

SENATE FINANCE COMMITTEE  
January 31, 2019  
9:02 a.m.

[9:02:22 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

Senator Natasha von Imhof, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Click Bishop  
Senator Donny Olson  
Senator Mike Shower  
Senator Bill Wielechowski  
Senator Peter Micciche

MEMBERS ABSENT

Senator Lyman Hoffman  
Senator David Wilson

ALSO PRESENT

Mike Abbott, Chief Executive Officer, Alaska Mental Health Trust Authority; Mary Jane Michael, Chair, Alaska Mental Health Trust Authority; Representative Andy Josephson; Senator Cathy Giessel.

PRESENT VIA TELECONFERENCE

Kris Curtis, Legislative Auditor, Alaska Division of Legislative Audit.

SUMMARY

^PRESENTATION: ALASKA MENTAL HEALTH TRUST AUTHORITY (AMHTA)

[9:05:12 AM](#)

KRIS CURTIS, LEGISLATIVE AUDITOR, ALASKA DIVISION OF LEGISLATIVE AUDIT (via teleconference), referred to, "A

Performance Review of the Department of Revenue, Alaska Mental Health Trust Authority Asset Management and Other Select Issues" (copy on file).

[9:34:49 AM](#)

Co-Chair Stedman stated that the process was underway for a long time, and the audit was requested by Legislative Budget and Audit. He remarked that the audit was presented, because of its significance and the interest that the legislature does not go into endless litigation. He felt that it was beneficial that the audit be summarized, and then commented by Mr. Abbott.

[9:37:06 AM](#)

MIKE ABBOTT, CHIEF EXECUTIVE OFFICER, ALASKA MENTAL HEALTH TRUST AUTHORITY, introduced himself. He provided comments on the audit. He thanked the executive director of the Permanent Fund Corporation, Angela Rodell.

[9:49:45 AM](#)

Co-Chair Stedman queried the personnel changes and the number of new Board members.

Mr. Abbott replied that the Board chair would introduce the trustees. He stated that he was a new CEO in the current year. He remarked that the Land Director was also new in the current year. He also noted that there was a new CFO, who came from the North Slope.

Senator Bishop wondered what was done to protect the trustees through trustee training.

Mr. Abbott replied that the trust had taken advantage of the resources available through the Department of Law (LAW).

[9:54:20 AM](#)

Senator Bishop encouraged annual trustee training for fiduciary responsibility, and wondered whether a policy could be purchased to hold the trustees harmless.

Mr. Abbott replied that most of that protection was provided through the state's risk management program.

Senator Olson noted that audits were unpleasant. He felt that the most troubling thing was on page 41, which showed that multiple trustees were intentionally avoiding discussions. He wondered whether any Board members had resigned because of the situation.

Mr. Abbott replied in the affirmative. He stated that the Board Chair resigned during the time that the poor behavior was occurring. There was also significant changeover on the Board.

Senator Olson wondered whether corrective action had occurred by the personnel and Board.

Ms. Curtis stated that she could not comment on that issue.

[9:59:52 AM](#)

Mr. Abbott discussed, "Legislative Presentation, Senate Finance Committee" (copy on file).

[10:00:22 AM](#)

MARY JANE MICHAEL, CHAIR, ALASKA MENTAL HEALTH TRUST AUTHORITY, briefly highlighted her background.

Ms. Michael highlighted slide 2, "Trustees":

- Mary Jane Michael, chair
- Jerome Selby, vice chair
- Carlton Smith, secretary
- Verné Boerner
- Christopher Cooke
- Laraine Derr
- Paula Easley

Mr. Abbott highlighted slide 3, "Trust Beneficiaries":

Beneficiaries include Alaskans who experience:

- Mental illnesses
- Developmental disabilities
- Alzheimer's disease and related dementias
- Traumatic brain injuries
- Substance abuse disorders

The Trust also works in prevention and early intervention services for individuals at risk of becoming beneficiaries.

Mr. Abbott addressed slide 4, "Grant Impacts, Grants Awarded in FY18":

- Housing
- Medicaid 1115 Behavioral Health Waiver
- Alaska Psychiatric Institute (API)
- Crisis Stabilization
- Early Childhood Prevention/Early Intervention
- Reentry

Mr. Abbott looked at slide 5, "FY20 Anticipated Available Funding."

Mr. Abbott highlighted slide 6, "Trust Land Office Annual Revenue."

Mr. Abbott addressed slide 7, "Trust Land Office Principal and Revenue."

[10:11:03 AM](#)

Co-Chair von Imhof looked at slide 5, and queried the total portfolio at the Permanent Fund.

Mr. Abbott responded that the Trust had approximately \$550 million of current invested assets. She stressed that they were primarily managed by the Alaska Permanent Fund, with some managed by the Department of Revenue (DOR), through a slightly different management process. He stated that the \$550 million was a combination of the Mental Health Trust Fund, was the balance and reserves.

Co-Chair Stedman wondered how long the modified endowment structure been in place.

Mr. Abbott replied that it was much lower in the early days of the trust at a 2 percent draw, and had grown over time as the trust assets had grown and stabilized. He remarked that the 4.25 percent draw had been in place for more than ten years.

Co-Chair von Imhof looked at slide 6. She pointed out that while the portfolio was managed by the Permanent Fund, the

asset mix was a little different than other endowments due to the million acres of land with different resources. She wondered how the resources were considered with regard to cash flow.

[10:15:22 AM](#)

Mr. Abbott discussed the highlights of the Trust Land Office.

[10:21:04 AM](#)

Senator Wielechowski looked at slide 5. He surmised that the million acres was generating \$4.2 million.

Mr. Abbott replied that the million acres was likely generating closer to \$12 million. The \$4.8 million was what was expendable on an annual basis. The balance was invested permanently.

Senator Wielechowski wondered whether \$10 to \$20 per acre was a reasonable return, and queried the historic return of the \$550 million invested by the Permanent Fund.

Mr. Abbott replied that the Trust assets that were managed by the Permanent Fund were comingled asset with the Alaska Permanent Fund. He stated that roughly one percent of the corporation's fund under management were trust funds. He stated that the Trust was a small participant in the corporation's activity. He noted that historic returns have swung in good or bad directions.

Senator Micciche requested details on what the lands were producing. He queried the high value of minerals and materials in FY 13 versus the other years.

Mr. Abbott agreed to follow up with detail. He stated that one of the Trust's greatest producing assets was the Fort Knox Gold Mine, because it was the landowner for most of the state lands associated with that mine.

[10:25:09 AM](#)

Senator Micciche surmised that the green section was the earnings income that can be spent, and the principal was the earnings for the year that were deposited into the permanent investment.

Mr. Abbott replied in the affirmative.

Senator Wielechowski wondered if the total value of the million acres was known.

Mr. Abbott replied in the negative. The processing of appraising the acres would be extremely expensive, and was not otherwise required by auditing processes.

Co-Chair von Imhof requested the balance of the principal.

Co-Chair Stedman remarked that there should be a review of the payout and the averaging, and what is good and bad about that issue.

Senator Wielechowski stressed that he was interested in the revenue generated from that million acres, and would like a rough estimate. He wondered whether the trust had ever considered selling that land, and investing that money with a 8 to 10 percent return.

Mr. Abbott replied in the affirmative, and stated that they were an active land seller.

[10:30:32 AM](#)

Co-Chair Stedman added that enhancing waterfront property should not have a setback.

Mr. Abbott discussed slide 8, "Trust Investment Payout History."

Mr. Abbott highlighted slide 9, "FY 20 Trust Grant Allocations":

Authority Grants

\$12,336.7

Designated grants to community providers, nonprofits, local governments and Tribal organizations.

Includes \$1.7 M in mini grants.

MHTAAR

\$10,735.7 Designated grants to state agencies, require receipt authority

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

Trust Authority

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

Trust Land Office

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

Same administrative spending levels as FY19

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

- Medicaid Reform
- Criminal Justice Reform

Established Focus Areas

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

Mr. Abbott discussed slide 12, "Mental Health Budget Bill":

•Trustees approved \$10.7M in Mental HealthTrust Authority Authorized Receipts (MHTAAR) to SOA departments for beneficiary related programs and projects

•Trustees also made recommendations of \$5.5Min GF/MH funds to the Governor and Legislature

[10:35:48 AM](#)

Mr. Abbott looked at slide 13, "FY20 GF/MH Recommendations."

Mr. Abbott displayed slide 14, "Advocacy":

- Promote understanding of our beneficiaries and the services needed to support them in the community
- Focus on programs and laws that will impact Trust beneficiaries
- Work with state departments, lawmakers and others to advise on funding and policies

Co-Chair von Imhof noted that the income was described in slide 5 as \$31.7 million. She noted the spending as outlined throughout the slide deck. She requested a slide that showed income and all expenses in the future. She noted that the money was the mental health trust money from the GF, because it was DGF.

Mr. Abbott agreed.

Co-Chair Stedman stated that Co-Chair von Imhof would be the subcommittee chair for the Department of Health and Social Services.

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ADJOURNMENT

10:40:49 AM

The meeting was adjourned at 10:40 a.m.