessee's opinion of the success rate of a Veteran's dormitory administered by the Veteran's Administration.

Mr. Jessee characterized the program as "very successful" in the areas where it provides services, but commented that it does not address long term needs of the people being served.

Senator Huggins recalled that the program includes treatment, placement in employment, and temporary subsidized housing.

[9:52:24 AM](#)

Mr. Jessee concurred, adding that the continuation of services was where our system was "particularly weak".

[9:52:35 AM](#)

Senator Thomas inquired the cost of providing out-of-state treatment for the 700 youths currently receiving those services.

Mr. Jessee estimated that cost at \$35 to \$40 million each year.

[9:52:58 AM](#)

Co-Chair Hoffman informed that Mr. Jessee would likely be back before the Committee during the amendment process.

#

ADJOURNMENT

Co-Chair Lyman Hoffman adjourned the meeting at [9:53:11 AM](#)