



Charting Our Course

2009

Annual Report

The **TRUST**

The Alaska Mental Health Trust Authority

The Alaska Mental Health Trust Authority
FY2002 ANNUAL REPORT



Message from the Chair

TRUST CONTINUES TO FOCUS ON RESULTS AND INCREASING THE ROLE OF BENEFICIARIES



It is with great pleasure that I am writing this letter as the chair of the Board of Trustees. I want to take this opportunity to thank my fellow Trustees, the Trust Authority Administrative Office and Trust Land Office staff, the members and staff of the Advisory Board on Alcohol and Drug Abuse, the Alaska Mental Health Board, the Alaska Commission on Aging, the Governor's Council on Disabilities and Special Education, and the many people both in the public and private sectors who, like us, serve the beneficiaries. We could not have enjoyed the success we have had without the true dedication and many hours of hard work of all those involved including the increasing role of the beneficiaries themselves.

This year's annual report has been designed to give you a quick review of our major accomplishments during the past fiscal year and our goals for the future. Our focus has been on our beneficiaries being healthy, safe, and able to live with dignity and with economic security. In addition, we continue to place emphasis on work force development and infrastructure development to meet the ever changing needs of our beneficiaries and Alaska's Comprehensive Mental Health Program.

The legislature's passage of the alcohol tax bill last year and the creation of the Alcohol and Drug Abuse Prevention and Treatment Fund with half of the proceeds present many new challenges and opportunities. Our top priority will be to see that the fund is used to focus on addressing the effects of alcohol and drug abuse on our child protection and criminal justice systems by ensuring the availability of "Reforming Mandated Treatment". Program development must be comprehensive, including infrastructure and work force development and be constantly monitored to ensure that concrete results are achieved.

The financial health of The Trust is good and we continue to maintain a level payout for our beneficiaries even during the bleak market results of the past two years. We have reviewed our payout system and have taken additional steps to ensure that we can continue to maintain a level payout in the future as we realize the importance of supporting programs over the long haul if we expect results.

The Trust Land Office has been very active this year in the management of both our lands and natural resources. We have taken a major step forward in our management philosophy in that we are now looking at enhancing our current holdings by the purchase of adjacent properties, subdividing existing assets and developing partnerships. The natural resource assets of The Trust will continue to be a significant and important part of funding the mental health program.

In closing, on behalf of all those involved, I would like to say thanks to Gov. Tony Knowles and his staff for their support these past eight years. We congratulate and welcome Gov. Frank Murkowski to office and look forward to working with him and his administration on behalf of all our beneficiaries.

Phil Younker, Sr.
Chair

FY2002: A Year in Review

TRUST ADVOCATED FOR ALCOHOL TAX, SUPPORTED "IN STEP" PLAN IN '02

Among The Trust's most significant accomplishments in FY2002 was passage of the statewide alcohol tax increase, proving that good things do come in small packages. The Trust and a coalition of partners advocated for the tax increase, citing alcohol and substance abuse and addiction as the most pervasive and costly social and health problem facing Alaska. While the tax added pennies – seven cents to be exact – to the cost of every alcoholic beverage sold in Alaska, the total is expected to reach at least \$15 million annually. Of that tax revenue, the legislature has agreed 50 percent will be used to evaluate the effectiveness of the state's existing alcohol treatment and prevention system and to fund additional programs.

The Trust, working with its advisory boards and other coalition partners, will present to the Legislature a comprehensive spending plan for the alcohol treatment and prevention fund for FY2004 that will focus on "Reforming Mandated Treatment" programs for individuals whose treatment was prescribed or demanded by the courts or other institutions. The alcohol treatment and prevention fund also will be used to create a framework of programs that address all areas of the prevention and treatment continuum so that everyone in need can receive some sort of assistance.

Throughout FY2002, The Trust focused its efforts on six program areas that were identified in "In Step," the state's Comprehensive Integrated Mental Health Plan. The plan provides policy direction for developing and promoting programs and services for Trust beneficiaries throughout Alaska by fostering individual well being, personal safety, economic security and life with dignity. The following programs are a few examples of how Trust funding and support were used to improve the lives and circumstances of Trust beneficiaries in each of the six program areas during FY2002.



Rural Funders Housing Tour – Historically, many national charitable foundations have not funded projects in Alaska because they were unfamiliar with the issues and the needs facing local non-profit organizations. Working with the Rasmuson Foundation, The Trust participated in a familiarization tour developed to introduce several

funding organizations to housing issues in rural Alaska. Participants included staff from such groups as the Robert Wood Johnson Foundation, the Murdock Foundation and the Annie E. Casey Foundation. For many who attended, this was their first opportunity to see the substandard housing being used and to understand the great need that exists for assistance.

Safe Harbor Inn – The Trust helped fund purchase of a 22-room hotel in Anchorage that provides safe, affordable, temporary lodging for homeless families and persons with mental and physical disabilities who are looking for work. Guests must be referred by a partner agency and receiving services from that agency in order to qualify. Since opening in November 2001, Safe Harbor has remained full and its waiting list continues to grow. Approximately 25 percent of the guests are believed to be Trust beneficiaries and 66 percent of guests have subsequently found permanent housing. The Trust also supported the program with operating funds, but expects Safe Harbor to be self-supporting by 2005 through room charges and community donations.



Suicide Prevention Council – Senator Rick Halford approached The Trust to partner with the Department of Health and Social Services to create statewide Suicide Prevention Council. The group's primary tasks are to identify ways the state can reduce suicides in Alaska, to increase awareness that suicide is preventable and to reduce the stigma associated with seeking help.

AFN Wellness Summit – In support of the Alaska Federation of Natives' (AFN) efforts to provide leadership in the wellness movement, The Trust co-sponsored a statewide wellness summit in April 2002. About 500 Alaska Natives gathered in Anchorage to discuss how to bring about a cultural shift toward wellness and to promote wellness and healing in Native communities. Presentations included program models that are working to combat self-destructive behavior among Native peoples, especially in the areas of alcohol and substance abuse. These programs will be shared with Native communities as possible best practices to replicate.

Single Point of Entry – Providence Alaska Medical



Center opened a specialized emergency room in July that offers three interlocking mental health services: a crisis telephone hotline, mobile outreach team and a psychiatric emergency room for observation and diagnostic review of anyone in psychiatric crisis. Known as

the Single Point of Entry or SPE, the facility is the access point for the new emergency mental health system being developed for Anchorage. The project involves replacing and downsizing Alaska Psychiatric Institute and building a system of services in the community. The SPE at Providence serves as a psychiatric emergency room and serves individuals, their families and law enforcement personnel providing assessment and access to the most appropriate, least restrictive and clinically appropriate crisis treatment.

Mental Health Court – The Court Coordinated Resource Project and the Jail Alternative Services (JAS) Program (for those already in custody) combine to form the Mental Health Court in the Anchorage District Court System. One of only three such courts in the U.S., the Anchorage Mental Health Court involves intensive case management and court supervision for non-violent Trust beneficiaries convicted of misdemeanors. The court is a voluntary “therapeutic” or “problem-solving” court that focuses on treatment and rehabilitation and seeks alternatives to incarceration. The program is sponsored by the Alaska Mental Health Board and funded by The Trust. The court is presided over by Judge Stephanie Rhoades.

Economic Security

Micro Enterprise Funds — Self-employed people own 68 percent of all businesses in Alaska. However, individuals with disabilities are seldom among that group. To combat that problem, from FY99 through FY01 The Trust funded the Economic Development Alliance to train and support individuals with disabilities who want to own their own businesses. In FY02, The Trust provided funds to purchase start-up equipment and working capital for beneficiaries who want to become self employed, for service providers to establish small businesses that employ beneficiaries and for private enterprises interested in expanding their businesses in exchange for hiring beneficiaries.

Small projects – Three times each year The Trust awards grants for new and innovative small projects The funding is for one-time grants of less than \$10,000 for projects that are of direct benefit to Trust beneficiaries and are outside of the normal state funding. These projects are selected at the discretion of the Executive Director of the Trust Authority. Half of the funds are targeted for rural issues. Projects funded during FY02 included a program to empower teens to resist substance abuse, a project to purchase and train two dogs and their handlers to work with patients in a dementia care facility, and a grief/healing conference to assist village residents in overcoming grief after the death of a village council member.

Workforce Development

Full Lives Conference – As part of the annual small projects grants, The Trust contributed \$10,000 to provide travel and registration stipends to the Full Lives Conference held in April for direct support professionals, para-educators and those they support. The conference, the first of its kind in Alaska, drew 420 participants to Anchorage and kindled considerable interest in training and development for this segment of the work force.

Distance Delivery MSW – The Trust provided the University of Alaska Anchorage with \$50,000 to match \$70,000 allocated by the University of Alaska President Mark Hamilton for a distance delivered Master’s of Social Work degree. Curriculum is being developed and the first classes are expected to commence in the 2003-2004 academic year.

Infrastructure Development

Community Mental Health Center – The Trust contributed \$30,000 to Fairbanks Community Mental Health Center, Inc. to help the organization develop a preliminary plan and purchase an option on land on which to build a mental health facility. The seed money helped the organization demonstrate to potential funders the feasibility and sustainability of the project. As a result, the project is scheduled for completion in 2004, offering a variety of mental health services in the Fairbanks area.

API Land Issues Completed – One of the major steps necessary to initiate the replacement of the aging Alaska Psychiatric Institute (API) was finding a home for the proposed new building. In a land arrangement coordinated by The Trust and the Trust Land Office, 16 acres adjacent to the existing API and the Crisis Treatment Center were transferred to the state for construction of the new API and a larger crisis center. The land transfer also included land to allow for future expansion of McLaughlin Youth Center. In addition, a few acres were sold to nearby Providence Alaska Medical Center. Providence is expected to swap the land with the University of Alaska Anchorage, thus allowing both organizations to expand and enhance their operations.

Rural Health Clinics – In rural communities throughout the state, public health services focus on primary care with little or no behavioral health assistance available. In the majority of cases, the reasons are financial rather than lack of interest in providing behavioral health services. Working in collaboration with the Denali Commission, The Trust was able to get space for behavior health included in the funding formula for federally financed health clinics.

2002 Financial Report

2002 MARKET DOWNTURN IMPACTS TRUST INCOME

Assets of The Trust are made up of the corpus of the Trust Fund, which includes financial and natural resource assets. The financial component of the Trust Fund is managed by the Alaska Permanent Fund Corporation (APFC) on behalf of The Trust, as required by law. The Trust Land Office, a special unit within the Department of Natural Resources, manages The Trust’s natural resource assets, as also required by law. The Treasury Division of the Department of Revenue manages the financial holdings from the mental health budget distribution (payout), current revenue generated from Trust Land and the interest generated from these holdings. The Trust Authority Financial Officer routinely coordinates with the APFC, Treasury Division and Trust Land Office on financial management matters and provides reports to the Asset Management Committee and the Board of Trustees. The Trust Land Office routinely coordinates with the Trust Authority staff, Asset Management Committee and the Board of Trustees on natural resource management and development matters.

Key Financial Outcomes of the Trust

The assets of The Trust consist of revenue generated from the financial component as well as the natural resources assets. The cash assets consist of the original settlement, inflation proofing, interest and revenues generated from our natural resources. The cash is maintained at the Alaska Permanent Fund Corporation and the Treasury

Division of the Department of Revenue in several accounts. These accounts are the Principal, Principal Reserve and Income account. The Principal consists of the original settlement, inflation proofing and allocated revenues from natural resources. The Principal Reserve consists of 400 percent of the prior fiscal year’s disbursement (payout) and is to provide a steady stream of funding during downturns in investment markets. Currently, the Principal Reserve is at approximately 200 percent due to the market value fluctuations for the past two years. The Income account holds the disbursement (payout) amount for the current mental health budget and any current allocated revenues generated from natural resources and the current interest on the funds held in this account.

In FY2002, the financial holdings at the APFC experienced a 2.2 percent loss, which resulted in a reduction to the disbursement (payout) for the mental health budget in FY2003. The interest from the financial holdings at Treasury was also down by 17 percent. The disbursement or payout rate remained at 3.5 percent for FY2002 which is used to determine the disbursement or payout for the mental health budget. This rate is applied to the amount of the Trust Fund (Principal and Principal Reserve) plus 100 percent of the revenues allocated as income from natural resources, the interest on the financial holdings at the Treasury Division, and any lapsed funding from prior year projects.

The following performance for FY2002 is available for funding the FY2003 mental health budget:

- The disbursement (payout) rate remained at 3.5 percent for a payout of \$10,481,800.
- The natural resources revenue allocated as income increased by 19 percent over the prior fiscal year to \$2,520,102.

Amount of Trust Fund at APFC* (at end of FY2002)



■ Settlement	66.0%	\$200,000,000
■ Inflation	12.3%	\$37,213,519
■ Land	6.1%	\$18,333,530
■ Reserves	12.2%	\$36,938,077
■ Payout	3.5%	\$10,481,800

*Alaska Permanent Fund Corporation

Trust Program Area Expenditures



Workforce Development	7%	\$792,722
Infrastructure	33%	\$4,051,389
Economic Security	5%	\$575,884
Living with Dignity	11%	\$1,355,082
Safety	11%	\$1,343,444
Health	33%	\$3,927,554

- The interest on the Income Account at Treasury Division decreased by 17 percent to \$1,254,307.
- The amount of lapsed funds from prior fiscal years was also reduced by 12.8 percent to \$3,263,588.
- The total funding available for the mental health trust budget in FY2003 is \$17,519,798 a decrease of 4.2 percent over FY2002.

In FY2002, the Trustees established policy to spend Principal generated from the allocated natural resources in acquiring and developing Trust Land holdings. Even though the completed final purchase of the WGM Property did not take place until the beginning of FY2003, the funds to make this purchase in the amount of \$1,010,800 were allocated from FY2002 natural resources revenues.

As the investment markets continue to decline, the Trustees are taking steps to protect the financial assets from major losses and are developing policy to maintain half the principal reserve at the Treasury Division in an intermediate-term fixed income investment pool for stability. This will help to preserve the purchasing power of the financial assets for future generations.

Key Outcomes of the Trust Land Office

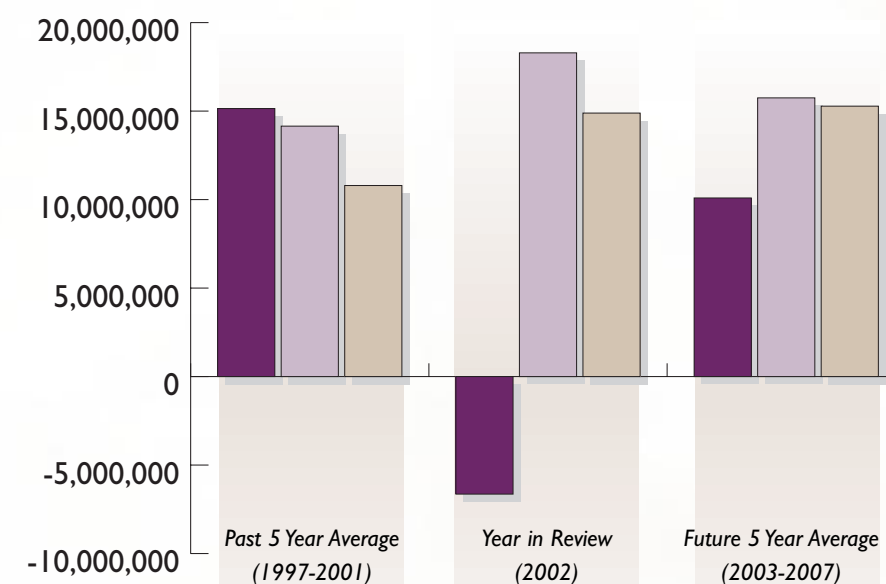
The TLO exceeded its FY2002 gross revenue goal by about 59 percent, with final revenues equaling about \$7,723,000, including \$2.5 million in distributable

income. Core and supplemental operating costs for the year equaled about \$1.3 million, or about 17 percent of gross revenues. Other highlights included:

- Timber harvest revenues accounted for over 55 percent of gross revenues (about \$4.5 million), with sales at Icy Bay (Yakutat), Thorne Bay (Prince of Wales Island) and Katlian Bay (Sitka).
- Successful efforts were made to increase revenues from other resource categories, including significant increases in oil and gas lease acreage (50,000 acres in FY2002) and the initiation of new subdivisions to contribute to the TLO's highly successful annual land sales.
- The TLO also continued to work on projects that served the best interest of the Trust, while at the same time providing significant benefits to Alaska communities, with examples including the Four Dam Pool easement sale in Southeast Alaska, redevelopment planning on the Juneau waterfront and new business opportunities at the Fort Knox Gold Mine in Fairbanks.
- Finally, the memorandum of understanding between the Trust Authority and DNR was revised to reflect the evolving relationship between the entities.

An expanded TLO 2002 annual report is provided in The Trust's winter issue of its newsletter, *Trustworthy*.

Trust Fund Performance



Trust Fund Performance	\$15,143,256	-\$6,642,200	\$10,092,220
Trust Income Available	\$14,150,180	\$18,290,700	\$15,746,860
Trust Funded Projects	\$10,794,360	\$14,888,400	\$15,279,340

Note: Trust Fund Performance includes market value gains/losses to the Trust Fund at APFC and includes Land Revenues allocated to the Principal.

Trust Income Available includes the amount allocated for the payout or distribution for the Trust funded projects, Land Revenues allocated as Income, Interest Earned and Lapsed Funds.

Trust Funded Projects includes the mental health budget approved by the legislature or projected for future years.

The Board of Trustees



(L-R) **Back:** Susan LaBelle, Secretary/Treasurer; Nelson G. Page, Budget Committee Chair; Tom Hawkins, Asset Management Committee Chair; (L-R) **Front:** John Pugh, Chair of In Step Plan Committee; Caren Robinson, Vice Chair; Phil A. Younker Sr., Chair; John Malone, Program and Planning Committee Chair

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