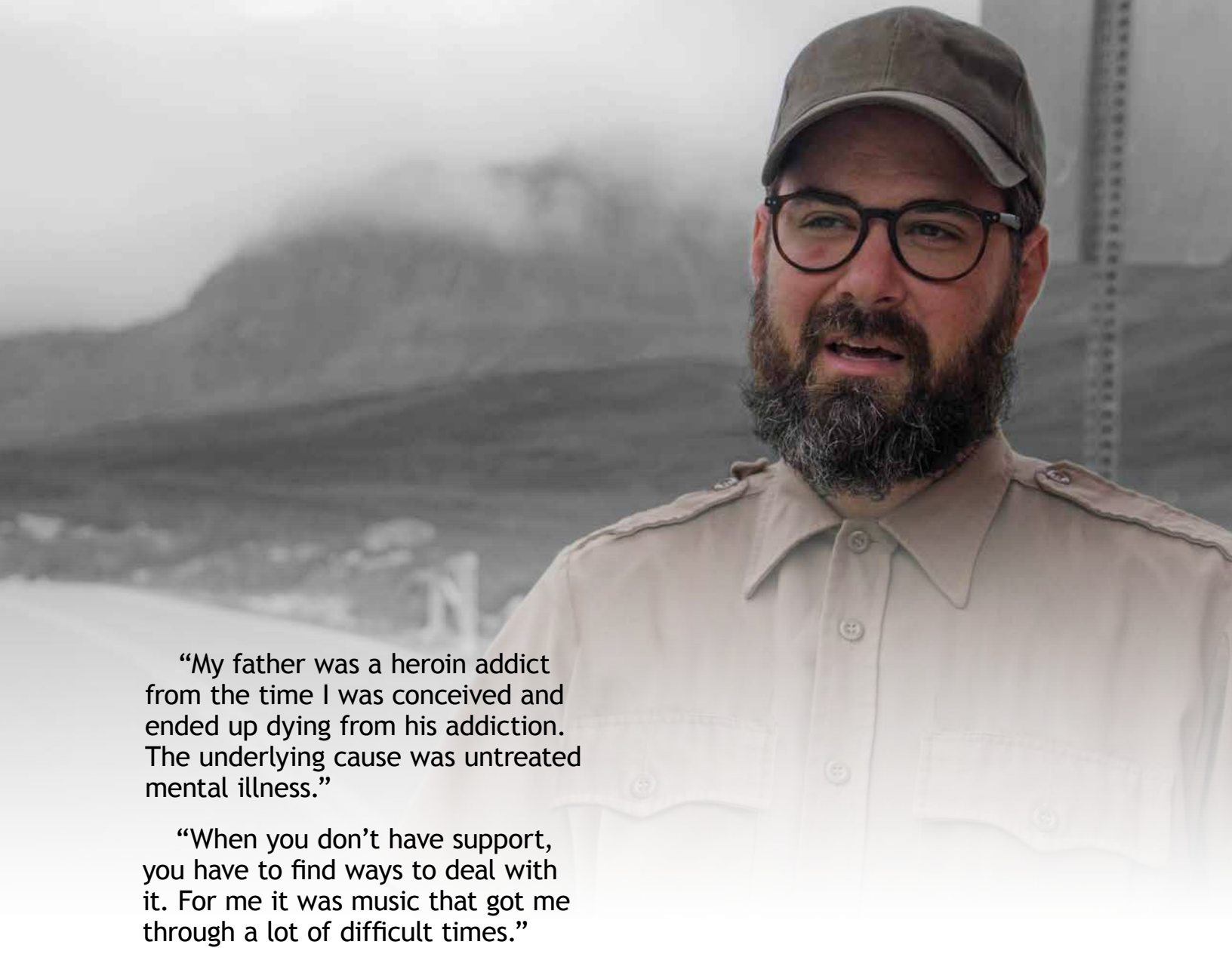

A PROMISING FUTURE

A man with a beard and glasses, wearing a tan shirt and a cap, stands on a road with mountains in the background. He has tattoos on his arms and is looking towards the camera.

Trust

Alaska Mental Health
Trust Authority

2017 Annual Report



“My father was a heroin addict from the time I was conceived and ended up dying from his addiction. The underlying cause was untreated mental illness.”

“When you don’t have support, you have to find ways to deal with it. For me it was music that got me through a lot of difficult times.”

— Francis, Hatcher Pass

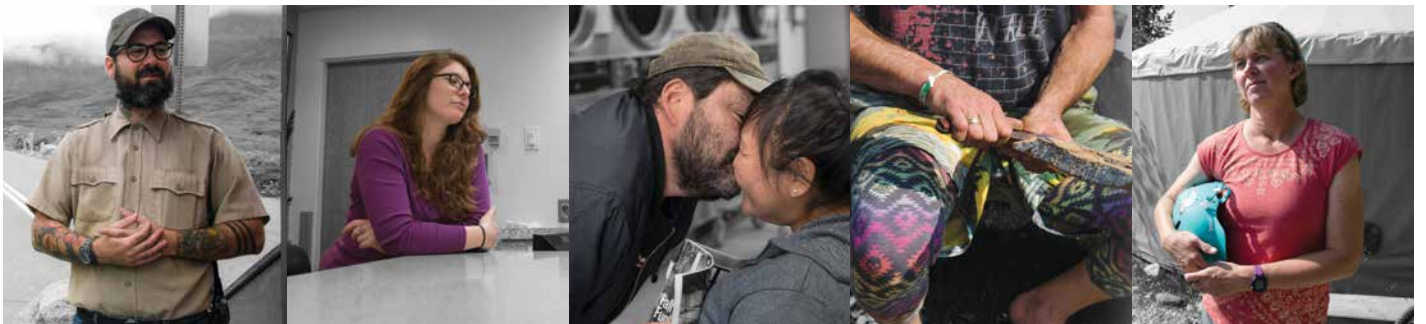


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The goal of the Alaska Mental Health Trust Authority is to serve as a catalyst for change and improvement in Alaska's mental health continuum of care. It is the duty of the Trust to provide leadership in the advocacy, planning, implementing and funding of services and programs for Trust beneficiaries.



Letter from the Chair and CEO

Mary Jane Michael was named board chair in 2017. She is a long-serving trustee and has been actively engaged in disability advocacy and community development for more than 35 years. Mike Abbott is the new CEO. He is a long-time Alaskan and has a distinguished career in public service, most recently as Anchorage Municipal Manager.

There are two absolutes at the Trust: First, the needs of our beneficiaries across the state are more complex than ever. Second, our organization bears the responsibility to meet those needs. While the issues facing our beneficiaries are substantial, the Trust has maintained the financial strength and stability to address them. This annual report paints a portrait of that strength and the advocacy work being done as we strive to improve Alaska's mental health continuum of care.

The Trust has two ongoing important initiatives: Medicaid expansion and reform and criminal justice reinvestment. Working with partners, we are striving to ensure that Medicaid reform results in sustainable, integrated care for beneficiaries to achieve optimal health, wellness and independence in their community. Criminal justice reform and reinvestment will reduce recidivism, improve access to services and health care and create safer communities. You can read more about both initiatives further in the report.

In FY 2017, the Trust granted nearly \$20 million to nonprofits, tribal organizations, providers and state agencies serving our beneficiaries across Alaska. Some of those grants included working with local governments in Anchorage, Juneau and Fairbanks to address homelessness; advancing assistive technology aimed at maximizing independence for persons who experience disabilities; and assisting youth beneficiaries to gain internships with major employers for work experience. We funded grants and programs in communities across the state, from Nome to Ketchikan. The Trust could not accomplish its mission without the dedication and commitment of countless grantees and individuals whose incredible work is making a real difference in the lives of Trust beneficiaries.

Other areas of focus include homelessness, which disproportionately affects Trust beneficiaries; long-term care, particularly important as our population ages; workforce development in health care, which continues to struggle with high turnover and personnel shortages; improving employment and engagement opportunities for our beneficiaries; and, strategies that tackle substance abuse and addiction from prevention and early intervention to treatment and recovery.

In 2017, we saw the culmination of 10 years of working with the U.S. Forest Service towards a land exchange that will now allow us to harvest timber assets in Southeast Alaska and generate revenue. Additionally, we continued exploration efforts for gold and heavy minerals at Icy Bay. You can read more about these efforts further in the report.

As we look to the future, we are fortunate the Trust has continued to grow and remains financially healthy with over \$500 million invested with the Alaska Permanent Fund Corporation and an additional \$43 million invested with the State of Alaska Department of Revenue Treasury Division. Meanwhile, our land and natural resources, managed by the Trust Land Office, have performed well. Further investments in our lands now will reap greater returns in the future.

We recognize that the challenges facing our beneficiaries are as great as ever. This is why we remain vigilant in growing our assets, providing meaningful grants across the state and working toward a policy and system wide solutions that positively benefit Trust beneficiaries now and in the future.



A handwritten signature in black ink that reads "Mary Jane Michael".

Mary Jane Michael, Board Chair



A handwritten signature in black ink that reads "Mike Abbott".

Mike Abbott, Chief Executive Officer

Board of Trustees

Mary Jane Michael, Chair

Chris Cooke, Vice Chair

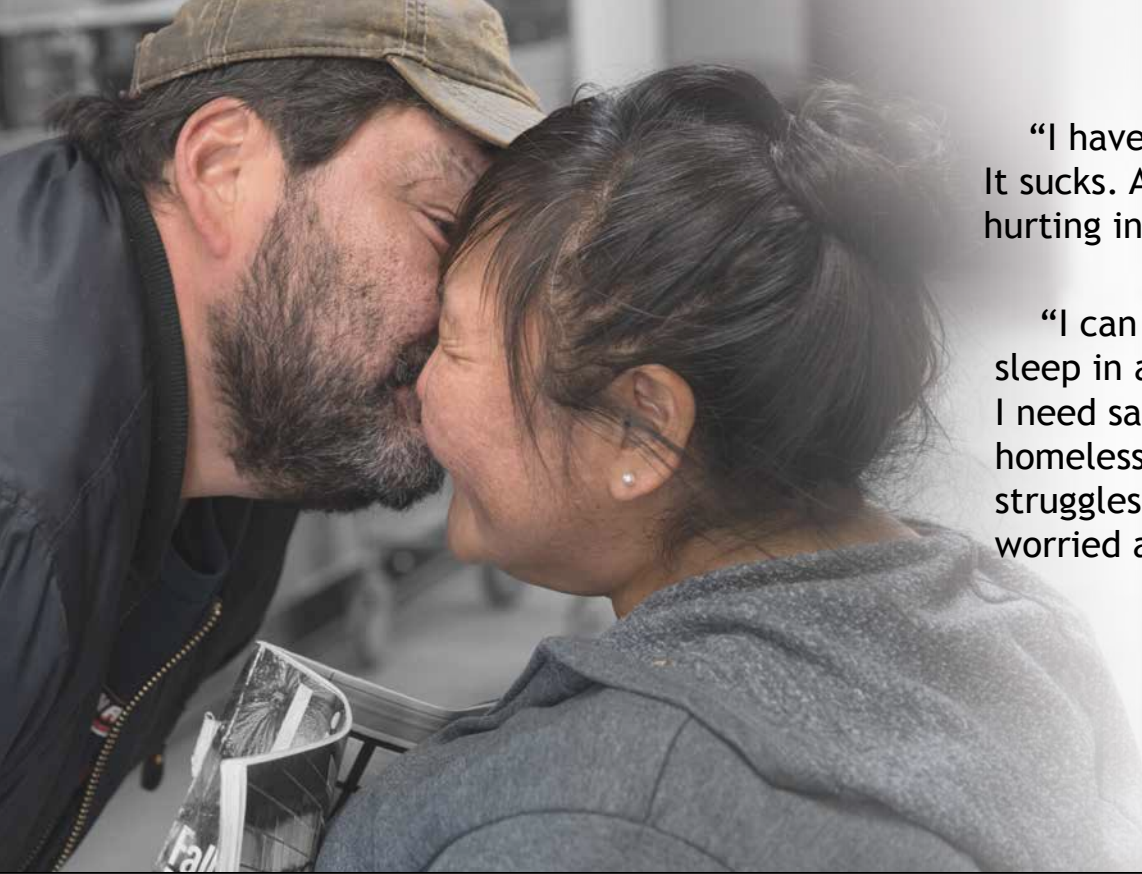
Laraine Derr, Secretary

Paula Easley

Greg Jones

Jerome Selby

Carlton Smith



“I have a problem. Alcoholism. It sucks. And I smile now, but I’m hurting inside.”

“I can make it. Heck, I can sleep in a dumpster. I can. But I need safety for her. We are homeless right now and she struggles with anxiety and gets worried about the next moment.”

— Trust Beneficiaries,
Dillingham

Grant Making

Trustees authorized \$20,500,000 in grants in FY 2017. These grants were provided across the state for individual beneficiaries, community-based projects and statewide efforts. The Trust is proud to partner with so many providers, nonprofits, state departments, local governments and tribal organizations to have a positive impact for beneficiaries and the providers that care for them.

Grants are provided for a variety of purposes including individual services, equipment purchases, capacity building, planning efforts, outreach and training among others.

On the following pages are examples of how these grants touched beneficiaries’ lives.

Individual Beneficiary Grants

Over 1,100 beneficiaries received grants in FY 2017. These grants ranged up to \$2,500 each for a broad range of equipment, supplies and services to improve quality of life, increase independent functioning, dental services not covered by Medicaid, and help to attain and maintain healthy and productive lifestyles. Grants are awarded monthly throughout the year.

Grant Impacts

A Trust beneficiary from Fairbanks, was referred by his counselor to the Interior Community Health Center (ICHC). He was greatly in need of prosthetic dental work, but lacked the funds he would need to complete the daunting amount of work required. Using Trust funds, ICHC was able to design a treatment plan and provide prosthetic dental services and implants to restore his smile. Now his self-confidence has improved and, as a result, his outlook on life has never been better.

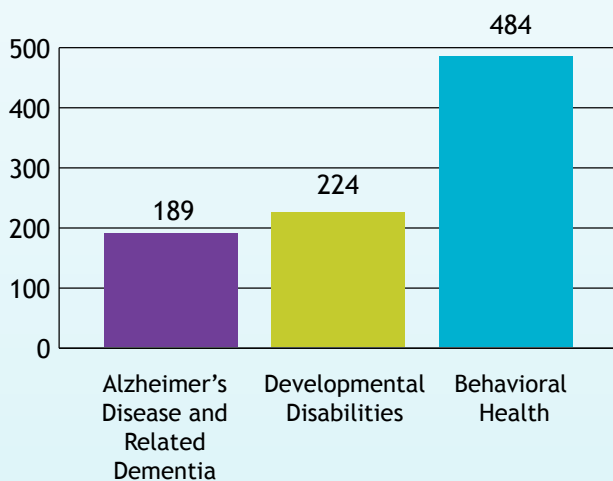
A young beneficiary from a small village with spastic quadriplegia relies on family to access his community, but needed a safe mode of transportation. The developmental disabilities mini grant provided funding to purchase an all-terrain stroller with a cover that will allow him to be safely transported around his community, no matter the terrain or weather. And with its durability and high weight limit, the stroller will last him for many years to come allowing him to be more mobile within his community.

A beneficiary who lives in Kenai recently received funding through the Alzheimer's and related dementia mini grant for an adjustable mattress and frame. Previously, she would need assistance getting into and out of bed. Having an adjustable mattress and frame has given her independence, as her mobility needs change.

A 52-year old Eagle River resident and beneficiary works part-time as a seasonal cashier at a grocery store. He struggles to make ends meet and dental treatment seemed like a luxury far beyond his reach. After many years without dental care, his oral health had deteriorated and he was plagued by cavities and gum disease. With funding from the Trust he was able to receive an evaluation and subsequent treatment to address his dental needs. He is now much more comfortable and confident when interacting with his co-workers and customers at his place of employment.

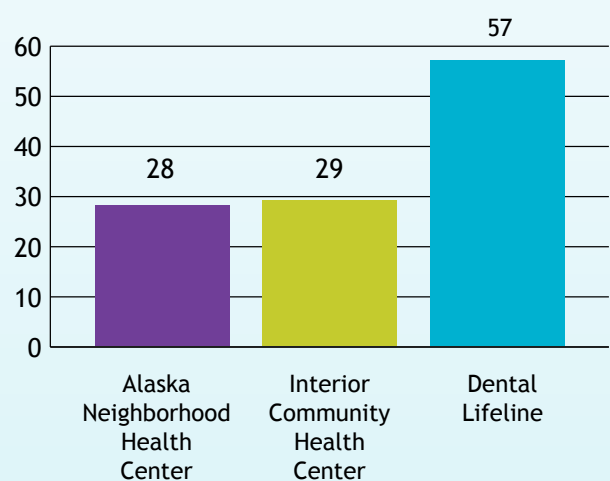
FY 2017 Mini Grants

of beneficiaries



FY 2017 Dental Grants

of beneficiaries



Community-based Grants

In 2006, the Trust developed a permanent supported housing focus area for beneficiaries, the Housing and Long-Term Services and Supports initiative. This initiative has developed proven strategies that support people with disabilities in obtaining and remaining housed in local communities across the state. The work is a partnership with the State of Alaska Department of Health and Social Services (DHSS) Divisions of Behavioral Health and Senior and Disabilities Services, and Alaska Housing Finance Corporation focusing on the cost of housing for people with disabilities and developing sustainable social service programs. Accomplishments include establishing the framework and processes for housing finance options for permanent supported housing and social service program realignment and work with Medicaid funding resources to address the needs of people who are falling through the cracks of the social services safety net.

The Trust has committed resources in the form of funding positions directly in Anchorage, Fairbanks and Juneau to assist in coordinating the community's housing resources and social service programs to end the problems related to homelessness. This work includes leveraging federal dollars flowing into the community and adapting social service programs on the street to remove barriers for homeless individuals.

If the structures for homeless service provision and transition can be perfected, then other communities can replicate the programs and adapt their own community programs. This will reduce the homeless population by modeling how to increase community capacity for homeless service and housing provision and coordinate local and federal housing resources to ensure the most vulnerable individuals are prioritized, emergency, shelter and social services are coordinated effectively and barriers to housing are eliminated.

System-level Grants

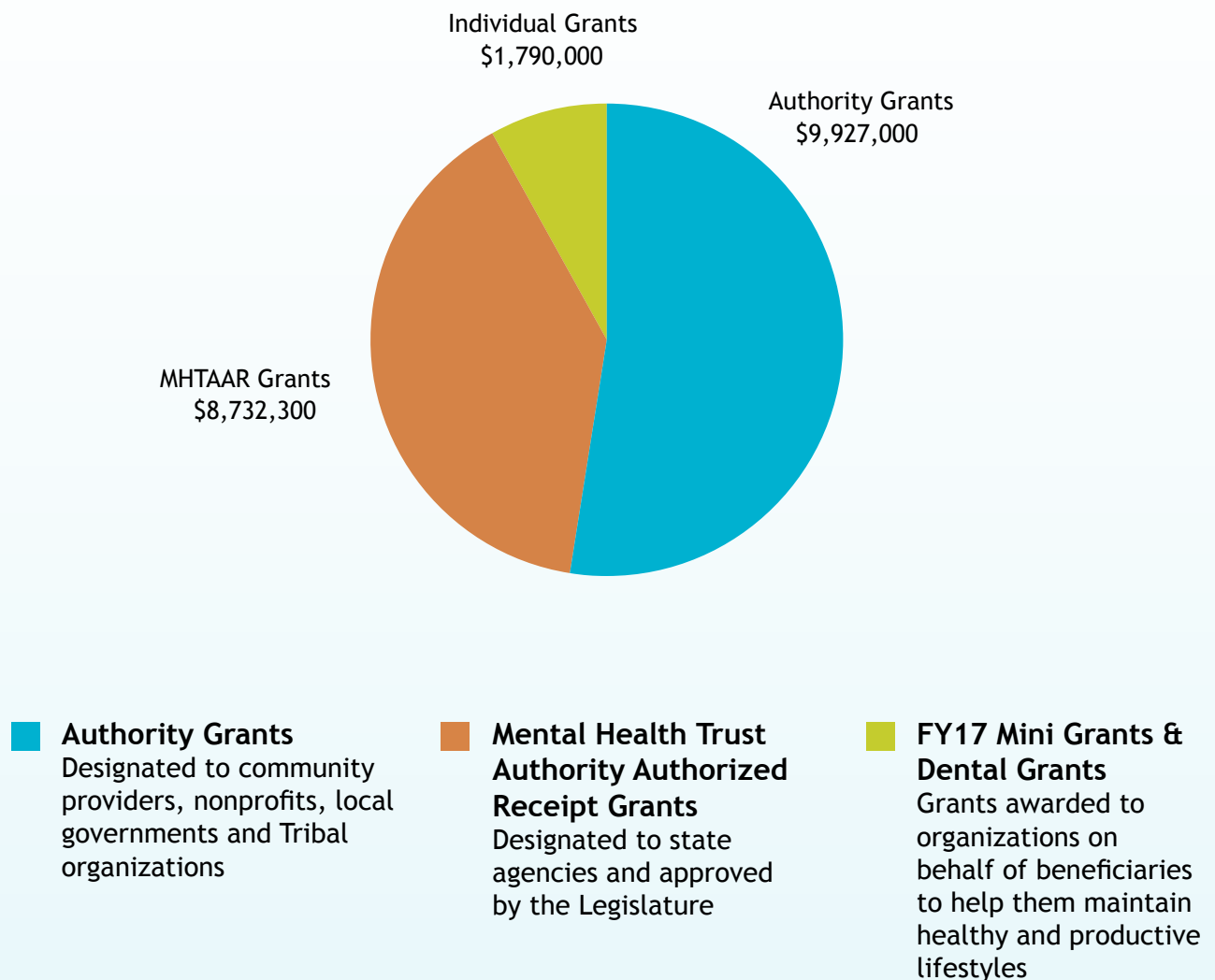
The purpose of the Alaska Mental Health Trust Authority is to ensure an integrated comprehensive mental health program for Trust beneficiaries. The Trust is committed to the development of a Long-Term Comprehensive Mental Health Plan and is working with the state and partner organizations to put a framework in place. The plan will be a living document forming the foundation needed to guide services and funding into the future.

Today, the integrated comprehensive mental health program is at a unique juncture in its history, where, despite the state's fiscal challenges, reform efforts have the potential to bring about tremendous positive changes to the system of care with many anticipated benefits for beneficiaries. In FY 2017, we saw DHSS and stakeholders from across the

system coming together to advance health care reform and Medicaid redesign. We saw a parallel process unfolding with criminal justice reform. The Trust is committed to

continuing to support the many efforts underway to plan for and manage a truly integrated and comprehensive program that improves the lives of Trust beneficiaries.

FY 2017 Breakdown of Grants





“At 15 I was diagnosed with depression. That’s almost half my lifetime.”

“I think a lot of people don’t seek help because of the perceived stigmas of a mental illness. We don’t realize how prevalent these issues are. There just aren’t enough people getting the help they need.”

— Trust Beneficiary, Nome

Medicaid Expansion & Reform

The Trust has long served as an “incubator” for innovation, often providing the necessary seed money so new or evolving programs will bring about necessary change. Once that has been accomplished, the Trust shifts its focus and limited funding to other important needs in order to make additional improvements to the state’s comprehensive mental health program. In keeping with this proven formula, the Trust provided the transitional funding necessary to support the essential administrative infrastructure for Medicaid expansion enrollment. This resulted in a \$1.6 million grant to the State of Alaska Department of Health and Social Services (DHSS) for the administrative costs to implement Medicaid expansion. Today, more than 38,000 Alaskans, many of whom are Trust beneficiaries, have enrolled and are receiving care due to Medicaid expansion.

Additionally, working with the Legislature, administration, and many other partners, the Trust recognized the need to reform the Medicaid system to better serve Alaskans and create a sustainable continuum of integrated care for beneficiaries to achieve optimal wellness and control costs over time. When Senate Bill 74, the omnibus healthcare and Medicaid reform bill passed the Alaska Legislature and was signed into law in 2016, trustees approved \$10 million in multi-year funding for the start-up costs of Medicaid reform. A few examples of what these grants are funding include: data onboarding of behavioral health providers to the Health Information Exchange; expanding Aging and Disability Resource Centers; 1115

Behavioral Health Medicaid Demonstration Waiver Development; exploring home- and community-based service and community first choice Medicaid plan options and primary care integration, screening and assessments, among others.

There are many positive indications of progress thus far. Notably, there has been substantial progress made over the last year on DHSS's efforts to develop a comprehensive and integrated behavioral health system. This included full engagement of key stakeholders and advisors in the development of an 1115 waiver that proposes to address a broad range of community-based services and supports to effectively address gaps in our system that result in our vulnerable citizens not receiving the right care in their home communities and regions. Behavioral health redesign and reform is part of the larger Medicaid reform initiative aimed at improving access to behavioral health care, enhancing quality

of care and managing costs for the well-being of all Alaskans. The goal is a redesigned and enhanced system of behavioral health services that fully encompasses health promotion, prevention, early intervention, appropriate treatment and the services and necessary supports to sustain a person in recovery.

Trustees approved \$10 million in multi-year funding for the start-up costs of Medicaid reform.

The Trust is pleased with results thus far and, on behalf of beneficiaries, remain steadfast in the commitment to work collaboratively with DHSS and community partners to ensure timely and effective implementation of the reform initiatives.

Goal of Medicaid Reform



Criminal Justice Reform & Reinvestment

In 2016, Governor Bill Walker signed into law a sweeping criminal justice reform bill. An unproven perception that reform has led to an increase in crime led the Alaska Legislature this fall to roll back some components of the bill. The Trust will continue to advocate for a better way to deal with non-violent beneficiaries who are better served by behavioral health services, not prison time.

Trust beneficiaries are at increased risk for involvement with the criminal justice system, both as victims and defendants, due to their disabilities as well as deficiencies in treatment and support systems. Trust beneficiaries account for more than 40 percent of those incarcerated each year, and tend to stay in corrections longer and cycle through the system more frequently. There are many reasons why people with mental illness find themselves in the correctional system. For beneficiaries, often the underlying reason can be related to lack of access to services, treatment and support they need, housing and/or meaningful daily activities.

Trustees approved funding of criminal justice reform and reinvestment efforts. Here are a few examples.

One program funded was a grant to establish the Alaska Justice Information Center (AJiC) at the University of Alaska Anchorage's Justice Center to compile, analyze and report on criminal justice reform strategies and monitor current reform efforts. Data is critical so adjustments and enhancements can be made to existing strategies and new evidence-based best practices can be identified. Recently,

AJiC released a benefit-cost finding report on Alaska's criminal justice programs. Overall, AJiC found that 90 percent of state investment in criminal justice-directed programs were an "evidence-based" program. Remarkably, 18 of the 19 programs modeled produced positive returns. Some of these programs (Anchorage and Palmer Mental Health Courts and Department of Corrections' Residential Substance Abuse Treatment program), were started partially or entirely with Trust funding. AJiC is one example of how the Trust invests in system capacity infrastructure to assist in researching and analyzing the impacts of the Trust's and the state's investments and guide future investments.

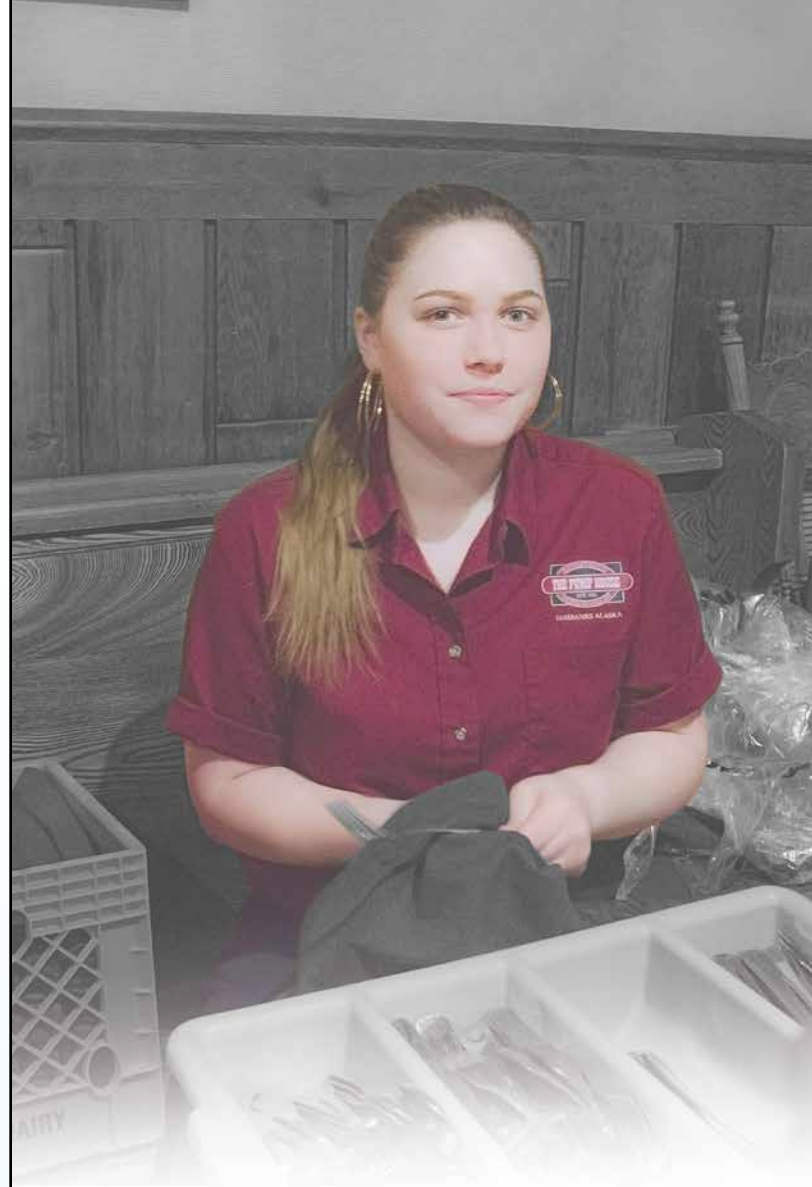
Beneficiaries account for more than 40 percent of those incarcerated in Alaska each year.

The Trust is a longtime funder of Crisis Intervention Team training for law enforcement, other first responders and criminal justice personnel. This training is critical to promote understanding of beneficiaries and their experiences with mental health and addiction, reducing stigma and diverting beneficiaries away from the criminal justice system. This year, with assistance from partners, the training was expanded to the Mat-Su Valley and Juneau.

The Trust continues to promote strong partnerships between local communities and the State of Alaska Department of Corrections (DOC) to assist individuals successfully return to communities after incarceration. There is

a common interest among many partners in reducing recidivism and promoting public safety by providing the necessary services and supports to persons being released from incarceration. Coalitions are critical to (1) educating the community about the criminal justice system; (2) identifying local challenges facing persons and solutions; (3) identifying local gaps in services and supports and collaborative solutions to build community capacity; and, (4) being a local point of contact for the Trust and DHSS and DOC in the effort to reduce criminal recidivism. This year, in partnership with local reentry coalitions and the State of Alaska Department of Health and Social Services (DHSS) and DOC, the Trust produced a toolkit for coalition leaders, members, coordinators and case managers to build and strengthen this partnership and guide the statewide effort to reduce criminal recidivism.

As an active member of the Alaska Criminal Justice Commission, the Trust continues to represent beneficiaries as the state implements criminal justice reform strategies to maintain public safety, reduce criminal recidivism and produce positive outcomes for individuals and communities. Specifically, the Commission's behavioral health committee made three recommendations that were adopted and forwarded to the Legislature. They were: (1) amend the statute to allow beneficiaries charged with a crime of domestic violence to return to a group home on bail if certain conditions were met; (2) require felony presentence reports to address any behavioral health needs that would be amendable to treatment; and, (3) add a seat to the Commission for DHSS (number three was included in Senate Bill 54).



“My brother didn’t find out he had Asperger syndrome until he went to prison.”

“I think if he had the support and medication he needed, he probably wouldn’t have ended up in prison.”

— Odyssey, Fairbanks



Public Policy

The Trust works to promote understanding of beneficiaries and the services needed to support them. This is done through various methods but includes being a statewide voice and advocating for the development and funding of programs and laws that will help Trust beneficiaries. Trust leadership works closely with the administration, Legislature and state departments to advise on funding and policies. The Trust identifies key issues and funding priorities for which the Trust will advocate for during each legislative session, here are just a few priorities from FY 2017.

Mitigating the Opioid Epidemic

The Trust has been an active participant in finding solutions to the opioid epidemic in Alaska. Staff participated as a co-chair of the Opioid Task Force, which made several recommendations to Governor Bill Walker. In 2017, Gov. Walker introduced and the Legislature passed HB 159: Opioids; Prescriptions; Database; Licenses, which:

1. Limits initial prescriptions for opioids to seven days; providing an option for patients to execute a Voluntary Non-Opioid Advance Directive to opt out of opioid pain medications;
2. Mandates that health care licensing boards for dentists, nurses, physicians, osteopaths, podiatrists and optometrists to require continuing education in pain management and opioid use disorders;
3. Requires consultation with parents about risks associated with opioid medications when prescribing to a minor;
4. Requires veterinarians to register with the prescription drug monitoring program (PDMP) and develop resources to educate animal owners about opioid misuse and diversion;
5. Requires pharmacists to register with PDMP and allow a person to request less than the prescribed amount of a controlled substance; and

6. Authorizes the Board of Pharmacy to send practitioners information on how their prescribing practices compare to other practitioners. House Health and Social Services Committee adopted a committee substitute to address concerns raised by pharmacists, removing the requirement of daily updates to the PDMP.

Gov. Walker signed the bill into law on July 26, 2017.

Title 4 Review

Alaska's Title 4 statutes regulate "the manufacture, barter, possession and sale of alcoholic beverages in the state." Much of the chapter has not been updated since 1980. Over time, incremental updates to the statute's inconsistent interpretations of the law and changing industry trends have reduced the effectiveness of Title 4. The Trust has been an active partner in the Title 4 Review Steering Committee since 2012. This stakeholder group, has continued to refine the package of recommendations and addressed several other emerging issues raised over the last few years. Goals of the Title 4 review include:

1. Promote a fair business climate and protect public health and safety, and
2. Make Title 4 a clear and consistent legal framework for the ABC board, licenses and law enforcement.

In 2016, SB 165 was enacted, restoring minor consuming alcohol as a true violation, promoting alcohol education and changing the ABC board composition, designating one seat for a public safety representative.



"My mom has a home health care business and an assisted living home. We work with a lot of people with dementia and Alzheimer's — it can be hard for our employees emotionally. We have a lot of turnover."

"Without Medicaid we would just be kicking these people out into the street. It just doesn't feel right."

— Josh, Anchorage

In 2017, SB 76, sponsored by Senator Peter Micciche, was introduced. It is a comprehensive bill that would enact many of the group's recommendations, organized in categories:

1. Alcohol licenses, permits and trade practices
2. Underage drinking and youth access to alcohol
3. Regulation of internet sales of alcohol
4. Role and functions of the ABC board and staff

Advocating for Community-based Services

The Trust remains a strong advocate for maintaining crucial services for our state's most vulnerable populations. When community-based services are reduced or eliminated because of budget cuts, these citizens are more likely to end up in emergency room care, psychiatric hospitals, nursing homes, jail or prison—most often at state expense. There will always be public costs serving Trust beneficiaries—either on the front end with community supports or on the back end with expensive institutional care.

Community behavioral health treatment and rehabilitative services can cost 66 to 86 percent less than inpatient psychiatric care.

However, community behavioral health treatment and rehabilitative services can cost 66 to 86 percent less than inpatient psychiatric care, and community support services for seniors can cost 28 to 88 percent less than nursing home care. Examples of community-based services include housing assistance, assisted living, family caregiver and natural supports, case management, education and training for providers and caregivers, peer support, transportation, mental health and substance abuse treatment.

Land Exchange

There was substantial focus in 2017 on the U.S. Forest Service/Alaska Mental Health Trust Land Exchange, designed to consolidate land and timber assets in areas more conducive to revenue production for the Trust. The federal Alaska Mental Health Trust Land Exchange Act of 2017 (S.131) and state Senate Bill 88 were signed into law in 2017 approving the exchange.

The exchange will be completed in two phases. The Trust Land Office (TLO), U.S. Forest Service, and the Bureau of Land Management are working to complete necessary surveys, appraisals, title work and other studies necessary to convey Phase 1 parcels by May 5, 2018, with the remainder to be conveyed the following year. The TLO has begun to prepare for contracting timber sales on the lands it will acquire. The land base resulting from the exchange will be essential in managing sustainable revenue generation from timber.



Lands

Trust land requires diligent analysis and constant interaction across Trust Land Office (TLO) resource groups to determine the highest and best use of the land. Development and management of the surface estate is geared toward strategic agreement structures favoring efficiency and scalability, as well as branching into new asset classes such as mitigation marketing.

Total revenue generated through management of the surface estate generated \$2.5 million in revenues during FY 2017. This includes leases, land sales, interest on land sale contracts and easements. The most significant portion of this revenue, 80 percent, is derived from sales. It is important to note that since inception, \$70.5 million, or roughly 37 percent, of all TLO revenue

has been derived through land sales, but less than three percent of the land has been sold. The TLO is effectively generating revenue through land sales and doing so prudently in order to effectively fulfill the Trust's goal of perpetuity.

The TLO holds two land sales each year, in the fall and spring. The FY 2017 fall sale received bids of \$1,461,550 — a 15 percent premium above the minimum bid value, and the FY 2017 spring sale received bids totaling \$328,570 — a 10 percent premium above the minimum bid value. In addition to generating principal revenue, additional income revenue is generated through the TLO's ability to offer financing contracts, which generated \$427,030 in FY 2017.

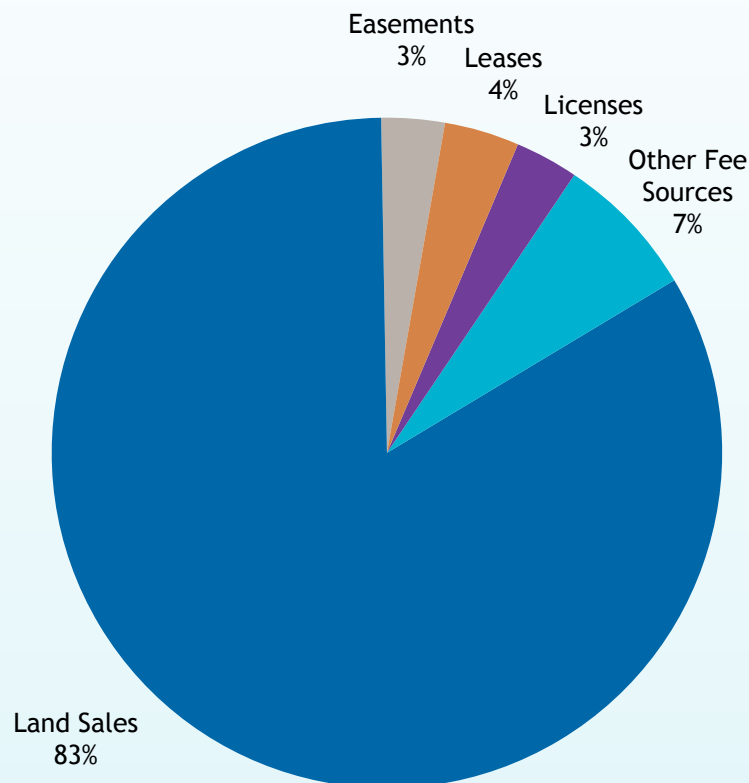
The TLO continues to bring more utility corridors under the Master Easement Agreement program. There are currently five master agreements with 13 linked easements totaling \$125,000 in annual rent and projected \$3.26 million in total revenue over their term.

The TLO is also tasked with preserving and protecting the value of Trust resources. This can take the form of monitoring the cleanup of a contaminated site, removing solid waste resulting from unauthorized activities or asserting ownership of disputed lands. This

function can require extensive field work in addition to significant research efforts. Stewardship does not directly generate revenue, but is critical to preserving the revenue potential of Trust land.

Staff continues to evaluate possibilities to bring in revenue through mitigation marketing under the new asset class, and is exploring the potential for carbon credit sales. The focus on creating its own wetlands mitigation bank has lessened after balancing the risk and demand seen in Alaska.

FY 2017 Lands Revenue by Segment





Minerals

The Trust Land Office (TLO) manages natural resources that include coal; oil and gas; minerals; construction material such as armor rock, sand and gravel; and industrial heavy minerals such as garnet, rutile, zircon and epidote. Continuing low commodity prices in FY 2017 have created challenges for companies operating in the oil and gas and mining sectors, making it difficult to attract new investment for exploration and development. In order to overcome this trend, the TLO adopted a more individually tailored methodology to attract resource companies. Staff quickly responds to market changes by adapting promotional methods and technical products to gain an advantage.

They partner with industries to leverage financial resources and keep exploration on Trust land moving forward.

The Minerals and Energy section participated in various national and international mining and exploration conventions and made several presentations describing the exploration activities and opportunities that exist on Trust lands. TLO staff also presented and marketed mineral opportunities directly to key players in the industry. This visibility is expected to improve the field of competition for Trust leases and increase revenue over time.



“I’m a conservator for a relative who has a traumatic brain injury.”

“I am in charge of her finances, so when she needs money I give it to her. With a traumatic brain injury you don’t always remember where your money went or if you spent it or not, so it is helpful to have someone who is keeping track of what has been paid and what hasn’t.”

— Wanda, Dillingham

Icy Cape

The TLO conducted further exploration work on its Icy Cape property. The Icy Cape Gold and Industrial Heavy Minerals Project is designed as a staged and incremental effort with its focus on evaluation of the potential for development of gold and industrial heavy mineral resources. The elevated marine sand deposits contain garnet and epidote group minerals, rutile and zircon, as well as gold and platinum placers.

After successful completion of Phase 1 of the Project (FY 2016), Phase 2 consisted of bulk sampling to produce mineral concentrates to be used in testing, application and marketing of these resources. All testing confirmed the high quality of the mineral concentrates and their use in industrial applications as well as their marketability. Test results for epidote group minerals are pending. Mineralogical and metallurgical test work on gold, platinum and heavy minerals separation and recovery methods are ongoing.

Further work in FY 2017 included a high-resolution, low-altitude aeromagnetic survey over the entire Icy Cape land block to detect areas of high concentration of heavy minerals that represent prime targets for testing for ore grade material. Results of the survey are very encouraging, showing patterns consistent with deposit models developed by the exploration team.

Results of Phase 2 work led to the design and planning of an exploration drilling program to be conducted in early FY 2018 to further

delineate the resources on the property. The TLO is in dialogue with global heavy minerals mining companies and producers of industrial mineral products to promote development of this unique mineral property and to develop a market for its unusual variety of valuable industrial mineral species. Infrastructure remaining from timber harvest activities, such as tidewater access, a road system and an airstrip, will facilitate the development of this remote area.

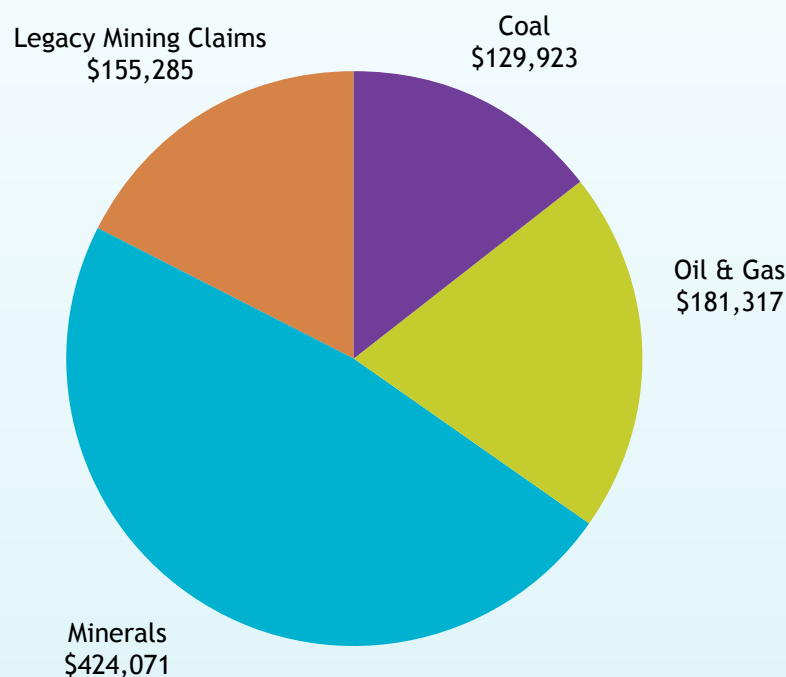
The TLO held numerous public informational meetings in Yakutat and Cordova to discuss the Icy Cape project and will continue to do so as the project advances.

In the hard rock mining sector, Constantine Metal Resources conducted exploration work on the “Haines Block,” focusing on regional

target generation and the extension of the Palmer deposit onto adjacent Trust lands. Main exploration activities include drilling, reconnaissance geochemical sampling, geological mapping and environmental baseline studies.

The TLO continues to hold discussions with Constantine regarding conversion of the core federal claim block within the Palmer Project to a Trust upland mining lease. This claim block referenced above would add 3,200 acres to the Trust portfolio if converted to Trust land. In addition, the conversion would facilitate the mine development by changing primacy for permitting from the federal Bureau of Land Management to the State of Alaska’s Department of Natural Resources.

FY 2017 Minerals & Energy Lease Revenue





Forestry

The Trust's forest resources are located throughout Alaska, with the most valuable reserves in Southeast Alaska. The Trust Land Office (TLO) continues to seek opportunities to create sales when the market, available timber and interests are aligned. The TLO is collaboratively working with landowners throughout the state to manage forest resources in a healthy socioeconomic and environmentally responsible manner while meeting Trust objectives. The TLO also issues negotiated timber sales for fuel reduction, biofuels, commercial firewood and other specialty wood harvest projects.

Future revenues from the TLO timber program are reliant on providing a long-term source of timber from its land base. A steady supply of raw materials for industry use will allow revenue production for Trust investments in future projects and facilitate maximum returns. It is the TLO's intention to provide ongoing timber sales in Southeast Alaska, while generating new economically viable timber sales in the Fairbanks, Delta Junction, Mat-Su and Kenai areas.

Naukati Exchange Timber Sale

The TLO is currently preparing a negotiated timber sale for 100-million-board-feet of old growth timber in the Naukati area located

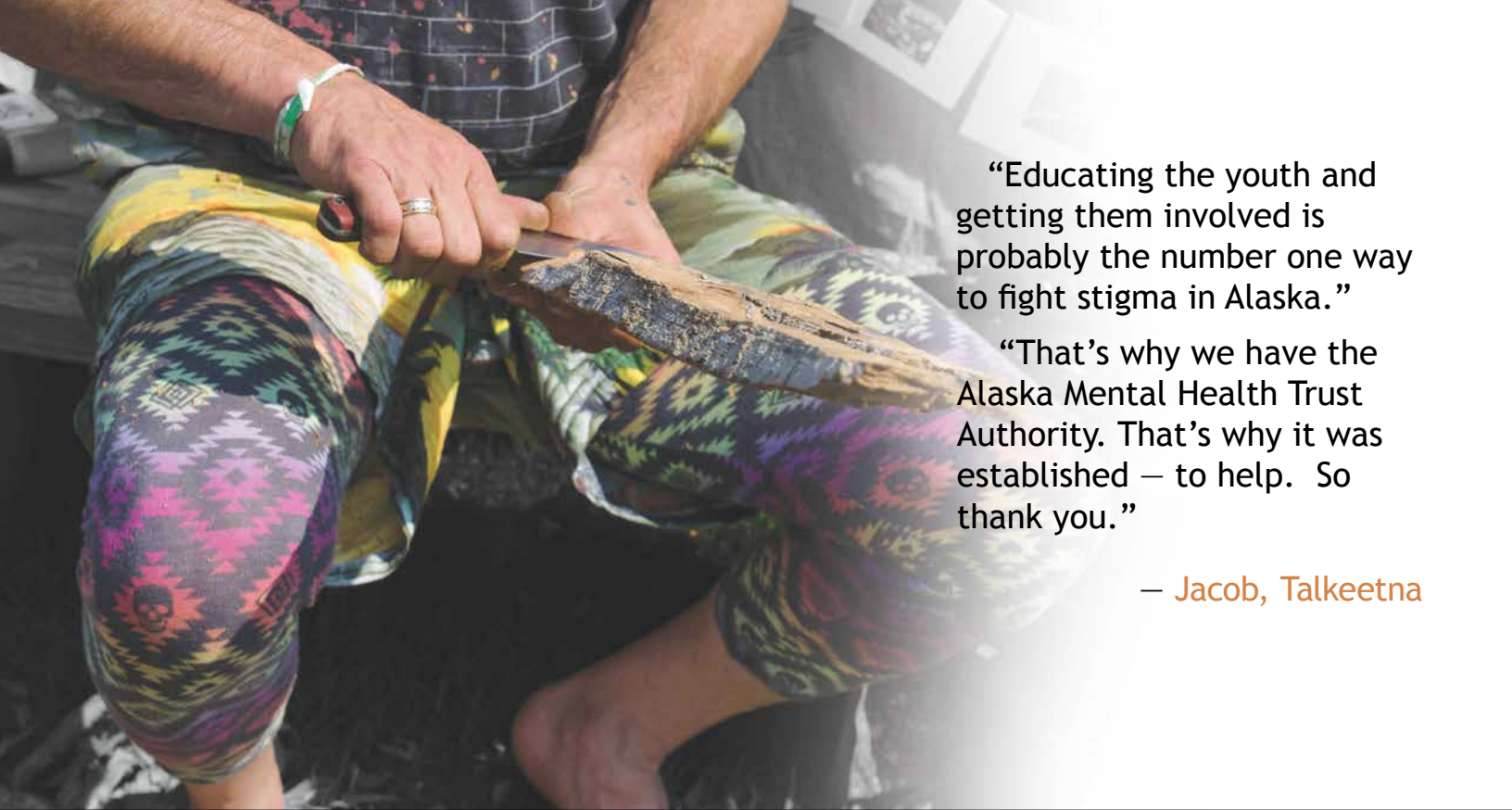
on Prince of Wales Island. The proposed sale is composed of timber on lands to be acquired through the land exchange with the U.S. Forest Service (USFS). The sale will be to a local operator and assist in providing resources to help maintain a viable timber industry in Southeast Alaska. The 10-year sale is expected to provide about \$15 million to the Trust.

Icy Bay Timber Sale

Sealaska Timber Corporation (STC) performed engineering work for its harvest operations scheduled to begin in 2018. STC has filed a detailed plan of operations and is currently negotiating with a logging company. The TLO is maximizing coordination of operations between STC and mineral exploration activities to reduce costs and increase efficiencies.

Kasaan Timber Sale

The Kasaan timber sale contract has about four-million-board-feet remaining to harvest. Alcan Forest Products is expected to begin operations in late 2018, with revenues between \$400,000-\$500,000 expected in FY 2019. Sealaska Timber Corporation has completed its use and cleanup of the Tolstoi sort yard, which now is available for the Kasaan sale.



“Educating the youth and getting them involved is probably the number one way to fight stigma in Alaska.”

“That’s why we have the Alaska Mental Health Trust Authority. That’s why it was established – to help. So thank you.”

— Jacob, Talkeetna

Hollis Timber Sale

The TLO is working to utilize a Hollis timber sale to improve the condition of parcels for a future land sale. In cooperation with the Department of Natural Resources, the subdivision plat was redesigned and easements shifted to maximize revenue derived from the disposal. A timber sale will be used to construct new access, open views and highlight existing features prior to subdivision sales.

Kenai Fuel Mitigation

The Kenai fuel mitigation sale is on schedule with the contractor removing bark beetle killed spruce on the first 110 acres. The contract has been extended to another unit of 104 acres. Once the sale is complete, 881 acres of Trust land will have dangerous fuels (bug-killed spruce) removed. In many past cases this service was paid for under the agreement the TLO secured. The Trust will receive \$88,100 over a 10-year period.

Ketchikan to Shelter Cove Road

The Ketchikan to Shelter Cover Road project includes construction by State of Alaska Department of Transportation through Trust-owned land. This road will provide public access to two Leask Lake Parcels totaling 5,116 acres. The road will also provide access to a remote USFS road and numerous state and Trust parcels.

Landowners Group

The TLO has been working with the Division of Forestry, USFS, University of Alaska and Sealaska Corp. to ensure the required infrastructure necessary for a viable Southeast timber industry to remain in place. As part of this collaborative effort, the TLO is administering a USFS timber sale under the “Good Neighbor Authority.”



Real Estate

Real estate management is segregated into three management areas: Real Estate Development (develop existing surface estate for investment), Program-Related Investment Real Estate (real estate program for beneficiary purposes) and the Real Estate Management Plan (acquisition of new real estate for investment). Each focus area requires a distinct strategy.

Real Estate Development

Vacant Trust land in high value areas continues to provide unique opportunities for revenue as unencumbered land continues to increase in value. Additionally, vacant holdings in high value areas may be lacking basic infrastructure so efforts are undertaken to provide needed infrastructure for the development of these parcels.

Real estate development agreements generated approximately \$503,300 of spendable income revenue in FY 2017.

The Trust Land Office (TLO) manages multiple surface leases throughout the state and strives to establish additional long-term surface leases capable of generating additional spendable income for the Trust.

Program-Related Investment

The Trust continues to evaluate the acquisition of real estate assets for the specific purpose of serving Trust beneficiaries where applicable. This type of real estate asset is referred to as Program-Related Investment. Trust staff, working on behalf of a beneficiary group, may bring a proposal forward for consideration. Proposals may identify the need to acquire select properties and/or the need to identify a parcel of Trust land that would be appropriate for the development of a beneficiary program or facility. TLO staff provides technical and professional assistance by identifying existing Trust land or other available land for potential consideration of the board of trustees.

“Kids — especially at the secondary level — are just reluctant to be seen with a counselor in school. It’s the stigma.”

“I’ve had parents tell me ‘my kid needs a counselor, but we’re not going here because that’s my neighbor,’ you know? Small towns can be very intimate.”

— Linda, Talkeetna



The Trust’s portfolio of properties identified for programmatic uses is now completely leased with the recent opening of the Fairbanks Sobering Center and Fairbanks Community Mental Health Services this year.

Real Estate Investment

The Trust continues its long-term strategy implemented in FY 2012 to mitigate risk in the Trust’s holdings through geographic and property type diversification.

FY 2017 included a new acquisition of Amber Oaks Building G in Austin, Texas to support the continuation of the Trust’s investment strategy of seeking quality and well-positioned properties. In total, the

completion of this new acquisition added an additional 106,000-square-feet of office space, located in one of the fastest growing markets in the Lower 48.

At the close of FY 2017, the Trust’s real estate investment assets totaled 487,000 square feet, with an estimated market value of \$98,204,000.

Real estate investment generated nearly \$1.9 million of net revenue in FY 2017.

Financial Summary

The Alaska Mental Health Trust Authority is charged with the perpetual management and safeguarding of Trust assets for the benefit of current and future generations of its beneficiaries.

The Trust's cash assets are invested and managed by the Alaska Permanent Fund Corporation (APFC) and the State of Alaska Department of Revenue Treasury Division, both of which invest the Trust's money in a high-quality mix of stocks, bonds and other investments to generate income. The Trust Land Office (TLO) is responsible for managing non-cash assets, which include approximately one million acres of land and a portfolio of high-quality office properties in Alaska, Washington, Utah and Texas.

In 2017, the TLO engaged in a series of carefully managed disposals of Trust land, timber, oil and other resources that generated \$9.3 million in revenue. The commercial property portfolio generated an additional \$1.8 million in net revenue. The combined revenue, minus administration and operating expenses, provided net revenue of \$7.3 million to help provide grant funding and grow the principal of the Trust. A key additional benefit, is the non-cash appreciation of the commercial property portfolio and the active development of other properties, such as the Icy Cape Project. These long-term investment efforts will help provide financial security and stability in the future.

The financial markets continued to experience uncertainty, but APFC continued to do an excellent job managing Trust assets. As of June 30, 2017, the Trust had \$501,256,600 in various investments managed by APFC. For the 12-month period ending June 30, 2017, APFC generated \$56,000,000 in income for the Trust. Additionally, at the end of the fiscal year, the Trust had \$43,429,082 in investments managed by the Department of Revenue Treasury Division. For the 12-month period ending June 30, 2017, the Treasury Division generated \$4,274,000 in income for the Trust.

These long-term investment efforts will help provide financial security and stability in the future.

It is important to note that the Trust achieved excellent financial results in a time of significant uncertainty over tax policies, healthcare reform, interest rate directions, impacts of natural disasters and international political turmoil. These results are based on conservative investment strategies, experienced investment management and continued adherence to a long-term asset management plan.



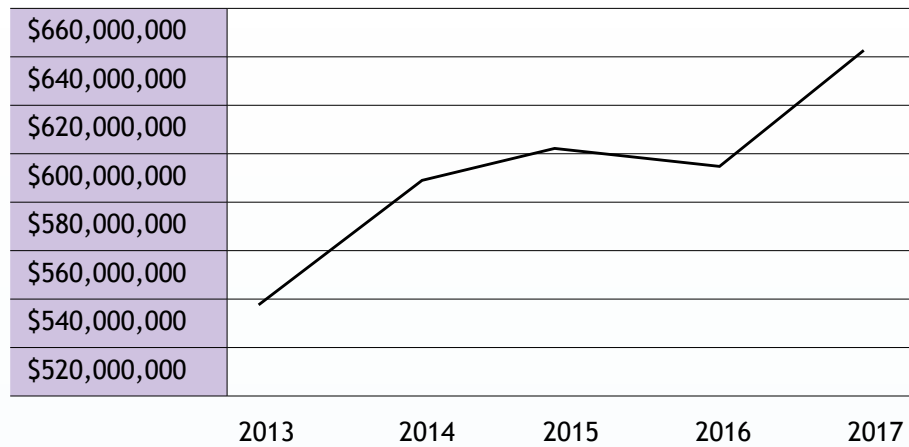
An equally important component of the Trust financial position is maximizing benefits for beneficiaries and controlling costs. In a time of declining financial resources, Trust grants play an important part in sustaining programs and services for beneficiaries across Alaska. In FY 2017, trustees approved \$20.5 million in grants. This amount is consistent with 2016 spending levels and reflects the Trust's commitment to provide stable financial support for beneficiary programs and services.

Each area of Trust expenditure is reviewed during the annual budget process and new expenses are carefully considered. For the 12-month period ending June 30, 2017, the overall expenses, excluding grants, were

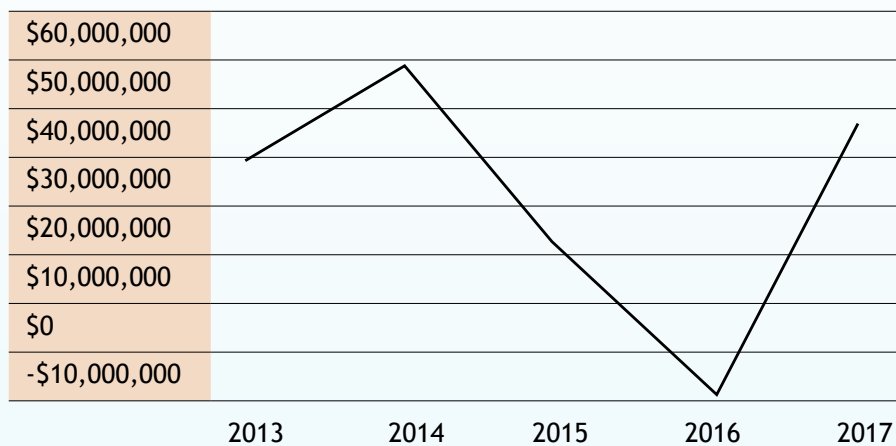
\$9.9 million or approximately 13.5 percent of revenue. The Trust did not add any new positions during the year and reduced discretionary travel costs by \$41,000. The overall expenditure level is based on a clear assessment of Trust needs and approved by trustees.

Past Five Years Assets, Earnings & Expenditures

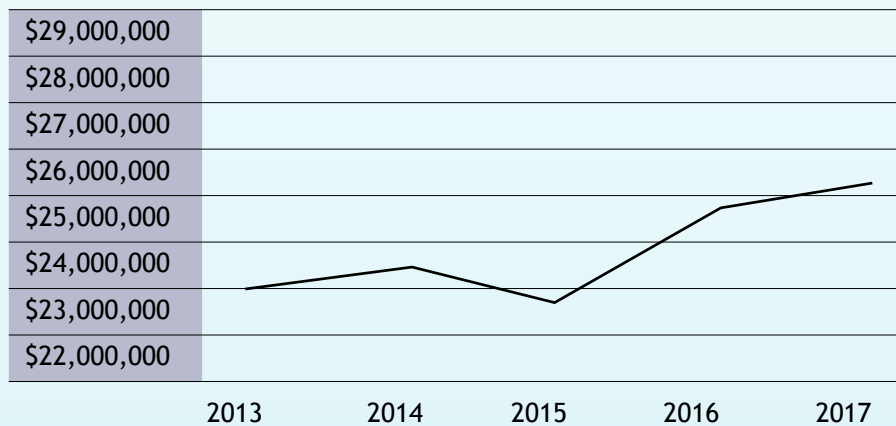
Assets



Earnings

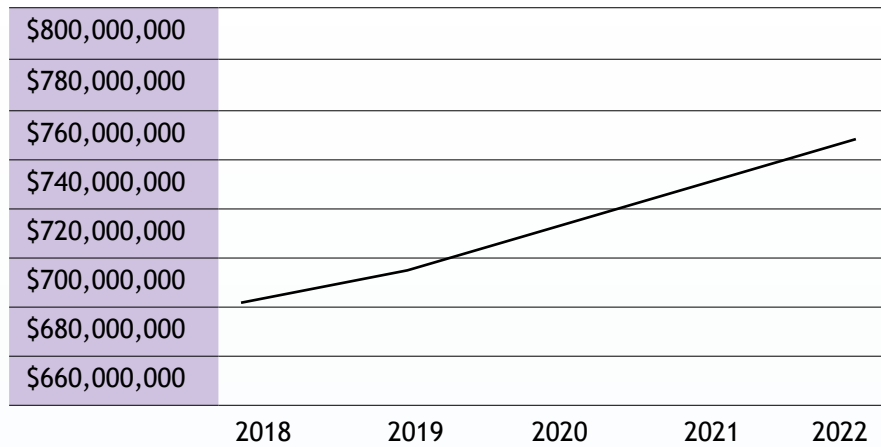


Expenditures

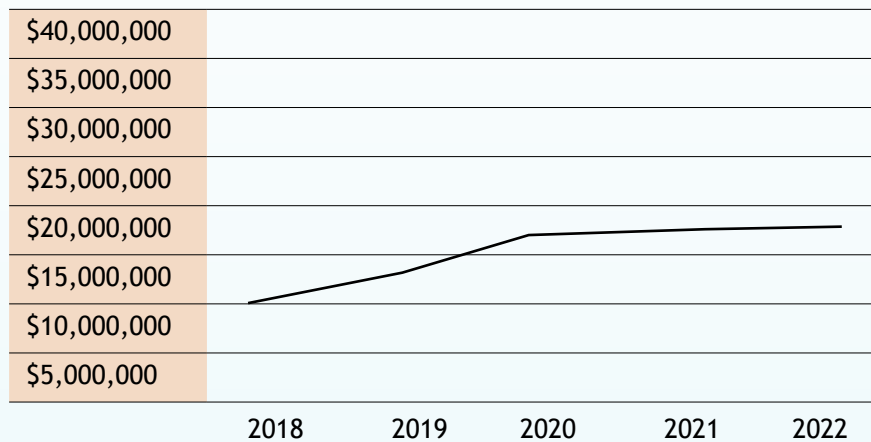


Next Five Years Projected Assets, Earnings & Expenditures

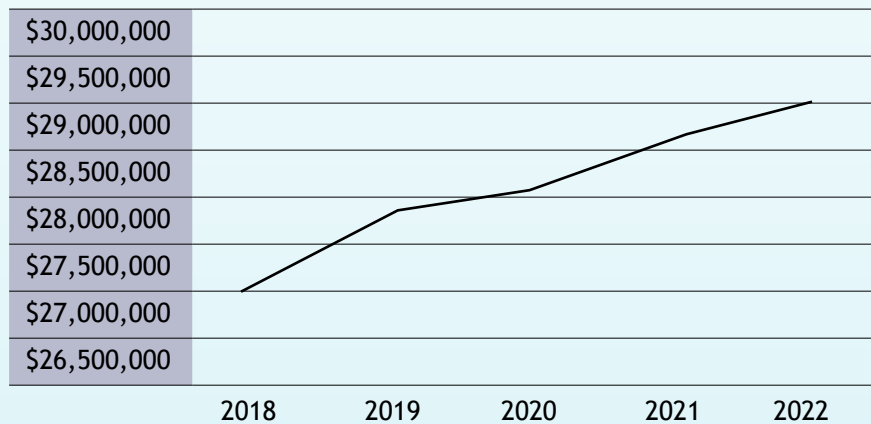
Assets



Earnings



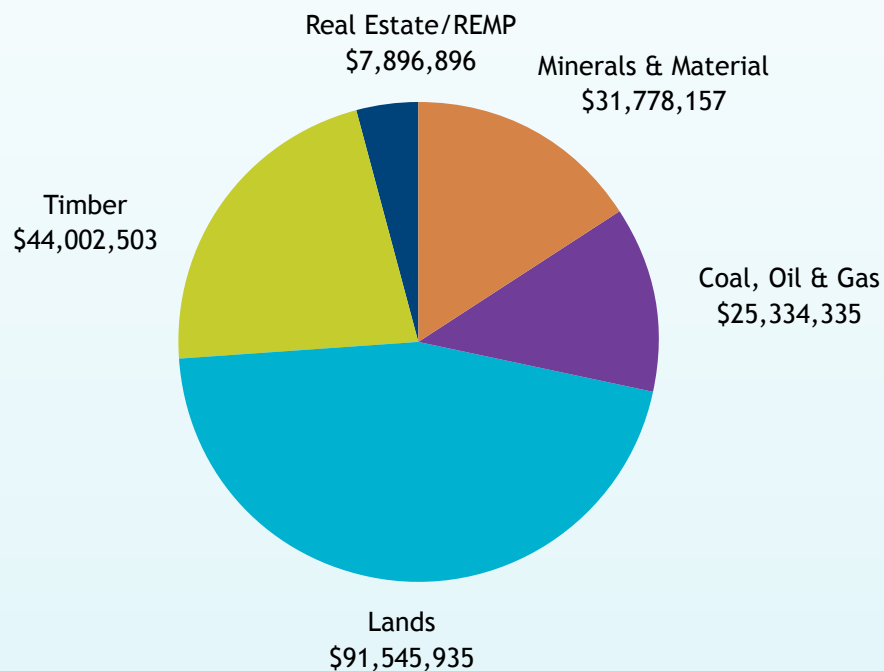
Expenditures



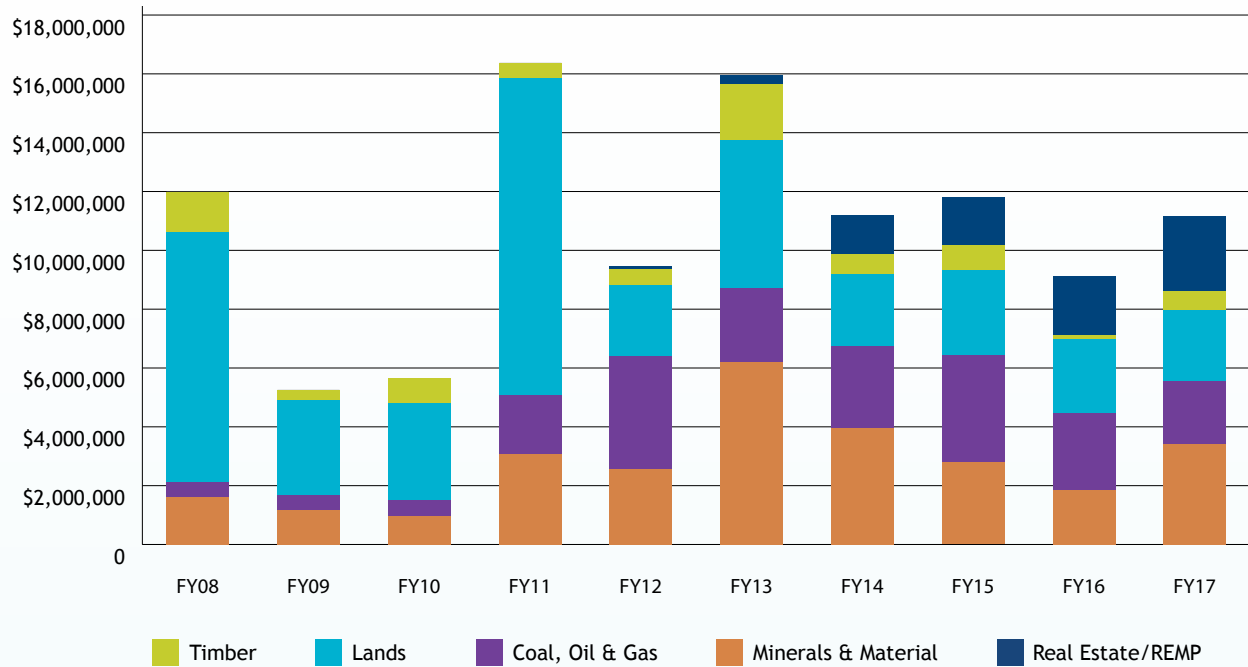
FY 2017 Trust Land Office Revenue Summary

Total	Actual	(Under)/Over	Annual Goal	% Annual Goal
Coal	\$129,923	(\$5,177)	\$135,100	96%
Oil & Gas	\$2,008,674	(\$8,226)	\$2,016,900	100%
Minerals	\$3,368,363	\$1,787,813	\$1,580,550	213%
Materials	\$38,946	\$26,446	\$12,500	312%
Timber	\$638,646	(\$311,354)	\$950,000	67%
Land	\$2,433,200	\$213,100	\$2,220,100	110%
REMP	\$1,803,000	\$103,000	\$1,700,000	106%
Real Estate	\$720,301	\$88,501	\$631,800	114%
Total	\$11,141,053	\$1,894,103	\$9,246,950	120%

Trust Land Office Total Revenue by Asset Class Since Inception



Trust Land Office Annual Revenue FY 2008-FY 2017





About the Trust

In the years preceding statehood, the territory of Alaska had few resources to provide for the mentally ill or those with developmental disabilities, many of whom were sent by the federal government to outside institutions after being charged and convicted for being “insane and at large.”

In 1956, Congress transferred the responsibility for providing mental health care to the territory and ultimately the state, establishing the Alaska Mental Health Trust and granting it one million acres of land to generate income for a comprehensive mental health program. However, in a class action lawsuit ruling in 1984, the Alaska Supreme Court determined the state breached its fiduciary responsibility to manage Trust land. In 1994, after many years of litigation, in a final landmark settlement the Alaska Mental Health Trust was reconstituted with \$200 million and one million acres of land. The Permanent Fund Corporation

was assigned management of the cash corpus as a commingled allocation of the Permanent Fund and the Trust Land Office was created to effectively manage the non-cash assets. The Alaska Mental Health Trust Authority was established to administer beneficiary programs.

The Trust is the only organization of its kind in the United States.

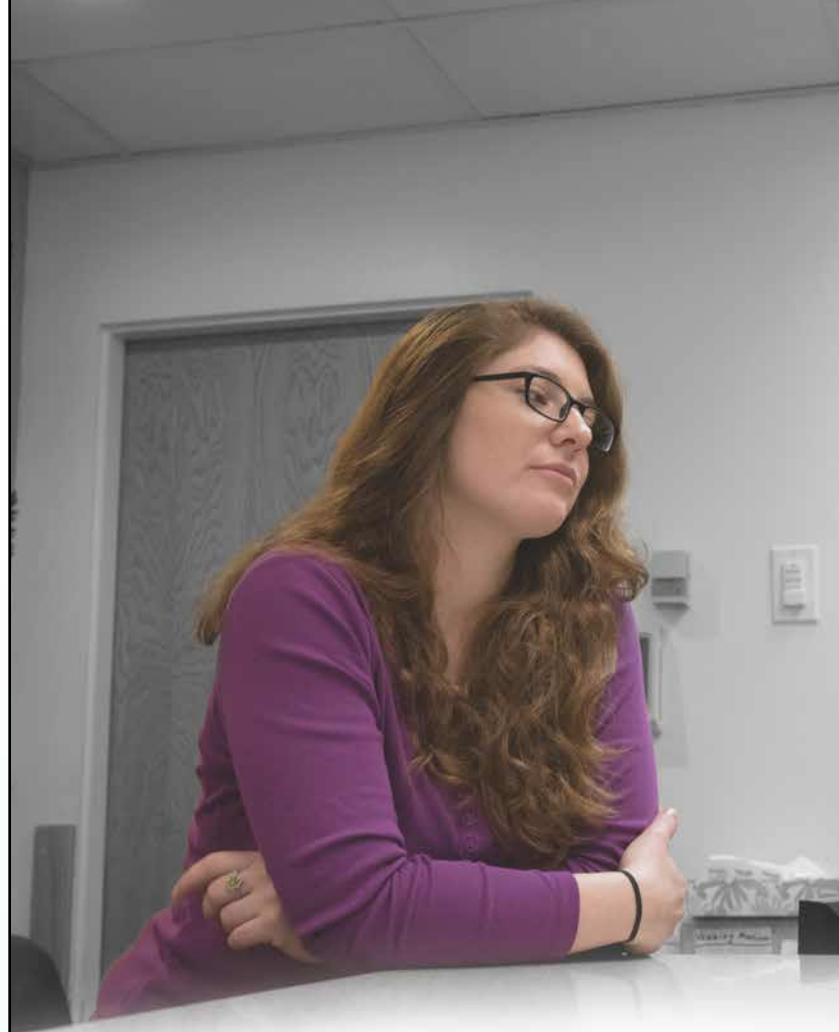
For more than 20 years, the Alaska Mental Health Trust Authority has administered the trust and served beneficiaries who experience mental illness, developmental disabilities, chronic alcoholism and other substance-related disorders, Alzheimer’s disease and related dementia and traumatic brain injuries. The Trust is the only organization

of its kind in the United States. It works similarly to a private foundation, funding projects and programs that promote long-term systematic change and improve the lives and circumstances of beneficiaries.

A further condition of the settlement established an independent board of trustees appointed by the governor and confirmed by the Alaska Legislature to oversee Trust operations. Trustees are required by statute to recommend to the governor and Legislature operating and capital budgets for state general funds to support the state's comprehensive integrated mental health program. The governor must then propose and the Legislature must pass a separate mental health budget bill.

Trust Land Office

The Trust Land Office structures planning around seven asset classes: land, minerals and materials, program-related real estate, forests, real estate, energy and mitigation marketing. Revenue-generating uses of Trust land include land leasing and sales; real estate investment and development; commercial timber sales; mineral exploration and production; coal, oil and gas exploration and development; sand, gravel and rock sales and other general land uses.



“I’ve battled with suicide for almost 20 years. There’s so much fear in opening up ... what people don’t realize is that’s the first step.”

“I didn’t want to feel like this anymore, and once I was provided the correct resources ... I could stop those thoughts.”

— Ashley, Dillingham

Approximate Number of Trust Beneficiaries

99,700

Any Mental Illness
(of whom 22,000 experience
a serious mental illness)

11,800

Traumatic Brain Injury

7,100

Alzheimer's Disease

2,100

Illicit Drug Dependence
or Abuse
(ages 12 to 17)

1,500

Alcohol Dependence
or Abuse
(ages 12 to 17)

5,500

Serious Emotional
Disturbance
(ages 9 to 17)

17,500

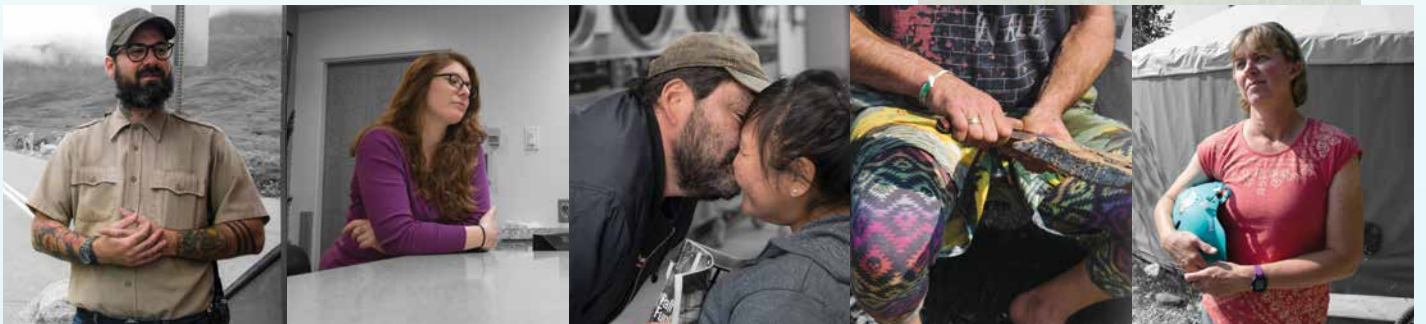
Illicit Drug Dependence
or Abuse

44,000

Alcohol Dependence
or Abuse

11,700

Developmental
Disabilities





“Our grandson has Cerebral Palsy and Autism, and there’s a stigma with the questioning and the stares, people are just uncomfortable with it.”

“I think it’s important for people with visible [disabilities] to be integrated into the community. When this happens they are less likely to be stigmatized and people become more accepting and educated.”

— Bruce & Kate, Palmer





Trust

Alaska Mental Health
Trust Authority