

COMMITTEE REPORT
SENATE

FURTHER:

4/15/86

Date 4/22/86

Mr. President

The Committee on FINANCE considered SB 472

relating to the interim management of the mental health trust; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for SR 472 (Res)
- new title
- same title ~~and recommends~~ _____
- and attached a "LETTER OF INTENT" 2 NEW FISCAL NOTES
300.0 SFC
0 SFC
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

Rich Halford

R. Halford

J. Halford

MEMBERS HAVING
OTHER RECOMMENDATIONS

Rich Halford NO REC

Rich Halford NO REC

Carl Frick NO REC

Co-Chairman Jan Fick

No Rec

Chairman recommendation

**STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date : 4-21-86

REQUEST

Bill/Resolution No. : CSSB-472 (RES)
 Title : Management of Mental Health Trust Lands
 Sponsor : Senate Finance
 Requestor : Senator Sackett
 Date of Request : 4-21-86

FISCAL DETAIL

Agency Affected : Natural Resources
 BRU : Land and Water Management
 Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS		300.0				
TOTAL OPERATING						

CAPITAL						
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REVENUE						
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FUNDING : (Thousands of Dollars)

GENERAL FUND		300.0				
FEDERAL FUNDS						
OTHER						
TOTAL		300.0				

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Fiscal note analysis attached

REVISED

Prepared by : Senate Finance
 Division : Legislative Finance

Phone : 465-3753
 Date : 4-21-86

Approved by Commissioner : Senator Sackett
 Agency : Senate Finance

Date : 4-21-86

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

These funds will permit the Department of Natural Resources, Land and Water Management to carry out the following functions stipulated in CSSB-472(Res):

1. Sec. 3 (a) account for all funds or land received from conveyances and exchanges between July 19, 1978 and October 4, 1985.
2. Sec. 3 (b) Identify and appraise all less than fair market value conveyances and encumbrances.
3. Sec. 3 (c) Provide management oversight of all transactions and account for funds received from mental health lands.
4. Sec. 2 (f) hire commission staff personnel as may be necessary to carry out the responsibilities of the Interim Mental Health Trust Commission.

NOTES:* Rather than allocate the funds to each component it was preferred the Department have the flexibility to utilize funds as determined by the Commissioner of Natural Resources.

- * Sec. 4 (1) Requires the Department of Health and Social Services to provide an independent audit of mental health expenditures from July 1, 1978 through June 30, 1986.....The Department had requested \$81.0 for this purpose but has indicated they can handle the cost with existing funds.
- * \$100,000 is included in the Department of Law's FY87 budget for payment of plaintiff legal fees should the court so order.
- * SCR-36, creates a joint legislative committee on mental health trust lands and carries a fiscal note of \$30.6 appropriated to Legislative Affairs.

**STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date : 4-21-86

REQUEST

Bill/Resolution No. : CS SB 472 (Res)
 Title : An Act relating to the interim management of mental health trust land and providing for an effective date.
 Sponsor : _____
 Requestor : _____
 Date of Request : _____

FISCAL DETAIL

Agency Affected : Health & Social Services
 BRU : DHSS Administrative Services
 Components : Audit

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL		0				
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		0				

CAPITAL						
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REVENUE						
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FUNDING : (Thousands of Dollars)

GENERAL FUND		0				
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS :

FULL-TIME		0				
PART-TIME		0				
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by : Senate Finance
 Division : Legislative Finance

Phone : 465-3753
 Date : 4-21-86

Approved by Commissioner : Senator Sackett
 Agency : Senate Finance

Date : 4-21-86

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)



Official Business

Alaska State Legislature

Senate

Pouch V
State Capitol
Juneau, Alaska 99811

SENATE FINANCE COMMITTEE

LETTER OF INTENT

CS SB 472 (RESOURCES)

It is the intent of the legislature that the Interim Mental Health Trust Commission established by CS SB-472 shall include at least one member besides the Commissioner of Natural Resources who has experience and knowledge in Alaskan based property and resource values.

Offered: 4/15/85
Referred: Finance

Original sponsor: Health, Education and
Social Services Committee

1 IN THE SENATE BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 472 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the interim management of the
7 mental health trust; and providing for an effective
8 date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. The legislature finds that

11 (1) the Congress granted 1,000,000 acres of land to the Terri-
12 tory of Alaska to be administered as a public trust for the necessary
13 expenses of the support of mental health in the territory;

14 (2) the land authorized to be granted to the Territory of Alaska
15 has been selected by the territory and since statehood by the state and
16 most of the 1,000,000 acres has been conveyed to the state;

17 (3) the Alaska Supreme Court ruled in State v. Weiss, 706 P.2d
18 681 (Alaska 1985) that the legislation redesignating mental health trust
19 land as general grant land had actually breached the trust established by
20 Congress and the court ordered the trust reconstituted;

21 (4) there is presently no statutory authority providing for the
22 management of the mental health trust land as trust land;

23 (5) the Alaska Mental Health Association as the original sponsor
24 of the litigation regarding the management of the mental health trust land,
25 more recently participating as intervenor in the litigation, and the plain-
26 tiffs have performed and continue to perform an important public function
27 in their efforts to reconstitute the mental health trust land and to pro-
28 vide for the proper management of the trust land; and

29 (6) there is a need for the interim management of the trust land

1 as a public trust.

2 * Sec. 2. INTERIM MENTAL HEALTH TRUST COMMISSION ESTABLISHED. (a) The
3 interim mental health trust commission is established in the Department of
4 Natural Resources.

5 (b) The commission established under (a) of this section consists of
6 five members, including the commissioner of natural resources and the
7 commissioner of health and social services, or their designees, and three
8 members appointed by the governor as follows:

9 (1) a member representing the plaintiffs, appointed by the
10 governor from a list of three names submitted to the governor by the plain-
11 tiffs in State v. Weiss, 706 P.2d 681 (Alaska 1985);

12 (2) a member representing the intervenors, appointed by the
13 governor from a list of three names submitted to the governor by the inter-
14 venors in State v. Weiss, 706 P.2d 681 (Alaska 1985); and

15 (3) a member representing the Governor's Mental Health Advisory
16 Council, appointed by the governor from a list of three names submitted to
17 the governor by the Governor's Mental Health Advisory Council.

18 (c) The members of the commission shall elect a presiding officer. A
19 majority of the commission constitutes a quorum. The affirmative vote of
20 three members is required to take official action. A vacancy does not
21 impair the power of the remaining members to exercise the powers of the
22 commission.

23 (d) Members of the commission serve without compensation but are
24 entitled to per diem and travel expenses authorized by law for other boards
25 under AS 39.20.180.

26 (e) The commission shall meet at least quarterly and may meet more
27 frequently, either in person or by teleconference.

28 (f) The commission may employ an executive director and staff to
29 assist it in fulfilling its responsibilities under this Act. The employees

1 shall be in the exempt service.

2 (g) The commission may contract with parties or individuals for the
3 performance of functions assigned to it.

4 * Sec. 3. RESPONSIBILITIES OF THE COMMISSIONER OF NATURAL RESOURCES AND
5 THE COMMISSION. (a) The commissioner of natural resources shall inventory
6 and catalog the mental health trust land of the state, shall audit and
7 appraise each land transaction involving land that has been part of the
8 mental health trust land of the state, and determine the status of mental
9 health trust land on the effective date of this Act under procedures and
10 guidelines established by the commissioner of natural resources with the
11 approval of the commission. In the exercise of the commission's respon-
12 sibilities under this section, the commission may review the records of the
13 Department of Natural Resources.

14 (b) The commissioner of natural resources shall, with the approval of
15 the commission, retain an appraiser or appraisers to appraise all or a
16 portion of land that, at any time, was part of the mental health trust land
17 of the state. The commissioner shall provide an appraiser conducting an
18 appraisal with written procedures and instructions that have been approved
19 by the commission.

20 (c) The commissioner of natural resources is responsible for the
21 management of the mental health land of the state as a public trust under
22 P.L. 84-830, 70 Stat. 709. Except for a transfer authorized under AS 38.-
23 05.035(b)(9), the commissioner of natural resources may not sell, lease, or
24 exchange mental health trust land of the state or an interest in the mental
25 health trust land of the state without the prior approval of the commis-
26 sion. In reviewing a proposal for the sale, lease, or exchange of mental
27 health trust land from the commissioner of natural resources, the commis-
28 sion may approve the proposal of the commissioner on its determination that
29 the proposal is consistent with the terms of the trust established by the

1 Alaska Mental Health Enabling Act.

2 (d) The proceeds from the management of the mental health trust land
3 of the state shall be deposited in a special trust account in the general
4 fund of the state and are subject to appropriation by the legislature.

5 * Sec. 4. RESPONSIBILITIES OF THE COMMISSIONER OF HEALTH AND SOCIAL
6 SERVICES AND THE COMMISSION. (a) The commissioner of health and social
7 services, with the approval of the commission, shall

8 (1) select an independent auditor to audit the state's mental
9 health program;

10 (2) establish the procedures and guidelines to guide the auditor
11 selected under this subsection;

12 (3) propose the guidelines and procedures to be used in de-
13 termining a range of expenditures for mental health programs necessary to
14 comply with the state's comprehensive mental health plan.

15 (b) The commission may review the records of the Department of Health
16 and Social Services that involve mental health expenditures under the
17 state's comprehensive mental health plan.

18 * Sec. 5. ADDITIONAL RESPONSIBILITIES OF THE COMMISSION. The commis-
19 sion shall submit a report to the legislature by the 10th day of the first
20 session of the fifteenth state legislature on matters of concern to the
21 commission. The report shall include its recommendations for amendment of
22 the laws relating to the management of the mental health trust, the mental
23 health trust land, and the mental health program of the state.

24 * Sec. 6. DEFINITION. In this Act "commission" means the interim
25 mental health trust commission established in sec. 2 of this Act.

26 * Sec. 7. This Act is repealed July 1, 1987.

27 * Sec. 8. This Act takes effect immediately in accordance with AS 01.-
28 10.070(c).

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date: 4-21-86

REQUEST

Bill/Resolution No. : CSSB-472 (RES)
 Title : Management of Mental Health Trust lands
 Sponsor : Senate Finance
 Requestor : Senator Sackett
 Date of Request : 4-21-86

FISCAL DETAIL

Agency Affected : Natural Resources
 BRU : Land and Water Management
 Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS		250.0				
TOTAL OPERATING						

CAPITAL						
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REVENUE						
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FUNDING : (Thousands of Dollars)

GENERAL FUND		250.0				
FEDERAL FUNDS						
OTHER						
TOTAL		250.0				

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary Fiscal note analysis attached

Prepared by : Senate Finance Phone : 465-3753
 Division : Legislative Finance Date : 4-21-86

Approved by Commissioner : Senator Sackett Date : 4-21-86
 Agency : Senate Finance

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

These funds will permit the Department of Natural Resources, Land and Water Management to carry out the following functions stipulated in CSSB-472(Res):

1. Sec. 3 (a) account for all funds or land received from conveyances and exchanges between July 19, 1978 and October 4, 1985.
2. Sec. 3 (b) Identify and appraise all less than fair market value conveyances and encumbrances.
3. Sec. 3 (c) Provide management oversight of all transactions and account for funds received from mental health lands.
4. Sec. 2 (f) hire commission staff personnel as may be necessary to carry out the responsibilities of the Interim Mental Health Trust Commission.

NOTES:* Rather than allocate the funds to each component it was preferred the Department have the flexibility to utilize funds as determined by the Commissioner of Natural Resources.

* Sec. 4 (1) Requires the Department of Health and Social Services to provide an independent audit of mental health expenditures from July 1, 1978 through June 30, 1986.....The Department had requested \$81.0 for this purpose but has indicated they can handle the cost with existing funds.

* \$100,000 is included in the Department of Law's FY87 budget for payment of plaintiff legal fees should the court so order.

* SCR-36, creates a joint legislative committee on mental health trust lands and carries a fiscal note of \$30.6 appropriated to Legislative Affairs.

C-1
5/12/86

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : 5/7/86

REQUEST

Bill/Resolution No. : SB 472
 Title : Management of Mental Health Trust

 Sponsor : Senate HESS
 Requestor : House Finance
 Date of Request : 5/7/86

FISCAL DETAIL

Agency Affected : Natural Resources
 BRU : Land and Water Management

 Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS		300.0				
TOTAL OPERATING		300.0				

CAPITAL						
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REVENUE						
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FUNDING : (Thousands of Dollars)

GENERAL FUND		300.0				
FEDERAL FUNDS						
OTHER						
TOTAL		300.0				

POSITIONS :

FULL-TIME		3				
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

see attached

Prepared by : Mike Vediner Phone : 465-2400
 Division : Commissioner's Office Date : 5/7/86

Approved by Commissioner : Wm S D Amundson, Deputy Date : 5/7/86
 Agency : Department of Natural Resources

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Department of Natural Resources
5-7-86
Senate Bill 472
House Finance - Fiscal Note Addendum

Analysis

Several detailed reports, audits, and appraisals would be required under this bill, and indeed are required under the Supreme Court decision in Weiss v. Alaska, as interpreted by the Attorney General's Office.

Task 4 specifies that \$72,000 will be made available to the commission which will prepare a budget for necessary expenditure of those funds. Tasks 1, 2, and 3 will be completed by the department with the remaining \$228,000. Rather than allocate the funds to each component it is preferred that the department have the flexibility to utilize the funds as determined necessary by the commissioner.

1. Account for all funds or land received from conveyances and exchanges made between July 19, 1978 and October 4, 1985.

We estimate that 4,650 cases (2,370 land conveyances, 1,370 mining claims, 390 rights-of-way, 275 land leases, 25 timber or material sales, 110 oil and gas or coal leases, and 110 miscellaneous cases) will have to be audited to determine the amount received and/or appraised. Land discounts will have to be accounted for during this process. This process will take a Natural Resource Officer I approximately one year.

2. Identify and appraise all less than fair market value conveyances and encumbrances.

These appraisals will be performed contractually. However, the department must prepare reports and maps containing information about each parcel before the contract can be let. We also note that these appraisals cover only those mental health parcels that are no longer in trust status. The approximately 700,000 acres in trust status are not to be appraised.

The reports and maps must take approximately 1,100 parcels into consideration. This project will be completed by the Natural Resource Officer I in item #1 above.

We project that approximately 820 parcels totalling 268,000 acres will need appraisals. These appraisals will be determined by an Opinion of Value panel method. This method employs three senior designated appraisers, each

representing one geographic region (northern, southcentral, and southeastern). The panel of appraisers prepares value statements for each parcel of mental health land based on their regional expertise. The Opinion of Value method has been criticized by the plaintiffs and intervenors.

In addition, approximately 276 leases must be reappraised at five-year intervals. Currently these leases may not be reappraised for twenty-five years which will create a discrepancy with fair market value rental.

3. Provide management oversight of all transactions and account for funds received from mental health lands.

The Supreme Court decision in Weiss v. Alaska requires the department to manage mental health land as a trust consistent with the Alaska Mental Health Enabling Act. In order to comply in a defensible and consistent manner the department will employ a Natural Resource Manager and Accounting Technician.

The new Natural Resource Manager (NRM) position will oversee all actions taken by the department on mental health land. Over the last eight years we have averaged approximately 60 cases per month where some (former) mental health land was involved. These include mining locations, park permits, oil and gas lease sales, rights-of-way, ILMAs, municipal selections, leases, land sales, and nearly anything else in which the department is involved.

One of the major duties of the NRM will be review of these cases to ensure compliance with the court decision and prepare briefing packets for review by the commission. In addition the NRM will: prepare mental health land management notices to the department; prepare audit reports; oversee implementation of Department Order 121 relating to interim mental health land management; research trust land management problems; coordinate review and responses by various agencies; continue to update audit reports; implement procedure to recognize various trust lands on the LAS computer system; establish, maintain, and continue to improve departmental mental health land records system; prepare fact sheets and informational notices regarding mental health lands; and, oversee and assist in the activities of the NRO (item 1 above) and coordinate with the accountant position to ensure an accurate and expeditious procedure for distribution of monies.

It is expected that the manager will also provide the necessary coordination between the department and the plaintiffs, and will be required to travel.

The accounting position is required to distribute the appropriate percentage of income to the proper accounts for each post-October 4, 1986 transaction involving mental health land. In addition to percentage distributions among land types this position must also identify the percentage distribution between interest, principle, and penalty payments for entry into AKSAS. Many of these transactions are manually posted. A large portion of the work this position must accomplish will be the large number of monthly transactions from pre-1978 and continuing leases which must be corrected to reflect the proper distribution of income monies between the general and trust accounts. This is a continuing prospective function for each of the several thousand transactions which include mental health land.

4. Commission funding for the performance of its duties.
Total allocation: \$72,000.

The commissioner shall allocate \$72,000 to the commission for the performance of its duties which may include, but are not limited to, hiring an executive director and staff, contracting with parties or individuals for the performance of functions it considers necessary, and travel expenses incurred in convening the commission or by the executive director. A budget for these funds will be prepared by the commission as provided in section 1 of the bill.

Office space and equipment will be provided by the department.

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date : 4/17/86

REQUEST
Bill/Resolution No. : SB 472
Title : Management of Mental Health Trust

Sponsor : Senate HESS
Requestor : Senate Finance
Date of Request : 4/10/86

FISCAL DETAIL
Agency Affected : Natural Resources
BRU : Land and Water Management

Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES		191.0				
TRAVEL		26.0				
CONTRACTUAL		129.1				
SUPPLIES		10.0				
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		356.1				
CAPITAL						
REVENUE						

FUNDING : (Thousands of Dollars)

GENERAL FUND		356.1				
FEDERAL FUNDS						
OTHER						
TOTAL		356.1				

POSITIONS :

FULL-TIME		5				
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

see attached

Prepared by : Mike Vediner Phone : 465-2400
 Division : Commissioner's Office Date : 4/17/86
 Approved by Commissioner : *James D. Amick* Date : 4/17/86
 Agency : Department of Natural Resources

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Department of Natural Resources
4-17-86
Senate Bill 472
Fiscal Note Addendum

Analysis

Several detailed reports, audits, and appraisals would be required under this bill, and indeed are required under the Supreme Court decision in Weiss v. Alaska, as interpreted by the Attorney General's Office. No funding is included for contracting with the plaintiffs and intervenors in the case.

1. Account for all funds or land received from conveyances and exchanges made between July 19, 1978 and October 4, 1985. Estimated costs: \$40,800.

We estimate that 4,650 cases (2,370 land conveyances, 1,370 mining claims, 390 rights-of-way, 275 land leases, 25 timber or material sales, 110 oil and gas or coal leases, and 110 miscellaneous cases) will have to be audited to determine the amount received and/or appraised. Land discounts will have to be accounted for during this process. This process will take a Natural Resource Officer I approximately one year (37.8 personal services; 1.0 travel; 1.5 contractual; 0.5 commodities).

2. Identify and appraise all less than fair market value conveyances and encumbrances. Estimated costs: \$107,600.

These appraisals will be performed contractually. However, the department must prepare reports and maps containing information about each parcel before the contract can be let. We also note that these appraisals cover only those mental health parcels that are no longer in trust status. The approximately 700,000 acres in trust status are not to be appraised. If section 3(b) of the bill intends that all mental health land be appraised, then the cost, by the Opinion of Value panel method, will require an additional \$22,000.

The reports and maps must take approximately 1,100 parcels into consideration. This project will be completed by the Natural Resource Officer I in item #1 above.

The appraisals are expected to cost \$107,600. We project that approximately 820 parcels totalling 268,000 acres will need appraisals at an estimated cost of \$28,000. These appraisals will be determined by an Opinion of Value panel method. This method employs three senior designated appraisers, each representing one geographic region (northern, southcentral, and southeastern). The panel of

appraisers prepares value statements for each parcel of mental health land based on their regional expertise. The Opinion of Value method has been criticized by the plaintiffs and intervenors.

In addition, approximately 276 leases must be reappraised at five-year intervals. Currently these leases may not be reappraised for twenty-five years which will create a discrepancy with fair market value rental. The approximate cost of these lease reappraisals is \$79,600.

3. Provide management oversight of all transactions and account for funds received from mental health lands.
Estimated costs: \$101,500.

Statewide trust management oversight can be provided by a Natural Resource Manager I. The manager would be expected to review a large number of transactions to ensure that the trust is not breached. It is expected that the manager will also provide the necessary coordination between the department and the plaintiffs, and will be required to travel. Additional contractual money allows for the hiring of temporary help to assist with less complex, routine procedural steps.

An Accounting Technician I will be needed to receive and separately process that portion of the approximately \$1.5 billion taken in by the department annually that should be assigned to the mental health accounts.

Line items in this total are: 80.0 personal services; 5.0 travel; 12.0 contractual; and, 4.5 commodities.

4. Executive Director and secretary for Commission.
Estimated costs: \$106,200.

The executive director receives a monthly salary at the Natural Resource Manager level (range 18) and is in the exempt service. Office support is provided by a Clerk Typist II (range 7). Travel funding enables the director to meet regularly with the diverse mental health constituent groups and enables the commission to meet regularly. Office space and equipment will be provided in the department offices.

Line item totals are: 73.2 personal services; 20.0 travel; 8.0 contractual; 5.0 commodities.

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date : 4/17/86

REQUEST

Bill/Resolution No. : SB 472
Title : Management of Mental Health Trust

Sponsor : Senate HESS
Requestor : Senate Finance
Date of Request : 4/10/86

FISCAL DETAIL

Agency Affected : Natural Resources
BRU : Land and Water Management

Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES		227.9				
TRAVEL		26.0				
CONTRACTUAL		129.1				
SUPPLIES		10.0				
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		393.0				

CAPITAL						
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REVENUE						
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FUNDING : (Thousands of Dollars)

GENERAL FUND		393.0				
FEDERAL FUNDS						
OTHER						
TOTAL		393.0				

POSITIONS :

FULL-TIME		5				
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

see attached

Prepared by : Mike Vediner
Division : Commissioner's Office

Phone : 465-2400
Date : 4/17/86

Approved by Commissioner : *Armut D. Amundson*
Agency : Department of Natural Resources

Date : 4/17/86

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Department of Natural Resources
4-17-86
Senate Bill 472
Fiscal Note Addendum

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2. Identify and appraise all less than fair market value conveyances and encumbrances. Estimated costs: \$107,600.

These appraisals will be performed contractually. However, the department must prepare reports and maps containing information about each parcel before the contract can be let. We also note that these appraisals cover only those mental health parcels that are no longer in trust status. The approximately 700,000 acres in trust status are not to be appraised. If section 3(b) of the bill intends that all mental health land be appraised, then the cost, by the Opinion of Value panel method, will require an additional \$22,000.

The reports and maps must take approximately 1,100 parcels into consideration. This project will be completed by the Natural Resource Officer I in item #1 above.

The appraisals are expected to cost \$107,600. We project that approximately 820 parcels totalling 268,000 acres will need appraisals at an estimated cost of \$28,000. These appraisals will be determined by an Opinion of Value panel method. This method employs three senior designated appraisers, each representing one geographic region (northern, southcentral, and southeastern). The panel of

appraisers prepares value statements for each parcel of mental health land based on their regional expertise. The Opinion of Value method has been criticized by the plaintiffs and intervenors.

In addition, approximately 276 leases must be reappraised at five-year intervals. Currently these leases may not be reappraised for twenty-five years which will create a discrepancy with fair market value rental. The approximate cost of these lease reappraisals is \$79,600.

3. Provide management oversight of all transactions and account for funds received from mental health lands.
Estimated costs: \$101,500.

Statewide trust management oversight can be provided by a Natural Resource Manager I. The manager would be expected to review a large number of transactions to ensure that the trust is not breached. It is expected that the manager will also provide the necessary coordination between the department and the plaintiffs, and will be required to travel. Additional contractual money allows for the hiring of temporary help to assist with less complex, routine procedural steps.

An Accounting Technician I will be needed to receive and separately process that portion of the approximately \$1.5 billion taken in by the department annually that should be assigned to the mental health accounts.

Line items in this total are: 80.0 personal services; 5.0 travel; 12.0 contractual; and, 4.5 commodities.

4. Executive Director and secretary for Commission.
Estimated costs: \$143,100.

The executive director receives a monthly salary at the Division Director level (range 26) and is in the exempt service. Office support is provided by a Secretary (range 10). Travel funding enables the director to meet regularly with the diverse mental health constituent groups and enables the commission to meet regularly. Office space and equipment will be provided in the department offices.

Line item totals are: 110.1 personal services; 20.0 travel; 8.0 contractual; 5.0 commodities.

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : _____

REQUEST

Bill/Resolution No. : SB 472
 Title : "An Act relating to interim management of the mental health trust;"
 Sponsor : By the Resources Committee
 Requestor : Senate Finance Committee
 Date of Request : April 16, 1986

FISCAL DETAIL

Agency Affected : Department of Law
 BRU : Legal Services
 Components : Legal Services Operations

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	100.0					
MISCELLANEOUS						
TOTAL OPERATING	100.0	-0-	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING : (Thousands of Dollars)

GENERAL FUND	100.0	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS :

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

-Please see attached analysis.-

Prepared by : Richard I. Pegues, Director Phone : 465-3600
 Division : Administrative Services Division Date : 4/16/86
 Approved by Commissioner : Harold M. Brown, Attorney General Date : 4/16/86
 Agency : Department of Law

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. SB 472

\$100,000 is requested to be appropriated to the Department of Law for payment of court-ordered interim attorneys fees in Weiss v. State, Civil No. 4FA-82-2208. The normal procedure for an award of attorneys fees is to await final judgment in an action, at which time reasonable attorneys fees are awarded to the prevailing party under Civil Rule 82. However, in this extraordinary case, the class of plaintiffs (Alaskans who need mental health services) has no money to prosecute its rights and virtually by definition, cannot represent itself. As a result, the state has agreed to an extraordinary procedure under which the court may award interim attorneys fees, prior to the conclusion of the case, upon application by the class of plaintiffs (and, under certain narrow circumstances, intervenor) and review and possible objection by the state as to amount. The \$100,000 should be available to the Department of Law to satisfy court-ordered awards for services performed since the filing of the complaint through the end of FY 87.

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : _____

REQUEST

Bill/Resolution No. : SB 472
 Title : An Act relating to the interim management of mental health trust land and providing for an effective date.
 Sponsor : _____
 Requestor : _____
 Date of Request : _____

FISCAL DETAIL

Agency Affected : Health & Social Services
 BRU : DHSS Administrative Services

 Components : Audit

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL		81.0	0			
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		81.0	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING : (Thousands of Dollars)

GENERAL FUND		81.0				
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS :

FULL-TIME		0				
PART-TIME		0				
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by : Karen Perdue, Assistant Commissioner Phone : 465-3030
 Division : Commissioner's Office Date : April 14, 1986

Approved by Commissioner : [Signature] Date : 4/16/86
 Agency : Health & Social Services

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

acc

The definition of mental health is not clear, and was not defined by the courts. The parties may agree to a definition or the court may be asked to define it for these purposes.

The department's cost estimate for an independent audit includes the accounting for a broad range of possible mental health expenditures. Auditing all possible expenditures and then applying those relevant to the final definition would be cheaper than presupposing the definition of mental health and then reperforming the audit should the definition be expanded beyond the original scope.

Department audit staff could perform this audit at a negligible cost if it is determined that a private firm is not needed. DHSS audit staff includes 3 CPAs who regularly perform hundreds of audits per year.

Should it be determined that the department perform this function in-house, the proposed language would have to be amended to delete the word "independent" in section 4(1).

4/10/86
- (600)
R

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : _____

REQUEST

Bill/Resolution No. : SB 472
 Title : Management of Mental Health Trust

FISCAL DETAIL

Agency Affected : Natural Resources
 BRU : Land and Water Management

Sponsor : Senate HESS
 Requestor : Senate Finance
 Date of Request : 4/10/86

Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES		271.6				
TRAVEL		33.0				
CONTRACTUAL		146.9				
SUPPLIES		9.6				
EQUIPMENT		3.0				
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		464.1				

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING : (Thousands of Dollars)

GENERAL FUND		464.1				
FEDERAL FUNDS						
OTHER						
TOTAL		464.1				

POSITIONS :

FULL-TIME		7				
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

see attached

Prepared by : Mike Vediner Phone : 465-2400
 Division : Commissioner's Office Date : 4/10/86

Approved by Commissioner : Mark D Arnold, Deputy Date : 4/10/86
 Agency : Department of Natural Resources

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Department of Natural Resources
4-10-86
Senate Bill 472
Fiscal Note Addendum

Analysis

Several detailed reports, audits, and appraisals would be required under this bill, and indeed are required under the Supreme Court decision in Weiss v. Alaska, as interpreted by the Attorney General's Office. No funding is included for contracting with the plaintiffs and intervenors in the case.

1. Account for all funds or land received from conveyances and exchanges made between July 19, 1978 and October 4, 1985. Estimated costs: \$40,800.

We estimate that 4,650 cases (2,370 land conveyances, 1,370 mining claims, 390 rights-of-way, 275 land leases, 25 timber or material sales, 110 oil and gas or coal leases, and 110 miscellaneous cases) will have to be audited to determine the amount received and/or appraised. Land discounts will have to be accounted for during this process. This process will take a Natural Resource Officer I approximately one year (37.8 personal services; 1.0 travel; 1.5 contractual; 0.5 commodities).

2. Identify and appraise all less than fair market value conveyances and encumbrances. Estimated costs: \$117,800.

These appraisals will be performed contractually. However, the department must prepare reports and maps containing information about each parcel before the contract can be let. We also note that these appraisals cover only those mental health parcels that are no longer in trust status. The approximately 700,000 acres in trust status are not to be appraised. If section 3(b) of the bill intends that all mental health land be appraised, then the cost, by the Opinion of Value panel method, will require an additional \$22,000.

The reports and maps must take approximately 1,100 parcels into consideration. We expect this project to take a single Natural Resource Officer I three months to complete. Additionally, the project will need funding for supplies and contractual clerical services (9.5 personal services; .5 contractual; .2 commodities).

The appraisals are expected to cost \$107,600. We project that approximately 820 parcels totalling 268,000 acres will need appraisals at an estimated cost of \$28,000. These appraisals will be determined by an Opinion of Value panel

method. This method employs three senior designated appraisers, each representing one geographic region (northern, southcentral, and southeastern). The panel of appraisers prepares value statements for each parcel of mental health land based on their regional expertise. The Opinion of Value method has been criticized by the plaintiffs and intervenors.

In addition, approximately 276 leases must be reappraised at five-year intervals. Currently these leases may not be reappraised for twenty-five years which will create a discrepancy with fair market value rental. The approximate cost of these lease reappraisals is \$79,600.

3. Provide management oversight of all transactions and account for funds received from mental health lands.
Estimated costs: \$142,700.

Statewide trust management oversight can be provided by a Natural Resource Manager II with support from a Natural Resource Officer I. That manager would be expected to review a large number of transactions, with research assistance from a subordinate, to ensure that the trust is not breached. It is expected that the manager will also provide the necessary coordination between the department and the plaintiffs, and will be required to travel.

Accounting functions can be broken into two parts: ongoing accounting services, and an independent audit. An accounting Technician I will be needed to receive and separately process that portion of the approximately \$1.5 billion taken in by DNR annually that should be assigned to the mental health accounts.

Line items in this total are: 124.0 personal services; 6.0 travel; 11.3 contractual; and, 1.4 commodities.

4. Provide administrative support to the commission.
Estimated costs: \$53,600.

The department would need to provide administrative support to the commission which includes arranging meetings, preparing briefing packets, documenting meeting results, and clerical support. The Natural Resource Officer I listed in item 3 above could assist with the details of action review and a Clerk Typist III would be needed to assist with typing and organization of meetings. Contractual monies would cover duplication costs, phone charges, postage, etc. Travel and per diem funding is for meetings of the commission. Commodities money is to cover routine supplies and maps (27.1 personal services; 18.0 travel; 6.0 contractual; 2.5 commodities).

5. Executive Director and secretary for Commission.
Estimated costs: \$109,200.

The executive director receives a monthly salary at the Natural Resource Manager level (range 18). Office support is provided by a Clerk Typist II (range 7). Both persons serve in the exempt service. Travel funding enables the director to meet regularly with the diverse mental health constituent groups. Contractual funding provides office space and overhead. Equipment funding is for a one time purchase of office equipment. Line item totals are: 73.2 personal services; 8.0 travel; 20.0 contractual; 5.0 commodities; and, 3.0 equipment.

SECTIONAL ANALYSIS

INTERIM MANAGEMENT OF MENTAL HEALTH TRUST LAND

CSSB 472 (Resources)

An Act relating to the interim management of the mental health trust; and providing for an effective date.

Section 1 of this bill constitutes the "legislative findings."

Section 2 of the bill establishes an interim Mental Health Trust Commission.

Section 2(a) locates the Commission in the Department of Natural Resources.

Section 2(b) provides for the membership of the interim Commission. Two members serve ex officio: the Commissioner of Natural Resources and the Commissioner of Health and Social Services (or their designers). Three groups are permitted to nominate three persons each from which the Governor will appoint one from each group: the plaintiffs in the litigation, the intervenors in the litigation, and the Governor's Mental Health Advisory Council.

Section 2(c) provides for a presiding officer, for quorums, for the votes necessary to take official action, and for the effect of a vacancy.

Section 2(d) provides for the per diem and travel expenses for the Commission. Members of the Commission serve without compensation.

Section 2(e) provides for a minimum of quarterly meetings and for more frequent meetings either in person or by teleconference.

Section 2(f) provides for the Commission employing an executive director and staff and for their being in the exempt service.

Section 2(g) gives the Commission the authority to contract with parties or individuals for the performance of functions assigned to it.

Section 3 of the bill establishes the responsibilities of the Commissioner of Natural Resources and the Commission.

Section 3(a) directs the Commissioner to inventory and catalog the mental health trust land of the state, to audit and appraise each land transaction involving the mental health trust land of the state and determine the status of the mental health trust land on the effective date of the Act under procedures and guidelines established by the Commissioner of Natural Resources with the approval of the Commission. The Commission is given authority to review the records of the Department of Natural Resources.

Section 3(b) directs the Commissioner with the approval of the Commission to retain an appraiser or appraisers to appraise all or a portion of land that, at any time, was part of the mental health trust land of the state. Directs the Commissioner to provide the appraiser with written procedures and instructions approved by the Commission.

Section 3(c) makes the Commissioner of Natural Resources responsible for the management of mental health trust lands under P.L. 84-830 70 Stat. 709. However, except for a transfer authorized under AS 38.05.035(b) (9), the Commissioner may not sell, lease, or exchange mental health trust land or interest therein without prior approval of the Commission. Approval by the Commission must be consistent with the terms of the trust established by the Alaska Mental Health Enabling Act.

Section 3(d) provides for the deposit of income from the management of mental health trust land to a special account in the general fund and subjects them to appropriation by the legislature.

Section 4 of the bill establishes the responsibilities of the Commissioner of Health and Social Services and the Commission.

Section 4(a) directs the Commissioner with the approval of the Commission to audit the state's mental health program, establish the procedures and guidelines to guide the auditor and propose guidelines and procedures to be used in determining a range of expenditures for mental health programs necessary to comply with the state's comprehensive mental health plan.

Section 4(b) gives the Commission authority to review the records of the Department of Health and Social Services involving mental health expenditures.

Section 5 of the bill acquires the interim Commission to submit a report to the legislature recommending possible amendment of the laws relating to the management of the mental health trust, the mental health trust land and the mental health program of the state and the date on which it is to be submitted.

Section 6 defines commission as "the interim mental health trust commission established in Section 2 of this Act."

Section 7 repeals this Act on July 1, 1987.

Section 8 provides for an immediate effective date.

PROPOSED MENTAL HEALTH TRUST LAND APPROPRIATION

		<u>COSTS</u>	<u>POSSIBLE REDUCTIONS</u>
H & SS	Independently audit state mental health expenditures from July 1, 1978 through June 30, 1986.	\$81,000	\$(81,000)
DNR	Account for all funds or land received from conveyances and exchanges July 19, 1978 through October 4, 1985.	40,800	
DNR	Identify and appraise all less than fair market value conveyances and encumbrances.	117,800	
DNR	Provide management oversight of all transactions and account funds received from mental health lands.	142,700	
DOL	Special appropriation to the Department of Law for payment of the plaintiff legal fees. The fees shall only be paid by court order.	100,000	
DNR	Mental health land management commission.		
	Administrative support (53,600)		(53,600)
	Staffing (109,200)	162,300	
	Joint legislative committee on mental health trust land	30,600	(30,600)
	TOTAL APPROPRIATIONS PROPOSED	<u>\$675,700</u>	(164,200)
	TOTAL WITH ALL REDUCTIONS		<u>\$511,500</u>

NOTE ON PROPOSED APPROPRIATIONS

This request is composed of firm dollar amounts of which reductions would impair the completion of the stated tasks and soft dollar amounts of which reductions or eliminations may be possible without jeopardizing the completion of basic tasks or the total program.

1. With an amendment striking the independent audit of H & SS mental health expenditures, the audit would be completed by existing H & SS staff. The reduction would be \$81,000.
2. Since DNR's administrative support line item within the mental health land management commission was drafted based upon no staffing of the commission; the line item staffing the commission includes the basic elements necessary for the commission to function, however, the quality of commission support undoubtedly would be reduced and there would probably be fewer committee meetings. This line item could be eliminated at a savings of \$53,600.
3. The funds for staffing and support of the joint legislative committee on mental health trust land could be provided from existing budgets for Senate and House interim committees. If these funds were used the reduction would be \$30,600.

The proposed appropriations could be reduced by a total of \$164,200. Thus, the grand total of the proposed appropriations for the mental health land issue could be \$511,500. This would provide a marginal budget, but a budget sufficient to complete the elements required under the Supreme Court decision in Weiss v. Alaska.

PRO FORMA MENTAL HEALTH LAND MANAGEMENT COMMISSION STAFFING

Natural Resource Manager I Type	\$47,600
Clerk Typist II Type	25,600
Travel Costs	8,000
Contractual Costs	20,000
Commodities	5,000
Equipment Costs	3,000
TOTAL STAFF COSTS	<u>\$109,200</u>

DRAFT POSITION PAPER
SENATE HESS COMMITTEE

For an Act entitled: "An Act relating to the interim management of mental health trust land; and providing for an effective date."

Section 4 of the draft bill requires the department to establish guidelines for and obtain an independent audit of mental health expenditures. It also requires the department to prepare guidelines and procedures to determine by some mechanism the level of funding necessary to comply with the state's mental health plan. It requires the department to seek the approval of the commission prior to embarking on these tasks.

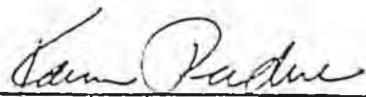
Position

The department wishes to comment on Section 4 of this bill. The department believes an audit of mental health expenditures needs to be performed.

It would be prudent for all parties to agree on the guidelines for such an audit prior to commitment of funds for that purpose. The commission provides a valuable forum for this agreement to be reached. The department would work with the commission to achieve consensus on such a set of guidelines. Once the scope is determined, the department's Audit Unit could perform the audit within existing resources. Should it be determined that the audit could adequately be performed in-house, the proposed language would have to be amended to delete the word "independent" in section 4(1).

With regard to the third section, the department feels it important that an interim commission examine the needs for mental health services and be involved in a needs assessment which would result in costing out what is "necessary" for the state to implement a comprehensive mental health program. A broad based effort to come to an agreement on the level and range of services needed to meet Alaska's mental health program would provide a valuable yard stick by which to measure how existing services fail to meet the true need and what level of commitment is needed in the future.

Recommended by:

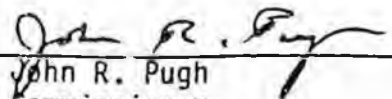


Karen Perdue
Assistant Commissioner
for Administration

Date:

4/3/86

Approved by:



John R. Pugh
Commissioner

Date:

4/3/86

Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ARLISS STURGULEWSKI, Vice Chairman
JOE JOSEPHSON
PAUL FISCHER
EDNA ARMSTRONG-DE VRIES



P O BOX
STATE DEPT
JUNEAU ALASKA 99801
907 485-3883
907 485-3788

Senate Committee on Health, Education and Social Services

SB 472

An Act relating to the interim management of the mental health trust.

Section 1 - Findings

Congress granted 1,000,000 acres of land to Alaska to be administered as a trust, the Alaska Supreme Court ruled the trust had been breached, and there is a need for interim management of the trust land.

Section 2 - Establishes Commission in DNR

- membership - DNR Commissioner, DH&SS Commissioner, representative of plaintiffs, representative of intervenors, representative of Governor's Mental Health Advisory Council
- receive travel and per diem
- quarterly meetings; others allowed
- may employ staff

Section 3 - DNR Responsibilities

- inventory and catalog Mental Health Land
- audit land transactions
- hire an appraiser to appraise land
- manage Mental Health land with oversight from the commission
- deposit land proceeds in a special trust account

Section 4 - DH&SS Responsibilities

- hire an auditor to audit the Mental Health program, with oversight from the commission
- develop guidelines to determine necessary Mental Health expenditures, with oversight from the commission

Section 5 - Report to Legislature

Commission must submit recommendations by the 10th day of the next legislative session on management of the Mental Health trust and on the state's Mental Health program.

Section 6 - Defines "commission."

Section 7 - Commission terminates 7-1-87.

Section 8 - Immediate effective date.

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date : _____

REQUEST

FISCAL DETAIL

Bill/Resolution No. : SB 472
Title : Management of Mental Health Trust

Agency Affected : Natural Resources
BRU : Land and Water Management

Sponsor : Senate HESS
Requestor : Senate Finance
Date of Request : 4/10/86

Components : _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES		271.6				
TRAVEL		33.0				
CONTRACTUAL		146.9				
SUPPLIES		9.6				
EQUIPMENT		3.0				
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		464.1				

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING : (Thousands of Dollars)

GENERAL FUND		464.1				
FEDERAL FUNDS						
OTHER						
TOTAL		464.1				

POSITIONS :

FULL-TIME		7				
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

see attached

Prepared by : Mike Vediner
Division : Commissioner's Office

Phone : 465-2400
Date : 4/10/86

Approved by Commissioner : Wm D Arnold, Deputy
Agency : Department of Natural Resources

Date : 4/10/86

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Department of Natural Resources
4-10-86
Senate Bill 472
Fiscal Note Addendum

Analysis

Several detailed reports, audits, and appraisals would be required under this bill, and indeed are required under the Supreme Court decision in Weiss v. Alaska, as interpreted by the Attorney General's Office. No funding is included for contracting with the plaintiffs and intervenors in the case.

1. Account for all funds or land received from conveyances and exchanges made between July 19, 1979 and October 4, 1985. Estimated costs: \$40,800.

We estimate that 4,650 cases (2,370 land conveyances, 1,370 mining claims, 390 rights-of-way, 275 land leases, 25 timber or material sales, 110 oil and gas or coal leases, and 110 miscellaneous cases) will have to be audited to determine the amount received and/or appraised. Land discounts will have to be accounted for during this process. This process will take a Natural Resource Officer I approximately one year (37.8 personal services; 1.0 travel; 1.5 contractual; 0.5 commodities).

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These appraisals will be performed contractually. However, the department must prepare reports and maps containing information about each parcel before the contract can be let. We also note that these appraisals cover only those mental health parcels that are no longer in trust status. The approximately 700,000 acres in trust status are not to be appraised. If section 3(b) of the bill intends that all mental health land be appraised, then the cost, by the Opinion of Value panel method, will require an additional \$22,000.

The reports and maps must take approximately 1,100 parcels into consideration. We expect this project to take a single Natural Resource Officer I three months to complete. Additionally, the project will need funding for supplies and contractual clerical services (9.5 personal services; .5 contractual; .2 commodities).

The appraisals are expected to cost \$107,600. We project that approximately 820 parcels totalling 268,000 acres will need appraisals at an estimated cost of \$28,000. These appraisals will be determined by an Opinion of Value panel

method. This method employs three senior designated appraisers, each representing one geographic region (northern, southcentral, and southeastern). The panel of appraisers prepares value statements for each parcel of mental health land based on their regional expertise. The Opinion of Value method has been criticized by the plaintiffs and intervenors.

In addition, approximately 276 leases must be reappraised at five-year intervals. Currently these leases may not be reappraised for twenty-five years which will create a discrepancy with fair market value rental. The approximate cost of these lease reappraisals is \$79,600.

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Accounting functions can be broken into two parts: ongoing accounting services, and an independent audit. An accounting Technician I will be needed to receive and separately process that portion of the approximately \$1.5 billion taken in by DNR annually that should be assigned to the mental health accounts.

Line items in this total are: 124.0 personal services; 6.0 travel; 11.3 contractual; and, 1.4 commodities.

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Estimated costs: \$109,200.

The executive director receives a monthly salary at the Natural Resource Manager level (range 18). Office support is provided by a Clerk Typist II (range 7). Both persons serve in the exempt service. Travel funding enables the director to meet regularly with the diverse mental health constituent groups. Contractual funding provides office space and overhead. Equipment funding is for a one time purchase of office equipment. Line item totals are: 73.2 personal services; 8.0 travel; 20.0 contractual; 5.0 commodities; and, 3.0 equipment.

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CSSSHB 128
 Title: An Act relating to the interim management of mental health trust land; and providing for an effective date.
 Sponsor: Pignalberi, Gruenberg, Boucher
 Requestor: Pignalberi
 Date of Request: March 24, 1986

FISCAL DETAIL

Agency Affected: Health & Social Services
 BRU: DHSS Administrative Services
 Components: Audit

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL		81.0	0			
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		81.0	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING : (Thousands of Dollars)

GENERAL FUND		81.0				
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS :

FULL-TIME		0				
PART-TIME		0				
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by: *Karen Perdue*
 Division: Commissioner's Office

Phone: 465-3030
 Date: 3/26/86

Approved by Commissioner: *John R. Poy*
 Agency: Health and Social Services

Date: 4/1/86

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget

Fiscal Note, Page 2

The definition of mental health is not clear, and was not defined by the courts. The parties may agree to a definition or the court may be asked to define it for these purposes.

The department's cost estimate for an independent audit includes the accounting for a broad range of possible mental health expenditures. Auditing all possible expenditures and then applying those relevant to the final definition would be cheaper than presupposing the definition of mental health and then reperforming the audit should the definition be expanded beyond the original scope.

Department audit staff could perform this audit at a negligible cost if it is determined that a private firm is not needed. DHSS audit staff includes 3 CPAs who regularly perform hundreds of audits per year.

Should it be determined that the department perform this function in-house, the proposed language would have to be amended to delete the word "independent" in section 4(i).

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date : 3/5/86

REQUEST

Bill/Resolution No.: HCR 50
 Title: establish joint committee
on mental health lands
 Sponsor: Gruenberg
 Requestor: House HESS
 Date of Request: 3/5/86

FISCAL DETAIL

Agency Affected: Legislature
 BRU: _____
 Components: _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES		21.7				
TRAVEL		3.0				
CONTRACTUAL		5.6				
SUPPLIES		.3				
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		30.6				
CAPITAL						
REVENUE						

FUNDING : (Thousands of Dollars)

GENERAL FUND		30.6				
FEDERAL FUNDS						
OTHER						
TOTAL		30.6				

POSITIONS :

FULL-TIME						
PART-TIME		1				
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

This fiscal note calls for a half-time professional assistant (Range 21A) to work for the committee. Salary for a nine month period is \$17,239.50 plus \$4,482.27 in benefits.

Prepared by: Representative Max F. Gruenberg, Jr.
 Division: House HESS Committee

Phone: 465-4968
 Date: 3/5/86

Approved by: Co-Chair
Commissioner
 Agency: House HESS Committee

Date: 3/5/86

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Alaska State Legislature

bill file
4/18/86

BETTYE FAHRENKAMP, Chairman
ARLISSE STURGULEWSKI, Vice Chairman
JOE JOSEPHSON
PAUL FISCHER
EDNA ARMSTRONG-DE VRIES

P. O. BOX V
STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465 3834
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Senate Committee on Health, Education and Social Services

April 18, 1986

Senator John Sackett, Co-Chairman
Senator Jan Faiks, Co-Chairman
Senate Finance Committee
P.O. Box V
Juneau, AK 99811

Dear Senators:

Thank you for your attention to SB 472, an act relating to the interim management of the mental health trust. As you know, the bill has received the approval of the Senate Committee on Health, Education and Social Services and the Senate Resources Committee, and is scheduled for a hearing before Senate Finance on April 22, 1986. In my estimation, passage of the bill is an essential step in resolution of the mental health lands lawsuit.

By way of background, as you will recall, in 1956 Congress granted Alaska one million acres of land to be managed as a public trust to provide funds for Alaska's mental health program. The lands were selected and patented, but no trust fund was established. In 1978 the state legislature redesignated the trust lands as general grant lands and created in their place a mental health fund to receive 1.5% of annual receipts from all state land. However, no monies were deposited into the fund, and in 1982 the Alaska Mental Health Association filed a class action suit against the state contesting the 1978 redesignation law. In October 1985, the State Supreme Court ruled that the state had breached the trust and must reconstitute it to match as nearly as possible its holdings when the 1978 law became effective.

The intent of SB 472 is twofold: to ensure that activities required by the court are undertaken, and to protect the trust lands from alienation pending final resolution of the litigation. Specifically, the bill calls on the Department of Natural Resources to inventory and catalog the mental health trust land, audit past transactions involving mental health land, appraise lands that are no longer in the trust, and manage the mental health land as a public trust. The Department of Health and Social Services is to audit the state's past mental health program expenditures and propose guidelines for determining future levels of expenditures.

A third and equally important function of SB 472 is to facilitate involvement of the mental health community in settling the litigation. To this end, the bill includes on the commission three members nominated by the mental health community, and calls on the commission to approve the audits and appraisals conducted by the Departments of Natural Resources and Health and Social Services, and to approve land management decisions.

What SB 472 does not do is propose any long term solutions. SCR 36, which is also pending before the Senate Finance Committee, would establish a legislative committee to develop a proposal to resolve the mental health trust litigation. Implementation of SB 472 will assist the state, and the legislative committee specifically, in this task and protect the trust until resolution is reached.

Senators, I think many of us in the legislature share a long-term goal of developing a trust of sufficient size to adequately fund mental health programs throughout our state. However, a number of actions must be taken before the state is in a position to enact a long-term solution. I hope you will agree that to accomplish these goals SB 472 is the appropriate mechanism.

Thank you for your consideration..

Sincerely,



Bettye Fahrenkamp
Chairman

BF/ss

POSITION PAPER
SB 472

For an Act entitled: "An Act relating to the interim management of mental health trust land; and providing for an effective date."

Section 4 of the bill requires the department to establish guidelines for and obtain an independent audit of mental health expenditures. It also requires the department to prepare guidelines and procedures to determine by some mechanism the level of funding necessary to comply with the state's mental health plan. It requires the department to seek the approval of the commission prior to embarking on these tasks.

Position

The department wishes to comment on Section 4 of this bill. The department believes an audit of mental health expenditures needs to be performed.

It would be prudent for all parties to agree on the guidelines for such an audit prior to commitment of funds for that purpose. The commission provides a valuable forum for this agreement to be reached. The department would work with the commission to achieve consensus on such a set of guidelines. Once the scope is determined, the department's Audit Unit could perform the audit within existing resources. Should it be determined that the audit could adequately be performed in-house, the proposed language would have to be amended to delete the word "independent" in section 4(1).

With regard to the third section, the department feels it important that an interim commission examine the needs for mental health services and be involved in a needs assessment which would result in costing out what is "necessary" for the state to implement a comprehensive mental health program. A broad based effort to come to an agreement on the level and range of services needed to meet Alaska's mental health program would provide a valuable yard stick by which to measure how existing services fail to meet the true need and what level of commitment is needed in the future.

Recommended by:

Karen Perdue
Karen Perdue
Assistant Commissioner
for Administration

Date:

4/14/86

Approved by:

John R. Pugh
John R. Pugh
Commissioner

Date:

4/16/86

SENATE HESS
March 18, 1986

HISTORY

1956 Public Law 80, Title II, Section 202
U.S. Congress granted the Territory of Alaska 1 million acres of land to be managed as a public trust to provide funds for Alaska's Mental Health program. Monies left after mental health program costs could be used for other public needs.

1958 Public Law 85-508, Section 6
Transferred grants to the State of Alaska.

Lands were selected and patented, but no trust fund was established.

1978 Ch. 181, SLA 1978,
The legislature redesignated the trust lands as general grant lands. In their place a mental health fund was created and subject to an appropriation by the legislature, was to receive 1.5% of revenues paid to the State each year as proceeds from the management of State lands.

No monies were deposited into the Mental Health fund.

1982 Weiss et.al. v. Alaska
Alaska Mental Health Association filed a class action suit against the state contending that the plaintiffs were in need of mental health services which they could not receive in Alaska and raised questions about the 1978 redesignation law.

1984
State Superior Court directed the state to reimburse the trust for the full value of the land that was redesignated in 1978. The state appealed.

October, 1985
State Supreme Court ruled that the state had breached the trust and that it must be reconstituted.

December, 1985 Mental Health Lands Interim Management
Department of Natural Resources issued Department Order 121, which establishes criteria for management based on receipt of fair market value or reimbursement of the trust in land or money for all transactions.

SENATE HESS
March 18, 1986

THE SUPREME COURT DECISION

On October 4, 1985 the State Supreme Court ruled:

- 1) the state had breached the mental health lands trust.
- 2) the 1978 law redesignating mental health lands as general grant lands was invalid.
- 3) the trust must be reconstituted to match as nearly as possible the holdings which comprised the trust when the 1978 law became effective.

The Supreme Court remanded the case to the Superior Court so that findings could be made and provided the following specific directions.

- 1) General grant lands which were once mental health lands be returned to their former trust status.
- 2) Lands that can be traced to an exchange involving mental health lands be included in the trust.
- 3) The trust be reimbursed for mental health lands that have been sold, based on fair market value at the time of sale.
- 4) A set-off against the value of lands sold be granted for mental health expenditures made by the state, and in the event that expenditures exceed the value, the state need not furnish cash as part of the reconstitution.

Comparison SCR36, CSSCR36 and CSHCR50

Acts Establishing A Joint Special Committee on Mental Health Trust Lands

The Senate resolutions are almost identical in nature, the only difference is in the make-up of the committee.

Under SCR 36 the committee would be composed of two members each of the House and Senate, the Commissioners of Resources and Health and Social Services, or their designees, and two interested members of the general public to be selected by the other members of the committee.

Under CSSCR 36 the committee would consist of three members each of the House and Senate and two members of the general public.

CSHCR 50 (HESS) currently in the House Finance Committee is equal to the Senate Resolutions in purpose, however there is no provision to include members of the general public on the committee.

Introduced: 4/4/86
Referred: Health, Education and
Social Services, Resources
and Finance

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

1 IN THE SENATE

2 SENATE BILL NO. 472

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the interim management of the
7 mental health trust; and providing for an effective
8 date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. The legislature finds that

11 (1) the Congress granted 1,000,000 acres of land to the Terri-
12 tory of Alaska to be administered as a public trust for the necessary
13 expenses of the support of mental health in the territory;

14 (2) the land authorized to be granted to the Territory of Alaska
15 has been selected by the territory and since statehood by the state and
16 most of the 1,000,000 acres has been conveyed to the state;

17 (3) the Alaska Supreme Court ruled in State v. Weiss, 706 P.2d
18 681 (Alaska 1985) that the legislation redesignating mental health trust
19 land as general grant land had actually breached the trust established by
20 Congress and the court ordered the trust reconstituted;

21 (4) there is presently no statutory authority providing for the
22 management of the mental health trust land as trust land;

23 (5) the Alaska Mental Health Association as the original sponsor
24 of the litigation regarding the management of the mental health trust land,
25 more recently participating as intervenor in the litigation, and the plain-
26 tiffs have performed and continue to perform an important public function
27 in their efforts to reconstitute the mental health trust land and to pro-
28 vide for the proper management of the trust land; and

29 (6) there is a need for the interim management of the trust land

1 as a public trust.

2 * Sec. 2. INTERIM MENTAL HEALTH TRUST COMMISSION ESTABLISHED. (a) The
3 interim mental health trust commission is established in the Department of
4 Natural Resources.

5 (b) The commission established under (a) of this section consists of
6 five members, including the commissioner of natural resources and the
7 commissioner of health and social services, or their designees, and three
8 members appointed by the governor as follows:

9 (1) a member representing the plaintiffs, appointed by the
10 governor from a list of three names submitted to the governor by the plain-
11 tiffs in State v. Weiss, 706 P.2d 681 (Alaska 1985);

12 (2) a member representing the intervenors, appointed by the
13 governor from a list of three names submitted to the governor by the inter-
14 venors in State v. Weiss, 706 P.2d 681 (Alaska 1985); and

15 (3) a member representing the Governor's Mental Health Advisory
16 Council, appointed by the governor from a list of three names submitted to
17 the governor by the Governor's Mental Health Advisory Council.

18 (c) The members of the commission shall elect a presiding officer. A
19 majority of the commission constitutes a quorum. The affirmative vote of
20 three members is required to take official action. A vacancy does not
21 impair the power of the remaining members to exercise the powers of the
22 commission.

23 (d) Members of the commission serve without compensation but are
24 entitled to per diem and travel expenses authorized by law for other boards
25 under AS 39.20.180.

26 (e) The commission shall meet at least quarterly and may meet more
27 frequently, either in person or by teleconference.

28 (f) The commission may employ an executive director and staff to
29 assist it in fulfilling its responsibilities under this Act. The employees

1 shall be in the exempt service.

2 (g) The commission may contract with parties or individuals for the
3 performance of functions assigned to it.

4 * Sec. 3. RESPONSIBILITIES OF THE COMMISSIONER OF NATURAL RESOURCES AND
5 THE COMMISSION. (a) The commissioner of natural resources shall inventory
6 and catalog the mental health trust land of the state, shall audit and
7 appraise each land transaction involving land that has been part of the
8 mental health trust land of the state, and determine the status of mental
9 health trust land on the effective date of this Act under procedures and
10 guidelines established by the commissioner of natural resources with the
11 approval of the commission. In the exercise of the commission's respon-
12 sibilities under this section, the commission may review the records of the
13 Department of Natural Resources.

14 (b) The commissioner of natural resources shall, with the approval of
15 the commission, retain an appraiser or appraisers to appraise all or a
16 portion of land that, at any time, was part of the mental health trust land
17 of the state. The commissioner shall provide an appraiser conducting an
18 appraisal with written procedures and instructions that have been approved
19 by the commission.

20 (c) The commissioner of natural resources is responsible for the
21 management of the mental health land of the state as a public trust under
22 P.L. 84-830, 70 Stat. 709. The commissioner of natural resources may not
23 sell, lease, or exchange mental health trust land of the state or an inter-
24 est in the mental health trust land of the state without the prior approval
25 of the commission. In reviewing a proposal for the sale, lease, or ex-
26 change of mental health trust land from the commissioner of natural re-
27 sources, the commission may approve the proposal of the commissioner on its
28 determination that the proposal is consistent with the terms of the trust
29 established by the Alaska Mental Health Enabling Act.

1 (d) The proceeds from the management of the mental health trust land
2 of the state shall be deposited in a special trust account in the general
3 fund of the state and are subject to appropriation by the legislature.

4 * Sec. 4. RESPONSIBILITIES OF THE COMMISSIONER OF HEALTH AND SOCIAL
5 SERVICES AND THE COMMISSION. (a) The commissioner of health and social
6 services, with the approval of the commission, shall

7 (1) select an independent auditor to audit the state's mental
8 health program;

9 (2) establish the procedures and guidelines to guide the auditor
10 selected under this subsection;

11 (3) propose the guidelines and procedures to be used in de-
12 termining a range of expenditures for mental health programs necessary to
13 comply with the state's comprehensive mental health plan.

14 (b) The commission may review the records of the Department of Health
15 and Social Services that involve mental health expenditures under the
16 state's comprehensive mental health plan.

17 * Sec. 5. ADDITIONAL RESPONSIBILITIES OF THE COMMISSION. The commis-
18 sion shall submit a report to the legislature by the 10th day of the first
19 session of the fifteenth state legislature on matters of concern to the
20 commission. The report shall include its recommendations for amendment of
21 the laws relating to the management of the mental health trust, the mental
22 health trust land, and the mental health program of the state.

23 * Sec. 6. DEFINITION. In this Act "commission" means the interim
24 mental health trust commission established in sec. 2 of this Act.

25 * Sec. 7. This Act is repealed July 1, 1987.

26 * Sec. 8. This Act takes effect immediately in accordance with AS 01.-
27 10.070(c).

COMMITTEE REPORT

SENATE

FURTHER: FINANCE

4/9/86

Date 4-14-86

Mr. President

The Committee on RESOURCES considered SB 472

relating to the interim management of the mental health trust; efd.

and (a majority of the committee) (~~the committee~~) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for SB 472 (Res)
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
55#67
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS

[Signature]
Chairman

[Signature]
Chairman recommendation

COMMITTEE REPORT
SENATE

FURTHER: RESOURCES
FINANCE

4/4/86

Date 4-8-86

Mr. President

The Committee on HESS considered SB 472
~~relating to the~~ interim management of the mental health trust; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" [] NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

Joe Josephson

MEMBERS HAVING
OTHER RECOMMENDATIONS

Edna De Vries N.R.

Bettye Fabrenkamp Do Pass
Chairman

Chairman recommendation _____