

# Alaska State Legislature

## Legislative Budget & Audit Committee

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Representative Mike Hawker, Chairman

### MEMORANDUM

**TO:** Legislative Budget and Audit Committee

**FROM:** Representative Mike Hawker, Chairman  
Legislative Budget and Audit Committee

A handwritten signature in blue ink that reads "Mike Hawker".

**DATE:** December 2, 2016

**RE:** Alaska Mental Health Trust Authority Audit

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I respectfully request an audit of the Alaska Mental Health Trust Authority (AMHTA) in response to recent allegations that the AMHTA is not managing its assets in compliance with state and federal law, as described below.

**BACKGROUND:** The Alaska Mental Health Trust (Trust) was created in 1956 by the federal Alaska Mental Health Enabling Act (AMHEA) which transferred responsibility for mental health services from the federal government to the state. The state's management of the trust was challenged in a lawsuit filed in 1982 alleging that the state breached the public trust. Legislation was passed in 1991 and 1994 to settle the lawsuit. As part of the legislation, the AMHTA was created and named trustee of the Trust. The Trust fund was reconstituted with approximately one million acres of land and \$200 million in cash. The Trust Land Office was created in the Department of Natural Resources (DNR) to manage the land assets. The settlement requires DNR to manage the land consistent with the trust principles imposed on the state by the AMHEA. The cash payment, proceeds from the sale of trust land, and other proceeds attributable to principal are required to be retained perpetually in the mental health trust fund and invested by the Alaska Permanent Fund Corporation.

According to state statutes, the income from the fund, the land, and other assets is deposited in the mental health trust settlement income account which is an account managed by the AMHTA. The AMHTA may use this income account to award grants and contracts to ensure Alaska has an integrated mental health program, obtain grants and gifts for that purpose, pay the Department of Natural Resources and the Alaska Permanent Fund Corporation for managing trust assets, offset the effect of inflation on the value of the principal of the trust, and pay its administrative expenses.

**PURPOSE OF AUDIT:** Respond to recent allegations that the AMHTA is not managing its assets in compliance with state and federal law. I ask that the audit include the following objectives over a time period as determined appropriate by the legislative auditor if not specified:

- For the period 2013 through 2016, evaluate whether AMHTA board and committee meetings complied with state law and corporate bylaws with specific attention to the open meetings act.

- Determine whether AMHTA assets are managed as outlined in state law and consistent with federal requirements of the AMHEA. Evaluate AMHTA's and Trust Land Office's regulations for compliance with statutes and alignment with the federal AMHEA.
- Review the accounting for assets managed by the Trust Land Office including whether activity has been recorded and reported in accordance with generally accepted accounting principles.
- Determine whether any AMHTA transactions (including Trust Land Office) could be considered less than arm's length. This should encompass Trust Office employees, AMHTA employees, and Board members.
- Evaluate the AMHTA investment policies for compliance with statute. Determine whether the Trust Land Office under direction of the AMHTA has managed AMHTA assets in accordance with state law.
- Determine whether Trust Land Office investment activities duplicate those carried out by the Alaska Permanent Fund Corporation and, if applicable, whether such activities should be more appropriately or efficiently carried out by the Alaska Permanent Fund Corporation.
- Follow-up of other related concerns identified by the Legislative Auditor during the audit.