

SENATE FINANCE COMMITTEE
January 24, 2018
9:03 a.m.

[9:03:08 AM](#)

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 9:03 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Anna MacKinnon, Co-Chair
Senator Click Bishop, Vice-Chair
Senator Peter Micciche
Senator Donny Olson
Senator Gary Stevens
Senator Natasha von Imhof

MEMBERS ABSENT

None

ALSO PRESENT

Mary Jane Michael, Chair, AMHTA; Mike Abbott, Chief Executive Officer, Alaska Mental Health Trust Authority.

SUMMARY

SB 143 APPROP: MENTAL HEALTH BUDGET

SB 143 was HEARD and HELD in committee for further consideration.

#sb143

SENATE BILL NO. 143

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

[9:03:40 AM](#)

Co-Chair MacKinnon recognized that there were several Alaska Mental Health Trust Authority (AMHTA) trustees in attendance.

MARY JANE MICHAEL, CHAIR, AMHTA, discussed the presentation, "Legislative Presentation Senate Finance Committee," (copy on file).

Ms. Michel turned to slide 2, "TRUSTEES":

- Mary Jane Michael, chair
- Chris Cooke, vice chair
- Laraine Derr, secretary
- Paula Easley
- Greg Jones
- Jerome Selby
- Carlton Smith

Ms. Michael introduced the trustees, and detailed that Paula Easley had been on the board for 11 years and would shortly be ending her term of service. Greg Jones had served as interim chief executive officer (CEO) and would also be vacating his board seat.

Ms. Michael discussed two appointees to AMHTA that had yet to be confirmed.

Ms. Michael reminded that AMHTA was established to provide a perpetual trust to improve the lives of its beneficiaries. She acknowledged the fiscal challenges of the state, and discussed past AMHTA projects such as Bring the Kids Home. She asserted that the trust recognized that partnership with the state and its investment must include broader, overall systems change in the state in order to create a progressive and sustainable system. She used the example of the trust's substantial investment in Medicaid reform and expansion as well as criminal justice reinvestment.

Ms. Michael continued her remarks and informed that here had been internal changes at the trust over the previous year. The trust had hired a new CEO after the departure of its long-standing CEO Jeff Jessee. After an extensive search, AMHTA had hired a new CEO. Additionally, the trust had examined its governance structure and operating procedures and hired an organizational management consultant that helped the trust navigate organizational

change. The trust had rewritten bylaws and created committee charters. Some of the new documents were modelled after the Alaska Permanent Fund Corporation (APFC). Stakeholders and the statutory advisory board were engaged in the process. She was proud of the committed group of trustees and staff at AMHTA and reported that the organization was financially and organizationally healthy.

9:07:58 AM

MIKE ABBOTT, CHIEF EXECUTIVE OFFICER, ALASKA MENTAL HEALTH TRUST AUTHORITY, showed slide 3, "FY19 Anticipated Available Funding":

Distributable Funds - Based on 4-year averages for stability
Payout \$21,137,000
Prior Years Carried Forward \$3,042,000
Land Office Average Spendable Income \$4,974,000
Interest Average \$285,000
Total \$29,438,000

Prior Years' Total Distributable Funds
FY18 \$28,908,000
FY17 \$28,234,000
FY16 \$28,126,500
FY15 \$28,497,000
FY14 \$26,598,000

Mr. Abbott pointed out that the total \$29.5 million request was drawn from three primary revenue streams, the largest of which was the investment yield from the trust's investment. He detailed that \$450 million of the amount was from the Mental Health Trust Fund, and the other \$100 million was operating funds. The operating funds were invested by the Department of Revenue (DOR) and APFC. The fund used a POMV-style payout, and the \$21 million payout represented a 4-year average of 4.25 percent of investment values.

Mr. Abbot continued discussing slide 3, and informed that the trust proposed to deploy \$3 million in lapsed funds (again a 4-year average of lapsed funds) which had been relatively consistent for the previous three years. The third major revenue stream was the annual income from the trust land office activities.

Mr. Abbott considered the previous five years total distributable funds, which represented the culmination of a relatively useful trend in growth of spendable income from the trust. He anticipated that the trend would continue, and thought it was not unreasonable to expect that the FY 20 proposal from the trust might be above \$30 million.

Mr. Abbott looked at slide 4, "Trust Land Office Annual Revenue," which showed a bar graph that showed the relative change and relative volatility of revenue to the trust land office. Different revenue categories were shown, including the five major categories of minerals, coal/oil/gas, lands, timber, and real estate. Not all the revenue was spendable for beneficiaries, and a significant portion of the revenue was required to be invested. The trust land office revenue stream was split.

[9:11:44 AM](#)

Mr. Abbott spoke to slide 5, "Trust Land Office Principal and Income Revenue," which showed the principal and (spendable) income portion of the trust land office revenue. The \$4.9 million he referenced earlier was the green portion of the bar graph.

Co-Chair Hoffman asked to return to slide 4 and wondered if there were any land sales in the FY 19 revenue projections.

Mr. Abbott answered in the affirmative, and informed that the FY 19 projects were based on anticipated activity in the land office, which was a combination of sales activity, leasing, easements, and other related transactions.

Co-Chair Hoffman asked how much land was anticipated to be sold, and where the land was located.

Mr. Abbott stated the trust had an ongoing sale process, through which land was consistently available for sale. Expectations for FY 19 were not parcel-specific, and the trust was not obligated to sell any specific amount of lands in any given time frame. The trust had expectations but did not have a schedule that described specific transactions in specific years.

Co-Chair Hoffman observed that over time land sales had been a substantial portion of income since the inception of

the trust. He wondered how much total land the trust owned and sold.

Mr. Abbott stated that since inception, the trust had disposed of less than 3 percent of the original entitlement, which would equate to approximately 30,000 acres.

[9:15:03 AM](#)

Senator von Imhof asked if the trust also purchased land.

Mr. Abbott referenced the Southeast Land Exchange, which had been congressionally and legislatively authorized. The trust was in the process of final negotiations with the United States Forest Service (USFS), which would result in the disposal of some trust lands, and the acquisition of others. There were other cases in which the trust had acquired land, typically in order to increase the long-term value of existing trust lands by purchasing adjacent land.

Senator von Imhof asked if the trust occasionally purchased land specifically for its development potential.

Mr. Abbott was not aware of a time when the trust had specifically purchased land to be developed. He qualified that he was speaking to the trust's land portfolio itself. He clarified that the real estate investment component was a separate element of the trust and had acquired seven different parcels of land specifically for revenue-generating potential.

Senator von Imhof asked if the acquisitions were represented by the light blue line on slide 4.

Mr. Abbott answered in the affirmative.

Mr. Abbott discussed slide 6, "FY19 Budget," which showed a pie chart that showed how the trust planned to deploy its FY 19 revenue. He explained that trust funding fell into three categories: \$10 million in authority grants, Mental Health Trust Authority Authorized Receipts (MHTAAR), and administrative expenses of the trust. He detailed that MHTAAR funds went to state agencies and had to be approved by the legislature. Administrative operations funding went towards managing trust assets and making funding choices and reallocations for trust beneficiaries.

9:19:18 AM

Mr. Abbott addressed slide 7, "Current Priorities":

- Medicaid Reform
- Criminal Justice Reform & Reinvestment

Established Focus Areas

- Disability Justice
- Substance Abuse Prevention & Treatment
- Beneficiary Employment & Engagement
- Housing and Long-term Services & Supports

Mr. Abbott thought that the committee was aware of the trust's two primary priorities of Medicaid reform and criminal justice reform and reinvestment. He stated that every dollar of the MHTAAR authority grant funding worked toward one of the six established focus areas, and sometimes more than one. He stated that by statute the trust did two-year budgeting; which explained why the focus areas were the same as the previous year. He explained that the trust would beginning a new budget planning and prioritization cycle in the subsequent spring.

Senator Micciche wondered what was meant by "Medicaid Reform" or "Medicaid Expansion" when listed as priorities.

Mr. Abbott explained that the expansion effort had been accomplished, and now the trust was focused on the reform effort. The trustees had committed approximately \$10 million in a multi-year effort to support most of the state's expenses associated with the Medicaid expansion and reform effort.

Senator Micciche relayed that the committee had recently been given a supplemental budget and had partnered with the trust on SB 74 [Medicaid reform legislation passed in 2016]. The legislature continued to work on reforming Medicaid.

Mr. Abbott stated that the trust's interest in Medicaid reform was in the interest of helping the department deliver Medicaid more efficiently and therefore serve more beneficiaries.

Senator von Imhof wanted to learn more about Medicaid reform. She shared that she was on a health care task force. She hoped to have a lengthier conversation at another time.

Mr. Abbott indicated willingness to have a more in-depth discussion at a later date.

[9:23:16 AM](#)

Co-Chair MacKinnon asked about the passage of SB 74.

Senator Micciche believed SB 74 had passed in 2016.

Co-Chair MacKinnon referenced criminal justice reform and reinvestment legislation, as well as a report from the Department of Corrections and the Department of Health and Social Services. The report referenced a partnership between the state and the trust. She asked Mr. Abbott to discuss the partnership and how the trust's beneficiaries were sensitive to the subject matter.

Mr. Abbott stated that the trust was committed to criminal justice reform, as trust beneficiaries were over-represented within the criminal justice system as a result of mental health issues, substance abuse, and a variety of other concerns. The trust had been a long-standing participant in a variety of criminal justice reform and reinvestment efforts. He stated that the report referenced by Co-Chair MacKinnon had been paid for by the trust, and it was one of the ways sought to support criminal justice reform efforts. The trust sought to measure outcomes associated with incremental pieces within different elements of criminal justice reform. The associated research, data gathering, reporting, and analysis would continue; and the trust would continue to be one of the largest funders of the effort.

Mr. Abbott continued his remarks. He thought the report had demonstrated that there was savings to the state, and thought there was recidivism benefits as well as a result of criminal justice reform action taken by the legislature. He stated that the trust was very appreciative of the legislatures continued efforts over the previous two years.

[9:26:46 AM](#)

Co-Chair MacKinnon asked if there were improved treatment options for beneficiaries and other Alaskans that were seeking substance abuse treatment.

Mr. Abbott thought there was directional improvement, yet not seeing the level of benefit believed to be necessary in order to get the full improvement in the criminal justice system that was sought. He opined that continued investment and ongoing practice was required to realize the benefits that were being sought. There were limitations with facilities, resources, and in the criminal justice system.

Co-Chair Hoffman asked what the trust was doing to mitigate the opioid crisis.

Mr. Abbott stated cited work with the division of behavioral health and the division of public health and funding a number of the divisions' activities. Much of the work the trust had been doing toward general substance abuse would make a difference in the opioid abuse specifically. The trust was working to expand overall capability, as well as working to expand individual program. The trust's efforts were a combination of capacity building and direct services in treatment, housing, and other elements of the substance abuse treatment continuum.

Co-Chair Hoffman asked if Mr. Abbott could cite a dollar amount that had been expended on the effort.

Mr. Abbott agreed to provide the information in two days' time.

[9:29:31 AM](#)

Senator von Imhof asked the relationship between Medicaid funding and substance abuse treatment centers.

Mr. Abbott relayed that in its current form, Medicaid did not provide much funding for substance abuse. One of the targets of the reform effort was to improve the connection between Medicaid paid services and substance abuse. He thought the committee would hear from DHSS on a variety of reform efforts, primarily funded by the trust. He mentioned trying to seek waivers from the federal government in aid of expanding services for some Medicaid beneficiaries that would make more substance abuse treatment fundable by Medicaid.

Senator von Imhof recalled reading an article about the Trump administration stating that waivers were required to shift funds to substance abuse treatment. She thought more waivers were becoming available as states struggled with the issue.

Mr. Abbott stated that DHSS was in the final stages of developing the waiver application for the federal government in order to access more funds for the purpose of substance abuse treatment.

[9:31:57 AM](#)

Mr. Abbott reviewed slide 8, "Operating Budget":

- Governor's budget is very similar to trustee-approved budget, with one exception
- Governor's budget includes \$18 million increase in GF/MH for comprehensive continuum of care for substance use disorder services

Mr. Abbott stated that the trust would typically comment on concerns with the governor's proposed operating budget, but almost all the trustee's recommendations for operating budget expenditures were supported in the governor's proposed budget. The trustees did not specifically identify the governor's recently announced initiative of deploying \$18 million for comprehensive substance abuse disorder services but was in full support. He thought it was an excellent demonstration of state support for the services. He stated that there were minor differences between trustee recommendations and the governor's proposed budget, primarily around funding sources. The trust gave the governor's proposed budget a strong endorsement.

Senator Micciche asked Mr. Abbott to clarify how much Undesignated General Funds (UGF) came from the legislature to the trust, or if the trust was fully self-sufficient from fundraising from the original land grant.

Mr. Abbott stated that the trust did not employ any non-trust funds. As a result of the settlement in the 1990s, only the trustees could deploy trust funds. In many cases, the trust needed the legislatures agreements on some deployments. The trust recommended funds to be appropriated

to others. He thought that historically the administration, legislature, and trust had worked well together.

Senator Micciche stated that typically the presentations were started with a history of the trust.

[9:35:27 AM](#)

Mr. Abbott turned to slide 9, "Capital Budget":

- Homeless Assistance Project and Special Needs Grant
 - Trustees recognize the housing and homelessness crisis in the state
 - Trustees respectfully requested an increase of \$5.3 million in state funds to address this issue

Mr. Abbott stated that most of the trust's priorities had been addressed in the governor's proposed budget, with the exception of the Homeless Assistance Project and Special Needs Grant. The trust had deployed millions of trust funds towards addressing a variety of housing and homelessness issues over the years. He acknowledged the constraint on capital budgets but believed that additional investment in housing would have a significant positive effect in substance abuse treatment, recidivism, and other general mental health issues. He referenced research that showed lack of housing led to lack of resolution of other difficult issues. The trust believed that marginal investments in housing were believed to reduce overall state expenditures and will improve challenges in other areas as well.

Senator von Imhof asked if the trust gathered data on the participants that received trust services. She wanted to see the fundamental links between cause and effect. She thought more sophisticated collection of data would help fine-tune where support needed to be directed.

Mr. Abbott agreed with Senator von Imhof, and was glad to share additional data pertaining to the beneficiary population.

[9:39:14 AM](#)

Senator von Imhof thought the \$5.3 million request was relatively small and wondered if the trust had a recommendation as to where the funds would be spent.

Mr. Abbott identified that the trust considered two programs to be excellent investments for the state. He discussed expansion of permanent supportive housing in regional hubs and cities. He cited a rapid re-housing program, which was a system of deployment of funds on an incremental basis to help individual families stay housed. It included rent support and other types of funding that kept people in housing they were in. Rapid rehousing was done on a limited basis thus far, and data showed that the program was dramatically reducing emergency room visits, substance abuse, and recidivism.

Vice-Chair Bishop thought that data would drive the operating budget down. He thought seeing the cause and effect, and the savings that could be realized were important to address the problems being discussed.

Mr. Abbott agreed with Vice-Chair Bishop, and emphasized that housing was a key element in addressing the problems of people with a variety of challenges. He relayed that the trust had funded a position in the mayor's office in Fairbanks, and the position was generating data that the trust relied upon. He encouraged members to consider data from a variety of data sources on a local or statewide level that could help illustrate the benefits of programs such as listed on slide 9.

Co-Chair MacKinnon noted that the governor had proposed a unique way of funding some projects that was not typical for the capital budget. She thought that Alaska Housing Finance Corporation (AHFC) dividends might be available. She thought the approach was tied to the successful passage of legislation that would ask Alaskans to contribute to sustaining the programs. She was not sure the approach would be successful.

Mr. Abbott mentioned that AHFC was also working to expand its commitment to permanent supportive housing and were requesting proposals from agencies that might be able to provide the services. The trust was eager to see the impact that such expansion might have. He thought there was an indication of the growing consensus around the benefits of investments in housing.

[9:44:26 AM](#)

Mr. Abbott showed slide 10, "Administrative Budgets":

Trust Authority

- Trustees approved: \$4,135.3
- Governor's proposed budget: \$3,867.4

Trust Land Office

- Trustees approved: \$4,568.4
- Governor's proposed budget: \$4,213.2

Total difference: \$623.1

Impacts our ability to generate revenue and provide grants and oversight of existing programs for beneficiaries.

Mr. Abbott detailed the trust diverged from the governor's proposed budget with regard to its proposed funding for the administrative budget for the trust authority and the trust land office (housed in the Department of Natural Resources [DNR]). The trustees had determined that the appropriate level of funding for the two agencies listed on the slide was \$8.7 million, while the governor had recommended \$8.1 million to essentially flat-fund the administrative. The trustees recommended two separate appropriations entirely funded by trust resources. The trust respectfully requested that the funds be restored to its budget. The trust believed that the impact of the 8 percent reduction would reduce the effort of the trust in deploying funds intelligently and managing lands and resources. The trust sought the committee's support in restoring the funding.

Vice-Chair Bishop had read through the DNR finance subcommittee notes and had identified the area of the trust's budget that Mr. Abbott had referenced.

Senator Micciche asked how often the governor adjusted the trust's budget. He did not recall it being an issue in the past.

Mr. Abbott believed the current budget was one of the first times.

Senator Micciche asked if there had been communication between the governor's office and the trust's administrative team.

Mr. Abbott believed there had been a frank exchange of views between the two parties. He furthered that the trust had conferred with the director of the Office of Management and Budget (OMB). The director had written a very useful reply to the trust that he was happy to share with the committee. He summarized that the director had communicated about the trust following the same spending discipline as other agencies. He thought that it could be demonstrated that the trust spent its money wisely. He cited growth in the trust's budget and revenue streams, as well as the quality of the deployment of its resources that showed the trust's administrative expenses were well spent in the effort to support its beneficiaries. He appreciated the director's perspective on the budget, but respectfully disagreed and requested the committee follow the guidance of the trustees on the issue of the trust's administrative budget.

[9:48:39 AM](#)

Co-Chair Hoffman asked if Mr. Abbott could briefly describe how the additional requested funds would be spent.

Mr. Abbott informed that the proposed reduction would have an incremental impact on the trust's personnel. There would be positions left vacant or eliminated, and/or contractual efforts on behalf of trust lands would be truncated. He expected that the proposed lesser funds would have a marginal but measurable impact on the quality of the trust's land management efforts or the quality of beneficiary support.

Senator Micciche commented that he had worked with the DHSS budget for years and worked for reductions. He thought the trust had helped reduce spending. He was concerned that administration was putting pressure on programs that could save the state money.

[9:50:50 AM](#)

Co-Chair MacKinnon thought it was important for the committee to point out that UGF was different than Designated General Funds (DGF). She thought the subject had

been contentious. The DGF associated with the trust could not be spent in other places. The committee, at the request of previous CEO Jeff Jessee, has asked the trust to use its assets in a different way. The committee had seen the strategy play out for two years. She referenced Senator Micciche's remarks about the difference in the governor's proposed budget and the trust's administrative budget request. She offered her full support in trying to work with the administration to increase funding but not use UGF.

Co-Chair MacKinnon continued her remarks. She used the example of the University of Alaska (UA). The legislature had not taken from UA tuition, which was DGF. She referenced Department of Fish and Game funds that were designated and passed through to local communities. She pointed out that the DGF were different and used for the highest and best use to provide services. She referenced Medicaid and noted that the legislature had actively pursued federal funds to benefit the people of Alaska through Medicaid. The committee was endeavoring to use DGF and federal funds to stop the downward spiral of unemployment in the state.

[9:55:24 AM](#)

Co-Chair MacKinnon acknowledged that each of the members represented communities that used DGF and had been under heavy scrutiny over the previous five years.

Vice-Chair Bishop referenced slide 4, and considered the revenue generated by the minerals sector. He wondered why one would limit the revenue stream.

Senator Micciche pointed out that there were initiatives that reached across department's ability to generate revenue for services for Alaskans. He referenced an possible initiative "Save our Salmon," which he thought would directly and adversely impact the ability of the trust to deliver services through beneficiaries by complicating any proposed mining developments. He thought the state had adequate protection in place for fish and natural resources without compromising the ability of state departments to deliver services.

Senator Stevens referenced an audit of AMHTA funds.

Mr. Abbott looked at slide 11, "Legislative Priorities":

- Protect Criminal Justice Reform
- Pass SB 76, Title 4 Revisions
- Pass Trust Investment Legislation

Mr. Abbott relayed that LBA had initiated a special audit on trust-related activity in December 2016. The audit was wide-ranging in scope and dealt with open meetings compliance, as well as looking at whether some investments trustees had made over the previous 6 to 8 years had been properly authorized. The audit was supposed to be done a month previously and was expected to be brought to the Legislative Budget and Audit Committee for review in late February or early March 2018. He stated that the trust had been working diligently with auditors for the previous 12 months.

Mr. Abbott stated that the trust believed legislative action was necessary to clarify what the trust's authority was related to investable revenue streams. The trust was working with members to start a conversation on the topic. The trust wanted to start the conversation before the audit was done in order to have timely resolution.

[10:00:16 AM](#)

Mr. Abbott continued to speak to slide 11. He discussed other legislative priorities. He stated that the the trust continued to be engaged in ongoing legislation relating to criminal justice reform. He relayed that Steve Williams, AMHTA Chief Operating Officer, was a member of the Criminal Justice Commission. The commission was evaluating a variety of proposals and the trust was prepared to weigh in and protect the core objectives envisioned in the criminal justice reform legislation that had passed.

Co-Chair MacKinnon referenced the trust administrative team and wondered if Mr. Abbott wanted to introduce anyone in the gallery.

Mr. Abbott introduced Steve Williams, Chief Operating Officer; Andy Stemp, Chief Fiscal Officer; Wyn Menefee, Chief of Operations, Trust Land Office; Carlee Lawrence, Katy Baldwin, Senior Program Officer; and Kelda Barstad, Program Officer.

Mr. Abbott introduced individuals from advisory boards, including the Alaska Commission on Aging, the Governor's Council on Disability and again, and the Mental Health Board. He described the boards as critical partners to help and guide the trust as it made programmatic and organizational choices.

Co-Chair Hoffman supported Co-Chair MacKinnon's earlier comments. He had worked on legislation with former AMHTA CEO Jeff Jessee. He was proud of the work of the committee in representing the diverse areas of the state. He thanked the board members for their work.

Vice-Chair Bishop commented that he had read in the paper that there were several hospitals that had increased mental health bed capacity. He asked if Mr. Abbot had any further information.

Mr. Abbott thought the article had referenced Valley Hospital and Alaska Regional Hospital. He agreed that anything that increased the capacity of care in the state was positive.

[10:06:05 AM](#)

Senator Micciche referenced the state's poor statistics in areas of public health. He mentioned opioid abuse, domestic violence, and suicide. He thought the issues were directly related to public safety and recidivism reduction and discussed the balance with protecting the public. He asked Mr. Abbott to communicate how the legislature could help aid in the trust's mission.

Co-Chair MacKinnon thanked Jeff Jessee for his work with the trust. She thanked board members for their service.

Co-Chair MacKinnon discussed the agenda for the remainder of the week.

#

ADJOURNMENT

[10:08:54 AM](#)

The meeting was adjourned at 10:08 a.m.