

SENATE FINANCE COMMITTEE  
February 1, 2024  
9:02 a.m.

9:02:03 AM

CALL TO ORDER

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

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair  
Senator Donny Olson, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Jesse Kiehl  
Senator Kelly Merrick  
Senator David Wilson

MEMBERS ABSENT

Senator Click Bishop

ALSO PRESENT

Anita Halterman, Chair, Board of Trustees, Alaska Mental Health Trust Authority; Steve Williams, Chief Executive Officer, Alaska Mental Health Trust Authority.

SUMMARY

SB 188      APPROP: MENTAL HEALTH BUDGET

SB 188 was HEARD and HELD in committee for further consideration.

PRESENTATION: ALASKA MENTAL HEALTH TRUST AUTHORITY UPDATE

Co-Chair Stedman explained that there was a short agenda, and the committee would hear from the Alaska Mental Health Trust Authority (AMHTA) regarding the FY 25 mental health budget as well as SB 188.

#sb188

SENATE BILL NO. 188

"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."

^PRESENTATION: ALASKA MENTAL HEALTH TRUST AUTHORITY UPDATE

9:03:13 AM

ANITA HALTERMAN, CHAIR, BOARD OF TRUSTEES, ALASKA MENTAL HEALTH TRUST AUTHORITY, introduced herself and relayed that the Alaska Mental Health Trust Authority was a grant maker, an advocate for vulnerable Alaskans, and a systems change agent. She continued that by working with state and local governments, tribes, non-profits, and providers, it endeavored to build on a continuum of care and improve outcomes for beneficiary. She hoped that the presentation would illustrate that AMHTA managed its resources prudently and effectively.

Ms. Halterman discussed a presentation entitled "Senate Finance Committee - February 1, 2024" (copy on file). He turned to slide 2, "Trustees":

- Anita Halterman, Chair
- Brent Fisher, Vice Chair
- Agnes Moran, Secretary, Program & Planning Committee Chair
- John Sturgeon, Resource Management Committee Chair
- Kevin Fimon, Audit & Risk Committee Chair
- John Morris, Finance Committee Chair
- Rhonda Boyles, Trustee

Ms. Halterman noted that the board of trustees was an independent board that provided governance, fiduciary oversight, and guidance to the organization to achieve the mission of the trust. The trustees had five-year terms, were appointed by the governor, and were confirmed by the legislature.

9:05:02 AM

Ms. Halterman turned to slide 3, "Trust Beneficiaries":

- Trust beneficiaries include Alaskans who experience:
- Mental illnesses
  - Intellectual and/or developmental disabilities

- Alzheimer's disease and related dementia
- Traumatic brain injuries
- Substance use disorders

Ms. Halterman recognized that many AMHTA beneficiaries fell into more than one of the categories on the slide. The organization supported youth and adult beneficiaries, and prioritized individuals that had behavioral health conditions or developmental disabilities that placed them at risk of institutionalization if there was not proper support and services. She mentioned prevention as part of the mission.

Ms. Halterman referenced slide 4, "Mission of the Trust":

- Administer the Mental Health Trust, a perpetual trust
- Improve lives and circumstances of Trust beneficiaries
- Protect and enhance value of Trust lands while maximizing revenues from them over time

Ms. Halterman noted that AMHTA was a state corporation that administered the trust. It operated much like a private corporation and used its lands and cash assets to help ensure that the state had a comprehensive suite of mental health and disability services to meet the needs of beneficiaries. The AMHTA Land Office was contracted exclusively by the trust to manage approximately one million acres of land and other non-cash assets in order to generate revenue over time.

Co-Chair Hoffman asked if there were any trustees from rural Alaska.

Ms. Halterman noted that Agnes Moran was from Ketchikan. She noted that most of the trustees were based in the Anchorage region.

Co-Chair Hoffman asked if the answer to his question was "no."

Ms. Halterman agreed that the answer was "no."

Co-Chair Stedman expressed his appreciation for representation from Southeast Alaska.

9:08:03 AM

STEVE WILLIAMS, CHIEF EXECUTIVE OFFICER, ALASKA MENTAL HEALTH TRUST AUTHORITY, turned to slide 5, "Financial Position," which showed a bar graph of trust invested assets since its inception in 1997 through 2023. He pointed out steady growth of the trust over time, with occasional dips that reflected the national economic picture. He observed growth over FY 22. He cited the total invested assets of \$818 million. He identified that the green bar represented the corpus of the trust, which equated roughly \$538 million. The light blue showed budget reserves, which represented roughly \$218 million. The dark blue portion of the bar represented AMHTA real estate equity, which totaled \$61 million. He recalled that the previous time he presented in committee, AMHTA's total invested assets were \$809 million, and the growth from the previous year was largely due to the way the assets had performed and other revenue generated by the land office.

Co-Chair Stedman asked Mr. Williams to discuss the dip in 2008 and 2009 and to address what kind of payout was made by the land office. He asked how the assets were managed to be successful.

Mr. Williams identified that in 2008, 2009, and 2010, the country had been going through a downturn in the economy. He noted that the land office worked to mitigate the dips and worked on continuing to make grants and fulfill its commitments was through the budget reserve. The target for the reserve was a 400 percent payout for four years, with the goal of uninterrupted grant-making or operations.

Co-Chair Stedman asked if the trust had four years of reserves set aside and a payout. He asked for greater detail.

Mr. Williams noted that a subsequent slide would address the question.

Co-Chair Hoffman recalled that the trust was managed by the Alaska Permanent Fund Corporation (APFC).

Mr. Williams relayed that the trust's investments were at the APFC as well as some assets at the Department of Revenue Division of Treasury.

Senator Kiehl observed that there was no drop in the trust's corpus value during the 2008 - 2009 market crash, although the Permanent Fund had a drop in value during the same period. He asked for more information.

Mr. Williams offered to provide a written answer at a later time.

[9:12:53 AM](#)

Mr. Williams considered slide 6, "Commercial Real Estate":

- Occupancy rate for seven Trust-owned properties is currently 98%
- Portfolio exceeding national performance benchmarks
- CRE investments are actively managed with a focus on performance, risk, and ongoing hold/sell analyses
- Managed as 7 to 20-year investments

Mr. Williams recalled that the trust's real estate equity was approximately \$61 million. He listed commercial properties in Anchorage, Washinton, and Texas. He noted that the trust's commercial property occupancy was above the national average of 80 to 81 percent. He explained that the properties were exceeding national benchmarks, and he attributed the occupancy by active management by the staff at the trust land office (TLO). He highlighted the last bullet and noted that the Resource Management Committee had met at the beginning of the previous month and had charged the TLO with continuing to manage the property, but bring forward any people that had an opportunity for sale. The trust was in the process of looking at properties to sell when it was fiduciarly prudent.

Co-Chair Stedman asked Mr. Williams to provide a brief history on the issue of property, which he thought had been a point of contention for several years.

Mr. Williams cited that the history went back to the mid-2000s, when the board of trustees at the time had used trust principal to invest in commercial real estate. The intent had been to generate a revenue stream to help ride out any downturns in the trust's invest assets. The properties had been purchased and actively managed, and there had been questions about whether the trust's principal could be used for the purchase of the properties. The total amount invested across seven assets was roughly

\$39 million. A few years previously the board of trustees took trust income and transferred it into the corpus of the trust to address the issue.

Co-Chair Stedman asked if 98 percent occupancy was substantially higher than five years previously.

Mr. Williams was not aware of the occupancy five years previously but knew the rate was higher than the previous year.

Co-Chair Stedman asked Mr. Williams to get back to the committee with the information, which he thought was positive. He assumed cash flow from the properties had also improved. He asked Mr. Williams to include the information.

Mr. Williams agreed to follow up with the information.

Senator Kiehl referenced the legislative audit of AMHTA, and asked if the finding had indicated that the transfer of the \$39 million had resolved the question of how AMHTA assets were managed under the law.

Mr. Williams relayed that the issue of transferring the \$39 million into the corpus of the fund addressed the issue of whether or not the principal should have been used to purchase the assets at the time.

Co-Chair Stedman asked if Senator Kiehl wanted more detail.

Senator Kiehl thought there may be a pending request for a follow-up audit.

Co-Chair Stedman suggested a request for an update.

Senator Kiehl clarified that he had not requested a follow-up audit.

[9:17:56 AM](#)

Mr. Williams displayed slide 7, "FY25 Available Funding," which showed two tables showing the trust's current and historical available funding. He thought the slide might address Co-Chair Stedman's earlier question. He explained that when calculating available funds for appropriation, the trust looked at four different revenue streams, each of which considered a four-year average as a basis for

generating estimated available spending. He noted that the payout percentage was 4.25 percent. The prior year funds carry-forward were from unexpended grant funds. The lapse came back to the trust for future expenditure. The four-year average for FY 25 was \$2.2 million.

Mr. Williams addressed TLO spendable income, which was estimated to be \$3.7 million. The last row showed interest earnings of \$189,500. He explained that the four-year lookback was done in an endeavor to mitigate highs and lows of any of the revenue categories to provide predictable funding. He highlighted the chart on the right that showed available spending the previous five years, indicating growth since FY 20.

Co-Chair Stedman considered that the committee asked about the lookback and payout every year as an exercise in comparing and contrasting the trust with the Alaska Permanent Fund. He thought some members felt that the five percent payout was on the high side and could be problematic in certain markets. He thought AMHTA had a more conservative structure and payout while still being able to serve beneficiaries without having to come to the legislature for additional funds.

Mr. Williams added that the 4.25 percent was the current payout percentage. The previous year Callan had done a review of the percentage to determine if adjustments were needed. He noted that the 4.25 percent had not been a historical percentage of payout since the trust's inception, but had grown over time. He noted that the third party considered the payout percentage to ensure there was funding for today's services and future beneficiaries.

Co-Chair Stedman asked for a synopsis of Mr. Williams answer in writing.

Mr. Williams agreed.

Co-Chair Stedman relayed that the committee had been reluctant to request entities like AMHTA, APFC, or the retirement system to "chase returns" to increase the payout. He thought the committee was cognizant of the danger, and wanted to do what it could to ensure the trust's success.

[9:22:55 AM](#)

Mr. Williams highlighted slide 8, "FY 25 Spending," which used a pie chart to illustrate what spending the trustees had approved for FY 25. The pie chart in the top right quadrant showed agency budgets for the trust authority and the TLO, which were housed in the Department of Revenue and the Department of Natural Resources, respectively. He cited amounts approved for agency budgets. There were 17 staff that worked at the trust authority office, and there were 19 staff that worked at TLO. He cited Mental Health Trust Authority Authorized Receipts (MHTAAR) grants and noted that the funds were trust funds rather than state general funds. The trustees had approved \$10.2 million in grants for 63 grants for FY 25. The next slide would address the departments to which the funds were allocated.

Mr. Williams noted that the left-hand side of the pie chart showed authority grants and totaled about \$19.4 million. The grants went directly from the trust to community organizations, tribal health organizations, local governments, and non-profits that would not go through the state budget. The trust had the authority to award grants and contracts to forward the comprehensive integrated mental health program plan. He mentioned the mini-grant program, which went directly to individual beneficiaries and to items such as the Crisis Now initiative.

Senator Wilson referenced a conversation from the previous year concerning mental health grants and lapsed funds. He asked if Mr. Williams had a figure for percentage of lapsed funding for FY 23.

Mr. Williams did not have the number at hand but relayed that the trust's goal was to have no more than 10 percent of awarded grants lapse.

Senator Wilson recalled that there had been more than 10 percent that had lapsed in FY 22 and wondered about the total for FY 23.

Co-Chair Stedman asked for Mr. Williams to get back to the committee with the information.

Mr. Williams agreed.

Mr. Williams looked at slide 9, "MHTAAR Grants, FY25," which showed a pie chart that addressed grant amounts going

to various state departments. He highlighted that the two largest recipients of trust fund grants were the Department of Health (DOH) and the Department of Family and Community Services (DFCS). He cited that the amount for the two agencies was almost half of the total grant amount.

Co-Chair Hoffman asked about the \$1,620,000 to the Alaska Housing Finance Corporation (AHFC).

Mr. Williams thought a later slide would address the question.

[9:27:54 AM](#)

Mr. Williams addressed slide 10, "FY 25 GF/MH Recommendations (and Associated MHTAAR Grants)," which showed a table of trustee's GFMH recommendations as to how the state should be spending general fund dollars on a comprehensive integrated mental health program plan. The table did not include all of the MHTAAR funds, but if there was a recommendation it was included. He highlighted the column in red that indicated differences between the recommendations and the governor's proposed budget. He pointed out the trustee approved recommendations on the left compared with the governor's proposed budget. The GF recommendations included in the governor's proposed budget were about 36 percent of the trust's recommendations. The trust recognized that GF recommendations made by the board of trustees did not always get included in the budget.

Mr. Williams made note of the column on the far right, which showed items in blue that denoted increments of trust funds that were included in the proposed budget that were not included by the board of trustees in its recommendation. He noted that by statute, the board of trustees was the only entity that could approve the expenditure of trust funds. He continued that AMHTA made recommendations for expenditures and the legislature provided receipt authority for the departments, to use the trust funds as approved by trustees. He mentioned a lawsuit settled in 1994 which established that the board of trustees had the authority to expend the trust funds to forward the CMHTP. He noted that there was \$750,000 of unapproved trust funds included in the proposed operating budget. The next slide would show the comparison of the capital budget.

Mr. Williams advanced to slide 11, "FY 25 GF/MH Recommendations (and Associated MHTAAR Grants)," which showed a table of capital items. He referenced Co-Chair Hoffman and AHFC funds, which were in the second and third row. There was a little over a \$1 million in trust funds going to AHFC, and there were other projects for AHFC not listed and without an associated GF match. He highlighted the differences between trustee recommendations and the governor's budget proposals for the Special Needs Housing Grant and Homeless Assistance Program. The proposed budget did not include any of the trustee recommendations in the two categories. He pointed out that there was a \$50,000 increment of trust funds for Coordinated Community Transportation that was not included in the board's final and approved FY 25 budget.

[9:32:48 AM](#)

Co-Chair Hoffman asked what percentage of the funds were for grants or spending in rural Alaska.

Mr. Williams did not have specific information but noted that there were rural housing coordinators (funded by the trust through AHFC) based in Kotzebue and in Nome.

Co-Chair Hoffman noted that the housing coordinators were operating budget items. He asked about capital funds being spent in rural Alaska. He mentioned Special Needs Housing Grants, Homeless Assistance Programs, and Home Modification programs. He asked if any of the construction funds were being spent in rural Alaska.

Mr. Williams agreed to work with AHFC and provide a list of the items from the previous year.

Co-Chair Stedman asked if the slide was the final slide depicting the differences in budgets.

Mr. Williams answered affirmatively.

Co-Chair Stedman mentioned the separation of powers. He affirmed that the committee would work with AMHTA and the Office of Management and Budget (OMB) to come to a mutual agreement through the budget process.

Mr. Williams commented that AMHTA was also engaged with OMB to try and address the issue.

Mr. Williams looked at slide 12, "Trust Grant Impacts," to illustrate the FY 23 grants that were awarded statewide. He identified that there had been over 90 grants awarded in 14 areas. He noted that some of the grants awarded had a statewide impact.

[9:36:08 AM](#)

Senator Wilson calculated that there was about a 15 percent difference in grants budgeted compared to what was allocated. He wondered what had happened to the GF funds that were unused.

Mr. Williams noted that any unused trust funds intended for grants came back to the trust. He noted that the funds went into the four-year rolling average that calculated potential spending.

Co-Chair Hoffman asked Mr. Williams to provide a breakdown of the \$22.2 million and the 14 grantees listed on the slide.

Co-Chair Stedman suggested Mr. Williams provide a couple of years' worth of data.

Mr. Williams agreed to provide the information. He noted that the trust's annual report had been recently released, along with a FY 23 investment report that listed all the grants awarded. The report provided grantee names, communities, and amounts of grants. He thought all legislators should have received the information. He noted that the information was also available on the trust's website.

Co-Chair Stedman asked Mr. Williams to include the information with his response to Co-Chair Hoffman's question. He commented on the number of reports received by legislators.

[9:39:00 AM](#)

Mr. Williams showed slide 13, "Trust Focus Areas":

Established Focus Areas

- Disability Justice
- Mental Health & Addiction Intervention

- Includes Behavioral Health Crisis Response
- Beneficiary Employment & Engagement
- Housing and Home & Community Based Services

Additional Priorities

- Workforce Development
- Early Childhood Intervention & Prevention

Mr. Williams noted that the established focus areas were an umbrella under which there were many issues, programs, and services. He pondered prevention and engagement of the trust in the focus areas.

Mr. Williams referenced slide 14, "Policy/Advocacy":

- Community-Based Services
- Youth and early childhood mental health
- Medicaid and provider reimbursement rates
- Dementia care
- Reentry supports

Mr. Williams discussed community-based services, which allowed beneficiaries to thrive, improve, and contribute in communities. He mentioned the impacts of the Covid-19 pandemic. He noted that DOH was releasing a request for proposals (RFP) to look at Medicaid and provider reimbursement rates, which was important for the community-based system. He mentioned the growth in the population of elders that were experiencing dementia and related conditions. He discussed appropriate discharge planning as an important reentry support to increase public safety.

[9:43:10 AM](#)

Mr. Williams turned to slide 15, which showed an innovation timeline of Alaska's Crisis Now model. He wanted the committee to have a picture of the work DOH, DFCS, and the trust had done since 2018. He mentioned a lawsuit filed against the state in 2018, which had been a tipping point for the trust to consider how to transform the system. He identified the passage of HB 172 in 2022, which was a major piece of legislation which helped to ensure the system could respond to individuals in an involuntary or voluntary status.

Co-Chair Hoffman thought it was good to see that at least one part of rural Alaska addressed in six years. He

implored the board to look beyond the Railbelt. He emphasized that there were issues in rural areas and thought the board would have a broader vision for all of the state. He challenged the board to try address the issue.

Mr. Williams considered slide 16, "Rural Outreach Trip, 2023":

- Yukon Kuskokwim Region
- Representatives from the Trust, Departments, and Legislature
- Close engagement with regional partners

Mr. Williams discussed the rural outreach trip to the Yukon-Kuskowkim (YK) Delta. He mentioned the Yukon-Kuskokwim Health Corporation, the Association of Village Council Presidents (AVCP), and the AVCP Rural Housing Authority, which had hosted the trust and were helpful in accessing different areas to see how services and programs as well as gaps in services. He mentioned that legislators and staff as well as other state officials had joined the trip. He mentioned that the trust had taken such trips historically every few years. He explained that the trips benefited the trust and leadership.

[9:47:02 AM](#)

Mr. Williams displayed slide 17, "Trust Land Office":

- Maximizes long-term revenue & productivity from Trust land
- Encourages diverse revenue producing uses of Trust land
- Manages Trust land prudently, efficiently & with accountability to the Trust & its beneficiaries

Mr. Williams reiterated that the executive director of TLO oversaw a staff of 19. He noted that the settlement that created the trust in 1994 stipulated that the trust shall contract with DNR to manage the million acres of land for the trust. The sole purpose of the management of the land was to maximize revenues from the land to be used for the purposes of improving the lives of the beneficiaries. He cited that the table on the right illustrated what would be generated by the seven land classes. In FY 24 the estimated revenue was \$12.6 million. He noted that the revenue was

split into two different categories for the trust. Half the revenue would be deposited into the corpus of the trust, and the other half was spendable income.

Mr. Williams highlighted slide 18, "Trust Land Office Highlights

Land Sale Program

- Fall Land Sale
- Over-the-Counter Land Sales Forestry
- Shelter Cove timber harvest, Ketchikan
- Naukati timber harvest, Prince of Wales
- Forest Fuels Mitigation, Tok
- Renewable Energy Leasing
- Subdivision Development

Mr. Williams noted that the TLO fall land sale had recently generated a little over \$2 million. He discussed the projects listed on the slide. He mentioned wind energy that tied into Chugach Electric. He noted that many trust land parcels were large and had opportunities for subdivision to use for housing or other development.

Co-Chair Stedman commented that over the last 15 years the committee had been diligently working on the roads in Shelter Cove in Ketchikan. The work had allowed for the trust to access some of its timber lands to create revenue. He mentioned the benefits of additional jobs and access. He mentioned Naukati Bay on Prince of Wales Island, which he considered essential in keeping the timber industry alive on Prince of Wales Island.

[9:52:35 AM](#)

Co-Chair Hoffman asked Mr. Williams to provide more detail on subdivision development endeavors in the state.

Mr. Williams looked at slide 19, "Icy Cape Project":

- Large volume placer gold
- Encouraging assay results
- On-target (budget & mineral estimate)

Mr. Williams noted that the committee had requested more detail on the Icy Cape Project the previous year. He highlighted that the bottom portion of the slide showed trust lands, where there were roughly 200 acres of the

parcel on which the trust was doing exploration work to determine mineral values. The project had started as a heavy minerals project but had turned into more of a gold project. The project would be a placer project rather than a hard rock mining project. There had been over 60 core samplings in the section that were being analyzed for mineral content. The trust hoped to have a completed pre-feasibility study by 2025 to determine how to move forward.

Co-Chair Stedman apologized to the trust for not being able to visit the project the previous fall, and thought there was a unique opportunity to generate new jobs.

[9:54:59 AM](#)

Mr. Williams continued to address the Icy Cape Project and highlighted the photo on the top right of the slide, which showed the onsite sample processing facility. He commented that TLO chief geologist was working to keep the project on a strict timeline.

Mr. Williams addressed slide 20, "Opportunity at Icy Cape":

- Cost recovery methodology
- \$100-150M in revenue generation
- Grinder Prospect
- Economic activity
- Markets support gold from Icy Cape

Mr. Williams pointed out the aerial photograph of the project at Icy Cape. He thought the estimated revenue generation had possibly increased since the first estimate. He noted that AHMTA had engaged with the community of Yakutat at the beginning of the exploration.

Senator Wilson asked to discuss how the project would be managed and who might be partners.

Mr. Williams explained that there was currently exploratory work being done, after which an outside operator would come in to construct and operate the mine.

Senator Kiehl asked Mr. Williams to discuss the risk tolerance on the project. He referenced other state corporations acting as developers and state losses. He noted that the old project model was to contract with the private sector. He asked about the risk profile.

Mr. Williams relayed that the trust was working to determine the risk profile as it assessed the resource. He offered to get back to the committee with more information.

[9:58:22 AM](#)

Mr. Williams advanced to slide 21, "Looking Ahead":

- Continued grantmaking
- Trust Improving Lives Conference, Fall 2024
- Coordinating with the Departments of Health and Family and Community Services on the next 5-year Comprehensive, Integrated Mental Health Program Plan
- 2024 Fall Land Sale

Mr. Williams explained that the trust endeavored to hold the conference listed on the slide every couple of years. The current plan was coming to the end of its five-year life, and he looked forward to an update over the upcoming summer.

Co-Chair Hoffman thanked the board for all its work, and for its visit to the YK Delta. He noted that the YKHC and AVCP encompassed an area larger than the state of Washington, served nearly 60 communities, and was the most populated of any area in rural Alaska. He emphasized that the area was only part of his district, which included the Alaska Peninsula, the Aleutian Islands, and the Pribilof Islands. He had been in the legislature when the lawsuit was filed and had worked on the legislation that was adopted in 1994. He noted that he had questions at the time and emphasized that the trust needed to serve all of Alaska. He thought it was difficult to provide services fair and equitably. He implored the board to take a long hard look at rural Alaska and keep it in mind.

Co-Chair Olson wondered how many grant applications the trust received from rural areas of the state.

Mr. Williams did not have the information.

Co-Chair Olson pondered the percentage of applications from rural versus urban areas.

Mr. Williams relayed that generally there were more applications from urban areas than rural areas.

Co-Chair Stedman asked Mr. Williams to get back to the committee with the information.

Mr. Williams thanked the committee for its time.

Co-Chair Stedman discussed the agenda for the following day.

#

ADJOURNMENT

10:03:10 AM

The meeting was adjourned at 10:03 a.m.