

July 1, 2020

**Re: Proposed Revisions to Revenue Allocation**

Dear Alaskan:

The Alaska Mental Health Trust Authority [AMHTA] proposes to adopt changes in Title 20 of the Alaska Administrative Code, specifically 20 AAC 40.610 dealing with the allocation of revenues earned by the Trust Land Office between AMHTA principal and income. Alaska Statute requires the Trust to develop regulations pertaining to the allocation of revenues. A change to our revenue allocation is also consistent with the legal settlement agreement that created AMHTA in 1994.

This letter explains the proposed revisions to the regulations, why we are proposing this regulation package now, and how this action relates to Alaska Mental Health Trust revenues.

This regulation package was developed following consultation with our board of trustees and our partner advisory boards. If adopted, these regulations would not diminish our ability to grant funds to beneficiary programs or to fulfill our mission of serving Trust beneficiaries.

I invite you to review and comment on these proposed regulations.

**Why Do We Need to Amend these Regulations?**

The Alaska Mental Health Trust Authority Board of Trustees has a fiduciary responsibility to appropriately allocate revenues derived from trust lands to either principal or income. Existing regulations set how that allocation is to occur (20 AAC 40.610).

The board of trustees has recognized that the existing regulations do not anticipate the need to recover development costs associated with revenue generating activities on Trust lands. Such development costs can be drawn from a subset of the *Trust Settlement Income Fund*. The Trust Settlement Income Fund is also where AMHTA draws funds for beneficiary programs and administrative costs in alignment with the Comprehensive Integrated Mental Health Plan.

The revised regulations would allow the board of trustees to allocate “net” proceeds from land sales and resource transactions to principal, where it is invested for the long-term benefit of AMHTA beneficiaries. This allows the Trust Settlement Income Funds to be used to enhance revenue from trust lands

**Terms as they relate to the proposed regulations**

**Principal:**

Revenue from Trust lands to be invested for the long-term benefit of Alaska Mental Health Trust beneficiaries. Principal comes from revenue generation like land sales and mineral royalties. Earnings from invested principal supports annual Trust budgets.

**Income:**

Revenue to be put into the **Trust Settlement Income Fund** for use on beneficiary programs and administrative expenses. The Trust Settlement Income Fund can also be used for trust lands management expenses, including development to increase revenue. Income is all revenue that is not considered principal. Income includes revenue from investment earnings, and rent/non-permanent uses of Trust lands.

management, some of which will be returned to income, and hence available for programs and expenses, while the remaining revenue will continue to be invested in principal.

**How do these Regulations affect Trust Beneficiaries?**

Alaska Mental Health Trust Authority revenue is to be used for the benefit of the Trust and improving the lives of its beneficiaries. These proposed regulations will allow the Trust to return income and interest that was used to acquire new trust land, or to develop trust land for the purpose of producing revenue for the Trust, to the *Trust Settlement Income Fund* before the net revenue is allocated to principal. This facilitates continued use of income for revenue-producing projects beneficial to both principal and income through additional trust land and resource sales.

**This change also allows trustees to better balance current and future beneficiary needs by returning income spent to generate revenue back to income for additional development or current programs, while still growing Trust principal and land values that will support long term beneficiary needs.**

The result of this change in regulations will, for land sales to which this new provision is applied, increase the amount of income that is available for the board of trustees to allocate toward the management of the Trust or advocacy and programs that directly serve Trust beneficiaries. This change also allows trustees to better balance current and future beneficiary needs by returning income spent to generate revenue back to income for additional development or current programs, while still growing Trust principal and land values that will support long term beneficiary needs

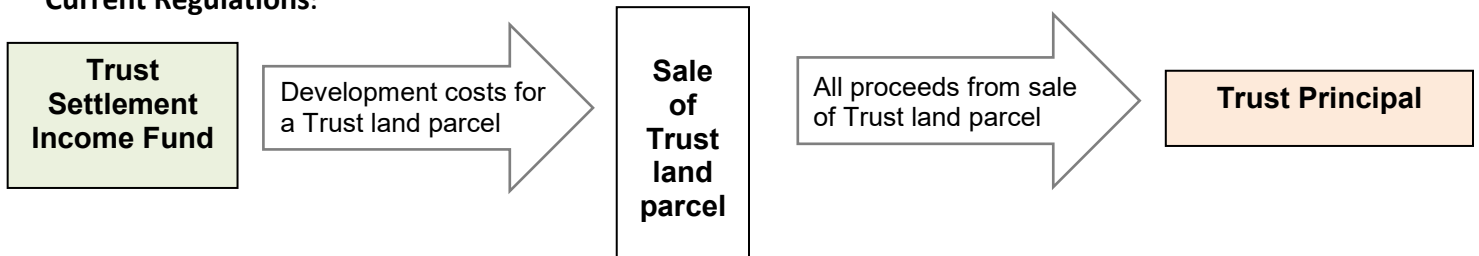
**How will the Regulations be Revised?**

In summary:

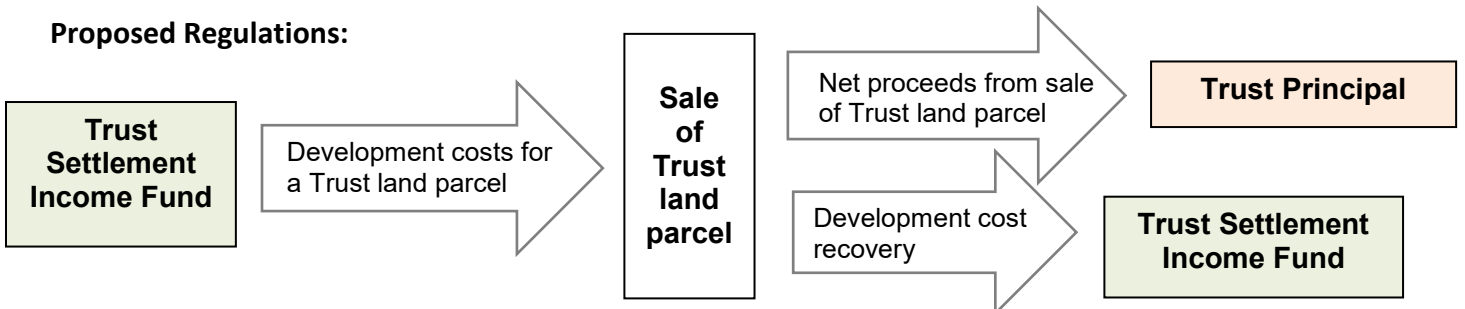
20 AAC 40.610 is proposed to be changed as follows:

- a. Under the section governing allocations to principal, “revenues” allocated to principal are the “net proceeds” after returning development costs and interest to income,
- b. Defining “net proceeds”, “development costs”, and “trust land.”

**Current Regulations:**



**Proposed Regulations:**



## **Opportunity to Comment.**

Interested parties are encouraged to review the proposed regulations and submit any comments to the Alaska Mental Health Trust Authority. Enclosed is the official "Notice of Proposed Changes in the Regulations of the Alaska Mental Health Trust Authority," which lists the specific areas and provides the details regarding the submission of public comment. You can review the proposed regulations on the Alaska Online Public Notice System and at [alaskamentalhealthtrust.org](http://alaskamentalhealthtrust.org).

You may comment on the proposed regulation changes, including the potential costs to private persons of complying with the proposed changes, by submitting written comments to Valette Keller at 3745 Community Park Loop, Suite 200, Anchorage, AK 99508. Additionally, the Department of Revenue, Alaska Mental Health Trust Authority will accept comments by electronic mail at [valette.keller@alaska.gov](mailto:valette.keller@alaska.gov). The comments must be received not later than 5:00 pm on July 31, 2020.

You may submit written questions relevant to the proposed action to Valette Keller, at 3745 Community Park Loop, Suite 200, Anchorage, AK 99508 or [Valette.keller@alaska.gov](mailto:Valette.keller@alaska.gov). The questions must be received at least 10 days before the end of the public comment period. The Department of Revenue, Alaska Mental Health Trust Authority will aggregate its response to substantially similar questions and make the questions and responses available on the Alaska Online Public Notice System and at [alaskamentalhealthtrust.org](http://alaskamentalhealthtrust.org).

Thank you for your consideration of these proposed regulations. The AMHTA looks forward to reading your comments and suggestions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael K. Abbott".

Michael K. Abbott  
CEO  
Alaska Mental Health Trust Authority