

ALASKA LEGISLATURE

2172

HOUSE and SENATE FINANCE COMMITTEE FILES,

2001 - 2002

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Strategies

1. Embed an employment and job retention component into all adult mental health, developmental disabilities, and substance abuse treatment programs to assist clients to find and retain wage paying jobs.
2. Increase education and training opportunities to support people in their return-to-work efforts including pre-employment and vocational services for people with serious mental illness, substance use disorders, or developmental disabilities.
3. Develop the state Medicaid program including Medicaid buy-in and other health insurance options to better support those people with disabilities who return to work.
4. Support Division of Vocational Rehabilitation efforts to provide technical assistance to employers who want to hire individuals with disabilities.
5. Continue to participate as a member of the Alaska Consortium in the federally funded Alaska Works Initiative designed to address major barriers that keep people with disabilities from success in the workplace.
6. Continue to use funding available through federal employment initiatives such as Ticket to Work and the Work Incentives Improvement Act to promote employment and self-sufficiency for people with disabilities.

7. Encourage and support employment opportunities for youth at risk of or experiencing behavioral disorders.

8. Promote the coordination of programs providing human service related transportation, look for new funding sources, and educate service providers and consumers about transportation alternatives.

ENDNOTES

¹ "One in Four: America's Youngest Poor, December 1996" <<http://cpmcnet.columbia.edu/dept/nccp/oiftext.html>>.

² "A Marketing Research Report for Alaska Mental Health Trust Authority," Craciun & Associates, Anchorage, February 1999.

³ Estimate based on information from *Alaska Population Overview, 1999 Estimates*, Alaska Department of Labor and Workforce Development, Juneau, Alaska, May 2000, and the Division of Public Assistance.

⁴ Per capita income is the mean income computed for every man, woman, and child in a particular group. The Census Bureau derived per capita income by dividing the total income of a particular group by the total population in that group (excluding patients or inmates in institutional quarters).

⁵ This graph has not been adjusted for cost of living or inflation.

⁶ "The Cost of Living in Alaska" in *Alaska Economic Trends*, Alaska Department of Labor and Workforce Development, June 2001, Volume 21, No. 6.

⁷ The Alaska Temporary Assistance for Needy Families (TANF) program replaced the Aid to Families with Dependent Children (AFDC) as part of federal welfare reform in 1996.

⁸ "Executive Summary, Review of Alaska-Specific Disincentives to Work for Individuals with Significant Disabilities," Governor's Council on Disabilities and Special Education, Anchorage, 1998.

⁹ *Mental Health: A Report of the Surgeon General*; U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration, Center for Mental Health Services, National Institutes of Health, National Institute of Mental Health, 1999 (p. 99).

¹⁰ *Mental Health: A Report of the Surgeon General, Executive Summary*, US Department of Health and Human Services, Substance Abuse and Mental Health Services Administration, Center for Mental Health Services, National Institutes of Health, National Institute of Mental Health, Washington, DC, 1999.

¹¹ "Adult Public Assistance Fact Sheet" Department of Health and Social Services, Division of Public Assistance, February 2001.

¹² "Executive Summary: Review of Alaska-specific Disincentives to Work for Individuals with Significant Disabilities," Alaska Governor's Council on Disabilities and Special Education, Anchorage, 1998.

¹³ "Transitioning to Economic Independence: An Employment Initiative for People with Severe Disabilities," Alaska Governor's Council on Disabilities and Special Education; Anchorage, 1999.

¹⁴ 7 AAC 43.1110 (29).

¹⁵ Families with a disabled adult are eligible for this buy-in program. Although the majority of participants are individuals with disabilities, there are some participants who are not disabled but who have adult family members who are disabled.

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Living With Dignity

"Living with Dignity means being valued and appreciated by others for the choices and contributions one makes and being able to take advantage of the opportunities available to all Alaskans." - Alaska Governor's Council on Disabilities and Special Education

People measure their individual value through their interaction with their families and community. People perceive their own merit through society's eyes as reflected in the mass media, entertainment, and language. To be part of a neighborhood, live in acceptable housing and attend the public school are marks of community membership. Social stigma and prejudice keep many people from participating in community activities. Stigma also prohibits individuals from pursuing treatment and services necessary to become fully contributing members of their community.

People's self-esteem is tied to their sense of belonging. Alaskans experiencing mental illness, substance use disorders, developmental disabilities, and age-related dementia need to engage with family, friends, and neighbors and to participate in their communities. Social contributions can include volunteer or paid work, subsistence activities, active membership in spiritual and other community organizations, and successful school attendance.

The Comprehensive Plan focuses on three issues related to life with dignity:

- ❖ Housing
 - ❖ Education and Training
 - ❖ Educated Public
-

Housing

Goal: To enable people to live in appropriate housing in the community.

There is not enough safe, comfortable, appropriate, and affordable housing to meet the needs of Alaskan residents.¹ The impact of this scarcity is strongly felt by the vulnerable people with mental illness, developmental disabilities, substance use disorders, and Alzheimer's disease or related disorders. Because they generally have low incomes and often face discrimination in the housing market, people who are the most disabled are the most vulnerable to homelessness. Misperceptions about people with these disabilities, create stigmas that make it even harder for them to find housing.

Nationally during the past two decades, homelessness has increased due to the combination of a shortage of rental housing and an increase in poverty.² Housing absorbs a high

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proportion of income, and when a family reaches an economic crisis due to health issues or job loss, housing is easily lost. Other risk factors associated with homelessness include a lack of health care, domestic violence, mental illness, and substance use disorders.² In short, "homelessness results from a complex set of circumstances which require people to choose between food, shelter, and other basic needs."³ For people with psychiatric illness or chronic addiction disorders, homelessness can be symptomatic of their disability and unsatisfied treatment needs.

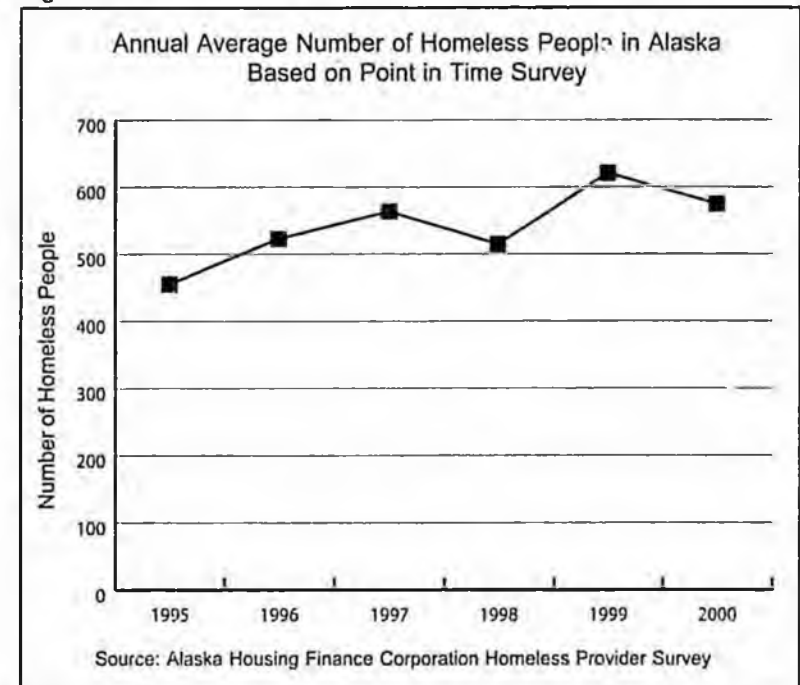
A number of governmental programs provide housing assistance for people with low incomes and disabilities. In Alaska, the primary agencies addressing housing needs are the federal Department of Housing and Urban Development (HUD), the federal Department of Agriculture (USDA), regional housing authorities, the Alaska Housing Finance Corporation (AHFC), and Alaska's Tribally Designated Housing Entities (TDHEs).

Indicators

Number of homeless people

The number of homeless people reported in the Alaska Housing Finance Corporation's Homeless Survey increased 26 percent between 1995 and 2000 (Figure L-1). Providers of services for homeless people semiannually complete the survey on a predetermined day. It is a voluntary survey with a return rate from providers that varies from 50 to 79 percent. It depends on self-disclosure concerning substance abuse or mental illness. Although the survey has many

Figure L-1



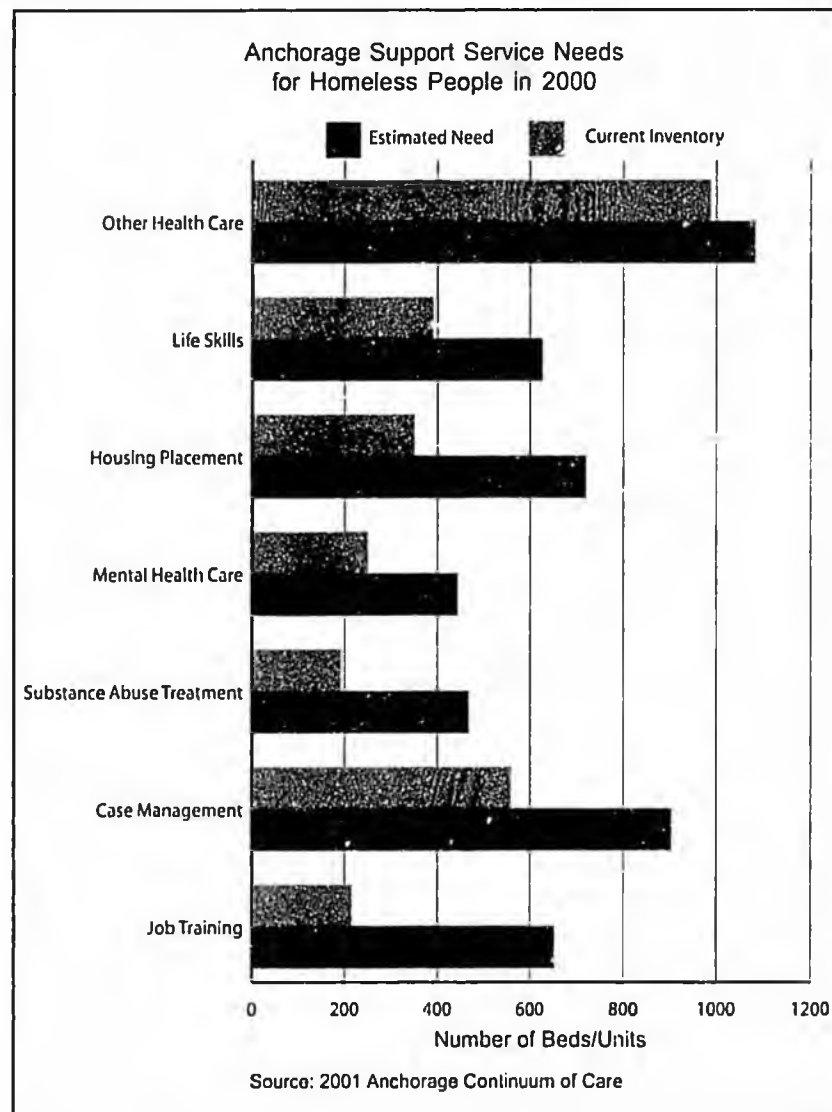
limitations, it does provide some idea of the number of homeless people and their characteristics.

Supportive services for homeless people

Anchorage conducted research on the kinds and availability of services needed by the Anchorage homeless population. The study found that need exceeded supply, especially for job training, housing placement, and case management (Figure L-2). These support services accompanying publicly funded special needs and supportive housing help homeless

² A homeless individual is defined in 42 USC 11302 (2001) as either someone who lacks a fixed, regular, and adequate nighttime residence or is an individual who has a primary nighttime residence that is in a shelter designed to provide temporary living accommodations (including congregate shelters, and transitional housing for the mentally ill); an institution that provides a temporary residence for individuals intended to be institutionalized; or a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation.

Figure L-2

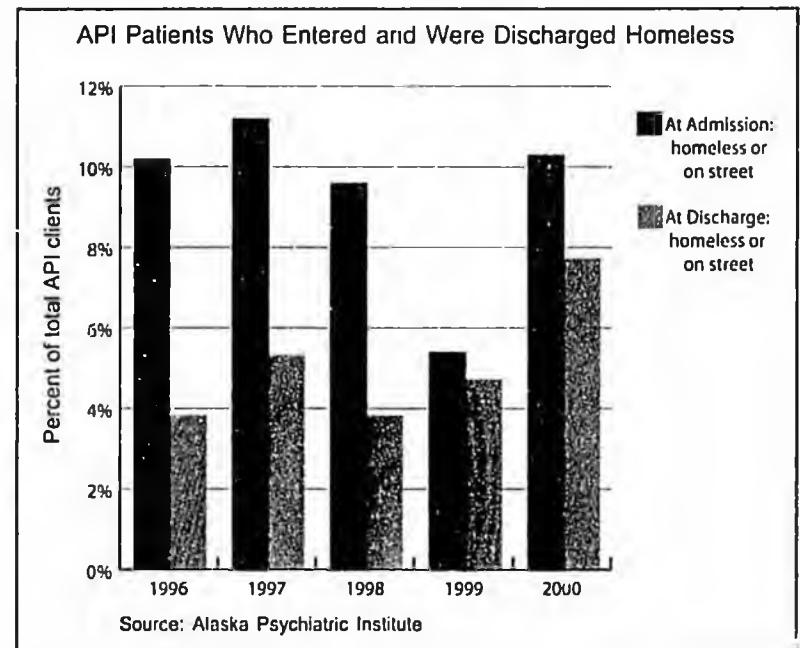


people and well as people with cognitive and mental disabilities and/or substance use disorders find and keep permanent homes.

Number of patients discharged from API to homeless shelters

Between 1996 and 2000, the percentage of API patients who arrived homeless and who were discharged homeless ranged between 4 and 11 percent (Figure L-3). When API patients return to their home community, appropriate living arrangements are made whenever possible. There are fewer homeless individuals at the time of discharge than at admission, reflecting some success in finding housing. Those who are homeless at discharge are typically referred to shelters in the community. The number of API patients discharged as homeless has increased from 45 in 1996 to 111 in 2000, indicating a need for more housing for this population.

Figure L-3

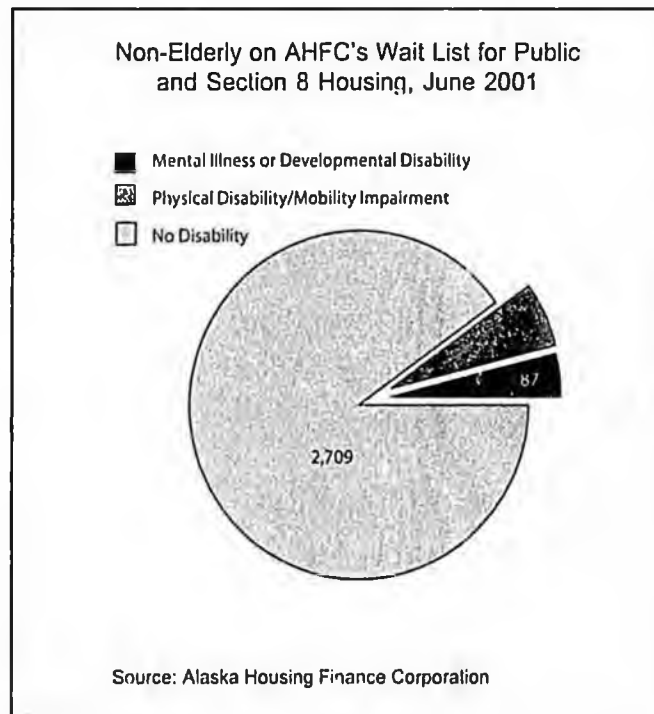


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Number of people with disabilities on wait lists for public housing or rental assistance

AHFC provides some public housing preference for persons who are disabled, homeless or who are paying more than 50 percent of their income for rent, on the waiting lists for the Section 8 Voucher program⁴ and the public housing program. However, only 10 percent of the non-elderly people on AHFC's wait list for public housing are people with disabilities (Figure L-4). Anecdotally, AHFC believes there are many more people who could and should be on the wait list than at present because of the way the list is managed. AHFC

Figure L-4



recommends more education and training for service providers and consumers to inform them about housing preferences and what it is that they must do in order to receive AHFC housing help.

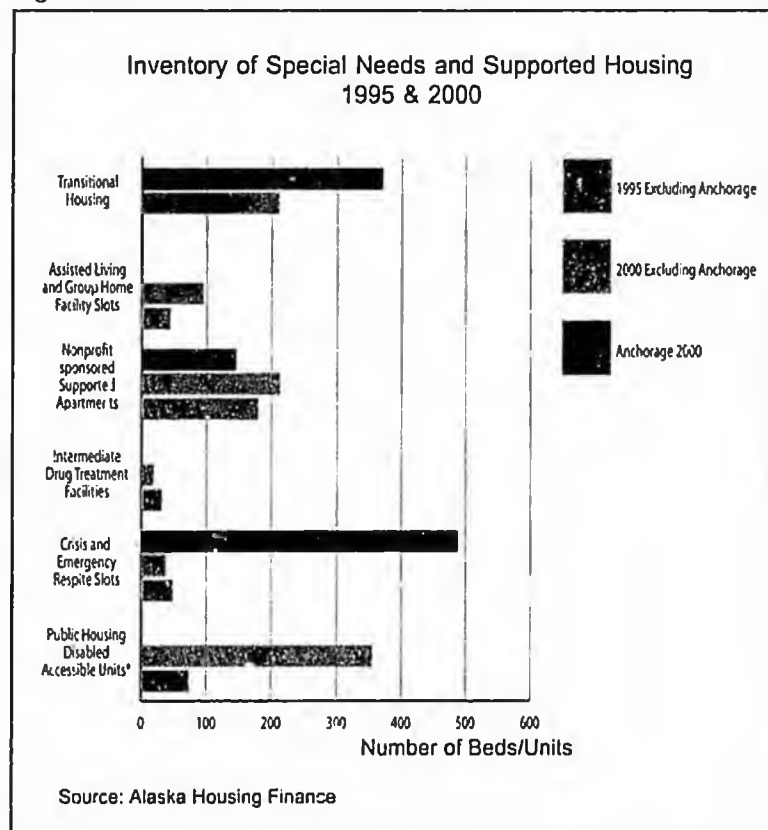
Inventory of special needs and supportive housing

Housing terminology can be confusing and varies depending on the agency and population served. The following definitions apply to this inventory. Public housing and accessible units refer to permanent housing operated by AHFC. Crisis and emergency respite slots are in facilities that offer emergency shelter and supportive services to people with disabilities. The number of slots is the facility capacity. Intermediate drug treatment facilities are residential drug treatment options in the community. Non-profit sponsored supported apartments are housing units owned and operated by non-profit entities such as local Community Mental Health Centers. An assisted living or group home is housing coupled with services to assist individuals with some activities of daily living. Group home facilities accommodate more than one unrelated person with a disability and provide a full-time supervised setting. Transitional housing refers to housing that bridges the gap between homelessness and permanent housing.

According to the AHFC inventory in 1995 and 2000, the number of available slots for special needs and supportive housing increased, but crisis and emergency respite slots and those for intermediate drug treatment facilities slightly decreased (Figure L-5). One of the requirements of supportive housing is provision of associated supportive services that

allow people to remain in their own homes. These services often are covered by Medicaid.

Figure L-5



Strategies

1. Work with consumers, USDA, HUD, AHFC, and TDHEs plus other private and public entities to assure that people with mental illness, substance use disorders, developmental disabilities, and Alzheimer's disease or related disorders have choices of accessible, affordable, and safe homes in the community.
2. Support development of permanent and transitional housing with associated supportive services for adults and juveniles completing substance abuse or mental health treatment programs; transitioning out of API, nursing homes or other institutions; and returning to the community.
3. Collaborate with AHFC, the Trust, USDA, HUD, TDHEs and other agencies to determine the most effective way to increase the housing options and coordinate funding streams to benefit people with mental or cognitive disorders, chemical addictions, and Alzheimer's disease and related disorders.
4. Support the Alaska Commission on Human Rights, Anchorage Equal Rights Commission, AHFC, and federal agencies in their education of public and private landlords and local governments about compliance with fair housing laws and the Americans with Disabilities Act.

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5. Support resources necessary to maintain housing specialist positions within public agencies to develop funding sources for housing programs.
 6. Promote recruitment and licensing of assisted living homes, particularly in rural communities, to allow people to remain in their own communities.
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Education and Training

Goal: To assure that all Alaskans have the opportunity to complete their education and become productively engaged.

People identify themselves with their accomplishments. Participation in community events and neighborhood life, playing team sports, and completing high school all help people define and value themselves. For most adults, the groundwork for healthy community interaction is laid in school as part of their education. Participation in the community by all its residents is promoted by the educational policy to include children with disabilities in public school classrooms whenever possible.

The Individuals with Disabilities Education Act (IDEA) is the primary law that entitles children with disabilities to a free and appropriate education. IDEA requires states to

provide special education and related services to students who meet eligibility requirements. Children must be taught in the least restrictive environment and among non-disabled children to the maximum extent appropriate. To be eligible, a student must meet disability criteria established by the state and the disability must adversely affect his or her educational performance.

National estimates indicate that children and adolescents with mental disorders make up from 17 to 22 percent of the population.⁵ Children with these disorders are at high risk of dropping out of school and never becoming fully functional members of society. Our children need the benefits of collaboration and cooperation between public schools and publicly funded mental health professionals. Although the schools could provide a place where children with emotional disturbance are recognized and referred for appropriate care, the lack of trained staff combined with limited options for referral prohibit this possibility.⁶

There are other children who do not meet the criteria for special education but who show symptoms of depression or behavioral disorder. These children are at significant risk of becoming seriously emotionally disturbed as well as dropping out of school. A study conducted in 1992 indicated that Alaska's children follow the disturbing national trend for earlier occurrences of depression and serious emotional disturbance.⁷ Although some school districts have counseling programs, many do not.

Indicators

Number of children with mental and cognitive disabilities in public schools

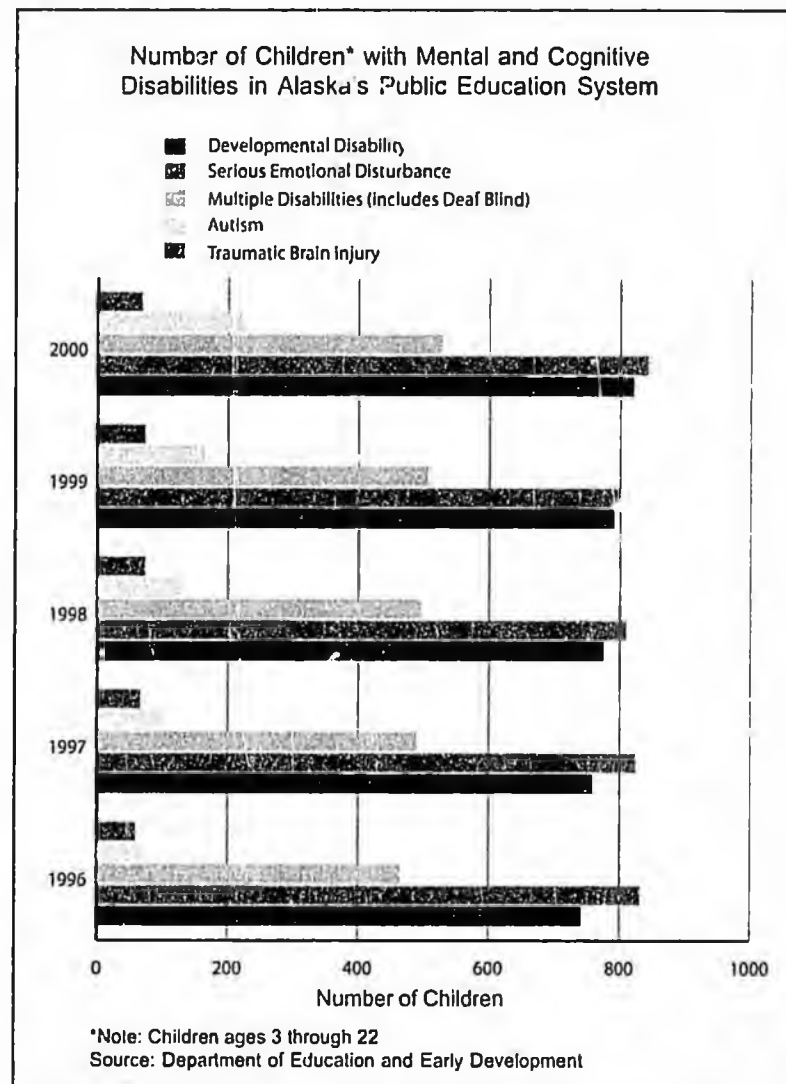
There are more than 2,000 children between the ages of 3 and 22 with mental or cognitive disorders in Alaska's public education system (Figure L-6). This is about 13 percent of the total number of children in special education. Although the actual number is gradually increasing as the state population increases, the proportion has remained relatively constant ranging from 1.6 percent in 1996 to 1.8 percent in 2000.

The Department of Education and Early Development (DEED) provides individualized special education services to children in the public schools. Local school districts identify the children, assess their needs and provide additional personnel and in-service training for teachers and other staff. These services are provided to children with disabilities from pre-school to 21 years of age.

Percentage of students with emotional or developmental disabilities who complete their public education

The percentage of students with disabilities who completed high school by receiving a diploma or certificate between 1995 and 2000 has ranged between 60 and 66 percent (Figure L-7). There are, however, concerns about a decrease in this percentage with the implementation of the high

Figure L-6

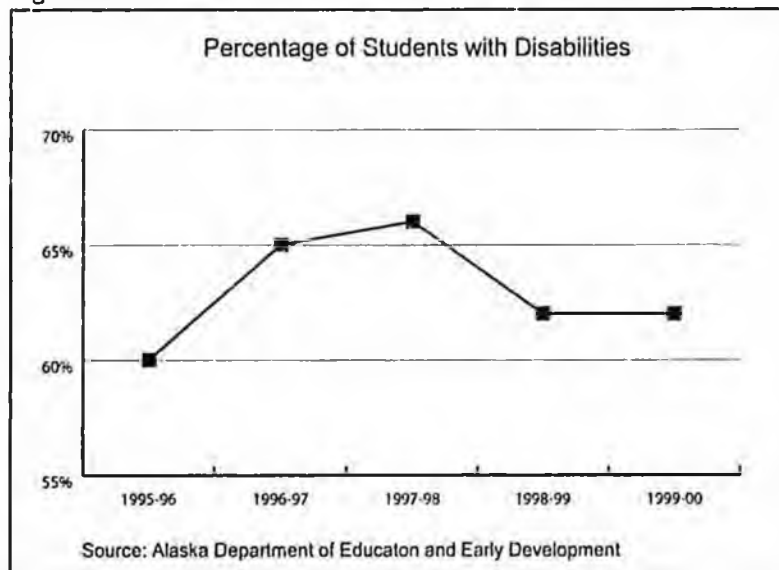


school qualifying exam. This will require all Alaska high school students to pass an examination in reading and writing beginning with the graduating class of 2004, and in mathematics for the graduating class of 2005.

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IDEA requires schools to provide necessary accommodations for special education students to participate in the high school exit examination as identified in each student's required Individual Education Plan. This accommodation includes development of an alternate assessment for students with significant disabilities.⁸ In addition, DEED has started work on an optional assessment with some guidelines and parameters for children with disabilities. The student's Individualized Education Plan Team will determine whether the child will participate in this assessment. There are questions about whether these students will receive a regular or special high school diploma. Regardless, it is critical for children to participate in school and complete a high school course of study as part of their preparation for a life as independent as possible.

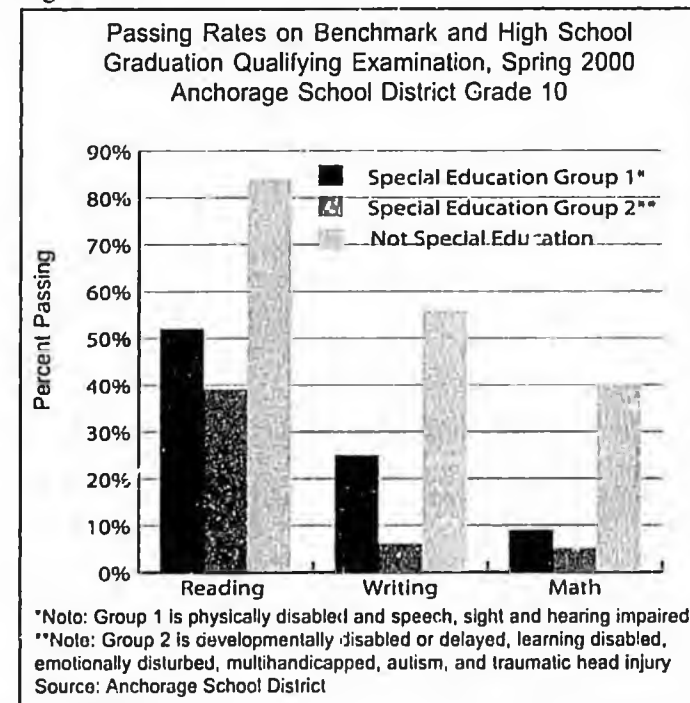
Figure L-7



Passing rates on benchmark and high school graduation qualifying exam

A recent trial of the qualifying exam administered in the Anchorage School District showed dramatically lower passing rates for Special Education students (Figure L-8). The purpose of the trial was to determine how well children experiencing disabilities performed on the test as compared to the rest of the student population. District results indicate the need for alternative assessments to determine these students' school success.

Figure L-8



Strategies

1. Collaborate with the Department of Education and Early Development to increase the numbers of youth with developmental disabilities or serious emotional disorders who complete high school.
 2. Promote the development of more school-based counseling programs to identify and provide services to children with emotional disorders and developmental disabilities.
 3. Support efforts to assist Special Education students' transition from schools to other productive activities.
 4. Assist in the developing and implementing a comprehensive statewide plan for Alaska's system of recruitment, retention, and training of para-educational and professional personnel.
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Educated Public

Goal: To reduce stigma associated with mental illness, substance abuse, developmental disabilities, and age related dementia.

People disabled by mental illness, addiction, developmental disabilities, or dementia often are stigmatized by a society that erroneously attributes their condition to character flaws. The symptoms of the disabling condition may be ridiculed or result in violence. "We believe the person with a stigma is not quite human."⁹ The individual experiences both the symptoms of the disease and social barriers raised by stigma.

Individuals can internalize society's misperceptions, losing their confidence and self esteem. As a result, they may not seek treatment or other services they need. For example, according to a national survey of the needs of women in addiction recovery, 82 percent of the 200 survey respondents identified shame as the most common barrier to treatment.¹⁰ The social consequences of non-treatment impact everyone. We know that people with untreated serious mental or cognitive disorders make up at least 10 percent of the nation's total jail and prison population.¹¹

Public ignorance gives rise to social stigma and can keep people stigmatized from participating fully in community life. People may not receive services they need because health care providers, educators, police officers, and social service agencies are unable to identify and refer for treatment people they serve who may experience mental or cognitive disabilities or substance use disorders. Employers are reluctant to hire people with disabilities because of concerns about their ability to do the work. Housing is difficult to find because of public fears about mental illness and violence.

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Advocacy groups have worked to change public attitudes about behavioral health disorders. The National Alliance for Mentally Ill and the National Council on Alcoholism and Drug Dependence continue to campaign against stigma and promote education about these disabling conditions. There has been some success. In a recent study of the changes in public perception about mental illness, researchers found that the public has acquired some understanding of the physical causes of mental illness and supports the use of medication for the treatment of depression and schizophrenia.¹² There also appears to be recognition that serious mental illness will not get better without treatment. Public opinion research on addictions in 1999 reported 73 percent of those surveyed believe addiction is a disease. Sixty-nine percent knew a friend or acquaintance with an alcohol or other drug problem and 59 percent indicated a problem in their family.¹³

On the negative side, for both mental illness and addiction disorders, many members of the public have yet to accept the biological basis for these diseases. For example, in a survey regarding the causes of mental illness, almost 75 percent of those surveyed thought mental illness was caused by emotional weakness, 65 percent blamed bad parenting, 35 percent thought it was due to sinful or immoral behavior, and 43 percent thought people caused it themselves.¹⁴

There is still a public perception that people with mental illness, especially people with psychosis, are violent. Although there is some cause for concern, the risk of violence is low. The greatest risk is from people with co-occurring disorders or

with severe mental disorder who are noncompliant with their medications. Even so, the risk is much higher for a family member than for a stranger. According to the recent Surgeon General's Report, "To put this all in perspective, the overall contribution of mental disorders to the total level of violence in society is exceptionally small."¹⁵ There are still fears, however, attributed in part to media reporting and portrayals in mass entertainment of people with mental illness as violent. These images reinforce the stereotype of people with mental illness. There is still much work to do.

Strategies

1. Support efforts by advocacy boards and the commission to promote public education about mental illness, substance use disorders, developmental disabilities, and Alzheimer's disease and related disorders to reduce stigma that hinder access to treatment and services.
 2. Work with advocacy boards and the commission to develop educational initiatives about mental health and alcohol and drug problems and to promote dignity and reduce stigma and discrimination against people with these disorders.
-

End Notes

¹ "Executive Summary, The House: What a Wonderful Thought," edited to include July 2000 comments from AHFC and Trust staff on activities since 1997," Alaska Mental Health Trust Authority, Anchorage, Alaska.

² "Homelessness: Programs and the People They Serve - Highlights Report," <www.haduser.org/publications/homeless/homelessness/highrpt.html>.

³ National Coalition for the Homeless Fact Sheets, National Coalition for the Homeless, June 1999; <www.nationalhomeless.org/causes.html>.

⁴ Section 8 Housing is a voucher program to provide qualified individuals with rental assistance for privately owned rental housing.

⁵ "Report of the Surgeon General's Conference on Children's Mental Health: A National Action Agenda," Department of Health and Human Services, December 1999, <<http://www.surgeongeneral.gov/cmh/childreport.htm>>.

⁶ *Mental Health: A Report of the Surgeon General*, US Department of Health and Human Services, Substance Abuse and Mental Health Services Administration, Center for Mental Health Services, National Institutes of Health, National Institute of Mental Health, 1999.

⁷ *1993 Alaska Youth Mental Health Needs Assessment, A Pilot Study of the Prevalence of Seriously Emotionally Disturbed Youth in Alaska*, Department of Health and Social Services, Division of Mental Health and Developmental Disabilities, Juneau, August 31, 1993.

⁸ "Alaska Special Education Handbook," Department of Education and Early Development, September 1999, <<http://www.ced.state.ak.us/tls/sped>>.

⁹ *Changing the Conversation, the National Treatment Plan Initiative*, US Department of Health and Human Services, Substance Abuse and Mental Health Services Administration, Center for Substance Abuse Treatment, November 2000, <<http://www.samhsa.gov>>.

¹⁰ "Substance Abuse Letter, An Independent Report on Prevention and Treatment Issues," Pace Publications, Vol. 6, no. 23, 2001.

¹¹ "Consequences of Non-Treatment," <<http://www.psychlaws.org/GeneralResources/Fact1.htm>>.

¹² *American's View of Mental Health At Century's End, Continuity and Change*, Indiana Consortium for Mental Health Services Research, Indiana University, 2000.

¹³ *Changing the Conversation, the National Treatment Plan Initiative*, US Department of Health and Human Services, Substance Abuse and Mental Health Services Administration, Center for Substance Abuse Treatment, November 2000, <<http://www.samhsa.gov>>.

¹⁴ "Forgotten Policy: An Examination of Mental Health in the U.S., A Series of Community Voices Publications," W.K. Kellogg Foundation, May 2001, <<http://www.communityvoices.org>>.

¹⁵ *Mental Health: A Report of the Surgeon General*, US Department of Health and Human Services, Substance Abuse and Mental Health Services Administration, Center for Mental Health Services, National Institutes of Health, National Institute of Mental Health, 1999.

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Next Steps

Comprehensive Integrated Mental Health Plan sets goals, suggests strategies for reaching them, and identifies ways to measure progress on the journey. The two themes that reoccur throughout the plan are the hope of prevention and the call for access to care. They spotlight the need for Alaska's public behavioral health system to expand its service capacity, recruit, and train workers and offer affordable care and services. Strategies supporting these themes stress collaboration and cooperation across the artificial clinical, administrative, and funding barriers that keep people from receiving integrated and comprehensive services. Prevention efforts and service access for everyone will improve with better understanding of racial and ethnic groups, their histories, traditions, beliefs, and value systems.

To measure results of our programs and progress toward our goals, we must have reliable databases that let us see if the programs make a difference to the people they serve. The public behavioral health system is still struggling to develop adequate information systems that collect necessary data on individuals and programs, talk to each other to allow comprehensive analysis, and protect consumer confidentiality. We still have trouble answering the fundamental question: "Does any given program help people function as successfully and independently as possible?"

Equally important are population-based surveys conducted on a regular schedule to measure the public's well being. Surveys such as the Behavioral Risk Factor Survey and the Youth Risk Behavioral Survey allow us to gather Alaska-specific information to compare to other states and the nation. These surveys have time depth and meet national standards for reliability.

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To provide the most fiscally responsible, effective care and services, we must continue to support the science-based research needed to evaluate existing programs and to develop new and more effective solutions.

Failure to provide behavioral health care is seen in the devastating consequences of non-treatment - in loss of health, homelessness, suicide, victimization, family dysfunction, worsening of disease symptoms, violence, and incarceration. The number of people with mental illness, untreated addiction, and developmental disabilities reflects the scarcity of services available in many Alaskan communities. Evidence of the need for more effective prevention programs and integrated services is revealed in assessment research, program evaluations, and in public testimony to the Alaska Mental Health Board, the Advisory Board on Alcoholism and Drug Abuse, Alaska Commission on Aging, and Governor's Council on Disabilities and Special Education.

This is the fourth iteration of the comprehensive integrated mental health plan. Each planning process has improved the plan as a framework for policy and funding decisions. As awareness of the comprehensive plan grows and understanding of the plan purpose deepens, there will be an increase in public resolve and a stronger call for action to move the public behavioral health system closer to our vision of a comprehensive, integrated system of prevention and care. Please see "In Step: The Discussion" for additional information and examples of what has and what might work to improve the lives of Alaskans.

The horizon for this comprehensive integrated mental health plan is five years, from 2001 to 2006. The plan process, however, is continuous. Updates about specific issues or shifts in focus will be prepared biennially. Please contact Kathryn Cohen, Plan Coordinator, at (907) 465-3644 or kathryn_cohen@health.state.ak.us, with your thoughts and concerns about further comprehensive planning efforts.

This document was released by the Department of Health and Social Services and was produced at a cost of \$5.98 per copy in order to provide a plan for a comprehensive integrated mental health program as defined in AS 47.30.056(i). It was printed in Anchorage, Alaska. For information on alternative formats for this and other department publications, please contact the department ADA Coordinator, at (907) 465-1637, (TDD) or (907) 465-3196.

The Plan - 2001

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FILE



Alaska Permanent Fund Corporation

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Telephone (907) 465-2047

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MEMORANDUM

DATE: February 19, 2002

TO: Representative Eldon Mulder
Co-Chairman
House Finance Committee

THRU: Robert D. Storen *RDS*
Executive Director

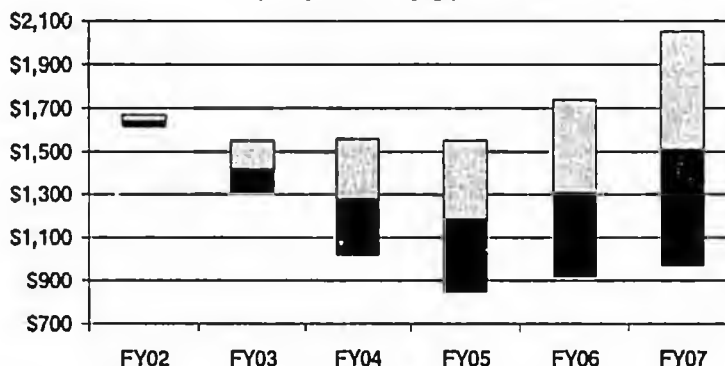
FROM: *CP* Chris Phillips
Director of Finance

SUBJECT: Presentation, House Finance, February 12, 2002

I would like to make one correction to a slide in the presentation to House Finance on February 12, 2002. The correction is on page 10 of the presentation reproduced correctly below. The graphical presentation of the slide below contained an error, however the figures represented were correct.

Fig 10

**Range of per capita dividend
FY02 – FY07**



	FY02	FY03	FY04	FY05	FY06	FY07
Top quartile	\$1,670	\$1,550	\$1,560	\$1,550	\$1,740	\$2,050
Median	\$1,640	\$1,420	\$1,280	\$1,190	\$1,310	\$1,510
Bottom quartile	\$1,610	\$1,300	\$1,020	\$ 850	\$ 920	\$ 970

February 19, 2002
Representative Mulder

The data used in the February 12th presentation was based on the Alaska Permanent Fund financial results as of 12/31/01. We have recently produced the January 31, 2002 financial statements. The downturn in the financial markets continues. At the end of January, our statutory net income projection of approximately \$700 for the year is currently below the bottom quartile of \$800 million as presented to you in House Finance on 2/12/02 (page 8). Because of the five year averaging of the annual realized earnings, the projected distributed income continues to be approximately \$1 billion (page 9). Projected earnings reserve at the end of FY02 continues to be within the top and bottom quartile as presented to you in House Finance on 2/12/02 (page 7).

A complete set of financial statements for the Alaska Permanent Fund as of January 31, 2002 is attached for your review.

ALASKA PERMANENT FUND

Balance Sheets/Statements of Net Assets

Unaudited (Millions of Dollars)	January 31, 2002	June 30, 2001
Assets		
Cash and temporary investments	\$ 636.4	544.0
Receivables, prepaid expenses and other assets	312.4	365.2
Investments —		
Marketable debt securities	8,691.5	10,005.7
Preferred and common stock	12,823.7	12,617.7
Real estate	2,437.9	2,504.5
Alaska certificates of deposit	29.4	147.4
Total investments	<u>23,982.5</u>	<u>25,275.3</u>
TOTAL ASSETS	<u>\$ 24,931.3</u>	<u>26,184.5</u>
Liabilities		
Accounts payable	\$ 346.1	253.2
Income distributable to the State of Alaska	1.7	1,116.4
TOTAL LIABILITIES	<u>347.8</u>	<u>1,369.6</u>
Fund Balances/Net Assets		
Reserved/Restricted:		
Principal	21,171.3	21,047.6
Unreserved/Unrestricted:		
Unrealized earnings reserve	880.1	1,383.6
Remaining earnings reserve	2,532.1	2,383.7
Total earnings reserve	<u>3,412.2</u>	<u>3,767.3</u>
TOTAL FUND BALANCES/NET ASSETS	<u>24,583.5</u>	<u>24,814.9</u>
TOTAL LIABILITIES & FUND BALANCES/ NET ASSETS	<u>\$ 24,931.3</u>	<u>26,184.5</u>

ALASKA PERMANENT FUND

Statements of Revenues, Expenses and Changes in Fund Balances/Statements of Activities

Unaudited (Millions of Dollars)	Month ended January 31, 2002	Seven months ended January 31, 2002	Fiscal year-end projected/actual June 30, 2002 2001	
Revenues				
Interest	\$ 44.8	348.5	587.9	710.3
Dividends	9.4	84.3	147.4	155.6
Real estate and other income	32.2	138.8	211.9	225.2
Total interest, dividends, real estate & other	86.4	571.6	947.2	1,091.1
Net increase (decrease) in the fair value of investments —				
Marketable debt securities	24.8	206.5	206.5	359.6
Preferred and common stock	(315.4)	(1,068.9)	(633.8)	(2,486.9)
Real estate	(47.0)	(39.1)	(33.6)	119.9
Foreign exchange contracts	10.6	(0.1)	(0.1)	37.2
Currency	(0.8)	(1.7)	(1.7)	(5.3)
Total net decrease	(327.8)	(903.3)	(462.7)	(1,975.5)
TOTAL REVENUES	(241.4)	(331.7)	484.5	(884.4)
Expenditures/Expenses				
Operating expenses	(3.5)	(23.4)	(40.1)	(39.5)
EXCESS OF REVENUE OVER EXPENDITURES/EXPENSES	\$ (244.9)	(355.1)	444.4	(923.9)
Other Financing Sources/Uses				
Contributions	14.8	123.7	223.0	339.3
Distributions	—	—	(972.0)	(1,116.4)
EXCESS OF REVENUES & TRANSFERS IN OVER EXPENDITURES/EXPENSES & TRANSFERS OUT	(230.1)	(231.4)	(304.6)	(1,701.0)
Fund Balances/Net Assets				
Beginning of period	24,813.6	24,814.9	24,814.9	26,515.9
End of period	\$ 24,583.5	24,583.5	24,510.3	24,814.9

Statutory Income Calculation

Excess of revenues over expenditures/expenses	(244.9)	(355.1)	444.4	(923.9)
Settlement earnings and unrealized losses	254.5	493.3	251.3	2,123.0
STATUTORY NET INCOME	\$ 9.6	138.2	695.7	1,199.1



ALASKA PERMANENT FUND

FINANCIAL PROJECTIONS 2002 - 2012, 2021

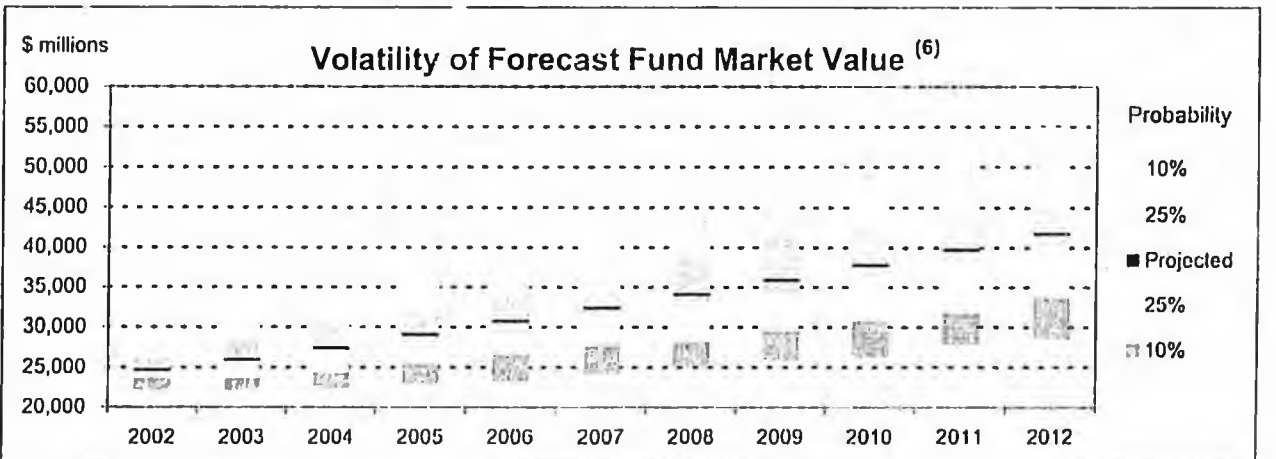
as of January 31, 2002
(in millions)

PRINCIPAL					
FY	FY Begin Balance	Dedicated			FY End Balance
		Appro-riations	State Revenues	Inflation-Proofing	
77-96	0	5,870	5,711	4,624	16,205
97	16,205	829 ⁽²⁾	308	486	17,828
98	17,828	35 ⁽³⁾	230	423	18,516
99	18,516	41	155	288	19,001
00	19,001	281 ⁽²⁾	310	423	20,015
01	20,015	7	339	686	21,047
02	21,047	0	223	602	21,872
03	21,872	17	216	652	22,757
04	22,757	18	240	679	23,695
05	23,695	20	218	706	24,638
06	24,638	21	195	733	25,587
07	25,587	22	187	761	26,557
08	26,557	24	181	789	27,552
09	27,552	25	174	819	28,569
10	28,569	27	164	848	29,609
11	29,609	29	125	878	30,641
12	30,641	31	125	908	31,705
...
21	41,362	55	125	1,225	42,767
Cumulative Totals					
Projected for 2002-2021		3,358	18,759		

INCOME										TOTAL FUND ⁽⁵⁾
Net Income ⁽¹⁾	Statutory Net Income	Distributions of Statutory Income			Realized		Unrealized		FY	
		Dividends	Inflation-Proofing	General Fund	Net Change	FY End Balance	Net Change	FY End Balance		
14,134	14,054	5,993	4,624	223	104	104	2,084	2,084	77-96	18,393
3,149	2,036	747	486	1	3	107	1,085	3,169	97	21,104
3,435	2,595	893	423	1	1,282	1,389	802	3,971	98	23,876
2,148	2,544	1,045	288	3	1,201	2,590	(430)	3,541	99	25,132
2,249	2,222	1,172	423	3	382	2,972	(12)	3,529	00	26,516
(924)	1,199	1,113	686	4	(508)	2,384	(2,146)	1,383	01	24,814
444	696	972	602		(878)	1,506	(252)	1,131	02	24,509
1,914	1,572	864	652		56	1,561	325	1,456	03	25,775
2,015	1,655	771	679		205	1,766	342	1,798	04	27,259
2,131	1,750	722	706		322	2,088	361	2,159	05	28,886
2,259	1,856	790	733		332	2,421	383	2,542	06	30,550
2,390	1,964	924	761		279	2,699	404	2,946	07	32,203
2,521	2,071	976	789		305	3,005	426	3,373	08	33,929
2,657	2,183	1,031	819		333	3,338	449	3,822	09	35,729
2,799	2,299	1,089	848		362	3,700	473	4,294	10	37,603
2,946	2,420	1,148	878		394	4,094	497	4,792	11	39,526
3,098	2,545	1,209	908		427	4,521	523	5,314	12	41,540
...
4,827	3,962	1,891	1,225		845	10,285	811	11,371	21	64,424
60,248	51,765	25,704	18,759							

Assumptions			
	Total Return - Inflation = Total Real Return		
FY 2002	1.95%	2.83%	-0.88%
FY 2003-2021 ⁽⁴⁾	7.95%	2.95%	5.00%

⁽¹⁾ Net income is statutory net income plus the net change in unrealized gains and settlement earnings.
⁽²⁾ Earnings reserve appropriated to principal.
⁽³⁾ Settlement earnings transferred to principal per AS 37.13.145(d).
⁽⁴⁾ Based on 2002 Callan capital market assumptions.
⁽⁵⁾ Total Fund equals Principal plus Earnings Reserve.
⁽⁶⁾ The MOMA volatility graph shows the range of possible outcomes with the extremes of the bars indicating the less likely probability.



Alaska Permanent Fund

Financial outlook for Fund
growth and income

Chris Phillips, Director of Finance
Alaska Permanent Fund Corporation

House Finance
February 12, 2002

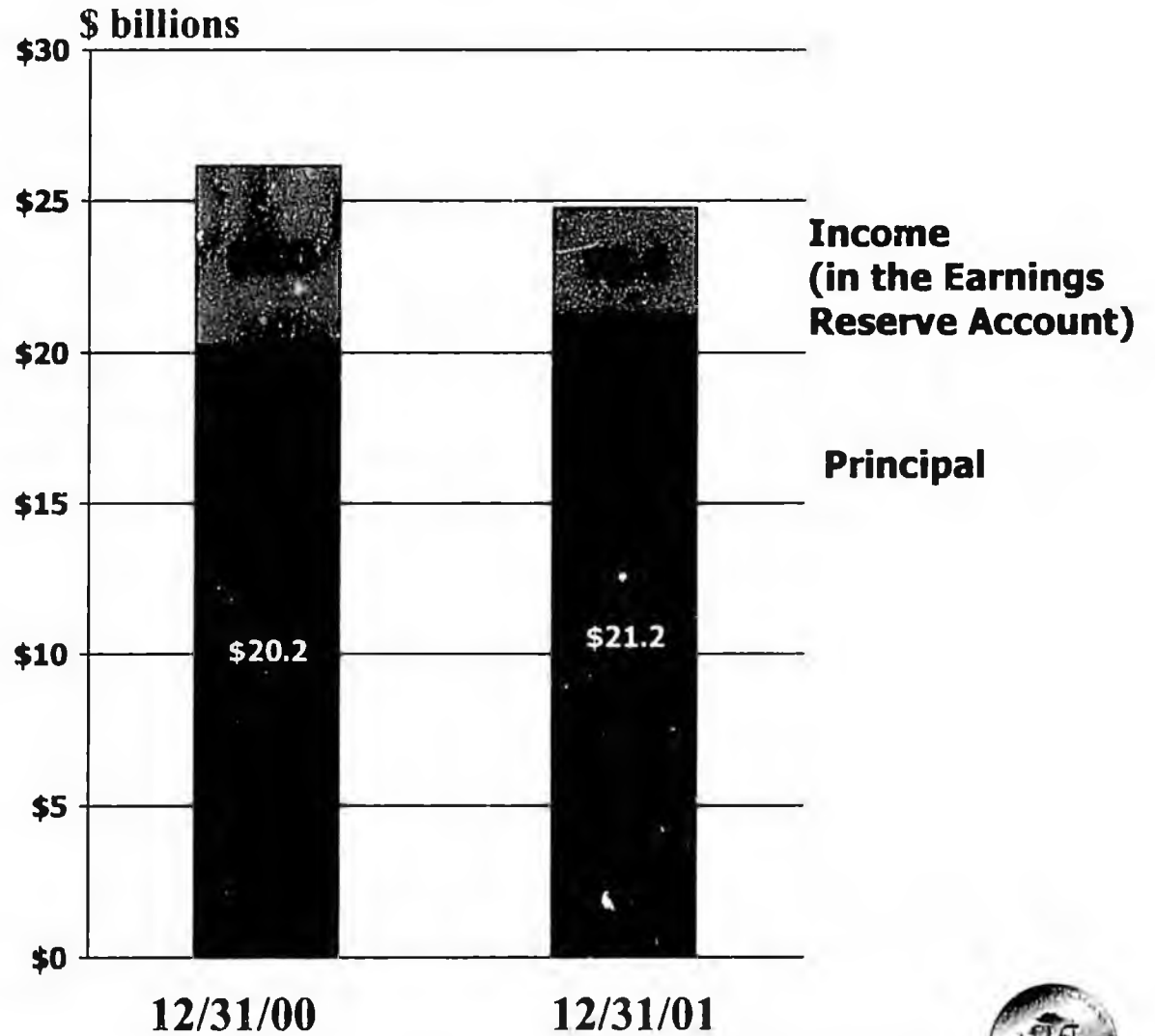
Alaska Permanent Fund



Permanent Fund market value

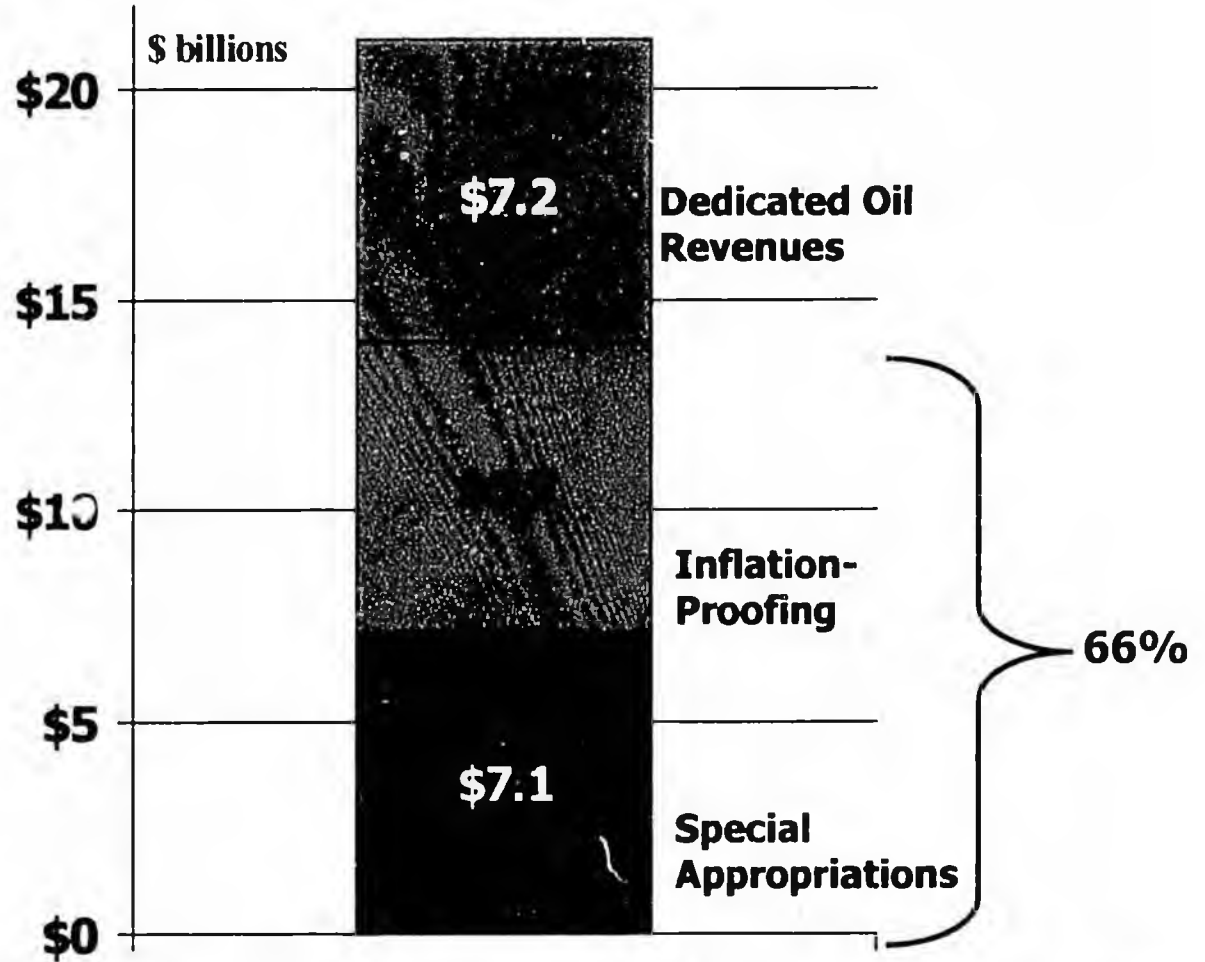
The market value of the Permanent Fund is currently \$24.8 billion

It consists of two parts: principal and income



Permanent Fund principal

- **The Alaska Permanent Fund principal is protected by the Alaska Constitution**
- **The principal is not available for appropriation.**

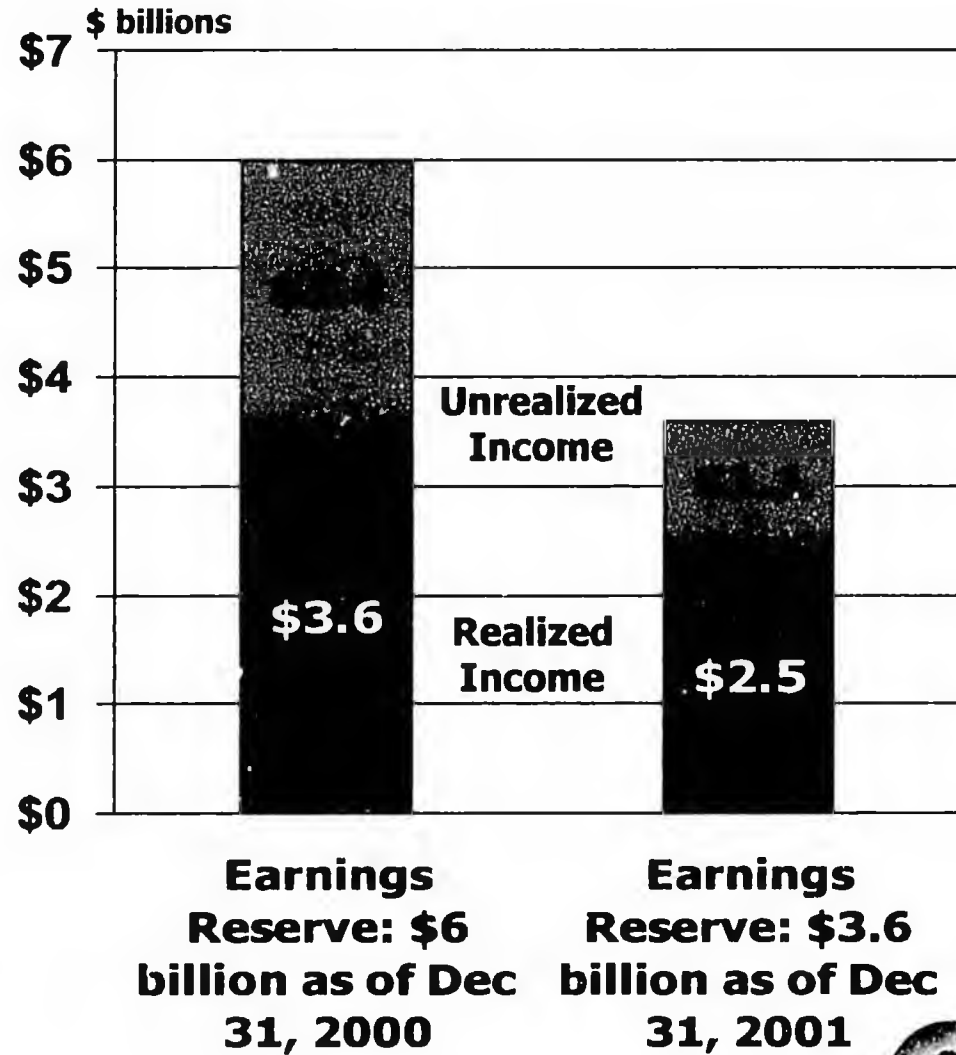


\$21.2 billion as of Dec. 31, 2001



Permanent Fund earnings reserve

- **As provided by law, all income from the Permanent Fund's investments is deposited into the Earnings Reserve Account in the Permanent Fund**
- **It is retained there until appropriated by the legislature**

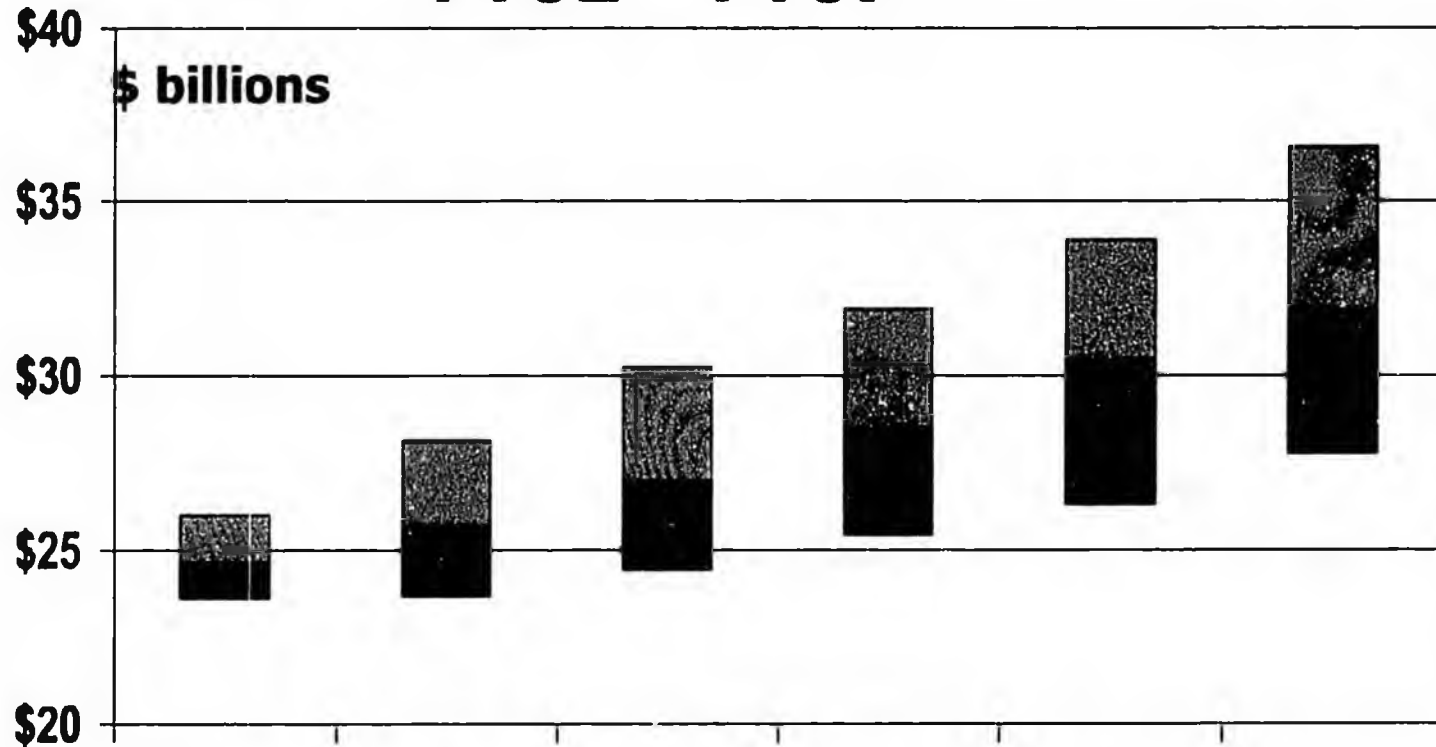


Earnings Reserve: \$6 billion as of Dec 31, 2000

Earnings Reserve: \$3.6 billion as of Dec 31, 2001



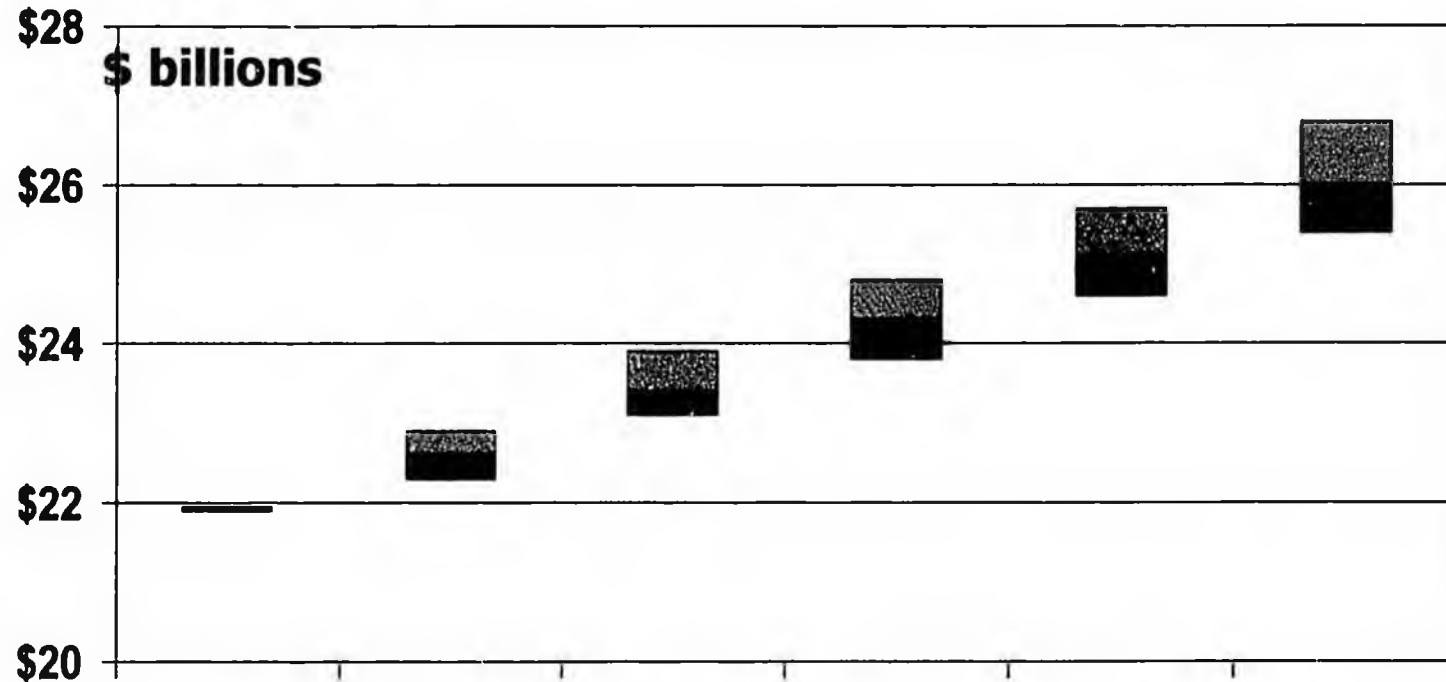
Range of market value FY02 – FY07



	FY02	FY03	FY04	FY05	FY06	FY07
Top quartile	\$26.0	\$28.1	\$30.2	\$31.9	\$33.9	\$36.6
Median	\$24.6	\$25.7	\$26.9	\$28.4	\$30.4	\$31.9
Bottom quartile	\$23.6	\$23.7	\$24.4	\$25.4	\$26.3	\$27.7



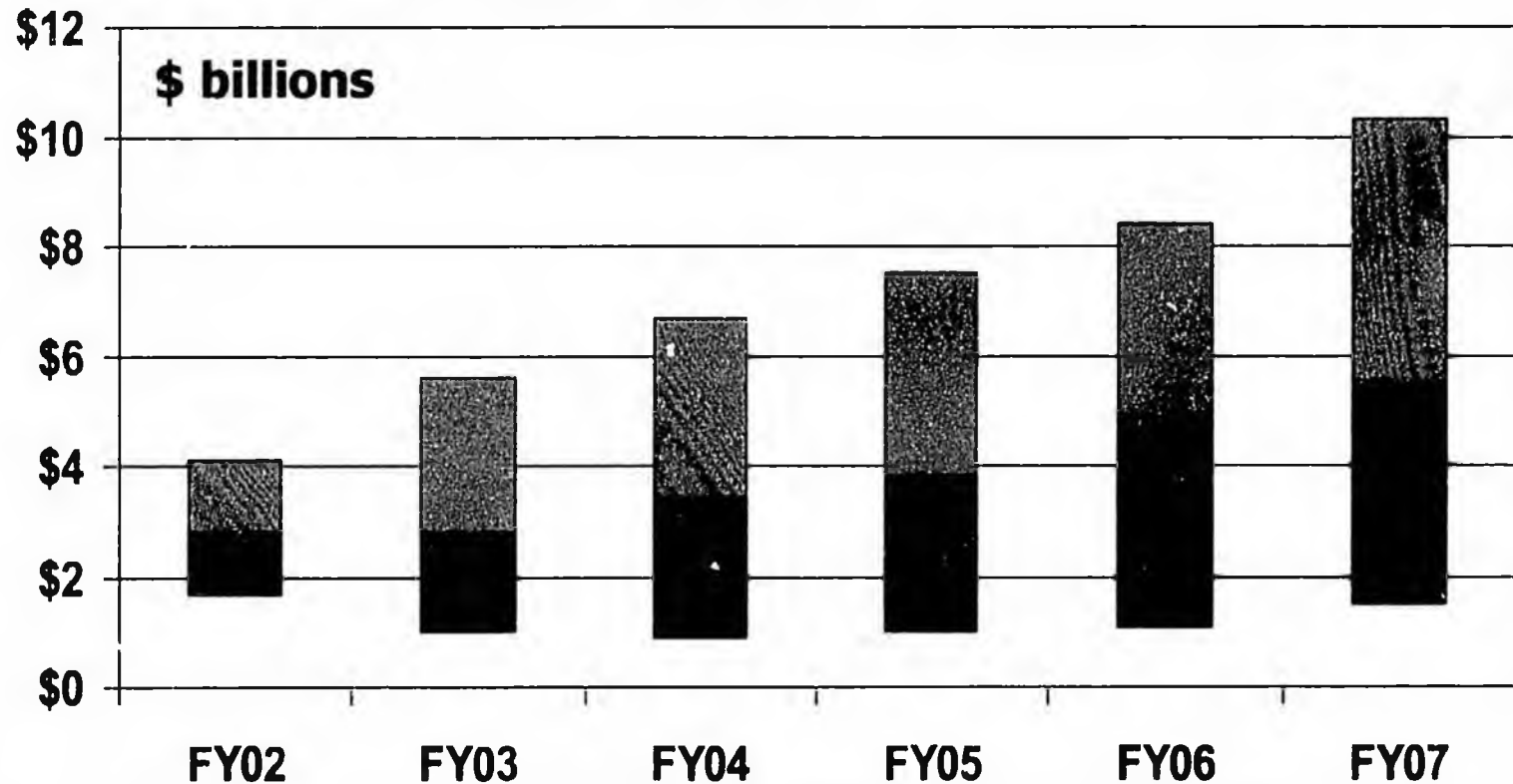
Range of principal balance FY02 – FY07



	FY02	FY03	FY04	FY05	FY06	FY07
Top quartile	\$21.9	\$22.9	\$23.9	\$24.8	\$25.8	\$26.8
Median	\$21.9	\$22.6	\$23.4	\$24.3	\$25.2	\$26.0
Bottom quartile	\$21.9	\$22.3	\$23.1	\$23.8	\$24.6	\$25.3



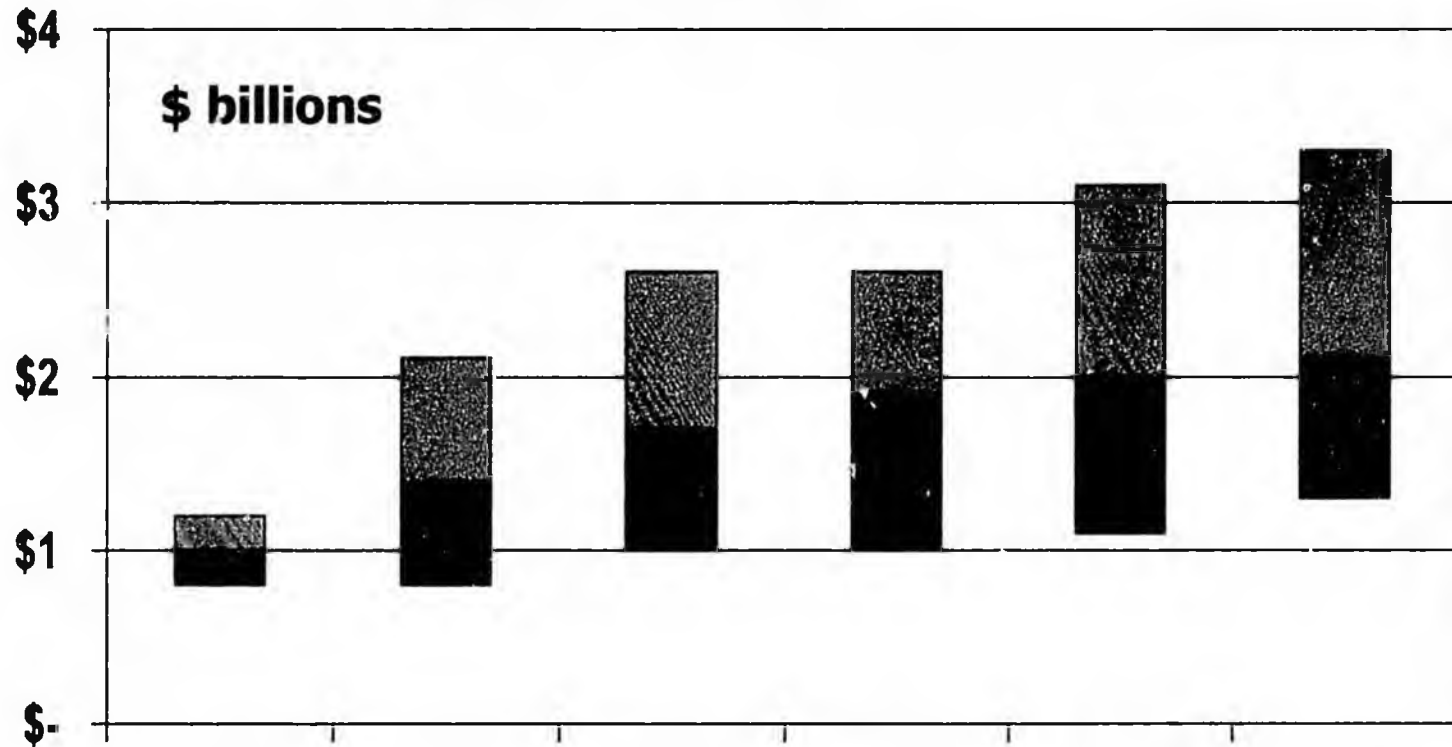
Range of total earnings reserve FY02 – FY07



	FY02	FY03	FY04	FY05	FY06	FY07
Top quartile	\$4.1	\$5.6	\$6.7	\$7.5	\$8.4	\$10.3
Median	\$2.8	\$2.8	\$3.4	\$3.8	\$4.9	\$5.5
Bottom quartile	\$1.7	\$1.0	\$0.9	\$1.1	\$1.1	\$1.5



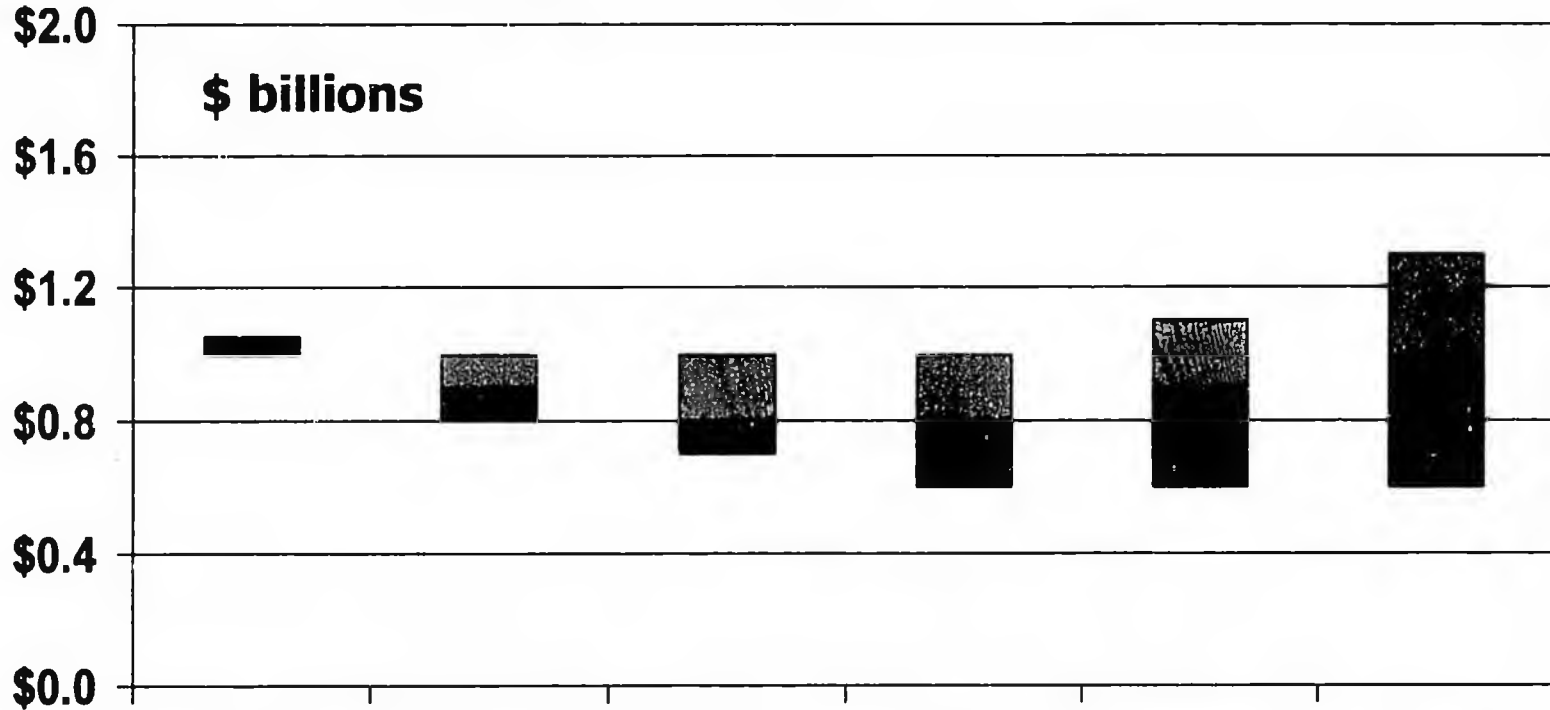
Range of annual statutory net income FY02 – FY07



	FY02	FY03	FY04	FY05	FY06	FY07
Top quartile	\$1.2	\$2.1	\$2.6	\$2.6	\$3.1	\$3.3
Median	\$1.0	\$1.4	\$1.7	\$1.9	\$2.0	\$2.1
Bottom quartile	\$ 0.8	\$0.8	\$1.0	\$1.0	\$1.1	\$1.3



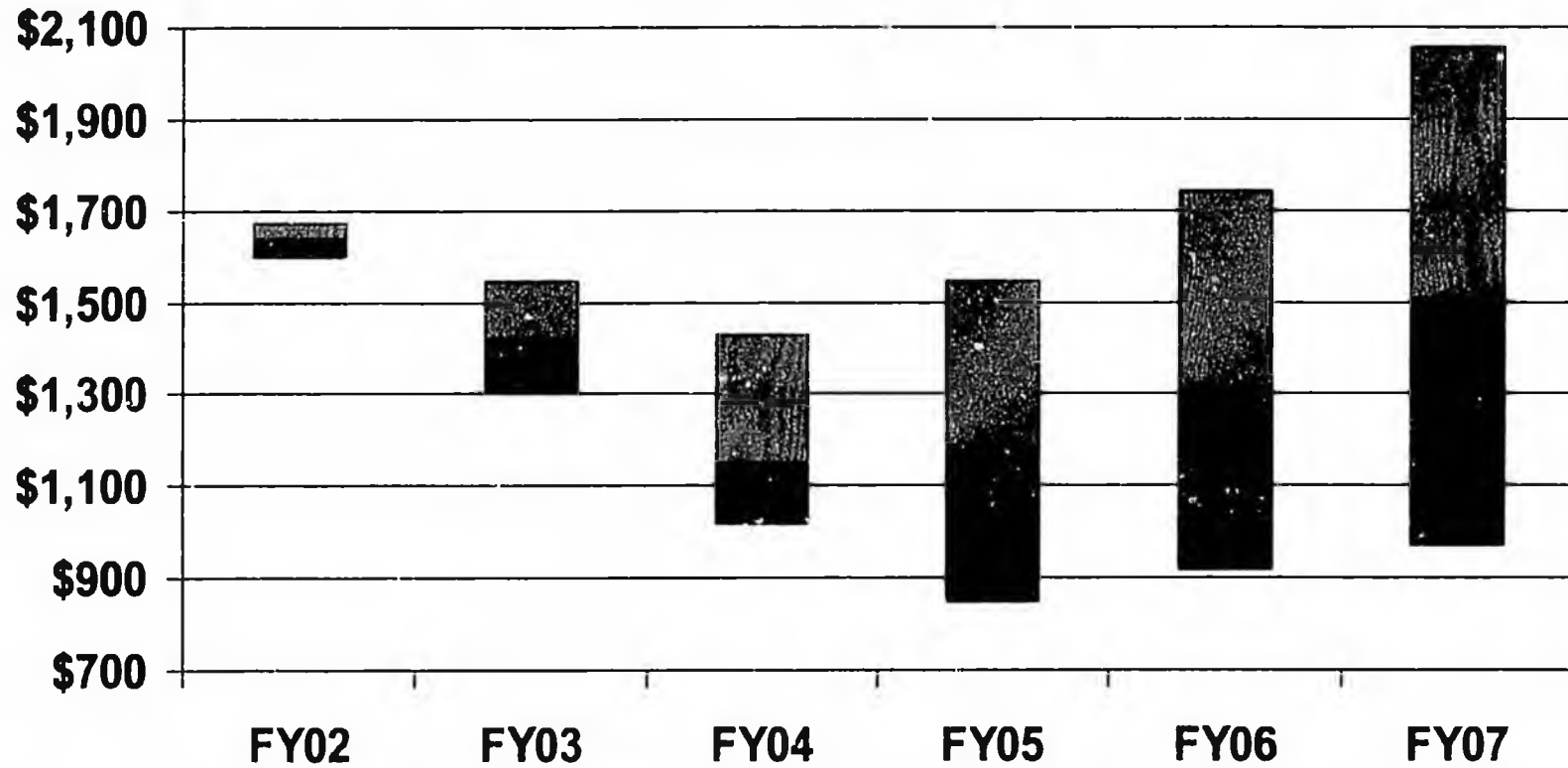
Range of distributed income FY02 – FY07



	FY02	FY03	FY04	FY05	FY06	FY07
Top quartile	\$1.0	\$1.0	\$1.0	\$1.0	\$1.1	\$1.3
Median	\$1.0	\$0.9	\$0.8	\$0.8	\$0.9	\$1.0
Bottom quartile	\$1.0	\$0.8	\$0.7	\$0.6	\$0.6	\$0.6



Range of per capita dividend FY02 – FY07



	FY02	FY03	FY04	FY05	FY06	FY07
Top quartile	\$1,670	\$1,550	\$1,560	\$1,550	\$1,740	\$2,050
Median	\$1,640	\$1,420	\$1,280	\$1,190	\$1,310	\$1,510
Bottom quartile	\$1,610	\$1,300	\$1,020	\$ 850	\$ 920	\$ 970



www.apfc.org

HOME MAIL HOW FUND WORKS MAKING MONEY WHERE MONEY GOES POLYV INTERNSHIPS SITE MAP

Alaska Permanent Fund professionalism • performance • permanence

FINANCIALS TOP 50 STOCKS FAQ DIVIDENDS CONTACT US MEET THE BOARD FUN

Top stories

February 08, 2002

■ Committee, Board to meet

JANUARY 31 - The Board of Trustees' Corporate Governance Committee will meet in Juneau at 10:00 a.m. on February 11th to consider proxy voting policy and receive an informational presentation on class action litigation. That meeting will be followed at 1:00 p.m. by a regular Board of Trustees meeting, which is scheduled to conclude at 3:00 p.m. on February 13. This meeting begins the Board's annual review of asset allocation policy. The meetings will be held at the APFC's Hugh Malone Boardroom in Juneau and the public is invited to attend. [View Committee Agenda](#) [View Board Agenda](#)

■ Summer internships offered

JANUARY 29 - The Alaska Permanent Fund Corporation (APFC) invites students to take advantage of internship opportunities that both the APFC and its partnering firms are offering to qualified Alaska students for the summer of 2002. All application information can be found at the [APFC website](#).

Daily unaudited position as of February 07, 2002

U.S. Fixed Income	35%	\$8,506,800,000
Non-U.S. Fixed Income	3%	\$608,500,000
U.S. Equities	36%	\$8,662,500,000
Non-U.S. Equities	16%	\$3,850,600,000
Real Estate	11%	\$2,666,800,000
Alaska CDs	0%	\$29,600,000
TOTAL	100%	\$24,324,800,000

Quarterly report



An Alaskan's Guide to the Permanent Fund



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Alaskans Speak Out

APFC



2002 Capital Market Outlook
Alaska Permanent Fund
2/12/02

Michael J. O'Leary CFA
Executive Vice President
Callan Associates Inc.



2002 Capital Market Outlook

Summary of Today's Presentation

- What will be the economic environment over the next five years
- We entered recession in Q2 - the worst may already be past.
- The revenge of fundamentals - prices have fallen but earnings are falling, too. How far away is the earnings bottom?
- What are the risks to the economy? To the capital markets?
- The projections - how they differ from 2001?

The New World in the New Millennium

The Party's Over

2000-2001 have been a remarkable (and painful) run for the U.S.

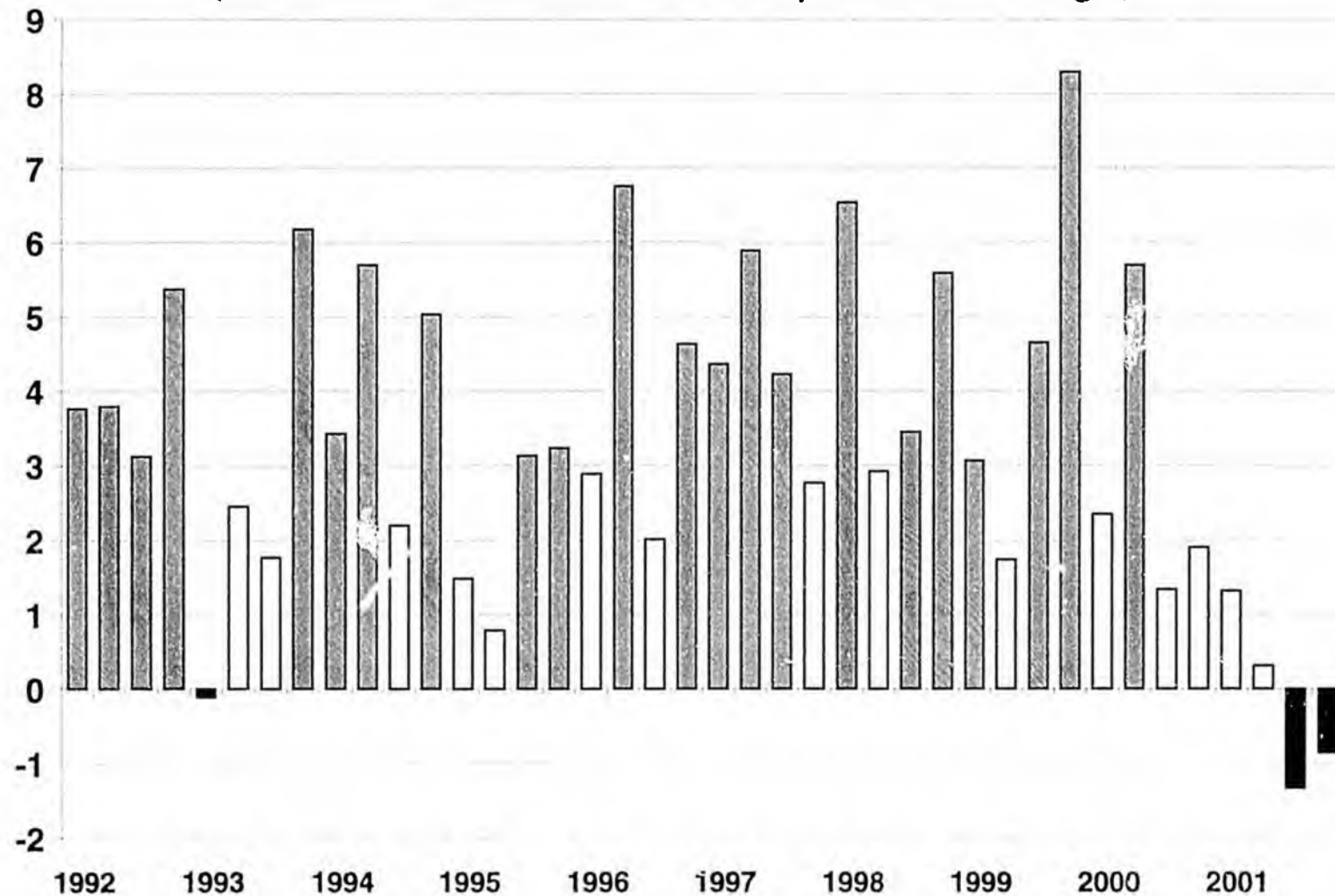
- Technology and dot-com bubble burst.
- Terrorist attacks, ensuing war, and broken confidence. The longest expansion in history ended in March 2001.
- Stock market fell for two consecutive years, the first such decline since 1973-74. S&P 500 is down 21.7% since March 2000; NASDAQ is off 57.2%.
- The Fed cut interest rates 11 times (4.75%), the steepest cut in history. Interest rates are near a 40-year low.
- Much-touted federal surplus sighted in fiscal 2000, only to disappear again in the current fiscal year.

The Current Economic Environment

- U.S. economy officially peaked in March 2001, thus entering recession in the second quarter of the year.
- Christmas may have been merrier than expected, and data suggest a fourth quarter growth rate near zero. The recession may already be technically over.
- However:
 - ✓ Corporations are still retrenching.
 - ✓ Investors are bewildered - high cash levels, where to invest?
 - ✓ The stock market still looks overvalued by many standards.
 - ✓ Layoffs are high and rising.
 - ✓ The savings rate is still very low (1%).
 - ✓ Consumer debt is very high (104% of disposable income).
 - ✓ The trade gap is hitting records.
 - ✓ Low interest rates can't eliminate excess capacity.

GDP Growth Heads Into Recession

(Real GDP Growth - annual percent change)



Many Overseas Economies Are in or Near Recession

North America



Canada

Mexico

Asia



Taiwan

Hong
Kong

Singapore

Malaysia

Latin America



Argentina

Peru

Western Europe



Italy

Belgium

Austria

Emerging Europe



Turkey

Poland

U.S. Recession Will Be Relatively Mild

The Worst May Have Already Passed

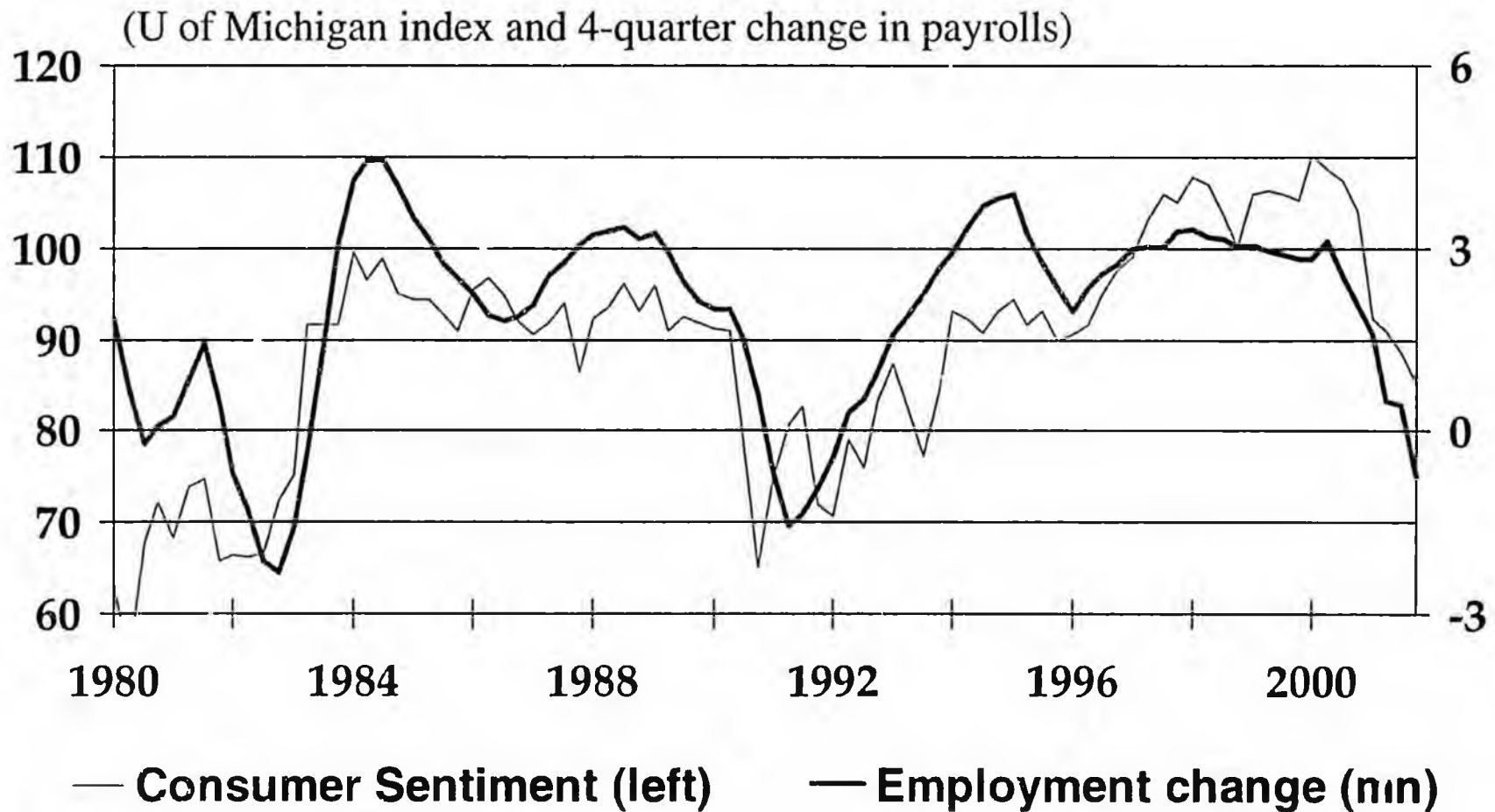
(Source: DRI-WEFA)

Recession	Duration, Months	Real GDP % Decline	Unemployment Rate Peak
2001 - 2002	10	-1.0%	6.3%
1990 - 1991	8	-1.5%	7.8%
1981 - 1982	16	-2.9%	10.8%
1980	6	-2.2%	7.8%
1973 - 1975	16	-3.4%	9.0%
1969 - 1970	11	-0.6%	6.1%
1960 - 1961	10	-1.6%	7.1%

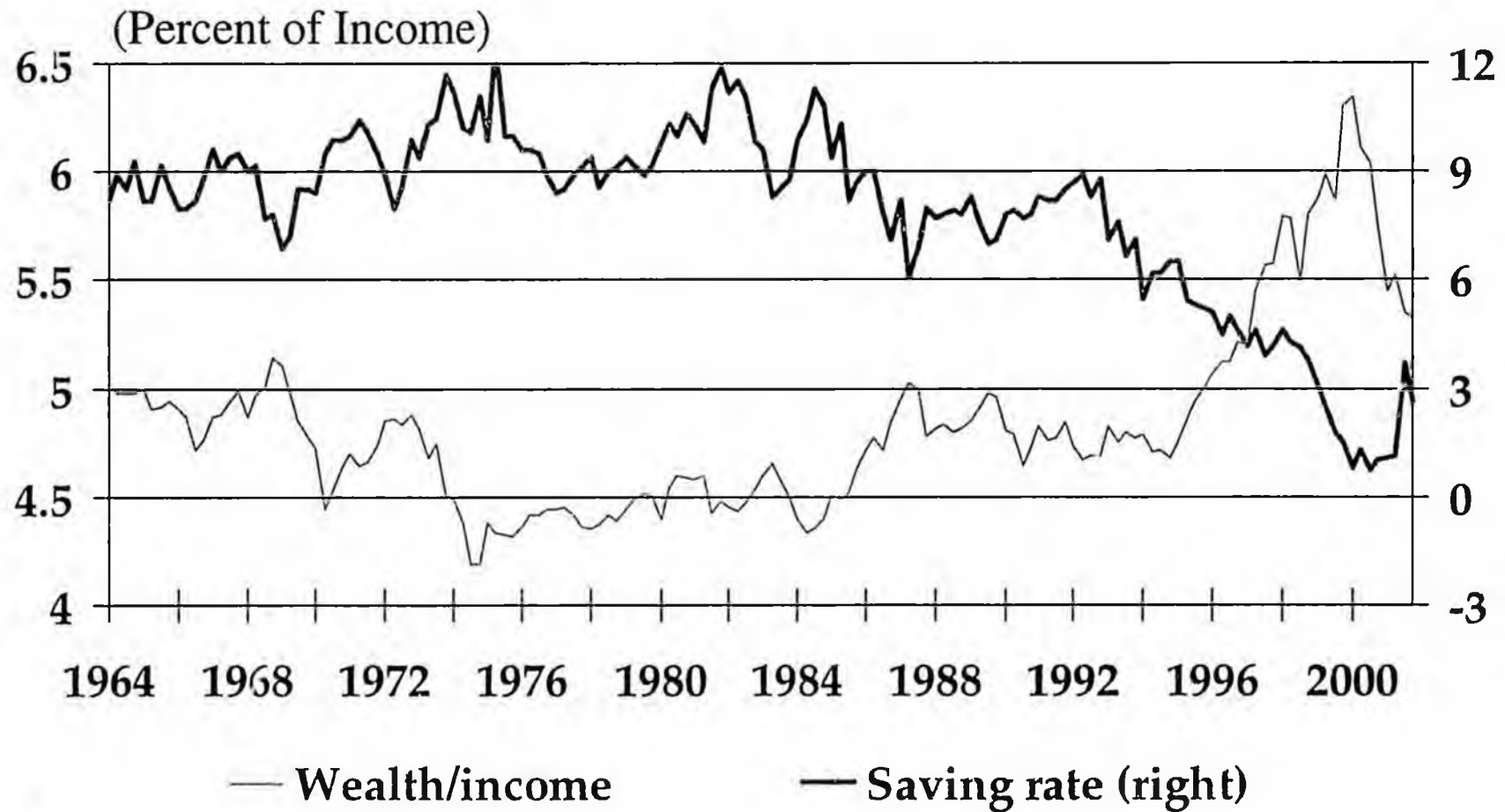
Despite the Gulf War Analogies, This Downturn Differs From 1990-91

- Negative Differences:
 - ✓ The terrorist attacks.
 - ✓ More synchronized global cycle.
 - ✓ High tech investment crash.
- Positive Differences:
 - ✓ Sharp decline in energy costs.
 - ✓ Stronger banking system.
 - ✓ More balanced real estate markets.
 - ✓ Stronger fiscal and monetary policy response - Mr. Greenspan learned his lessons.

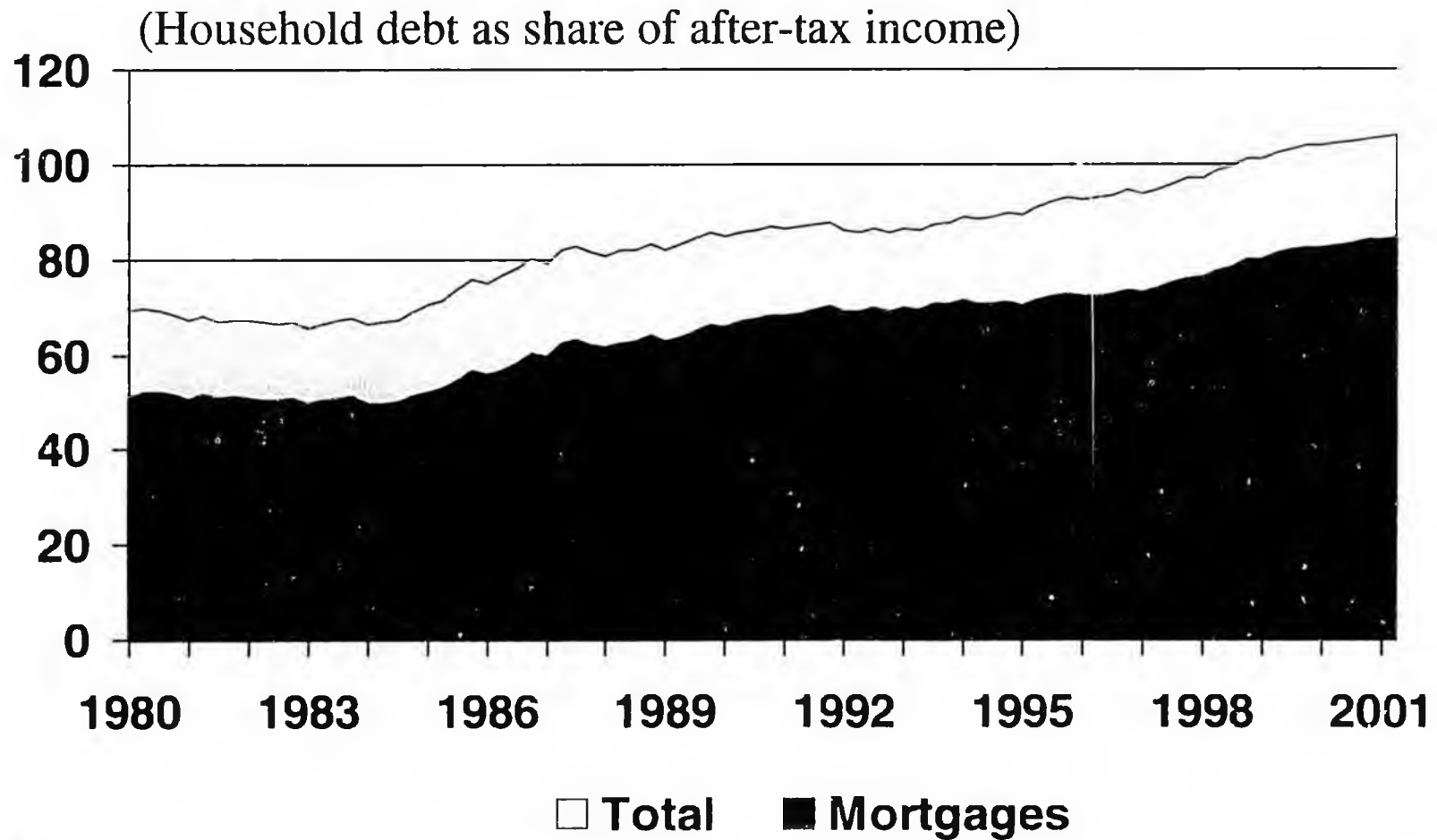
Confidence Follows Jobs



Saving Plunged as Wealth Hit a Record High

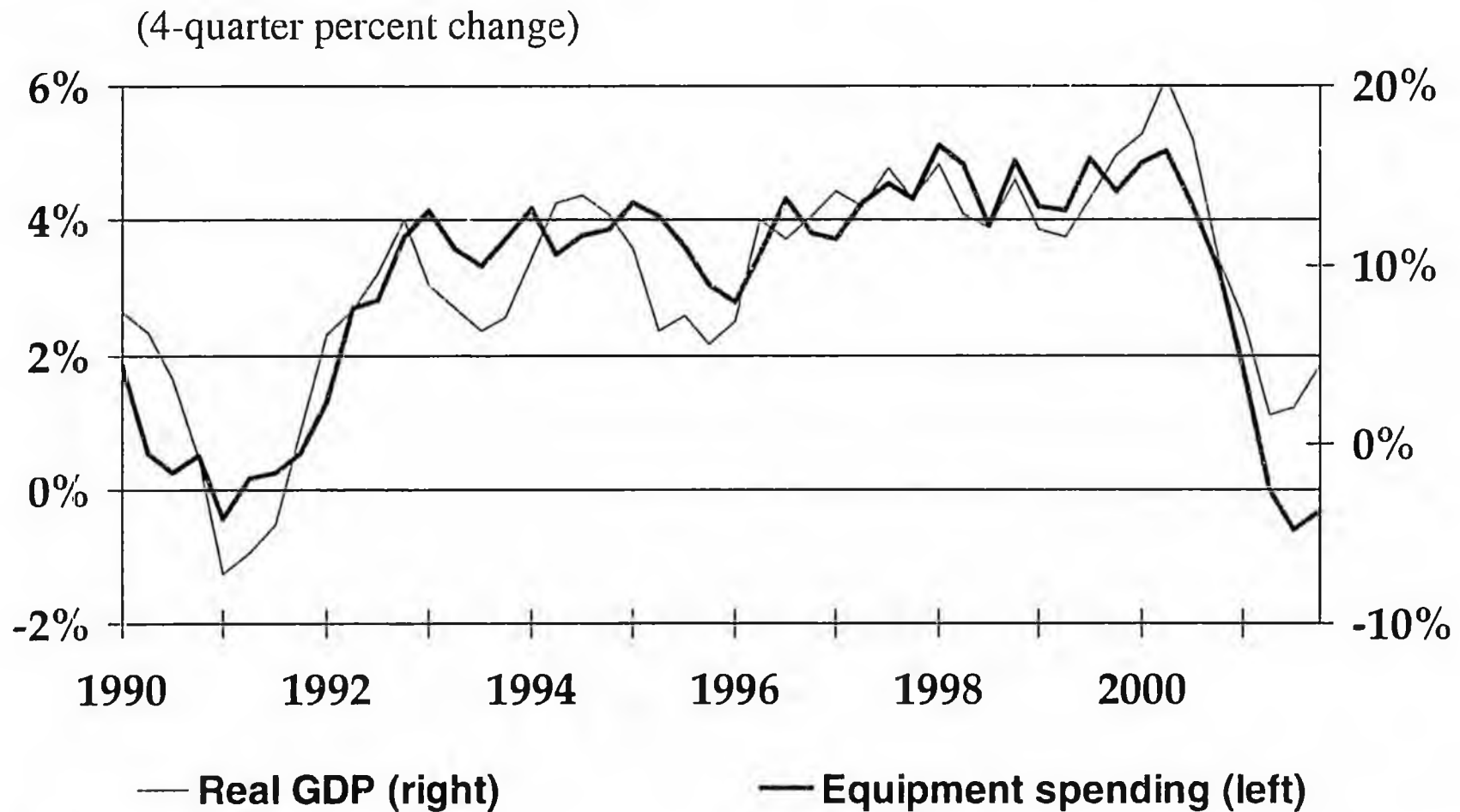


Debt is Hitting New Records, Dominated by Mortgages



Capital Investment Follows GDP

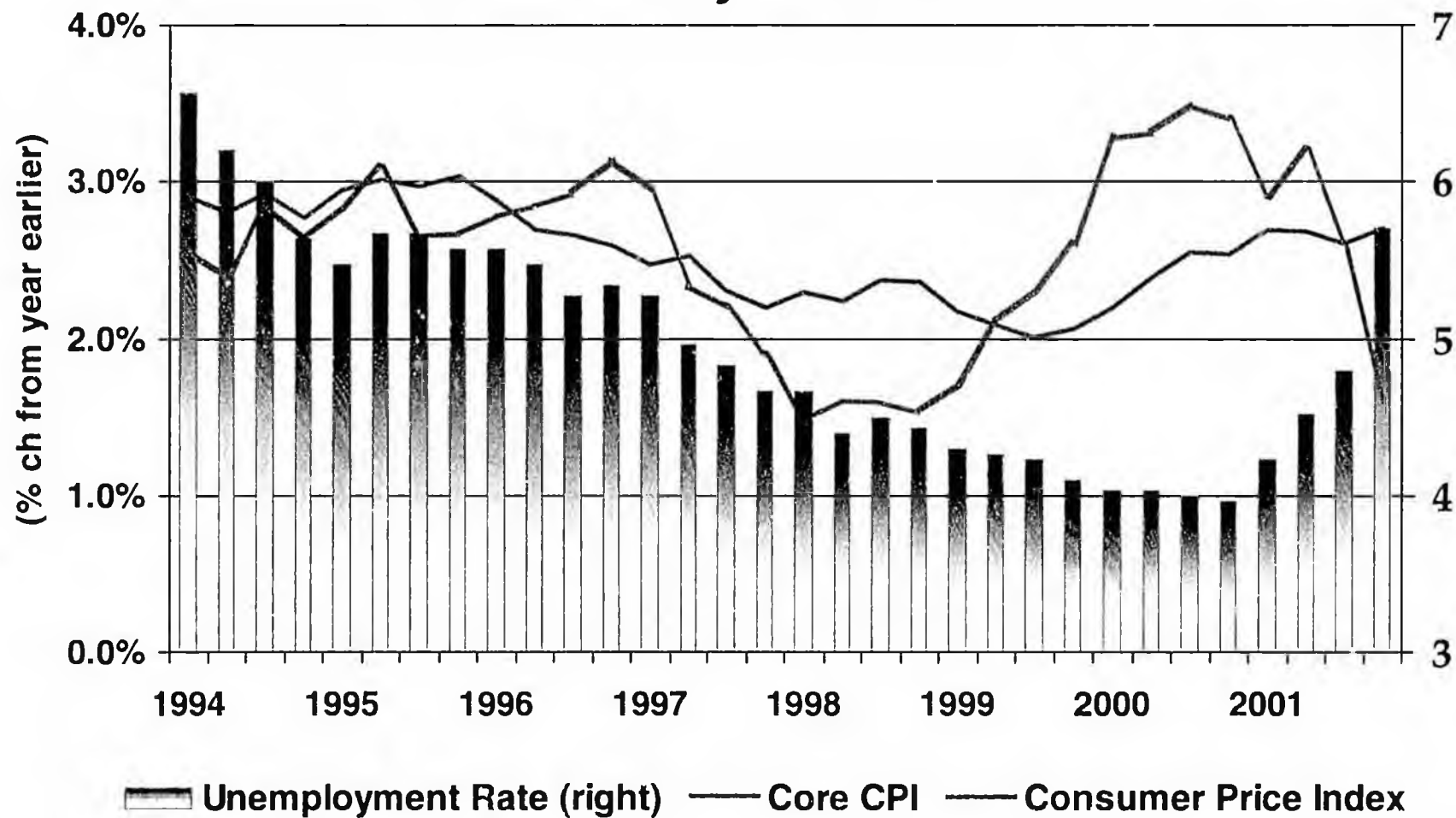
Corporations Are More Cautious Than Consumers



Corporations Are Still More Cautious Than Consumers

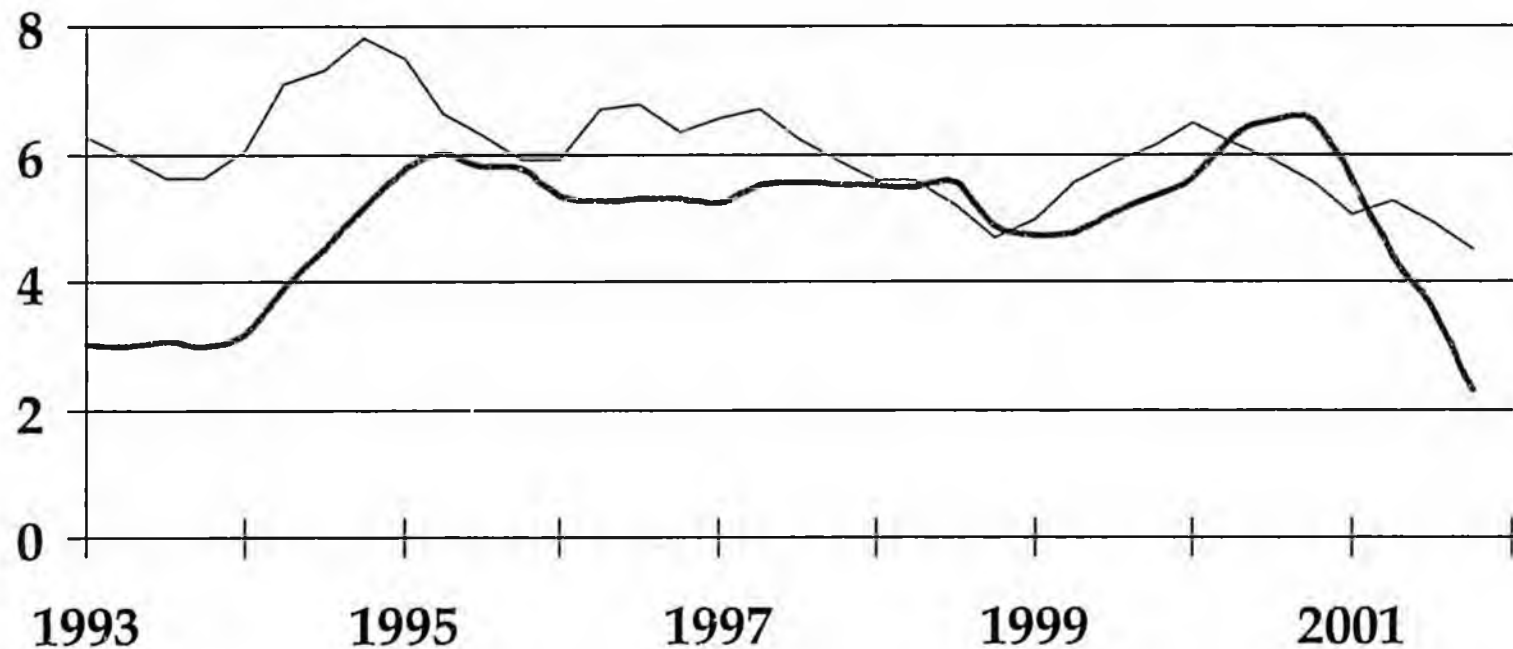
- Capital spending has been slashed.
- Inventories have been run off dramatically.
- Payrolls have been shaved.
- However, capital spending is not likely to recover until orders start showing up on the books. Thus far, only defense orders are climbing.
- Recovery will not be smooth - some industries are plagued by overcapacity.
- Employment lags the economy - layoffs are likely to continue in 2002. Companies will not be rehiring until they are sure that the orders will continue.

Inflation Will Decelerate as the Economy Softens



The Fed Has Loosened Quickly *4.75% in 11 Rate Cuts - Are They Done?*

(Percent)



— Federal Funds Rate — 10-Year Treasury Bond Yield

Capital Markets Confront the Law of Gravity

	<u>1999 Returns</u>	<u>2000 Returns</u>	<u>2001 Returns</u>
Callan Broad	22.74	-9.79	-11.96
S&P Super Composite 1500	20.27	-6.98	-10.64
S&P 500	21.04	-9.10	-11.88
Callan Small	33.87	0.23	-2.45
S&P 600 Small Cap	12.40	11.80	6.54
Russell 2000	21.26	-3.02	2.49
EAFE	26.96	-14.17	-21.44
NASDAQ	86.10	-39.18	-20.80
LB Agg	-0.82	11.63	8.43
SB Non-US	-5.07	-2.63	-3.54

U.S. Economic Forecast: Consensus on Recovery in 2002

- The recession will be relatively mild, with growth returning in the second half of the year.
 - The Fed switched quickly from recession avoidance to seeding recovery, but don't expect more rate cuts.
 - Consumers have proven resilient, and the recovery depends on the consumer (although there is little pent-up demand).
 - Inflation will remain benign.
 - The rest of the world will suffer from a U.S. slowdown.
 - Fiscal policy will be very expansionary, even without a specific stimulus package.
 - Exports and investment will lag.
- Our Capital Market projections incorporate our economic expectations.

Capital Market Projection Process

- Evaluate the current environment and economic outlook for the U.S. and other major industrial countries.
- Examine the relationships between the economy and asset class performance patterns.
- Examine recent and long-run trends in asset class performance, and create risk, return and correlation projections.
- Test the projections for reasonable results.

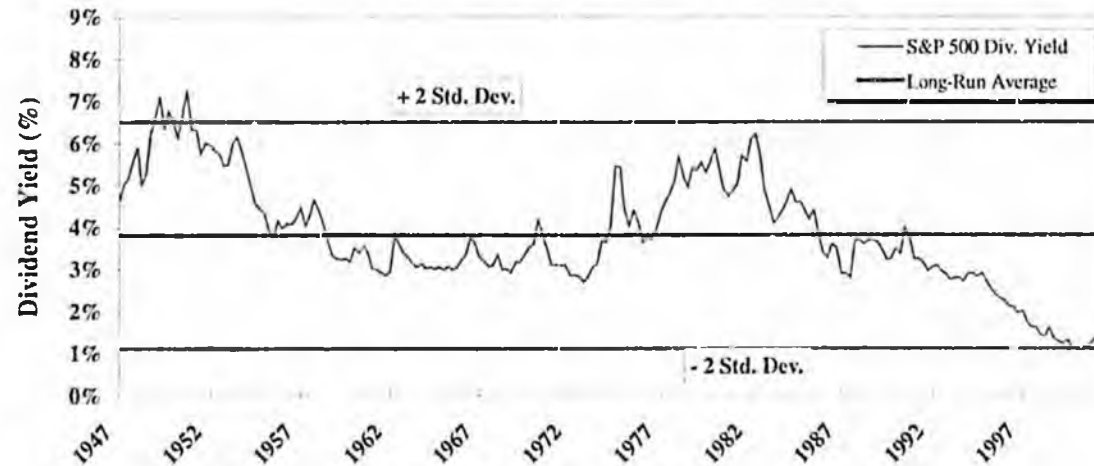
Stock Fundamentals Matter More Than Ever

(...although we were starting to wonder)

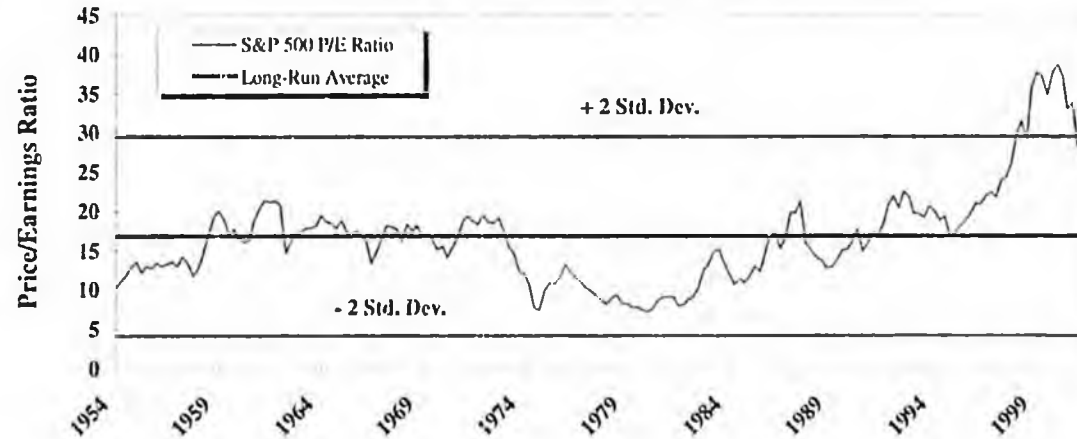
- P/E ratios hit astounding heights, and were inconsistent with long-term interest rates
 - prices may be falling, but earnings are plummeting. When do we get to “reasonable” prices?
 - price depreciation during 2000 began with weakening earnings (or even weakening expectations). Fear overtook in 2001.
 - it is still difficult to make many quantitative models justify expected real returns in the near future.
- We retain our bias towards long-run averages.

The Last Few Years Were More Than a Little Unusual

Dividend Yield of S&P 500 (1947 - 12/31/2001)



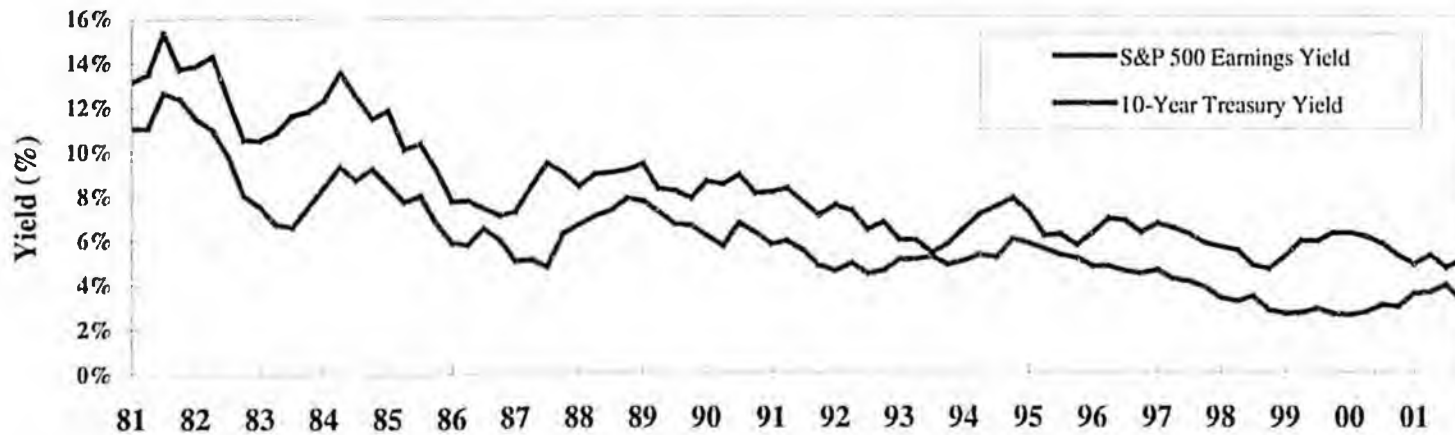
Price to Earnings Ratio for S&P 500 (1954 - 12/31/2001)



Equity Valuations Now in Line?

The Ever-Popular Greenspan Model

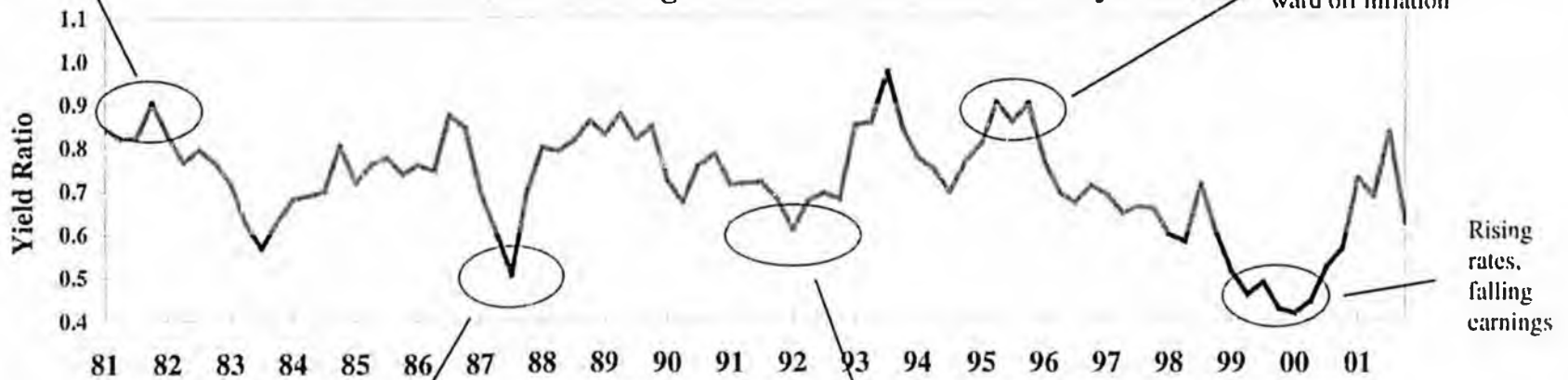
S&P 500 Earnings Yield vs. 10-Year Treasury Yield



Peak of interest rates and inflation

Ratio of S&P 500 Earnings Yield and 10-Year Treasury Yield

Fed raises interest rates to ward off inflation



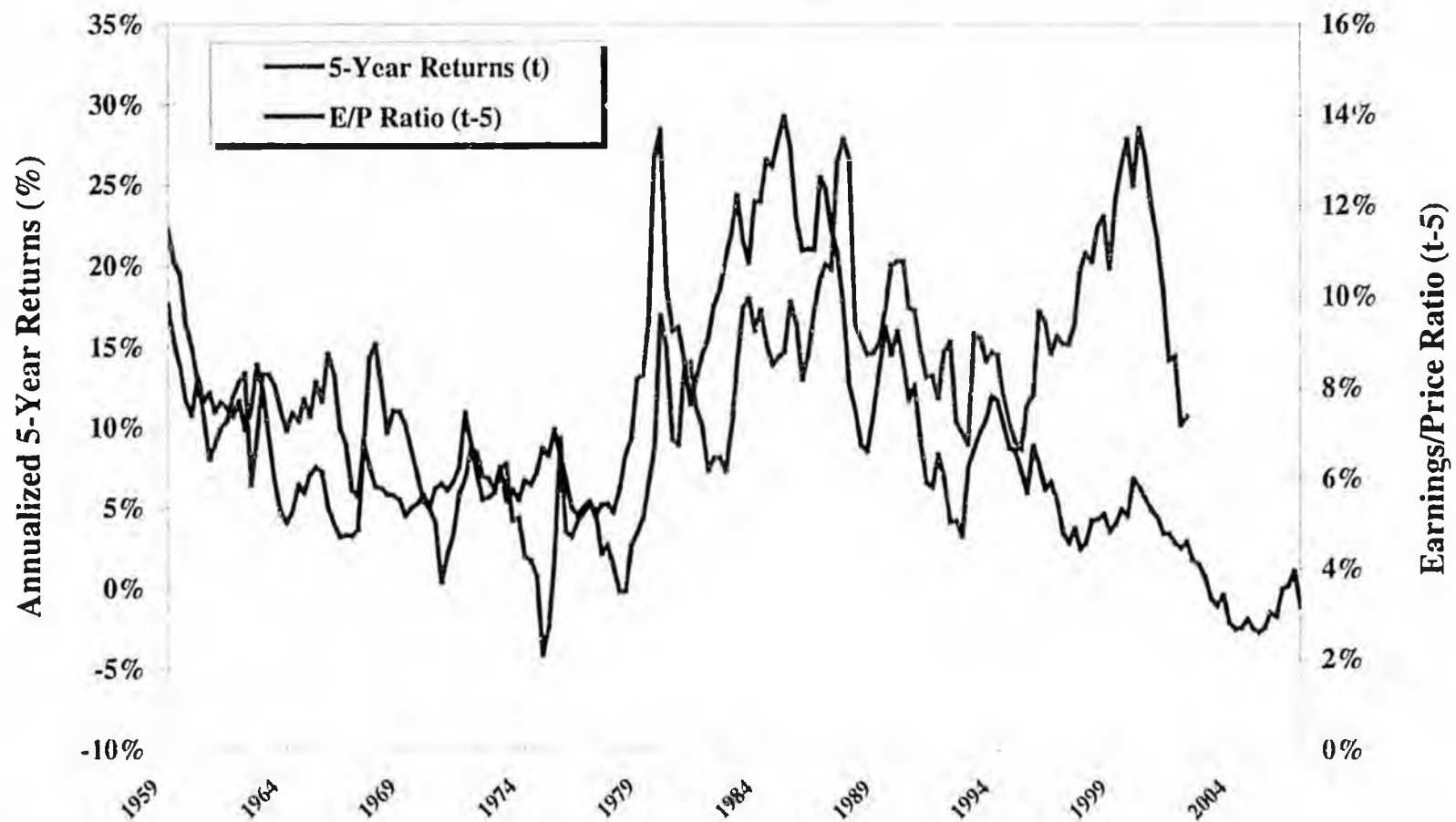
1987 Market Crash

Fed tardy in raising interest rates

Rising rates, falling earnings

Are Equity Prices Becoming Re-connected to Their Underlying Value?

S&P 500 5-Year Returns vs. Lagged Earnings/Price (1954 - 2001)



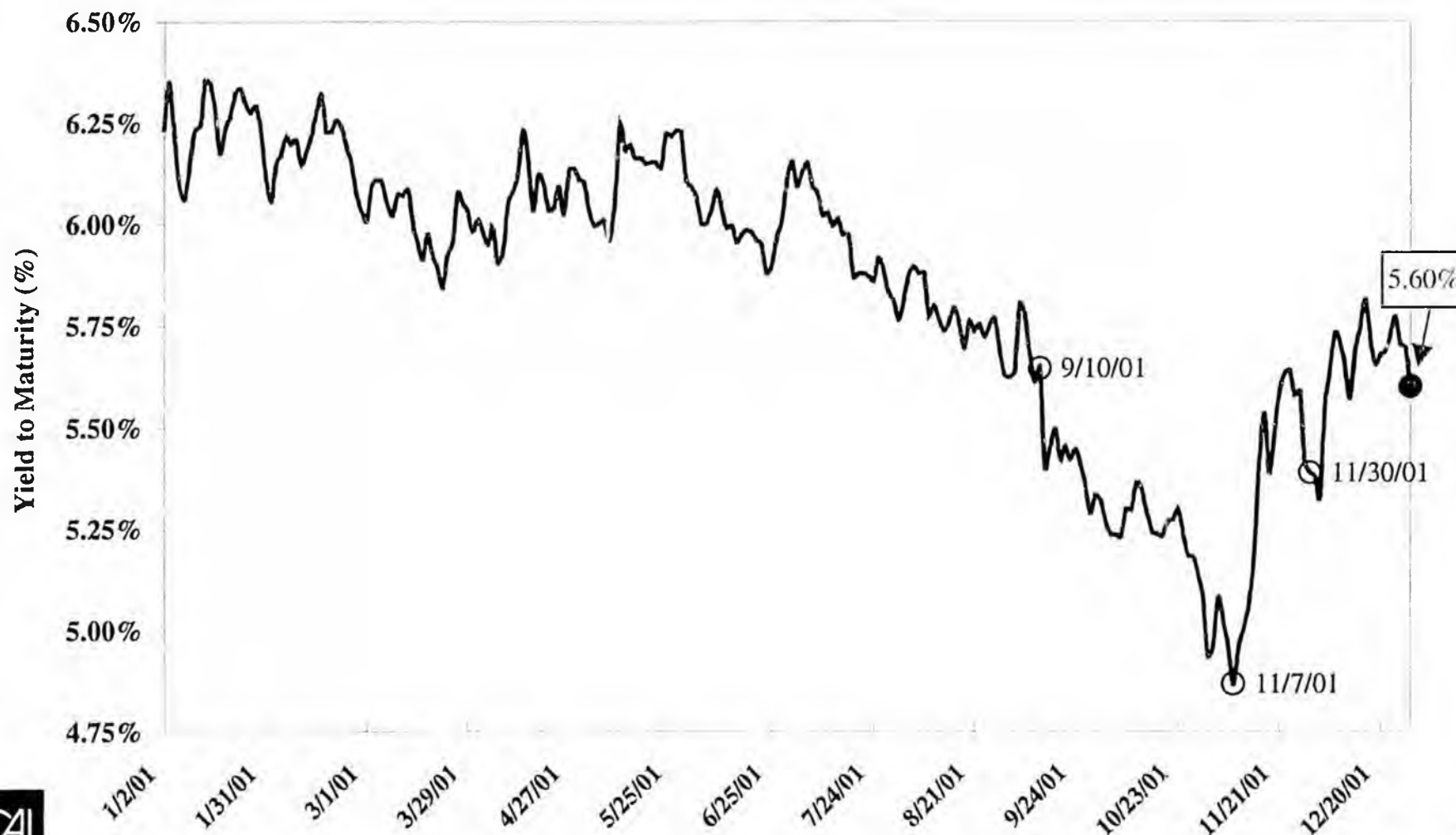
Why Bother With Bonds?

Because of Years Like 2000 & 2001

- Plan sponsors are finally enjoying the diversification benefit of bonds.
- Bond yields trended down during the first three quarters as the recession emerged, then plummeted in the flight to quality following September 11. Yields moved back up at the end of the year as the stock market recovered.
- The yield curve steepened dramatically during 2001. The 475 basis points in interest rate reductions by the Fed had only a modest effect on longer-term rates. Money-market rates are now below inflation, implying negative real yield. The elimination of the 30-year Treasury bond had a greater impact on the long term rates than the rate cuts.
- Our forecast implies a slight rise in return over the current yield over the next five years.

Impact of September 11 Was Substantial But Largely Temporary

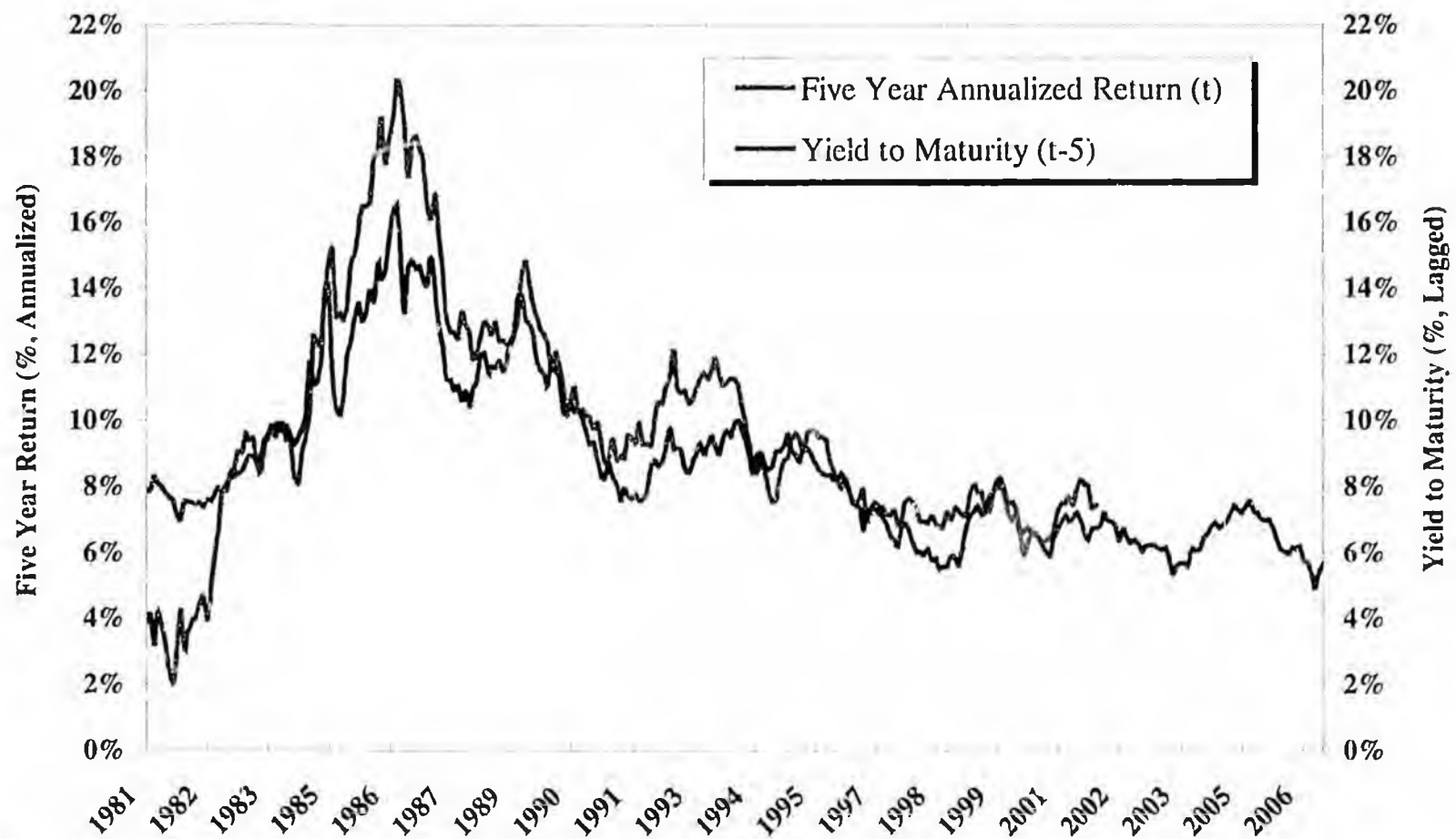
Lehman Aggregate Index - 2001 Daily Yield to Maturity (Yield to Worst)



Domestic Fixed Income

Current Yield Is A Strong Predictor of Returns

Lehman Aggregate Index 5 Year Returns vs. Jagged Yield to Maturity



2002 Capital Market Projections

2002 Capital Market Projections

Asset Class	Index	Projected Annual Return	Projected Standard Deviation (Risk)	2001 Projections	
Equities					
Broad Domestic Equity	CAI Broad	9.30%	17.20	9.20	16.30
Large Cap	S&P 500	9.00%	16.00	8.90	15.00
Small Cap	CAI Small	10.60%	25.00	10.40	25.00
International Equity	EAFE	9.90%	21.50	9.80	21.50
Emerging Markets Equity	MSCI EMF	10.40%	35.00	10.30	35.00
Global Broad Equity	90% EAFE/10% EMF	9.95%	21.15		
Fixed Income					
Domestic Fixed	LB Agg	5.75%	5.00	6.45	5.30
Defensive	LB Gov't 1-3	4.60%	2.60	5.30	3.30
High Yield	FB High Yield	7.50%	12.65	7.50	11.40
Non US\$ Fixed	SB Non US	5.60%	9.60	6.25	9.80
Other					
Real Estate	CRES	8.00%	16.50	8.30	16.50
Alternative Investments	VECO 100	12.25%	35.00	12.00	36.00
Cash Equivalents	T-bill	3.50%	0.70	5.00	0.70
Inflation	CPI-U	2.90%	1.00	3.25	1.90

2002 Capital Market Projections

- Largest changes are to returns for cash and bonds.
- Inflation has risen over the past two years, but the threat of further price acceleration is fading.
- Bond returns are lower, reflecting lower yields to maturity compared to a year ago.
- Equity return expectations remain essentially unchanged - below the long-run averages.
- We remain convinced that international belongs in a diversified portfolio, despite the second-worst absolute performance in 20 years.
- Real estate returns are reduced slightly.
- Private equity returns are increased slightly.

Optimizations - Where The Rubber Meets the Road

- The 2002 efficient frontier is “steeper” and shifted to the right compared to last year’s frontier.
- Compared to last year, portfolios with the same targeted level of return have a higher level of risk.
- Portfolios with the same targeted percentage of equities face lower returns but higher expected risk.
- Small cap stocks account for a similar percentage of domestic equity (approximately 20%) across mixes reflecting a long-run neutral bias toward market capitalization.
- International equities account for a similar percentage of the total equity allocation (approximately 30%) across all mixes.
- Allocations to domestic fixed income are lower across almost all mixes.