

TREASURY DIVISION
DEPARTMENT OF REVENUE
STATE OF ALASKA
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Appendix AV
Investment Policy Statement: Mental Health Funds

1. Overview

The Alaska Permanent Fund Corporation manages most of the trust’s financial assets. However, the Department of Revenue is responsible for the short-term investment of several funds related to the trust. Statutes pertinent to this trust are AS 37.14.001-099, AS 47.30.011-061 and AS 38.05.801 (See [Appendix AP](#)).

2. History

- 1956. Congress approved the Alaska Mental Health Enabling Act of 1956 (P.L. 84-830, 70 Stat. 709), authorizing the Territory of Alaska to select 1 million acres of vacant, unappropriated federal land in the territory to help support Alaska’s mental health programs. Income from land selected to help support Alaska’s mental health programs could be used to directly support those programs.¹
- 1959. Upon Statehood, the state was eligible to complete its 1-million-acre selection under the Alaska Mental Health Enabling Act of 1956. The state completed its selections but the federal government has yet to convey the entire land grant for the Mental Health Trust.²
- 1978. The Legislature changed the status of lands held in the Public School, University and Mental Health Trusts by designating the land as general grant state

¹ Unlike the Public School Trust and University of Alaska Endowment Trust, the supporting role was less direct for the public school and university trusts. Federal law required Alaska officials to place income from the land selected for the school and university trusts into permanent funds. Income from each of these permanent funds was, in turn, to be available to help support Alaska’s public schools and university. (See Section XII(C) and (E).)

² Upon statehood, the arrangements for each of these trusts to continue to obtain lands differed from similar trusts. The Public School Trust was generally limited to the sections from surveyed townships it had received up to statehood in 1959, but it also received additional lands removed from federal withdrawals after statehood and additional lands under § 906(b) of ANILCA, P.L. 96-487, 94 Stat. 2430 (codified as 43 U.S.C. § 1635(b)) (1980). The University Trust was limited to sections in surveyed townships in the Tanana Valley resulting from its 1915 land grant, but was eligible to complete the 100,000-acre additional selection resulting from its 1929 grant.

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land, much of it eligible for lease, sale or transfer to municipalities, businesses and the public (Ch. 182 SLA 1978). The Legislature purported to substitute a dedication of 1.5% of the state's overall land revenue, subject to legislative appropriation, for the 1 million acres of land taken out of the Mental Health Trust. However, the Legislature never specifically appropriated any of the 1.5% revenue stream to the Alaska Mental Health Trust.³

- 1985. The Legislature was sued for breaking up the Mental Health Trust, and in 1985 the Alaska Supreme Court in *State vs. Weiss*, 706 P.2d 681 (Alaska 1985), ruled that redesignating the land as general state land was invalid. The court ordered that "the trust... be reconstituted to match as nearly as possible the holdings which comprised the trust when the 1978 law became effective."
- 1997. The Legislature enacted several pieces of legislation in an effort to comply with the Supreme Court mandate to reconstitute the trust (Ch. 48, SLA 1987; Ch. 210, SLA 1990; Ch. 66, SLA 1991; Ch. 5, and Ch. 6, FSSLA 1994, as amended by Ch.1 and Ch. 2, SSSLA 1994). The finding in Section 1 of the 1987 legislation and the finding and purpose in § 1, Ch. 5, FSSLA 1994, provide an excellent summary of the history of the dispute. Because of the legislation, much of the land was returned to the trust. However, a significant proportion of the original 1 million acres was not returned, including:
 - Lands conveyed to private third parties and municipalities.
 - Lands designated as part of state reserves such as state parks.
 - Lands still owned by the state subject to private industrial development activity such as the Usibelli Coal Mine at Healy.

The state gave the trust substitute lands so that the land holdings once again totaled approximately 1 million acres. To ensure that the trust was adequately compensated for the value of lands not returned, the Legislature appropriated \$200 million to the Alaska Mental Health Trust Fund.

³ Actually, there were two separate bills enacted in 1978 that redesignated all mental health lands as general grant lands. Ch. 181 SLA 1978 and Ch. 182 SLA 1978. Both created the Mental Health Fund into which one and one-half percent of state land revenue was to be deposited. Under Ch. 181, the deposit would have been automatic; under Ch. 182, the deposit was "subject to legislative appropriation." Because Ch. 182 became law after Ch. 181, it was controlling.

The Legislature replaced the 105,000 acres in the Public School Trust by ordering that one-half of 1 percent of the state's overall land revenue would be placed in the trust's permanent fund.

The Legislature offered a parallel arrangement with respect to the University Trust. The University Board of Regents was given the option to accept or reject the proposed substitution of dedicated revenue for the land in the trust. The board rejected the substitution, and the University of Alaska Endowment Trust continues to hold the lands selected on its behalf.

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Supreme Court on the 1994 settlement of the mental health trust litigation. The money in these funds came from former trust lands that are still state-owned but were not restored to the trust under the 1994 settlement legislation. Most of the money in these funds is from coal royalties paid by the Usibelli Coal Mine at Healy. These two funds were closed out in the State's FY 1998 Comprehensive Annual Financial Report.

One additional fund pertaining to the Alaska Mental Health Trust dispute is included in the General Fund Group with assets invested in GeFONSI. GASB Fund 34042 (Due to Mental Health - Income) was created in one of the pre-1994 legislative attempts to settle the land trust dispute. The money in the fund has been appropriated and the fund will be eliminated when the money is finally expended. Effective November 6, 1998, GASB Fund 34042 no longer receives investment earnings.