



A PROMISING FUTURE

2018 ANNUAL REPORT

Trust

Alaska Mental Health
Trust Authority

— “ —

I’ve spent most of my career in this industry and worked with people that have problems, and now with my diagnosis I’m on the other side of the coin and I don’t really feel like the resources are here. And it’s discouraging. You’ve seen more of me in 45 minutes than any of the medical providers I’ve seen in ten years.
So there are no support systems.

— ” —

— Trust Beneficiary, Craig



TABLE OF CONTENTS

Letter from the Chair and CEO	3
About the Trust	5
Grant Making	8
Public Policy	12
Work of the Trust	17
Lands	20
Minerals	22
Forestry	25
Real Estate	27
Financial Summary	31
Trust Beneficiaries	38

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

Recent events have forced a wide range of Alaskans to recognize what the Alaska Mental Health Trust Authority and its stakeholders have known for a long time, that our behavioral health system doesn't adequately support our citizens with mental health challenges. Although the individual news stories may be hard to hear, they remind us of the need for the Trust's work. For almost a quarter of a century, the Trust has provided catalytic funding to improve the lives of our beneficiaries. With the current challenges that Alaska's community-based system of care is facing, the Trust's work has never been more important. The Trust has had many successes, but we must and will remain committed to the Alaskans that need our help.

Our work at the Trust would not be possible without the support and expertise of our statewide network of grantees and partners. In the last fiscal year, the Trust granted close to \$20 million to providers, nonprofits, state and local governments, and tribal organizations who are helping make a difference in the lives of Alaska's most vulnerable populations. We positively impacted beneficiaries and the providers who support them by helping fund statewide initiatives and community-based projects, and mini grants to Alaskans to help improve quality of life and independence.

In addition to grant funding, FY 2018 also included growth in the Alaska Mental Health Trust Fund and Trust reserves,

and strong performance of the lands and natural resources managed by the Trust Land Office. Trust financial assets remain healthy, with funds managed by the Alaska Permanent Fund Corporation and the Alaska Department of Revenue totaling more than \$550 million at the end of the fiscal year.

The Trust continues to educate the public and policy-makers on the unique needs of our beneficiaries. As such, in FY 2018, the Trust continued to advance two key initiatives, Medicaid reform and criminal justice reinvestment, in addition to our ongoing program work. Medicaid reform and criminal justice reinvestment are both topics of interest in current public policy discussions, and both play an essential role in the state's comprehensive mental health program that supports health and wellness, public safety and a sustainable continuum of care for beneficiaries. You will read more about both initiatives in the full report.

This year, the Trust has also been engaged with the state of Alaska Department of Health and Social Services, our statutory advisory boards and other partners in developing a new Comprehensive Integrated Mental Health Plan. Slated for completion in 2019, the "Comp Plan" will guide resource allocation decisions in the development of services, workforce and facilities to meet the needs of Trust beneficiaries and reduce the risk of becoming a beneficiary through prevention and early intervention.

In addition to our traditional program and advocacy work, the Trust also accomplished significant governance improvements last year. Leadership changes and a legislative audit created opportunities to address concerns about Trust decision-making and investment practices. As a result, the Trust has cemented more transparent governance processes in our bylaws and policies. As in any healthy organization with a long-term outlook, vigilance to ensure we comply with our obligations to beneficiaries, legal requirements and stakeholder expectations will continue for the foreseeable future.

Next year, we will celebrate the 25th anniversary of the settlement that created the Alaska Mental Health Trust Authority and established the independent board of trustees. We look forward to honoring our partners and the Alaskans who helped create the Trust as we know it today: An organization that provides leadership in the advocacy, planning and implementation of supports for Trust beneficiaries, and that applies its resources to tackle the evolving challenges they face.



Mary Jane Michael

Mary Jane Michael, Board Chair



Mike Abbott

Mike Abbott, Chief Executive Officer

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 joined the Trust as CEO in late 2017. He is a long-time Alaskan and has a broad career in public service, including service as the Anchorage Municipal Manager.

BOARD OF TRUSTEES

Mary Jane Michael,
Board Chair

Jerome Selby, Vice Chair,
Finance Committee Chair

Carlton Smith, Secretary,
Resource Management
Committee Chair

Verné Boerner

Christopher R. Cooke,
Program & Planning
Committee Chair

Laraine Derr, Audit & Risk
Committee Chair

Paula Easley



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 healthcare 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 Trust Land Office was created to effectively manage the lands.

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

For almost 25 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 systemic 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.

— “ —

I really like working here. For me, I feel independent. Especially I like working with other people and by myself, and helping others that need help.

— ” —

– Trust Beneficiary, Ketchikan



TRUST LAND OFFICE

The Trust Land Office, a special unit within the Department of Natural Resources, manages its approximately one million acres of land and other non-cash assets to generate revenue. Decisions approving use of Trust lands and resources are made solely in the interest of the Trust and its beneficiaries and in line with Trust principles.

The Trust Land Office structures management 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 was the chief of police for 20 years. Some dispatchers couldn’t deal with the calls. Hearing a mom scream that her kid is choking to death or her husband’s not breathing. We had to bring debriefing teams all the way from Ketchikan to help them get through it. A lot of people self-medicate, you know, alcohol and drugs. And then that just exacerbates their problem.

— ” —

— Community Member, Craig



Grant Making

The Trust designates a majority of its annual budget for grants to beneficiaries, nonprofits, service providers, tribal entities, governmental agencies and other groups that prioritize goals and initiatives consistent with the Trust’s mission. These grants are provided across the state for community-based projects, statewide efforts and through mini grants. Trustees authorized \$20,500,000 in grants in FY 2018.

GRANTS TO PARTNERS

The Trust provides grants to our partners for a variety of purposes including: capacity building, planning, outreach, equipment purchases and training. Grants are awarded to organizations that represent one or more Trust beneficiary groups whose priorities are

aligned with the Trust and help ensure Alaska has a comprehensive integrated continuum of healthcare for Trust beneficiaries.

The Trust remains committed to the development of a long-term Comprehensive Integrated Mental Health Plan and is working closely with the state and other partner agencies to implement a plan to guide funding and services into the future and improve the lives of Trust beneficiaries.

The Trust, on average, grants \$10 million per year to various state agencies, that must have receipt authority to expend these funds. These funds are referred to as Mental Health Trust Authority Authorized Receipt Grants, or MHTAAR grants.

MINI GRANTS TO INDIVIDUALS

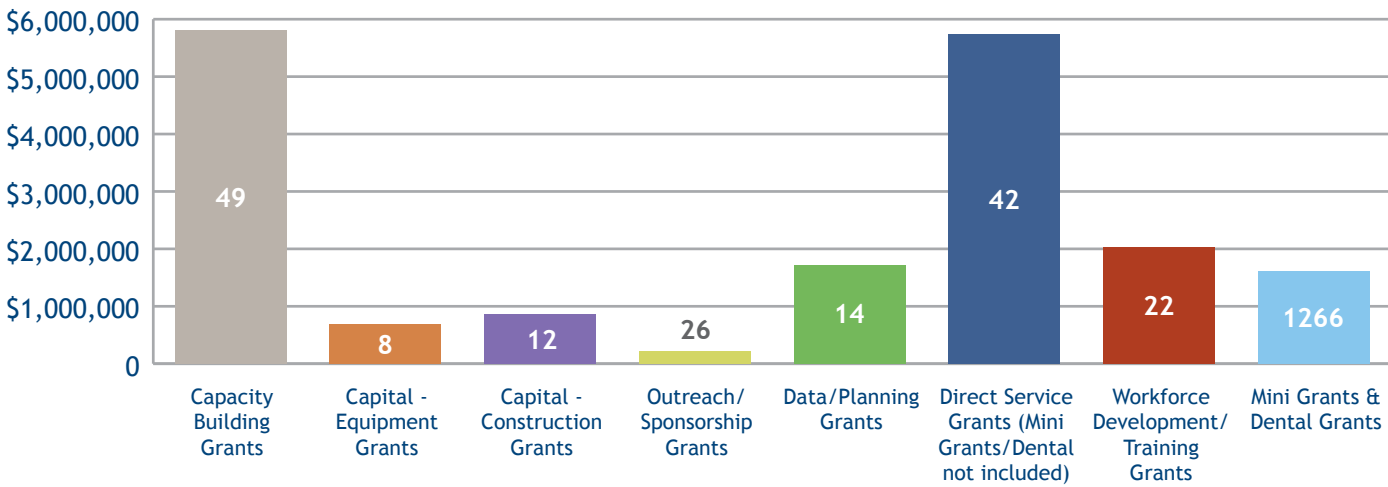
Individual or “mini” grants range up to \$2,500 each, and can be used for a broad range of equipment, supplies and services to improve quality of life, increase independent functioning, dental services not covered by Medicaid, and help to attain and maintain healthy and productive lifestyles. Over 1,200 mini grants were awarded in FY 2018. These individual grants are administered through partner agencies and awarded monthly throughout the year.

CAPACITY BUILDING AND TECHNICAL ASSISTANCE

Because the Trust relies on the statewide system of nonprofit organizations and

government agencies to serve beneficiaries and their families, it invests approximately \$500,000 annually toward capacity building and technical assistance. The Trust’s Technical Assistance and Proposal Development resource pairs Trust consultant expertise with recipient agencies to address organizational challenges, improve planning, increase agency and/or initiative sustainability, improve access and leverage additional grant funding. These funds support the stability of partner organizations and bring additional funding to the state to advance Trust-related initiatives. In addition to contractual resources, the Trust supported organizations through 49 capacity building partnership grants.

TOTAL GRANT AMOUNT BY CATEGORY



GRANT IMPACTS

Partner Grantee: The Bethel Holistic Defense Project

The Bethel Holistic Defense Project is based on the Center for Holistic Defense in Brooklyn, New York. The project is a partnership between the Public Defender Agency and the Alaska Legal Services Corporation. This team identifies and provides services for Trust beneficiaries who are engaged with the justice system.

The team consists of a criminal attorney to ensure the participants’ criminal legal needs are addressed, a social worker who assists with the participants’ unmet social support needs and a civil legal aid attorney who works with the team to address the

participants’ civil legal needs. All program services are designed to address participant obstacles to successful reintegration in an effort to reduce recidivism. In FY 2018, 150 Trust beneficiaries received services through the project that included: case management, benefit applications and appeals, housing issue support and connection to mental health/substance abuse services.

Partner Grantee: Alaska’s Aging and Disability Resource Centers

The Trust supports Alaska’s Aging and Disability Resource Centers (ADRCs) that connect seniors, people with disabilities and caregivers with long-term services and supports of their choice. The ADRC network serves Alaskans statewide, regardless of

age or income level and improves access to long-term services and supports, such as transportation or in-home care, available in their communities.

ADRC specialists counsel callers and visitors on long-term supports that fit their circumstances. Using federal, state and Trust funds, Alaska supports five ADRCs (Bristol Bay/Dillingham/Kodiak, Anchorage, Mat-Su, Kenai Peninsula/Valdez/Cordova, and Southeast), and a sixth ADRC in Fairbanks opened its doors in the summer of 2018. ADRCs in Alaska served over 1,800 Trust beneficiaries in FY 2018.

Mini Grant Recipient: Mat-Su

A Trust beneficiary from the Mat-Su Valley works part-time in a bakery. He loves his job because it gives him joy to be part of the community while interacting with customers and his co-workers. His transportation source to and from his job at the bakery recently ended and he was left without a safe and reliable way to get to work. The developmental disabilities mini grant provided funding for transportation vouchers so that the young man could safely get to and from work.

GRANT IMPACTS

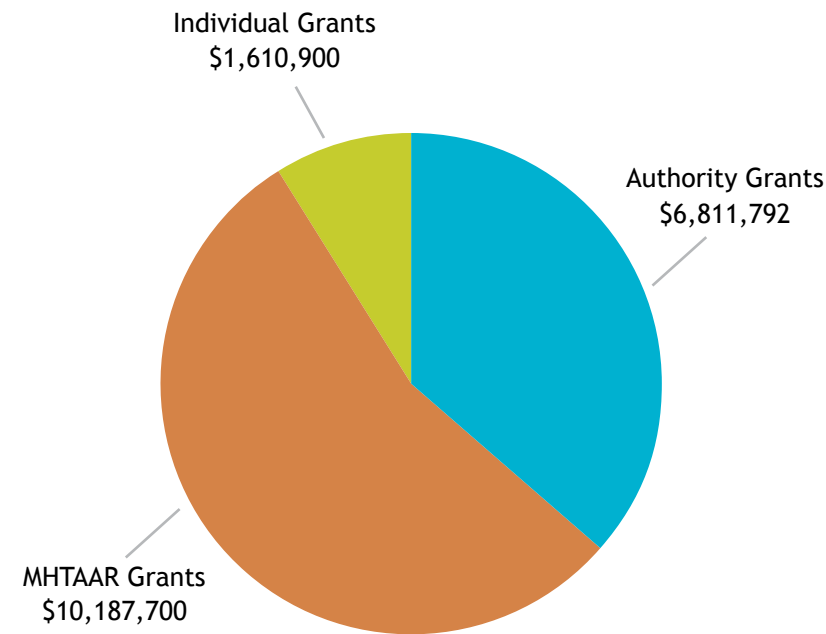
Capacity Building Grantee:
Set Free Alaska

Set Free Alaska, a key provider of addiction treatment in the Mat-Su Valley, was able to double its outpatient treatment capacity with the support of a capacity building grant it received through the Trust to

assist with relocating administrative and outpatient treatment offices to a new facility. This funding, while focused on capital-related expenses, including relocation and improvements to the facility, improved access to treatment for Trust beneficiaries and substantially reduced waitlists for services.



FY 2018 BREAKDOWN OF GRANTS



Authority Grants
Designated to community providers, nonprofits, local governments and tribal organizations

Mental Health Trust Authority Authorized Receipt Grants
Designated to state agencies

Mini Grants & Dental Grants
Grants awarded to organizations on behalf of beneficiaries to help them maintain healthy and productive lifestyles

Public Policy

In our efforts related to public policy and systems change, the Trust works to promote understanding of our beneficiaries and the services needed to support them in the community and in the least restrictive environment. The Trust does this through various methods including serving as 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. Public policy areas in which the trust engaged during FY 2018 include:

MEDICAID EXPANSION & REFORM

The Trust continued our staffing and funding support to the Department of Health and

Social Services to advance reform initiatives passed by the Alaska Legislature and signed into law in 2016. Trustees approved \$10 million in multi-year funding for the start-up costs of Medicaid reform which included \$2.5 million in FY 2018 to support telehealth; long-term services and supports reforms; quality and cost effectiveness measurements for Medicaid; and Behavioral Health System Reform.

These efforts achieved notable progress over the year, including the successful submission to the federal Centers for Medicare and Medicaid Services of the proposed 1115 Behavioral Health Waiver, which focuses to establish new services for three specific populations of Medicaid recipients: “children, adolescents and their parents or caretakers with, or at risk of, mental health and

substance use disorders; transitional age youth and adults with acute mental health needs; and adolescents and adults with substance use disorders.”¹

The Substance Use Disorder component as proposed in the waiver aims to substantially expand access to substance use treatment, quality of care and improved coordination and transitions between levels of care, among other improvements.

The Trust also supported the department’s efforts developing a request for proposal for a contract with a third party Administrative Services Organization to conduct a comprehensive behavioral health program as a part of ongoing Medicaid reform.

The Trust continues to recognize the importance of Medicaid and positive impacts of Medicaid expansion for Trust beneficiaries to access critical health and behavioral healthcare. Notably, since inception of Medicaid expansion, over 46,000 Alaskans, many of whom are Trust beneficiaries, have enrolled and are receiving care due to Medicaid expansion.

CRIMINAL JUSTICE REFORM & REINVESTMENT

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. Since 2005, the board of trustees has directed staff and funding resources to foster change to appropriately divert beneficiaries from criminal justice when public safety is not at risk and address

the treatment needs of beneficiaries who are incarcerated. Trustees approved \$3.97 million for projects and services to appropriately divert beneficiaries away from the criminal justice system and improve service coordination for beneficiaries who are victims of crime.

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 beneficiaries find themselves in the correctional system. For beneficiaries, often the underlying reason can be related to lack of access to community-based services, treatment and support they need, housing and/or meaningful daily activities.

As an active member of the Alaska Criminal Justice Commission (ACJC), 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 ACJC’s behavioral health committee made three recommendations that were adopted and forwarded to the legislature: (1) Expand data sharing capacity, infrastructure and formalized agreements among agencies, (2) Expand Crisis Intervention Training efforts and include a co-response mental health practitioner element and (3) Develop crisis stabilization centers.

In addition, the Trust also supported other ACJC recommendations for reinvestment directly impacting beneficiaries, specifically:

- Provided flexible state funding for community-based providers for mental health treatment and social services
- Increased substance use disorder treatment funding
- Increased agility and sustainability of substance use and mental health treatment services statewide and across timeframes of justice-involved individuals (school, pre-charge, pretrial, prison, reentry)
- Expanded the capacity for the seriously mentally ill to be assessed and treated outside the corrections system
- Expanded re-entry services for beneficiaries returning from the criminal justice system

— “ —

After his accident it was incredibly stressful, we had constant decisions to make. Knowing there were resources out there took some of that stress off—we had plenty of stress without even thinking about the financial aspect of it.

— ” —

— Parent of Trust Beneficiary, Juneau



1. <http://dhss.alaska.gov/HealthyAlaska/Pages/PublicComment/1115waiverComment.aspx>

ADVOCATING FOR COMMUNITY-BASED SERVICES

The Trust remains a strong advocate for maintaining crucial services for our state’s most vulnerable populations. 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; and mental health and substance abuse treatment.

When community-based services are reduced or eliminated, beneficiaries are more likely to end up in emergency room care, psychiatric hospitals, nursing homes, jail or prison — most often at state expense.

— “ —

Everything about him changed and we were clueless as to what was going on. He barely got through high school. He had gotten to the point where he wouldn’t leave his bedroom; he wouldn’t go outside to get the mail. One day he came to me and he said, ‘I can’t live my life like this. I’m not going to live like this.’ He has body dysmorphic disorder. He tried to explain something that doesn’t make any sense and you’re trying to understand it, but it’s a spectrum of obsessive compulsive disorders.

— ” —

— Parents of Trust Beneficiary, Fairbanks



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.

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.

— “ —

Drugs are taking over all these villages. Parents don’t even care about their kids anymore. They just go on drugs and they forget about everything.

I think there’d have to be a drug prevention program on the island so they wouldn’t have to leave here.

— ” —

— Father of Trust Beneficiaries, Hydaburg





Work of the Trust

STANDING FOCUS AREAS

In addition to funding systems reform efforts aimed at criminal justice and Medicaid, trustees also approved spending in four established Trust focus areas.

Disability Justice: 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 the community treatment and support systems.

Substance Abuse Prevention & Treatment: Alcohol and drug abuse among Alaskans are substantial and constitute the largest preventable and most costly health problems in Alaska. The Trust's work in this area emphasizes the necessity of a full continuum of care from prevention and early intervention to treatment and recovery.

Housing & Long-Term Services &

Supports: The Trust concentrates on ensuring beneficiaries have access to a range of services and supports that maximize independence in their home and community.

Beneficiary Employment &

Engagement: The primary goal of this focus area is to improve outcomes for beneficiaries through integrated, competitive employment and meaningful engagement opportunities. Work is viewed as an essential part of recovery for individuals with a serious mental illness, and meaningful community engagement opportunities reduce isolation and promote health and well-being.

There are also specific areas of Trust work that bolster the standing focus areas by ensuring access to quality healthcare personnel and providers, and preventing,

when possible, Alaskans from becoming beneficiaries.

WORKFORCE

Recognizing the important connection between the accessibility of quality healthcare services and the needs of Trust beneficiaries, as well as the current and forecasted shortages in trained healthcare workers, the Trust has worked with the University of Alaska and other stakeholders to meet the growing physical and mental healthcare needs in Alaska.

Our workforce-related efforts have included support for student loan repayments and incentives, psychology intern practicums, direct training and technical support for direct service professionals, and engaging youth to careers in healthcare.

These workforce initiatives are important during this changing climate in the provision and delivery of healthcare services. Trust beneficiaries rely on services from community-based organizations, clinics, Tribal Health System providers and hospitals.

Trust Supported Workforce Program:

The SHARP healthcare recruitment and retention program is a State of Alaska effort to increase the number and regional distribution of healthcare providers – particularly for high need populations. Since its inception, this loan repayment and direct incentive program has secured 254 practitioner-contracts, many of whom work in healthcare service shortage areas of the state. Supported by the Trust, SHARP recognizes the high turnover rates and expensive

recruitment costs associated with Alaska's healthcare industry, and uses financial incentives to help employers attain and retain quality professionals. Programs like SHARP allow Trust beneficiaries all across Alaska to benefit from an increased accessibility to high quality care.

PREVENTION & EARLY INTERVENTION

The Trust also considers efforts to prevent Alaskans from becoming beneficiaries, when possible, to be part of its mandate. The Trust and its partners are increasingly aware of the critical opportunities and threats to lifelong mental and physical health of our population during the earliest years. The Trust recognizes the significance of early childhood experiences on lifelong health and is exploring opportunities to expand the impact of early intervention and prevention strategies on behalf of our beneficiaries.

Trust Supported Prevention & Early Intervention Program:

At Family Outreach Center for Understanding Special Needs (FOCUS) Early Learning Program, administrators understand that very young children with behavioral challenges sometimes need specialized child care environments as they may be expelled or not adequately supported in other settings. Recent data shows that expulsions and suspensions regularly occur in many preschools, setting young beneficiaries on a negative life track.

The Trust partnered with FOCUS to open a new Early Learning Program in Eagle River with an emphasis on building social-

emotional success for young children, ages 3-5 in a small group setting. Teachers guide the child’s social-emotional and behavioral growth using evidence-based positive behavior strategies and instruction. Young beneficiaries learn skills to make and keep friends, understand and manage feelings,

ask for what they need, listen and follow directions, get along with others, develop empathy and problem solve. The program integrates individualized support from specialists as needed.

— “ —

My brother has autism. People assume that they [individuals with autism] need the help and need to be treated differently than everybody else, but they don’t. They’re people just like the rest of us and although they have a condition, they still want to do things that everybody else wants to do.

— ” —

— Brother of Trust Beneficiary, Fairbanks



Lands

Trust land requires diligent analysis and constant interaction across Trust Land Office (TLO) asset classes to determine the highest and best use of Trust 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.

Management of the Trust’s surface estate generated \$5.4 million in revenues, not inclusive of real estate transactions, during FY 2018. This includes leases, land sales, interest on land sale contracts, and easements. The most significant portion of this revenue, 87 percent, is derived from

land sales. It is important to note that since inception, \$97 million, or roughly 24 percent, of all TLO revenue has been derived through land sales, but less than 3 percent of the land from the original million-acre entitlement has been sold. The TLO is effectively and prudently generating revenue through land sales in order to fulfill the Trust’s goal of perpetuity.

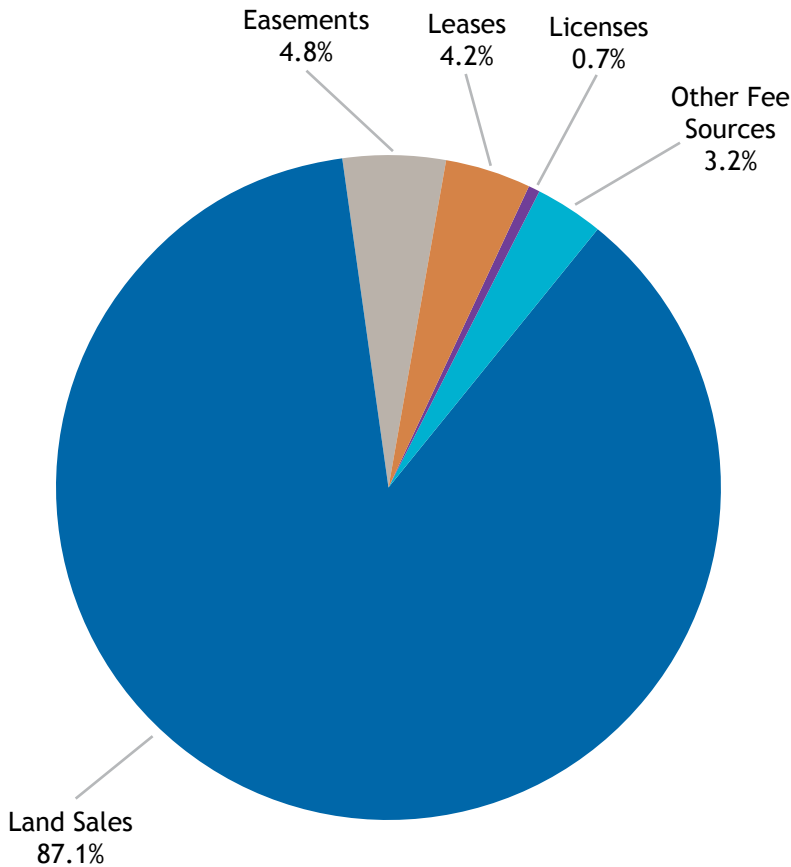
The TLO holds one competitive land sale each year, and during FY 2018 the fall land sale received winning bids totaling \$980,212 — a 15 percent premium above the minimum bid value. Additionally, the TLO implemented an online over-the-counter (OTC) land sale, which generated \$300,500 in sales — a 30

percent premium above the appraised value. Along with generating principal revenue, additional income revenue is generated through the TLO’s ability to offer financing contracts, which generated \$412,218 in FY 2018.

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 fieldwork in addition to significant research efforts. Stewardship does not directly generate revenue but is critical to preserving the revenue potential of Trust land.

FY 2018 LANDS REVENUE BY SEGMENT



Icy Cape Exploration Camp

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. Commodity prices have only risen slightly in FY 2018, further prolonging challenges for companies operating in the oil and gas and mining sectors to attract new investment for exploration and development.

In a continued effort to adapt to the market, the TLO has responded to market changes by adjusting promotional methods and technical products to gain an advantage, and partnering with industries to leverage financial resources to keep exploration on Trust land moving forward. The Minerals and Energy section participated in various mining and exploration conventions, and made presentations describing the exploration activities and opportunities that exist on Trust lands. The TLO 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.

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.



Exploration, sampling and testing during Phase 1 (FY 2016) and Phase 2 (FY 2017) of the project confirmed the high quality and marketability of the property’s mineral concentrates and their use in industrial applications. Mineralogical and metallurgical test work on gold, platinum and heavy minerals separation and recovery methods are ongoing. Results of an aeromagnetic survey conducted in FY 2017 depicted areas of high concentration of heavy minerals and patterns consistent with deposit models developed by the exploration team.

In FY 2018 the TLO conducted Phase 3 of the project, which included stratigraphic framework and resource assessment drilling resulting in more than 7,000 feet of sonic core confirming the existence of gold and

heavy minerals-containing sediments. Assay results are pending.

The TLO is continuing its 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 from timber harvest activities in Icy Cape, such as tidewater access, a road system and an airstrip, will facilitate the development of this remote area.

The TLO has held annual public informational meetings in Yakutat and Cordova to discuss the Icy Cape project and will continue to update the public as the project advances.

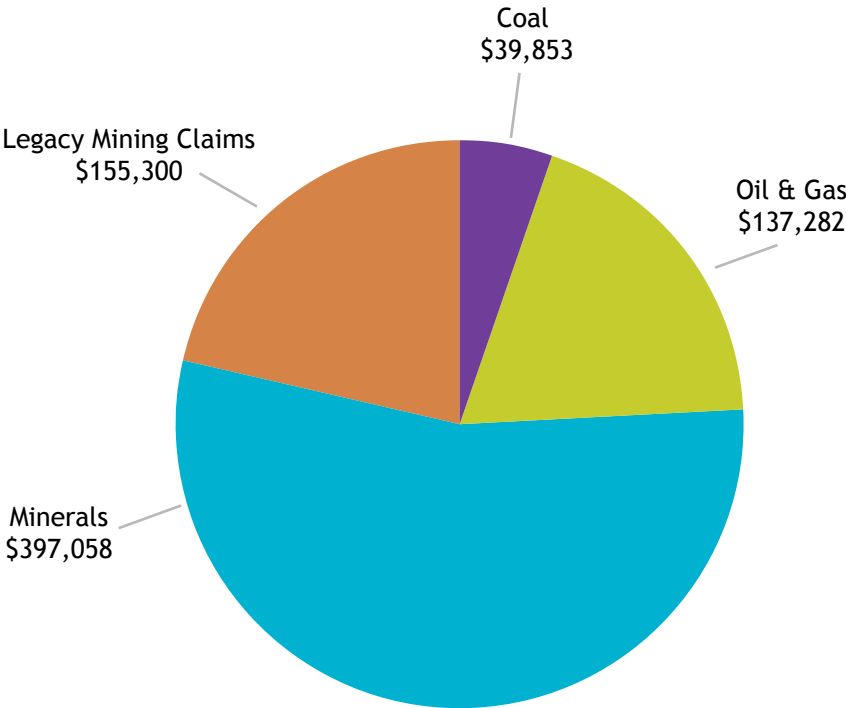
HAINES BLOCK

Constantine Metal Resources continues exploration work on the “Haines Block,” focusing on regional target generation and the extension of the Palmer copper, zinc, silver and gold deposit onto adjacent Trust lands. Main exploration activities include drilling, reconnaissance geochemical sampling, geological mapping and environmental baseline studies.

FORT KNOX

Because the Trust owns the mineral interest in the Fort Knox mine, each year the Trust earns royalties on the mine’s gold production. Since the mine’s royalty payments began, Fort Knox has generated more than \$24 million for the Trust. In June 2018, Fort Knox announced that it will be moving forward with an expansion that will yield an estimated 1.5 million additional ounces of gold, and potentially extend the mine’s operations and royalty payments to the Trust, through 2030.

FY 2018 MINERALS & ENERGY LEASE REVENUE



— “ —
My husband’s grandma had Alzheimer’s and I helped take care of her. Her forgetting how to eat, forgetting how to walk, forgetting just all of it... was very, very hard.

— ” —
— Caregiver of Trust Beneficiary, Dillingham





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.

It is essential to protect the value of timber resources so the TLO timber program can provide a long-term source of timber from its land base. A steady supply of raw materials for industry use will allow revenue production for the Trust and investments in future projects to facilitate maximum returns. It is the TLO’s intention to provide ongoing timber sales in Southeast, while generating new economically viable timber sales in the Fairbanks, Delta Junction, Mat-Su and Kenai areas.

USFS LAND EXCHANGE

The TLO continues to work toward completing Phase 1 of the United States Forest Service (USFS)/AMHT land exchange pursuant to the Alaska Mental Health Trust Land Exchange Act of 2017, by which the USFS and the Trust will each swap approximately 20,000 acres of land. The TLO anticipates conveyance of Phase 1 in January 2019 following final board of trustees’ approval.

The TLO and the USFS are working diligently to resolve title, trespass, encroachment and other due diligence items for Phase 2 lands, which is anticipated to close later in 2019.

NAUKATI EXCHANGE TIMBER SALE

The TLO sold a negotiated timber sale to Viking Lumber Company, which is the largest remaining sawmill in the state. This sale will assist in providing much needed timber to sustain the Southeast timber industry. The sale executes upon conveyance of the Phase 1 portion of the USFS/AMHT Land Exchange and is composed of old growth timber on lands to be acquired in Phase 1 and Phase 2 in the Naukati area of the Exchange. The 10-year sale is expected to provide about \$15 million to the Trust.

ICY BAY TIMBER SALE

Mobilization efforts began in May 2018 with Sealaska Timber Corporation (STC) hiring Fairchild Trucking of Fairbanks to harvest Icy Bay timber. The TLO and STC were able to maximize the coordination of timber and mineral operations to reduce costs and increase efficiencies, such as STC being able to utilize open deck space on the TLO Mineral exploration barges. Fairchild purchased, moved and installed a 65-person man-camp. Fairchild Trucking began harvest operations in June 2018 and although the Trust saw no revenue on this sale in FY 2018, FY 2019 should yield between \$1.5 and \$2 million.

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. The Trust will receive \$88,100 over a 10-year period.

LANDOWNERS GROUP

The TLO has been working with the Division of Forestry, USFS, University of Alaska and Sealaska Corporation 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 commercial real estate), Program-Related Real Estate (real estate program for beneficiary purposes) and Real Estate Investment (management of current real estate investments). 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 \$814,133 of spendable income revenue in FY 2018.

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. Current efforts include initial planning at the Juneau Subport, creation of a development RFP for the Trust's U-Med Anchorage holdings, and a master planning effort of the Trust's Community Park holdings.

PROGRAM-RELATED REAL ESTATE

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 often 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 by the board of trustees.

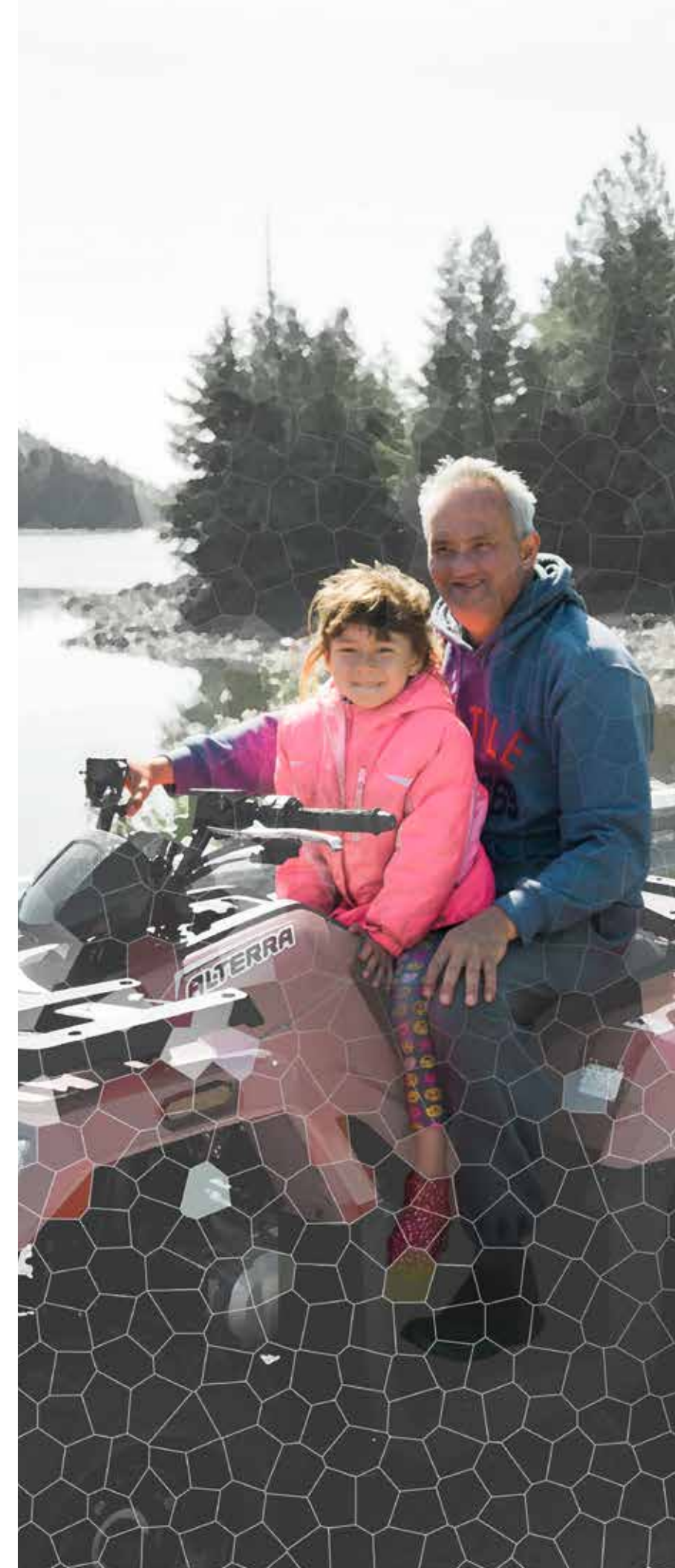
The Trust's portfolio of properties identified for programmatic uses is now completely leased. The TLO is currently working with beneficiary-serving partners to acquire an additional facility in the Anchorage area.

— “ —

There's zero help anywhere. The loop just kept going around, and around, and around, and around. We are going to have to take our daughter all the way to Seattle for a diagnosis.

— ” —

— Father of Trust Beneficiary, Hydaburg



REAL ESTATE INVESTMENT

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

Recently, the TLO has focused its efforts on stabilization of its real estate investment activities. This has generally included establishing long-term leases with credit worthy tenants, diversification of lease

expiration dates within individual real property assets, and ensuring that all routine, preventative maintenance and other property management considerations are attended to. To this end, the TLO finalized a lease renewal at its Ogden, Utah property with the United States General Services Administration for 10 years commencing in January 2019. The total consideration for this lease is over \$21 million.

At the close of FY 2018, the Trust’s real estate investment assets totaled 487,000 square feet, with an estimated market value of \$98,475,000.

Real estate investment generated nearly \$1,806,800 in spendable income in FY 2018.

— “ —

Down and out, I’ve been there so I know what I’m talking about, when you’re so down and out you lose all your confidence. You don’t have any confidence or self-esteem. You drink just to get through the day and in the back of your mind you’re just waiting for somebody to come and say, ‘Hey, let me help you.’

— ” —

— Trust Beneficiary, Nome



— “ —

A lot of people who suffer from mental health issues don’t have the community help they need here in Ketchikan. It’s still pretty stigmatized, people see it as attention seeking when kids my age talk about their mental health.

— ” —

— Community Member,
Ketchikan





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 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 (DOR) 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, the associated natural resources, and commercial real estate assets and other facilities owned by the Trust.

TRUST REVENUES

The Trust earns revenue from two primary sources, investments and land.

Investments include the body of the Mental Health Trust Fund and reserves. Each year, 4.25 percent of a four-year average of the value of our invested assets is withdrawn to fund the Trust’s annual budget. When assets in the trust fund earn more than necessary to cover

annual spending, the remainder is applied to reserves. Historically, annual investment earnings exceed the amount necessary to fund annual Trust activities, and as a result the reserves have expanded over time.

The Trust also manages its lands to generate revenue. Revenue associated with non-recurring resources, like the sale of a parcel of land or mineral resources, are invested to add to Trust investment earnings. Income from TLO lease or rent payments, a portion of timber sales, and earnings from Trust cash and real estate investment portfolios are considered spendable income. The revenue is used to fund the Trust’s annual budget.

The Trust anticipates continued and stable growth in the value of our assets.

TRUST BUDGET RESERVES

Since the Trust is committed to provide stable financial support to our partners, it maintains reserve accounts to ensure sustainability and beneficiary support

through market fluctuations or unanticipated reductions in revenue. The trustees have established a reserve target of 400 percent of the annual budget. Reserve funds are managed by the APFC and DOR, and grow in the same manner as other trust funds. Annual investment earnings that exceed the yearly 4.25 percent base payout are also applied to reserves.

FY 2018 FINANCIAL ACTIVITY

Earnings

In FY 2018, Trust investments earned a total of \$60.5 million. Of that, trustees approved a transfer of \$21.1 million to support Trust programs. The portion of the earnings that exceed annual funding needs will be applied to the reserves of the trust and can increase the value of the annual withdrawal in future fiscal years.

PRIMARY TRUST FINANCIAL ASSETS

Amounts represent total values at the end of FY 2018.

Mental Health Trust Fund	
.....	\$398,479,000
Real Estate Investment Equity	
.....	\$54,821,000
Reserves	\$159,342,000

**In addition to financial assets, the Trust also owns a million acres of land assets.*

TRUST REVENUES

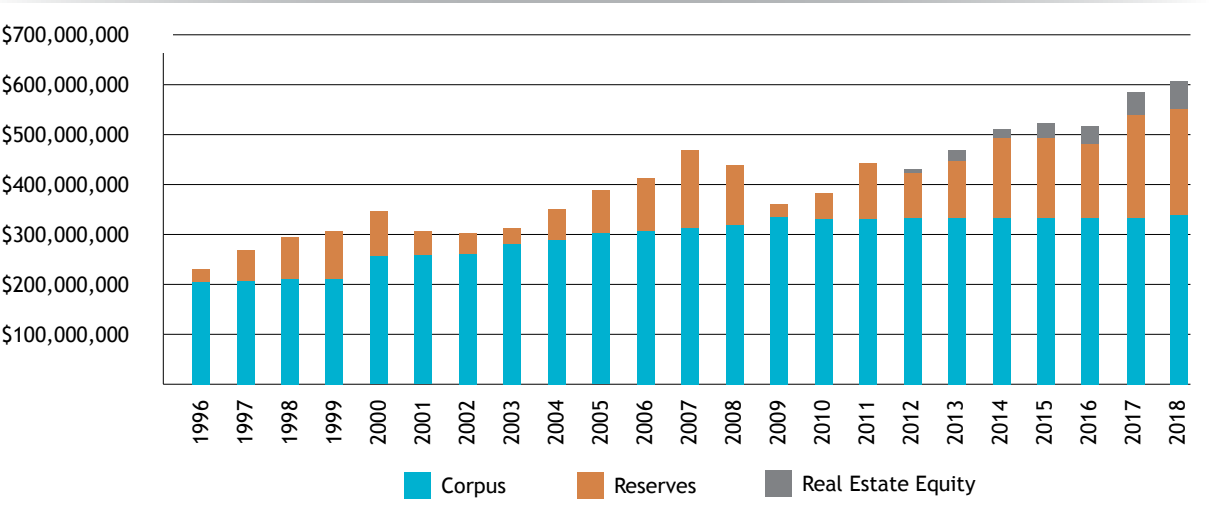
Spendable Income

- Rent and Lease Payments
- Interest from Land Sale Contracts
- Timber Sales (15 percent)

Non-Spendable Income

- Land Sales
- Coal, Oil/Gas, Materials and Mineral Royalties
- Right-of-Way/Easement Revenues
- Timber Sales (85 percent)

INVESTED TRUST ASSETS



The Trust Land Office activities earned a total of \$11.3 million in FY 2018. Of that, \$4.6 million was spendable income used to support beneficiary programs and services, with the remainder invested for future growth.

Annual Expenditure Amount

To ensure stable funding and program continuity, annual trust expenditures are funded by a combination of the following sources:

- Annual trust withdrawal (4.25 percent of the four-year average value of financial assets)
- Spendable income generated from TLO activities
- Interest income earned on cash balances
- Unexpended funds from prior fiscal years

Trust Budgeting and Spending

As a part of each budgeting cycle, trustees engage in a robust stakeholder-driven process to help determine funding priorities. Each area of expenditure is also reviewed and carefully considered during the process.

Trustees understand that trust funds play an important part in sustaining programs and services for beneficiaries across Alaska. As such, in FY 2018 trustees approved \$18.9 million in combined Authority Grants, and MHTAAR grants to state agencies to deliver services to beneficiaries.

Separate from the beneficiary activities, the Trust spends money administering the settlement lands and operating the organization. For the 12-month period ending

Because the Trust wants to ensure it has resources to support beneficiaries today as well as 100 years from today, it must prudently manage and strive to grow the corpus of the trust.

June 30, 2018, the non-grant expenses were \$7.5 million. The trustees continue to emphasize deploying financial resources to enhance services to beneficiaries and limiting expenses, and anticipate no growth in administrative spending for FY 2019.

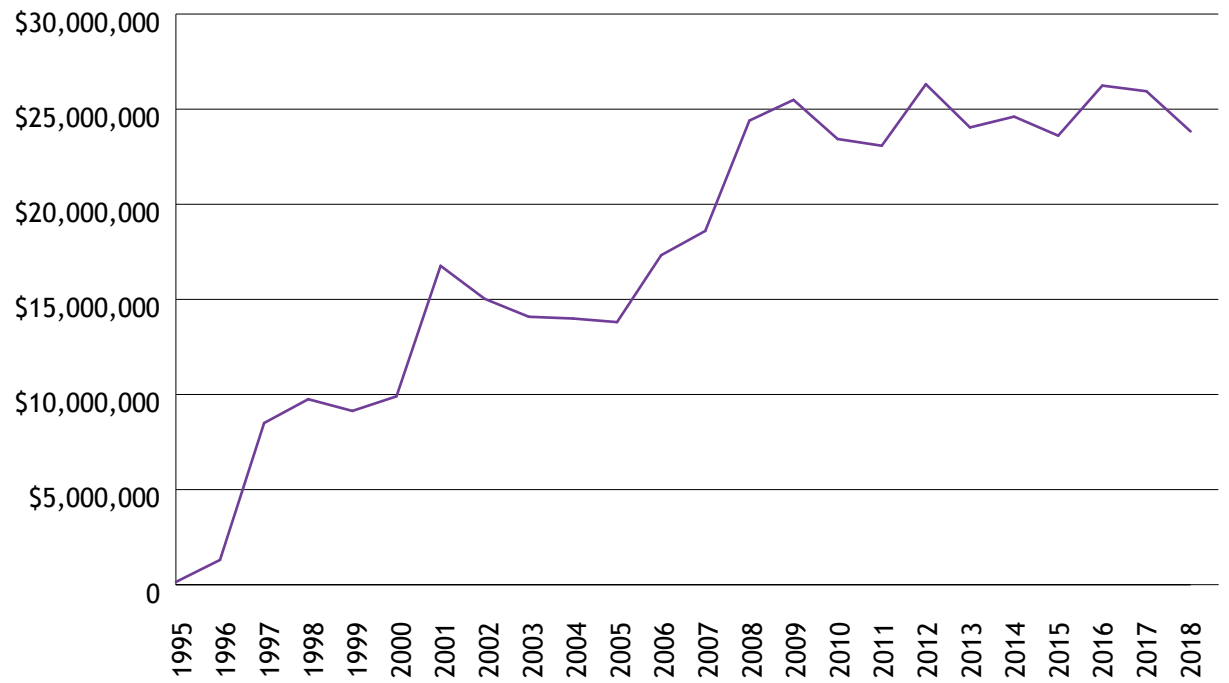
It is important to note that the Trust supports all of its activities and grants with self-generated income; there are no state General Fund dollars required by the Trust.

This thoughtful approach to deploying Trust financial resources balances the current needs for programs and services with stewardship of the Trust lands and investments that will benefit future generations.

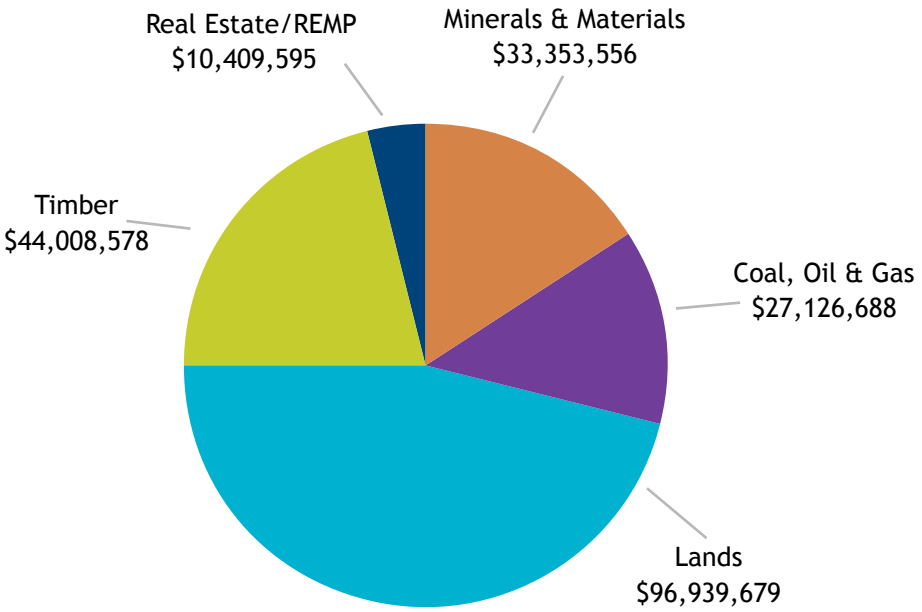
FY 2018 TRUST LAND OFFICE REVENUE SUMMARY

Total	Actual
Coal	\$39,853
Oil & Gas	\$1,752,500
Minerals	\$1,536,931
Materials	\$38,468
Timber	\$6,075
Land	\$5,393,744
REMP	\$1,806,800
Real Estate	\$705,899
Total	\$11,280,270

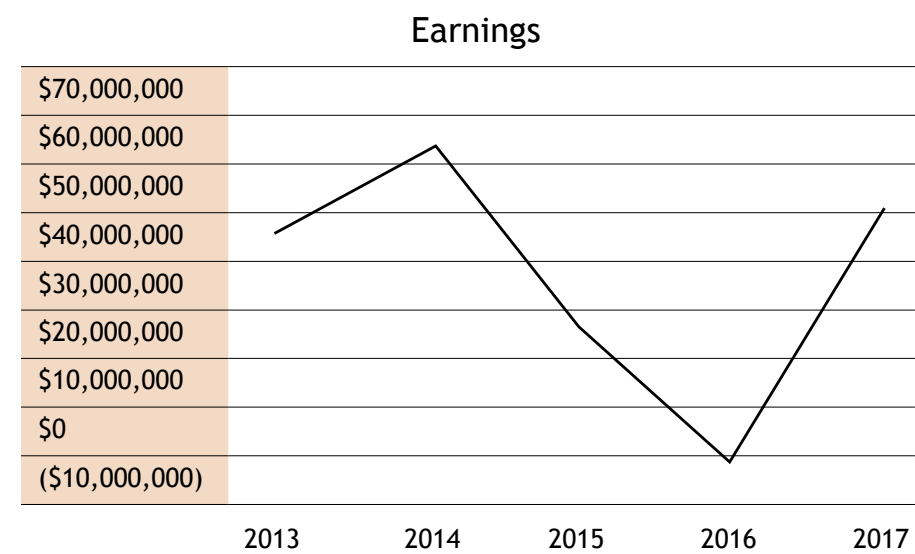
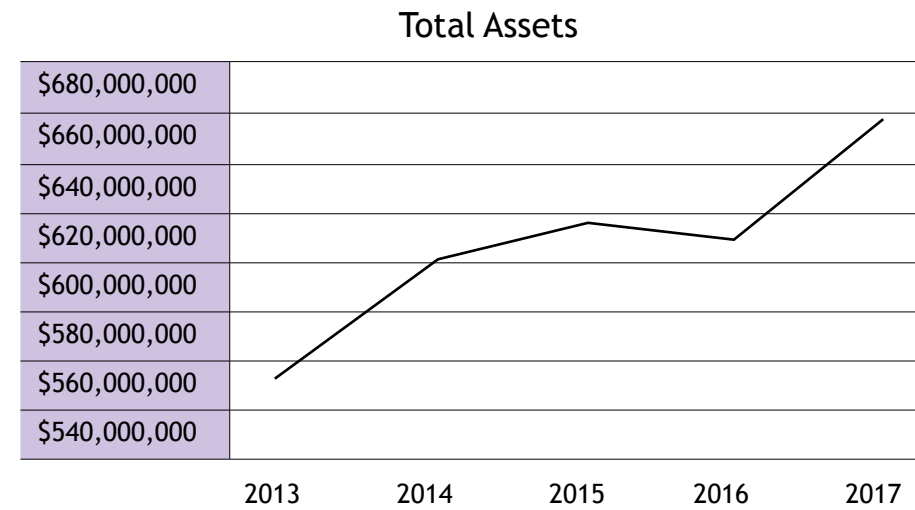
ANNUAL TRUST SPENDING (GRANTS AND ADMINISTRATION)



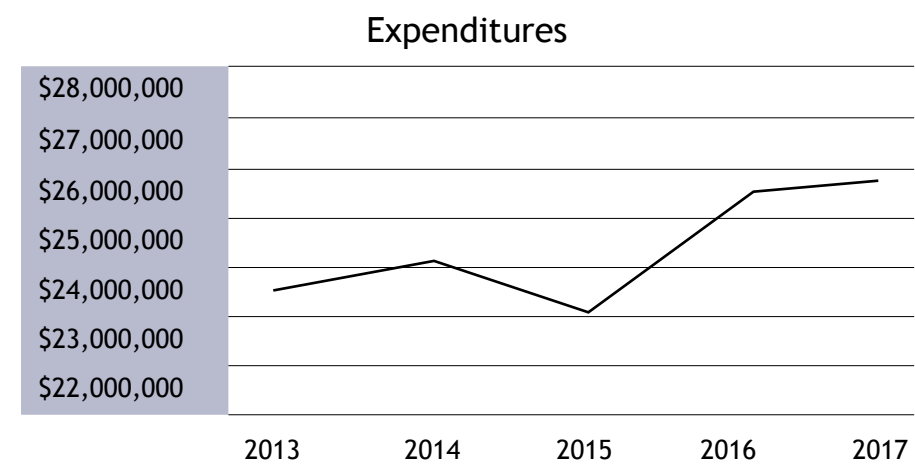
TRUST LAND OFFICE TOTAL REVENUE BY ASSET CLASS SINCE INCEPTION



PAST FIVE FISCAL YEARS ASSETS, EARNINGS & EXPENDITURES

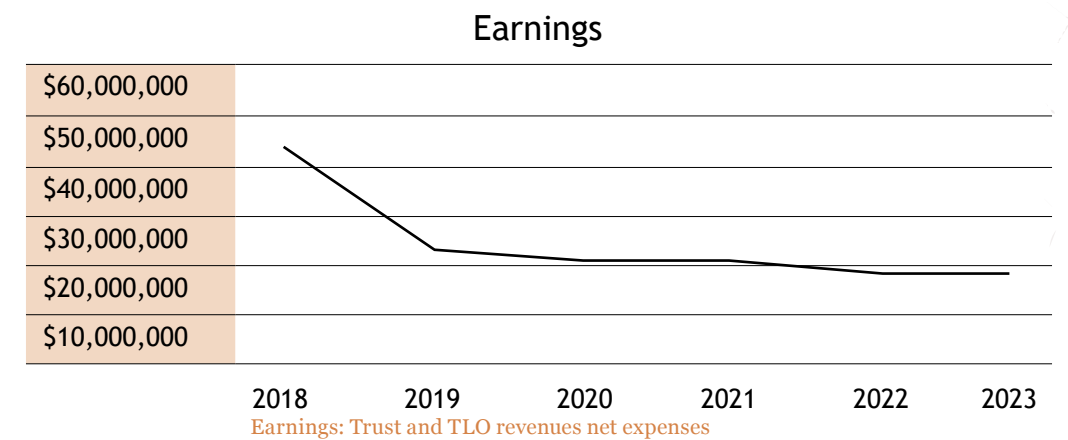
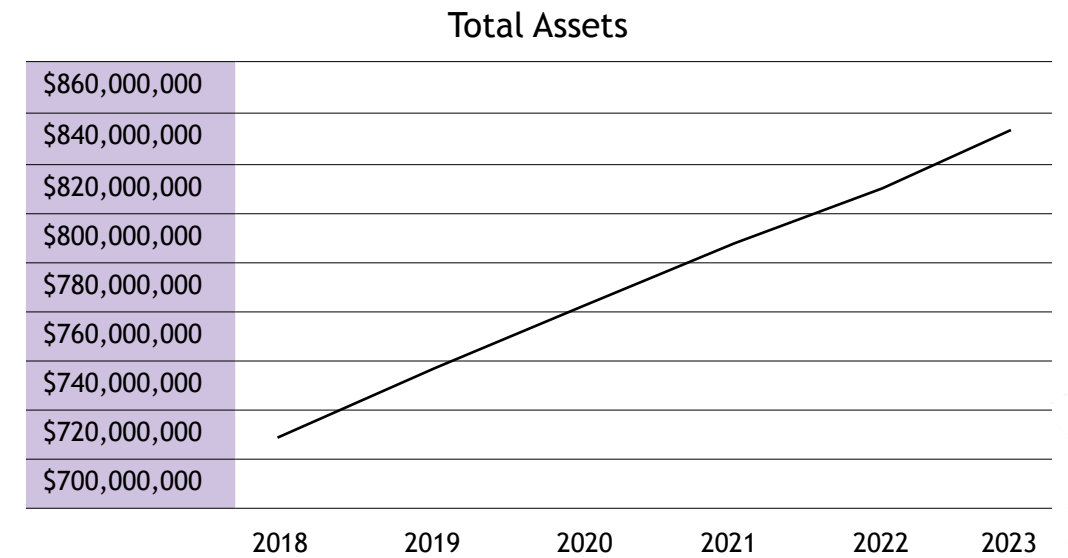


Earnings: Trust and TLO revenues net expenses

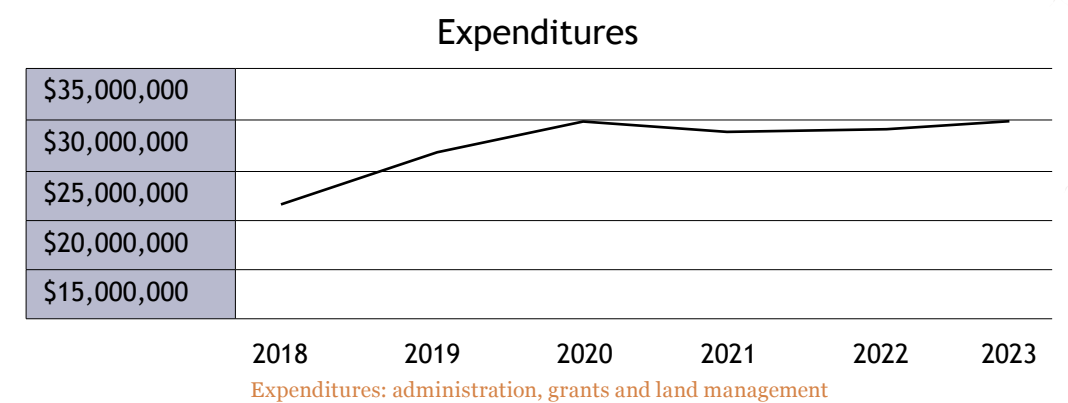


Expenditures: administration, grants and land management

NEXT FIVE FISCAL YEARS PROJECTED ASSETS, EARNINGS & EXPENDITURES

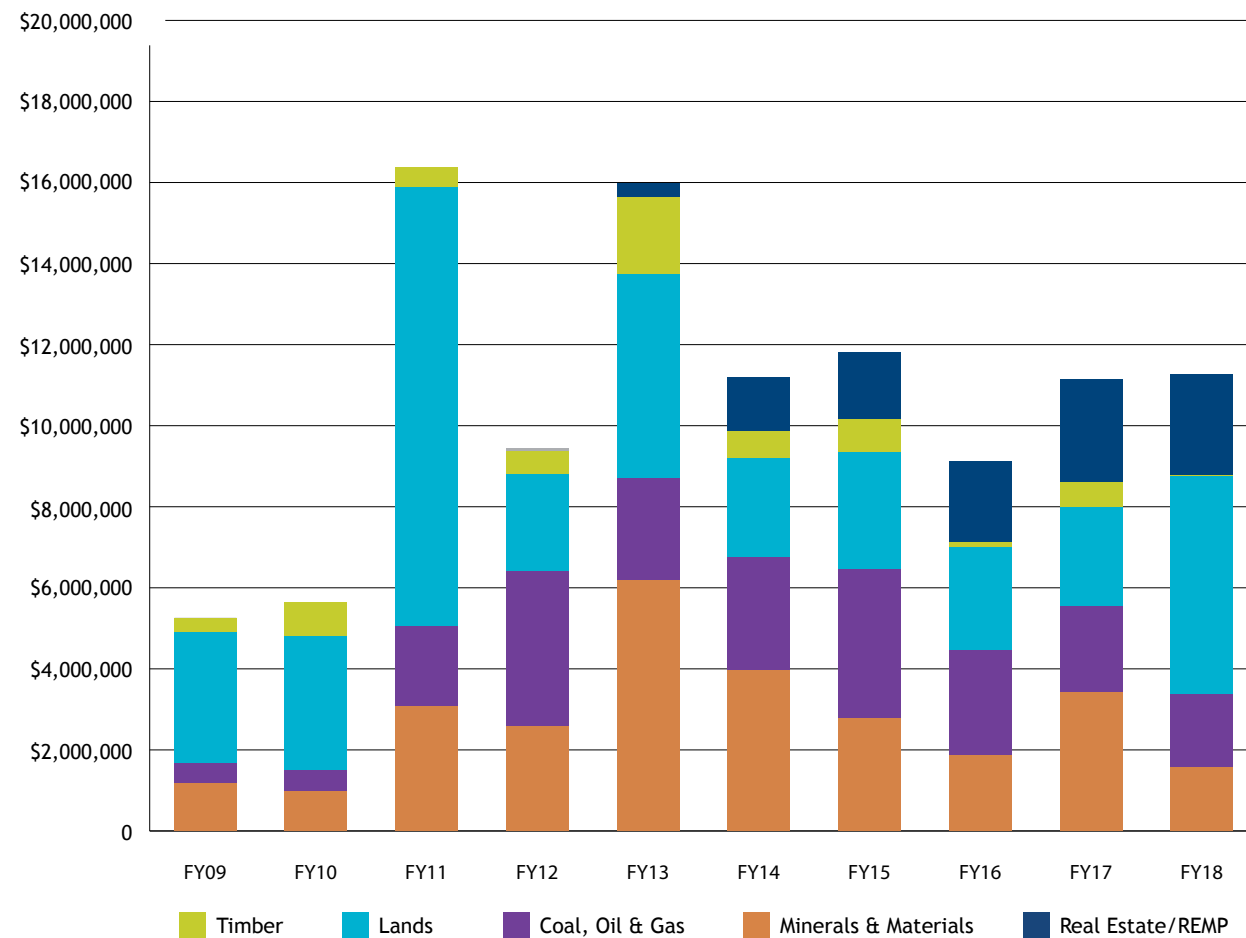


Earnings: Trust and TLO revenues net expenses



Expenditures: administration, grants and land management

TRUST LAND OFFICE ANNUAL REVENUE FY 2009 - FY 2018



Approximate Number of Trust Beneficiaries

24,800

Serious Mental Illness
(ages 18+)

5,600

Serious Emotional
Disturbance
(ages 0 to 17)

109,700

Any Mental Illness
(ages 18+)

7,400

Alzheimer's Disease
(ages 65+)

11,800

Traumatic Brain Injury

13,300

Developmental
Disabilities

1,600

Dependent on and
Abuse of Alcohol
(ages 12 to 17)

40,000

Dependent on and
Abuse of Alcohol
(ages 18+)

24,600

Dependent on and
Abuse of Illicit Drugs
(ages 18+)

Trust

Alaska Mental Health
Trust Authority

3745 Community Park Loop, Suite 200
Anchorage, AK 99508

Tel 907.269.7960 | alaskamentalhealthtrust.org

