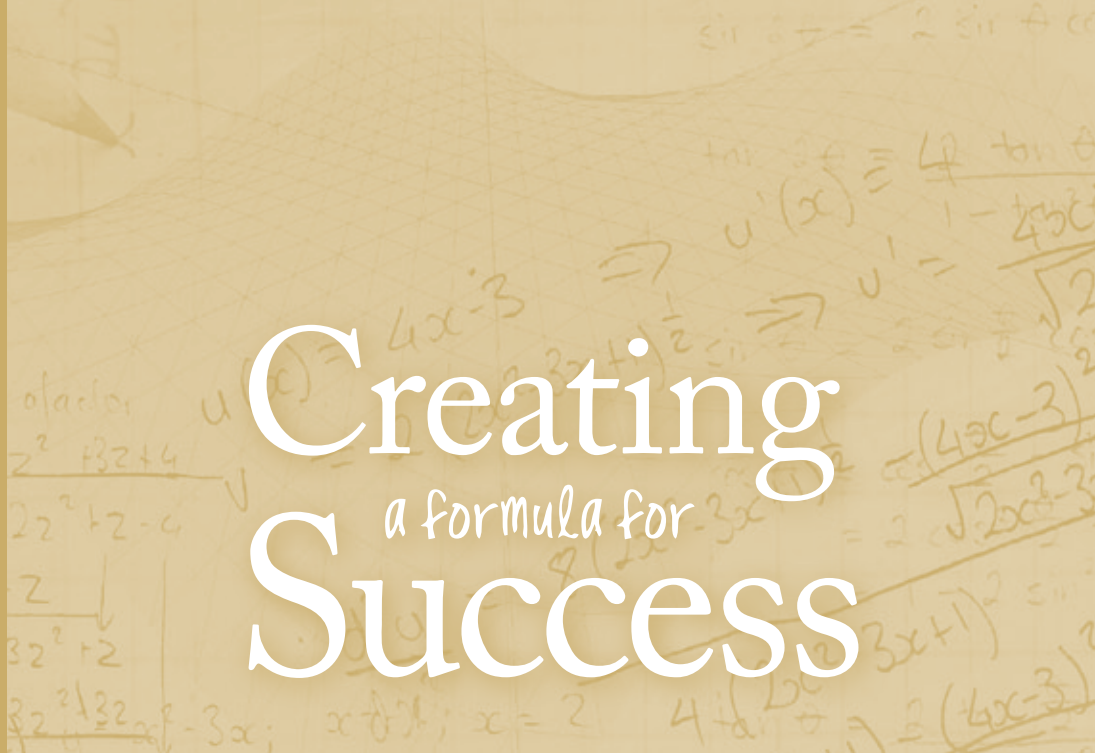
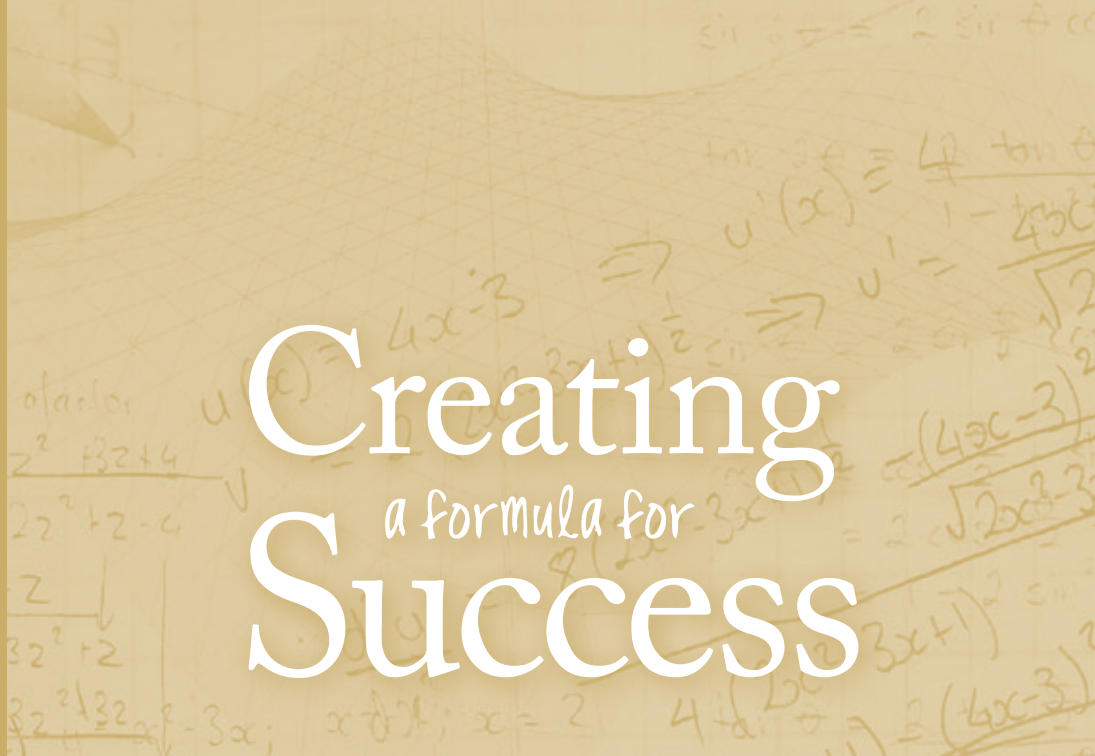


Creating a formula for Success



Creating a formula for Success



THE ALASKA MENTAL HEALTH TRUST AUTHORITY
Board of Trustees

- Dr. William Doolittle, Chair
- Laraine Derr
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FY07 Year in Review

As we assess the many things we accomplished at the Alaska Mental Health Trust (The Trust) during fiscal year 2007, there is clear evidence that we have continued to improve and refine our efforts because we are reaping more targeted results for Trust beneficiaries than ever. We attribute this success to the many collaborative relationships we are engaged in and the strategic thinking that evolves from these relationships. We have found this formula to be very successful and it will continue to guide us through the coming year. Thus, the theme for this annual report is “*committed partners + strategic thinking = results for Trust beneficiaries.*”

At the center of our success are our relationships with hundreds of committed partners, including local, state and federal agencies, our advisory groups, non-profits, service providers, philanthropic organizations and private sector leaders. Working with these partners has reinforced the old adage that “two heads are smarter than one,” because together we have developed strategic, well-thought-out programs that are helping make a difference in the lives of Trust beneficiaries.

Like any organization, we work to learn from the past so that we are continuously improving and innovating. Over the years we have discovered that we are most successful when we focus our efforts like a laser beam on a few critical issues rather than scattering our funding across diverse program areas. From this knowledge evolved the concept of “focus areas,” in which we concentrate funding and other resources on a few specific issues in an effort to substantially improve services and delivery systems across the state, and ultimately improve the lives of Trust beneficiaries. Currently The Trust is working on five focus areas that address issues with significant impact on Trust beneficiaries:

1. Bring the Kids Home – bringing home to Alaska children who are being treated in out-of-state psychiatric institutions and increasing treatment services statewide;
2. Affordable Appropriate Housing – increasing the availability of a continuum of housing options for Trust beneficiaries;
3. Justice for Persons with Disabilities – reducing the involvement and recidivism of Trust beneficiaries in the criminal justice system;
4. Trust Beneficiary Projects Initiative – supporting grassroots, consumer-driven programs and small, one-time projects that improve the lives of beneficiaries; and
5. Workforce Development – creating an available and competent workforce for Trust beneficiary service providers.

In each focus area we have partnered with agencies and organizations that can bring the most influence to the table or that are essential in helping us navigate through the current landscape of services and support available for beneficiaries. In many instances we have directly engaged beneficiaries or

their family members – after all, who can better speak about these issues – to get guidance and feedback. From all these discussions we have fashioned specific performance measures that help us gauge how we are doing and whether we are turning the curve when it comes to improving the lives of beneficiaries. This annual report will address each of these focus areas and describe how we are making a difference.

All of this effort takes funding, of course, and fortunately The Trust had a highly successful financial year in FY07. Investments with the Alaska Permanent Fund increased approximately 14 percent over the previous year. As a result approximately \$26 million was available to support programs of direct benefit to Trust beneficiaries in FY07. We expect to fund at a similar level in FY08 and in FY09. The full details of our financial performance are included later in this report.

The Trustees take their fiduciary responsibilities at The Trust very seriously. Trustees are also conscious of the need to develop Trust policies and programs that adequately and appropriately reflect the needs of beneficiaries, especially as state and federal funding tightens and philanthropic support is spread more thinly. We are committed to a prudent investment plan that will result in sustained growth over time and stability for the work of The Trust. At the beginning of FY08, The Trustees hired Harry Noah as the new executive director for the Trust Land Office and he has been tasked with seeking new ways to take advantage of the investment opportunities created by our land and non-cash assets.

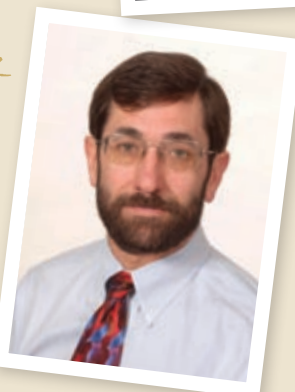
We urge you to read through this annual report to see the progress we made in FY07 using our formula for success, and what lies ahead for FY08 as we continue to collaborate with our partners for the betterment of our beneficiaries.



William Doolittle, M.D.
Chair



Jeffrey L. Jessee
Chief Executive Officer



Bring the Kids Home Focus Area

The **Bring the Kids Home Focus Area** is a model example of how committed partners, strategic thinking and measurable outcomes provide results for Trust beneficiaries.

THE PROBLEM OR COMMUNITY NEED:

The events that led to formation of the Bring the Kids Home Focus Area began building in the late 1990s when the number of Alaska children being sent at state expense for treatment in out-of-state psychiatric institutions began rising dramatically. The situation was devastating to the children and their families, and it was expensive for the state.

By 2005, the state was paying almost \$40 million for out-of-state care for more than 700 Alaskan children with severe emotional disturbances. That same year the Department of Health and Social Services and The Trust partnered to bring home the kids who were being treated in out-of-state psychiatric institutions. We also began building a continuum of services from in-home supports to foster and group homes, which are needed in order to curtail the practice in the future. By improving the treatment delivery system, we hope to improve the lives of these youth and their families, and control the state's cost for children's mental health care.

COMMITTED PARTNERSHIPS:

The Bring the Kids Home Focus Area is one of the most complicated efforts The Trust has undertaken because it involves so many players, including representatives from the Department of Health and Social Services, the Denali Commission, behavioral health providers, Trust partner boards, a parent advocacy group, individual parents, Alaska Housing Finance Corporation and The Trust. Plus, this initiative requires service system redesign, capital infrastructure development and workforce development, each of which can involve complex and protracted solutions.

STRATEGIC THINKING:

The initial planning and funding efforts focused on the following:

- ensuring that each child is treated at the appropriate level of care as close to home as possible,
- building appropriate treatment facilities in state,
- increasing the capacity and core competencies of in-state providers so they can provide services that meet the needs of kids with severe emotional disturbances,
- ensuring youth and their parents are supported as they navigate the system of care, and
- involving parents and youth in the entire process so they are part of the solution.

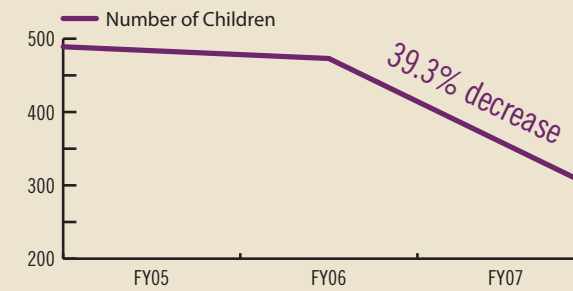
From the outset, the partners in the initiative agreed that this process would be data-driven and success would be gauged by significant changes in areas directly impacting the children, namely treatment location, length of stay, recidivism, functional improvements, and service satisfaction. In addition, we began tracking increases in service capacity and shifts in funding from out of state to more in state. Our goal is to achieve significant improvements in all these areas by fiscal year 2012.

RESULTS FOR BENEFICIARIES:

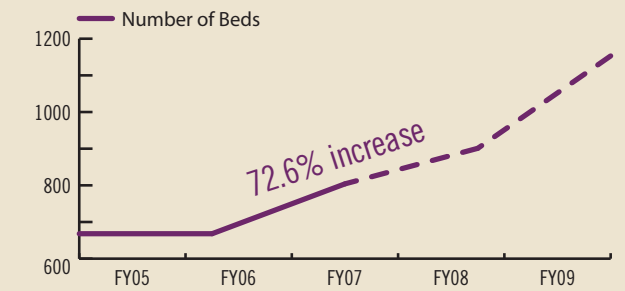
After two years of intense work, our data-driven effort is showing signs of impacting the problem and changing service delivery for this group of children. Some key indicators are:

- The number of youth admitted to out-of-state residential treatment facilities has dropped 39.3 percent, from 489 when this focus area launched in FY05 to 297 at the close of FY07.
- With the infusion of capital funding from the State and The Trust's partners, service capacity – the number of beds available in state – has increased from 668 in FY05 when the initiative launched to 804 in FY07. Another 349 beds are expected to be added by the close of FY09, bringing total capacity to 1,153 for a 72.6 percent increase over FY05.

CHILDREN IN OUT-OF-STATE RESIDENTIAL TREATMENT FACILITIES



RESIDENTIAL TREATMENT CAPACITY IN ALASKA



AHEAD FOR '08:

Our initial efforts in FY06 and FY07 focused heavily on increasing in-state residential treatment capacity in order to bring home the kids who were being treated in out-of-state psychiatric facilities. In FY07 we began to shift our focus to early intervention programs. These are primarily home and community-based programs involving families, schools and day care centers. This effort will receive greater attention in FY08 and FY09 in an attempt to help children experiencing severe emotional disturbances get assistance early in their lives. Our goal is to prevent these kids from advancing to residential treatment.

Capacity building remains an issue, however, and several capital projects are on the horizon in FY08 that will help increase capacity and improve the state's service delivery system. For example, in early FY08 bids were being accepted to build a 44-bed facility in Eklutna, which is expected to be complete sometime in FY09. Plus, construction began in late FY07, expanding the ARCH residential treatment facility in Eagle River from 16 to 24 beds. This project is expected to be complete by late FY08.

While great strides were made in FY07 and are ahead for FY08, creating a sensible and sustainable program that keeps Alaska's children home and controls out-of-state spending will take years of continuous effort.

Affordable Appropriate Housing Focus Area

The goal of The Trust's **Affordable Appropriate Housing Focus Area** is to increase the availability of a continuum of housing options that are best suited to Trust beneficiary needs, and that will improve or sustain their quality of life.

disturbing to The Trust is that the statewide housing shortage disproportionately affects Trust beneficiaries. Having safe, decent, affordable, accessible and appropriate housing is often the key for beneficiaries in maintaining a healthy lifestyle.

The high incidence of homelessness among Trust beneficiaries can be linked to challenges associated with disabling conditions, lack of opportunities for economic advancement, the need for supportive living situations, or accommodations required to meet special needs. Increasingly, the cost of providing these supportive services, such as treatment, crisis intervention, job counseling or life-skills training, is too expensive for mainstream landlords and challenging even for skilled social service providers.

THE PROBLEM OR COMMUNITY NEED:

Statistics from around the state are conclusive: many Alaskans of all ages do not have a place to truly call home. What is most



In order to bring the kids home, Alaska needed to increase the number of in-state services.



Construction began in late FY07 to increase capacity at the ARCH residential treatment facility in Eagle River.



The ARCH is increasing its beds from 16 to 24 for children experiencing severe emotional disturbances.



New residential treatment facilities and group homes are also underway or operating in Fairbanks, Juneau, Mat-Su Valley and Dillingham.



RuR CAP celebrated 10 years of offering supportive housing to Alaskans.



Housing advocates across the state support the Alaska Housing Trust.



Kenai Peninsula Housing Initiatives completed Crestview, supported housing in Soldotna.



Valley Residential Services operates several supported housing units in Mat-Su.

COMMITTED PARTNERS:

A steering committee was formed in 2006 to examine possible ways to increase the number of affordable housing units in Alaska and how to maintain them securely over time. Among the models examined was creation of a housing trust. The committee included representatives from the governor’s office, The Trust, Alaska Housing Finance Corporation, Alaska Department of Health and Social Services, several regional tribal housing authorities, U.S. Department of Housing and Urban Development, U.S. Department of Agriculture Rural Development, Wells Fargo Bank, Rasmuson Foundation, social service providers, and homebuilders.

STRATEGIC THINKING:

Based on the success of housing trusts in more than 30 states, The Trust and its partners agreed to create the Alaska Housing Trust. A housing trust is a pot of non-federal funds devoted to housing activities for individuals and families with greater housing needs. It allows flexibility in spending and the opportunity to be innovative and entrepreneurial in solving housing problems.

By creating a housing trust, Alaska can increase the number of affordable units available for rent and help maintain them securely over time. Funding from a housing trust can serve as the glue to meld federal resources and social service funding, and can subsidize areas of supported housing projects that are not covered by traditional funding streams. With assistance from a housing trust, these units are more affordable and secure for tenants because additional support services and subsidies are built into the overall project costs. These service-enriched units are also attractive to developers and landlords because they create mechanisms for tenants to afford their rents, become reliable, long-term residents, and receive assistance with skills training and crisis management.

RESULTS FOR TRUST BENEFICIARIES:

In tandem with our efforts to create a housing trust, this focus area also funded several programs in FY07 that provide or promote stable housing for Trust beneficiaries. For instance, The Trust, the Denali Commission, the Rasmuson Foundation and The Foraker Group partnered to create a predevelopment program that offers technical assistance to housing and social service agencies interested in expanding or retaining their

existing portfolio of special needs housing units. The Trust also collaborated with the Division of Behavioral Health’s Supported Housing Office in developing a supported housing business plan for small housing developers that takes into account the cost of providing support to Trust beneficiaries. Additionally, in FY07, The Trust helped fund rental subsidies at Bridge Home, a transitional living facility which provided stable housing to about 40 individuals who had been cycling through hospital emergency rooms and psychiatric facilities.

During the 2007 legislative session, Gov. Sarah Palin issued an Administrative Order maintaining and expanding the Alaska Council on the Homeless, which was formed in 2004 to address homelessness in Alaska. The governor also included directions to develop a framework for the housing trust and legislation that will enact it. This legislation has been drafted and is ready for release once the Council, AHFC, the Alaska Housing Trust steering committee and the state administration determine the best mechanism to move the legislation ahead.

In recognition that the Alaska Housing Trust is moving forward, The Trust allocated \$1 million in FY07 to support the housing trust and the Rasmuson Foundation granted a matching \$1 million. In addition, the Alaska Housing Trust Coalition formed in FY07 in support of the Alaska Housing Trust and has nearly 70 members, including representatives from United Way organizations across the state, the Municipality of Anchorage, social service providers, private housing developers and the Alaska Chapter of AARP.

AHEAD FOR '08:

As a first step in administering the \$2 million in pilot funds contributed in FY07 to support the housing trust, AHFC, the Municipality of Anchorage and The Trust combined application processes for AHFC’s FY08 capital projects. This improved procedure gives applicants access to state and local funding, plus the housing trust pilot money, in a single competitive bid, demonstrating how the housing trust model streamlines the funding process.

Already several communities have begun examining how the Alaska Housing Trust may assist in meeting their need for housing for special populations, including plans for a pilot project in Anchorage to support the chronic homeless, and coordination of services in Juneau and Fairbanks to ensure seasonal housing demands are met.

WORK HOURS NEEDED TO PAY RENT

Area	Work hours per week at minimum wage needed to afford 1 bedroom	Work hours per week at minimum wage needed to afford 2 bedroom	Work hours per week at minimum wage needed to afford 3 bedroom	Work hours per week at minimum wage needed to afford 4 bedroom
	Alaska minimum wage = \$7.14/hour			
Anchorage	81	101	146	178
Fairbanks	72	92	134	141
Mat-Su Borough	67	86	122	148
Bethel	108	131	156	229
Juneau	94	118	159	199
Kenai Peninsula	65	79	108	138
Ketchikan	86	104	151	182
Kodiak	85	111	160	169

Source: National Low Income Housing Coalition "Out of Reach 2006"

Disability Justice Focus Area

THE PROBLEM OR COMMUNITY NEED:

A 1997 study showed that 37 percent of persons under the supervision of the Department of Corrections had a mental illness and most also had a co-occurring substance abuse disorder for either drugs or alcohol. By 2006 the statistics had not improved and a large number of Trust beneficiaries continued to be incarcerated, spurring The Trust to form the Disability Justice Focus Area. This focus area has two primary goals: (1) reduce the involvement and recidivism of Trust beneficiaries in the criminal justice system and (2) increase the criminal justice system’s ability to effectively accommodate the needs of victims and offenders who are Trust beneficiaries.

Trust beneficiaries are at increased risk of involvement with the criminal justice system both as defendants and as victims. Each year, hundreds of Trust beneficiaries, who have committed no crime, are incarcerated for their safety because appropriate service alternatives are not available. Thousands more are arrested, prosecuted and incarcerated for status offenses resulting from behaviors associated with the symptoms of their mental disorders.

COMMITTED PARTNERS:

Several strong partnerships were formed to address this issue with The Trust, including the Alaska Court System, the departments of Corrections, Health and Social Services, Law, and Public Safety, the University of Alaska, local governments, law enforcement, and behavioral health treatment providers.

STRATEGIC THINKING:

The partners quickly identified cross system communication, early identification of beneficiaries when they enter the criminal justice system, and training as the key components needed to assist Alaska’s criminal justice and health and social service systems in preventing the inappropriate or avoidable arrest, prosecution, and incarceration of Trust beneficiaries.

RESULTS FOR BENEFICIARIES:

In FY07, The Trust and its partners focused on two key areas: training criminal justice personnel to be more familiar with beneficiaries and their needs, and discharge planning for

beneficiaries exiting the corrections system and re-entering Alaska’s communities as a strategy to reduce recidivism among beneficiaries.

The Alaska Court System, the Alaska Bar Association, the Public Defender Agency and The Trust partnered to develop and implement a six-part Continuing Legal Education (CLE) series entitled “Managing Cases Involving Persons with Mental Disorders.” The curriculum assists judges, lawyers and other professionals in understanding and more effectively handling legal cases involving Trust beneficiaries. There were 450 participants in the CLE series, of which 262 worked in the legal field. The training sessions were videotaped and are available for those who were unable to attend or for new lawyers entering the field who are unfamiliar with mental health disorders and law.

The departments of Corrections and Health and Social Services, behavioral health treatment providers and other stakeholders from around the state developed and implemented a discharge planning program for beneficiaries who leave corrections and re-integrate into Alaska’s communities. It is based on a national best-practice model called Assess, Plan, Identify, Coordinate (APIC). The program was operational in the fourth quarter of FY07 in Anchorage, Fairbanks, Juneau and Palmer.

AHEAD FOR '08:

Goals for FY08 include release of a comprehensive, four-year, retrospective analysis of beneficiaries who entered, were served within, and were released from the Department of Corrections. This data will assist the Disability Justice Focus Area partners to strategically plan and develop effective programs that will divert and reduce the number of Trust beneficiaries who are incarcerated. The Trust has also committed funds in FY08 for additional training on disorders experienced by beneficiaries and intervention techniques for law enforcement officers in Anchorage and Fairbanks. Planning will begin for introduction of additional therapeutic courts in Southeast Alaska.

Finally, The Trust plans to develop, in partnership with the departments of Corrections and Health and Social Services, local governments and stakeholders, an enhanced continuum of detoxification and treatment services in several locations that will reduce the inappropriate and avoidable incarceration of beneficiaries under Alaska’s protective custody laws.



District Court Judge Stephanie Rhoades presides over the Anchorage Mental Health Court.



Law enforcement and correctional officers completed Trust funded Crisis Intervention Team training.



Prosecutors are key team members of therapeutic courts in Anchorage, Fairbanks, Palmer, Bethel, Juneau and Ketchikan.



District Court Judge Greg Heath presides over the Palmer Mental Health Court.

Beneficiary Projects Initiative Focus Area

What better way to demonstrate The Trust’s commitment to improving the lives and circumstances of Trust beneficiaries than putting funds directly into beneficiaries’ hands for beneficiary-directed projects they conceive and operate.

THE PROBLEM OR COMMUNITY NEED:

Involving consumers in defining and mapping out their recovery is a well-known treatment tactic and may forestall the need for more intensive traditional service. While plenty of beneficiaries and their family members have keen interest in developing consumer-driven services, not all have the expertise or training to organize, manage and sustain the programs they envision.

In FY07, the Beneficiary Projects Initiative Focus Area committed about \$1.3 million for Trust beneficiaries to develop grassroots projects that focus on peer-to-peer support. This means beneficiaries are helping each other find and maintain their individual path to recovery and wellness. The Trust also funded a \$1.2 million mini-grant program for projects that provide Trust beneficiaries with a broad range of equipment and services essential to directly improving their quality of life and increasing independent functioning. In addition, The Trust allocated \$250,000 for The Trust’s Small Projects program, which provided small amounts of one-time funding for more than 30 beneficiary-directed projects in FY07.

COMMITTED PARTNERS:

The most significant partners in this focus area are the beneficiary grantees, of which there has been 25 since the program began in 2006, including 15 who received funding in FY07. They all have committed to delivering safe, effective services and running stable, well-managed organizations. They are succeeding because of the help they receive from a host of committed partners, including The Trust’s advisory boards, federal agencies such as SAMHSA, state agencies such as the Division of Behavioral Health, Native organizations

such as First Alaskans Institute, major foundations such as the Rasmuson Foundation, and national and state technical assistance providers.

STRATEGIC THINKING:

Among the goals for this focus area are providing grantees with seed money and technical assistance so their projects get off the ground, operate smoothly and are sustainable. The program is administered through a contract with The Foraker Group where staff can answer basic operating questions, help develop business plans, or assist beneficiaries in getting a program started and running effectively.

RESULTS FOR BENEFICIARIES:

Some of the services initiated by Trust beneficiaries include peer-support services, clubhouses and drop-in centers, community outreach, and illness self-management in communities that range from Nenana to Ketchikan. By funding these projects, The Trust has helped increase the capacity of the state’s mental health treatment delivery system for beneficiary-directed services. But more importantly, these projects and services are improving beneficiaries’ lives by creating a sense of empowerment and promoting recovery among both the beneficiary providers and the recipients. In 2007, more than 1,600 Trust beneficiaries received both direct and indirect services through the Beneficiary Projects Initiative Focus Area, nearly all of which were provided by fellow beneficiaries and/or family members.

AHEAD IN '08:

In FY08 an “incubator” program will assist beneficiaries in developing their project ideas more thoroughly. Overall initiative capacity building will take two distinct forms. First, through leadership training, we want to grow the expertise of individual beneficiaries who are already serving; and, second, we will recruit other skilled individuals who have interest in serving their communities. Finally, an evaluation of the initiative will be conducted to provide focus area guidance and establish appropriate performance measures.



The Trust funded the Petersburg Community Garden as a small project.



The annual Key Campaign raises awareness about developmental disabilities.



Beneficiaries developed peer-support services, club houses and drop-in centers.



Young self-advocates give back to their community by participating in a tree-planting program.

Workforce Development Focus Area

THE PROBLEM OR COMMUNITY NEED:

Having an available and competent workforce are enormous challenges for all Trust beneficiary service providers. A shortage of health care workers in Alaska has been at a near-crisis level for many years, yet the health services industry is the fastest growing sector of Alaska’s economy, employing more than 7 percent of the state’s workforce, according to a 2007 study commissioned by The Trust. Much of the reason for this worker shortage lies in Alaska’s remoteness, harsh climate, rural isolation, low population density, high cost of living and scarce training resources. Exacerbating this already difficult situation is a burgeoning demand now for increased health services for the state’s steadily growing and aging population, some of whom are among The Trust’s beneficiaries. The Workforce Development Focus Area is aimed specifically at increasing the available pool of qualified employees in Alaska who serve Trust beneficiaries and keeping that workforce adequately trained.

COMMITTED PARTNERSHIPS:

More than 20 partners worked in FY07 to develop strategies that will address the goals set out by this focus area. These partners included service providers, the departments of Health and Social Services and Labor and Workforce Development, non-profit and faith-based organizations, and educational institutions such as the University of Alaska system, including the campuses in Anchorage, Fairbanks and Sitka.

STRATEGIC THINKING:

After studying data around the workforce issues it became clear that there are many dimensions to the problem and that multiple strategies are needed to reduce the problems. We have developed strategies around recruitment, retention and training issues to accomplish our goal of having a competent workforce to serve Trust beneficiaries. The strategies address a diverse array

of problems including adequate pay and benefits, affordable housing, access to training and professional development, and competent supervision.

RESULTS FOR BENEFICIARIES:

The Trust partnered with the University of Alaska to conduct a state-wide vacancy study in 2007 to assess the number and length of time positions have been open in a broad array of physical and behavioral health organizations. The results were staggering, especially among the occupations that serve Trust beneficiaries. The vacancy study shows the most severe shortages in the behavioral health field were for occupations that fell under the category of human services worker, with both extremely high vacancy numbers and high vacancy rates. Overall, all behavioral health occupation vacancies were high – around 29 percent of all estimated vacancies – and ranked higher than any other occupational group. This means organizations that serve beneficiaries are understaffed, which results in delayed treatment or no services available to some people, resulting in negative impacts to individuals, families and communities.

AHEAD FOR '08:

Because the Workforce Development Focus Area is the newest of The Trust’s focus areas, most of the work was just being planned in 2007 so many of the strategies are expected to gain traction or launch in FY08. A new Trust Training Cooperative formed in 2007 will address training needs in the field, helping to tie together and maximize available on-the-job training and necessary continuing education for the workforce. Additionally, new recruitment and retention strategies are beginning or expanding in FY08 in a wide variety of venues. For instance, a demonstration project for a new Student Loan Repayment Program for behavioral health professionals is expected to commence in 2008 that will serve as a recruitment and retention tool.

REGIONAL VACANCY RATES

Occupational Group	Regions (Study Sample – n = 476)						
	North/West (n=10)	Southwest (n=17)	Interior (n=72)	Anchorage Mat-Su (n=232)	Gulf Coast (n=69)	Southeast (n=70)	Statewide Multiregional (n=6)
Physicians	26.7%	21.2%	21.6%	12.6%	10.4%	6.8%	30.3%
Professional Nurses	26.0%	21.6%	5.9%	11.1%	8.0%	5.9%	12.1%
Other Nursing Staff	18.6%	18.8%	5.8%	6.2%	4.6%	2.3%	8.8%
Dentists/Pharmacists/Therapists	32.4%	32.4%	20.7%	15.9%	16.5%	16.3%	12.4%
Behavioral Health	19.0%	22.7%	13.1%	8.3%	7.1%	11.1%	11.6%
Allied Health	17.0%	24.6%	7.3%	6.5%	8.4%	7.7%	8.6%
Public Health/Nutrition	30.0%	6.3%	0.0%	4.0%	18.9%	0.0%	10.5%
Other Primary Care (PA & CHA/P)	19.7%	18.6%	24.5%	9.0%	9.1%	4.0%	0.0%
Managers	13.8%	2.4%	3.5%	3.2%	6.4%	11.7%	4.0%
Health Information/Reimbursement	15.9%	16.9%	2.0%	5.3%	6.6%	2.8%	7.2%
All Occupations	20.1%	20.3%	9.0%	8.6%	8.1%	7.7%	10.2%

The 2007 Alaska Health Workforce Vacancy Study was conducted by the Alaska Center for Rural Health – Alaska’s AHEC, at the University of Alaska, Anchorage. The study was funded by The Trust and by the Office of Associate VP for Health, University of Alaska Anchorage, through the Centers for Disease Control and Prevention. The full report may be downloaded at <http://nursing.uaa.alaska.edu/acrh/>.

Trust Fund Experiences Record Growth in FY07

Due to strong investment markets throughout the 2007 fiscal year, the cash assets of the Alaska Mental Health Trust Authority reached a record high balance. Investments with the Alaska Permanent Fund (APFC) increased 13.8 percent, rising from \$385,366,600 at the end of FY06 to \$438,513,700 at the end of FY07.

Income from these investments was \$62,448,000 for FY07 and \$36,046,700 for FY06. Statutory net income determined by APFC (which does not include unrealized gains) was \$31,756,200 for FY07 and \$39,733,300 for FY06. Statutory net income increases the Budget Reserve and can be used to fund the mental health budget, while unrealized net income can only be applied to inflation proof our Principal investment.

The Budget Reserve is set at 400 percent of the annual payout, to allow for disbursements during market downturns without eroding Trust Principal. The Budget Reserve investment is split between the Alaska Permanent Fund and the Treasury Division of the Alaska Department of Revenue.

The Treasury Division Budget Reserve investments were reallocated during FY07 according to the recommendation of financial consultants Callan Associates, Inc. Due to this change, combined with strong investment performance, the earnings

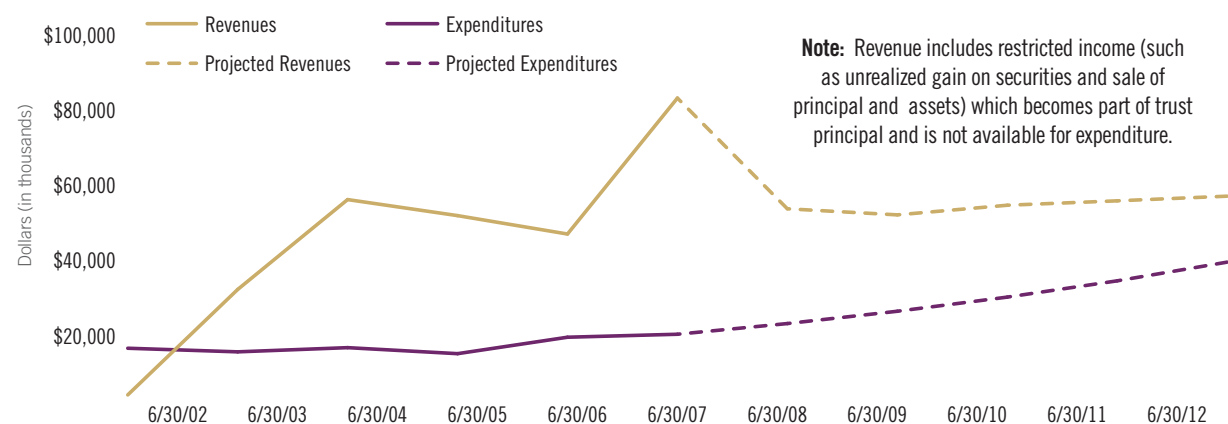
on this portion of the Budget Reserve soared tenfold from \$445,740 in FY06 to \$4,586,200 in FY07.

The Trust's payout rate, which is used to calculate the disbursement (or payout) for the mental health budget, was increased at the end of FY06 from 3.75 percent to 4.0 percent beginning with the FY07 budget. This rate is applied to the balance in the Trust Fund (Principal and Budget Reserve) at the end of a fiscal year to calculate the payout for the subsequent year.

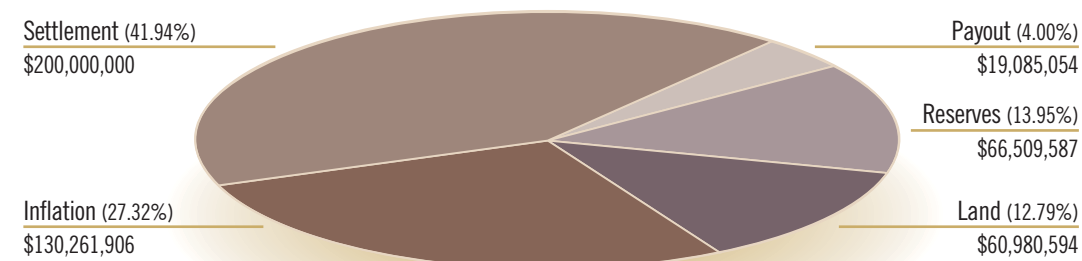
The following financial performance from FY07 is available for funding in FY08:

- Disbursement (payout) rate of 4.0 percent, for a payout of \$19,085,054. This represents an increase of 14.8 percent over FY06.
- Resource management revenue allocated as income was \$3,428,312.
- Interest on the Income Account at Treasury Division was \$1,620,108.
- Lapsed funds from prior fiscal years were \$2,770,922.
- Total funding available for FY08 is \$26,904,396. This is a 17 percent increase from FY07 availability of \$23,032,672.

REVENUES AND EXPENDITURES



TRUST CASH ASSETS AT END OF FY07



Trust Land Office Generated \$8.1 Million

Revenue-generating uses of Trust land include land leasing and sales; commercial timber sales; mineral exploration and production; coal, oil and gas exploration and development; sand, gravel and rock sales; and other general land uses.

The Trust Land Office (TLO) is a small 11-person unit in the Department of Natural Resources that manages approximately one million acres of land and non-cash assets throughout Alaska on behalf of the beneficiaries of the Alaska Mental Health Trust. Gross revenue in FY07 totaled about \$8.1 million, of which about \$3.3 million was Spendable Income and about \$4.7 million was Principal revenue.

Revenue-generating uses of Trust land include land leasing and sales; commercial timber sales; mineral exploration and production; coal, oil and gas exploration and development; sand, gravel and rock sales; and other general land uses. Rents, fees and 15 percent of timber revenue from Trust land uses are considered "Spendable Income" and are available to The Trust for use in the following fiscal year. Land Sale revenue, hydrocarbon and mineral royalties, and 85 percent of timber revenue are considered "Principal" and are deposited in The Trust corpus, which is held and managed by the Alaska Permanent Fund Corporation.

FY07 HIGHLIGHTS:

- Completed subdivision and re-plat of The Trust's Juneau waterfront parcel known as The Subport, and sold a parcel adjacent to Centennial Hall to the City and Borough of Juneau for \$2.93 million.
- Fairbanks Gold Mining Inc. paid The Trust a royalty of more than \$700,000 for its 2006 calendar year production from its mine located on Trust land north of Fairbanks.
- Sold 67 parcels in The Trust's annual land sale for a value of \$2.17 million.
- Responded quickly to approve an authorization for the

expedited recovery of spilled fuel from a DC-4 that crashed on Trust land near Nenana carrying 3,000 gallons of heating oil.

- Worked with the Department of Natural Resources to establish a new replacement land list, and prioritized conveyances of the lands owed to The Trust under the Settlement Agreement for lands that were originally conveyed to The Trust in error or had other encumbrances that significantly affected the land.
- After a 10-year hiatus, the Board of Land Management began adjudication of the remaining Mental Health Enabling Act selections as part of the agreement to close out The Trust's federal entitlement.
- Talon Gold began mineral exploration on Trust land near Livengood. Early results from that program continue to provide encouraging news for the precious metals prospect.
- Worked with various communities throughout Alaska on issues affecting management of Trust lands.

AHEAD IN '08:

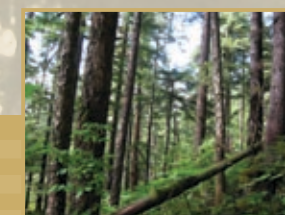
The TLO will begin long-term planning for Trust timber lands, commercial real estate and resort properties. In addition, the office will strive to build or rebuild relationships with local communities or individuals that live or work near lands managed by The Trust.

Key projects will include:

- Planning for development of the Juneau Waterfront Property (formerly titled the Juneau Subport);
- Researching potential timber land exchanges in Southeast Alaska with the U. S. Forest Service;
- Developing a long-term property and land management program for use by TLO staff;
- Resolving a back log of land use issues;
- Developing a preliminary feasibility study for monitoring resort quality properties;
- Offering for sale potential subdivision lots; and
- Continuing to offer oil, gas and mineral properties for lease.



Trust land along Juneau's waterfront is being redeveloped.



Typical timberland owned by The Trust in Southeast Alaska.



Saw logs waiting to be processed at Silver Bay Mill in Wrangell.



Yellow cedar dimensional lumber waiting for shipment in Wrangell.

The TRUST

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