

P R O G R E S S F O R T O M O R R O W



2 0 1 5 A N N U A L R E P O R T





On the cover: Nichole grew up with love and support from her family, but she always felt a little different, had trouble fitting in at school and experienced extreme anxiety. She was diagnosed with a behavioral disorder and, later, mental illness.



At age 17, Nichole started using drugs as a way to self-medicate and stabilize, eventually leading to a 15-year prison sentence.

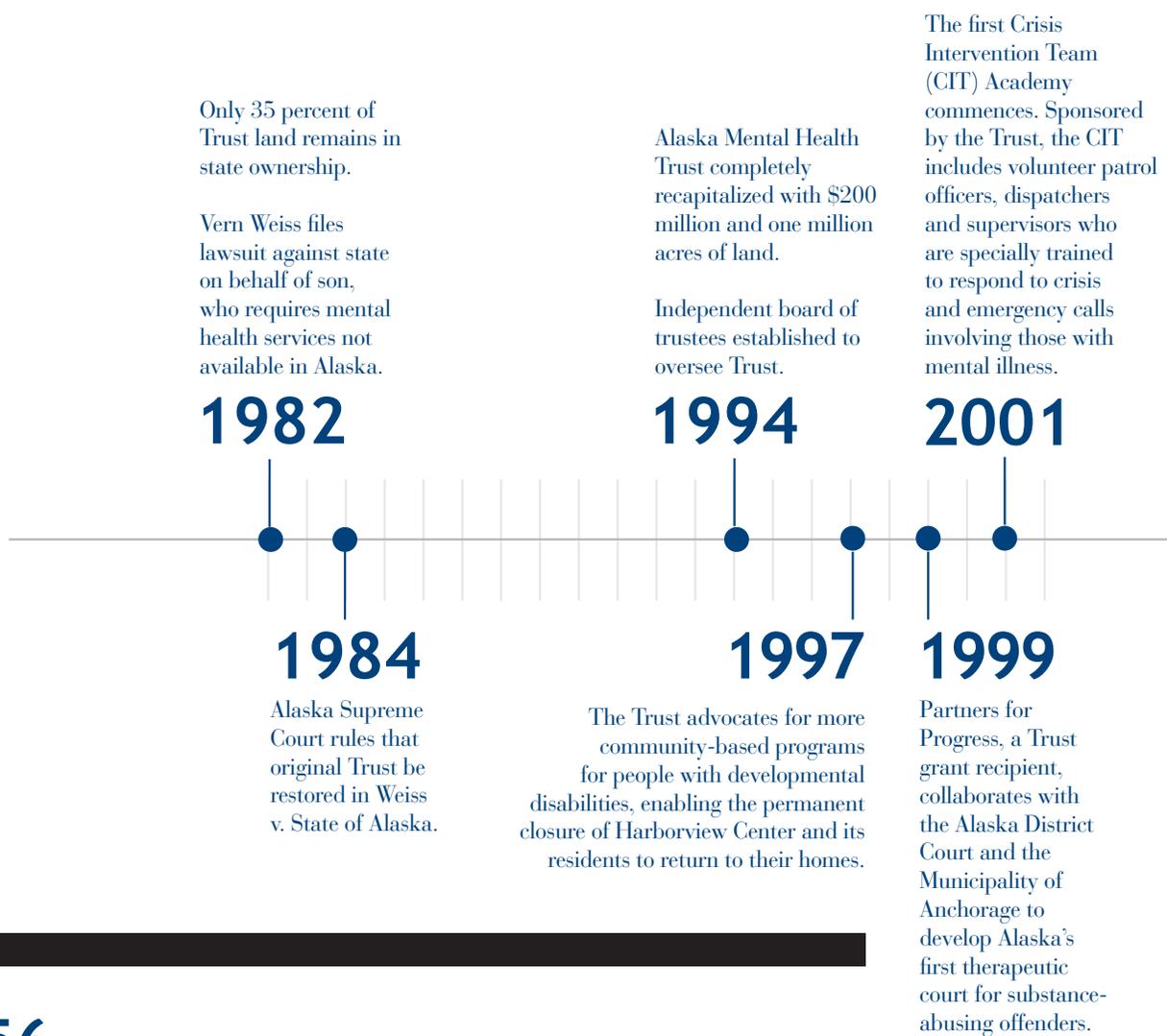
The goal of the Trust

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.

Here are a few of our stories.



20 YEARS OF SERVICE TO ALASKANS



1956

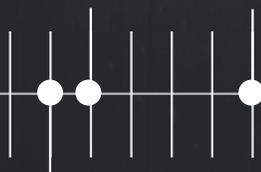
Congress passes Alaska Mental Health Enabling Act, transferring responsibility for mental health services from the federal government to the territory/state by creating the Alaska Mental Health Trust, funded by management of one million acres of state land.

The new Alaska Psychiatric Institute opens in Anchorage.

The Trust successfully fights for access to mental health care in women's prisons. Previously incarcerated women with mental illness were kept in their cells for 23 hours without mental health care.

Through collaboration among the Trust and its strategic partners, the Gateway to Recovery Enhanced Detoxification Center opens in Fairbanks, offering mental health and substance abuse treatment.

2005 2009



2004

The Trust partners with other nonprofits to initiate Bring the Kids Home, which allows children with severe emotional challenges who were sent Outside for treatment to receive services in Alaska.

After Nichole was released from prison, she attended a dual diagnosis treatment center for both her addiction and her mental illness.



LETTER FROM THE CHAIR AND CEO

Our state's fiscal crisis poses an unprecedented threat and challenge to Alaskans. How we respond will likely set the direction of our state and the lives of its citizens for a generation and more.



Russ Webb, Chair



Jeff Jessee, CEO

Trust beneficiaries – Alaskans who face tremendous challenges under even the best circumstances – are among our most vulnerable citizens and those most threatened by our fiscal crisis. State public policy and budget decisions often seem abstract and remote from the day-to-day lives of most Alaskans, but these decisions can drastically impact the lives of citizens who rely on state-, federal- and Trust-funded programs for essential services – sometimes literally making a life and death difference. Careful and strategic decisions can preserve essential services while transforming the structure and processes for delivering them into more effective, more efficient and sustainable forms.

A critical focus for the Trust's recent investments and energies has been supporting and contributing to the efforts of policymakers to analyze crucial issues affecting Trust beneficiaries and to develop and implement transformative solutions. We have supported efforts to reform Alaska's criminal justice system to halt the unsustainable and unnecessary growth in our prison population. We have also supported expansion of the Medicaid program to restore services to Trust beneficiaries (especially those at greatest risk of involvement with the criminal justice system), who were excluded from services as a result of increased reliance on Medicaid to fund behavioral health services. At the same time, we have supported efforts to redesign the Medicaid and behavioral health programs to make them more effective and ensure their sustainability.

This year marks 20 years since the Trust was re-established. Since 1995, the Trust has grown in value – both in terms of its ability to make financial contributions on behalf of our beneficiaries

and our ability to contribute to effective decision-making. As shown in the following pages, the Trust's history demonstrates a record of impartially promoting evidence-based strategies and implementing programs that work to bolster effectiveness and reduce costs.

These are critical to fulfilling our mission of improving the lives of Trust beneficiaries. This annual report includes some of their personal stories, highlighting successful initiatives and the continued importance of our focus areas (featured in more detail on page 9).



Today, Nichole works two jobs and lives with her mom, who never stopped supporting her.

Key policy and budget decisions affecting Trust beneficiaries will be made in the next few years. The Trust will continue to serve as an impartial partner for Alaska's leaders and as an advocate for Trust beneficiaries in seeking the best solutions for all Alaskans. The Trust's financial framework, including our utilization of percent of market value, provides a stable, though relatively small, foundation for Trust efforts. While Trust resources are insufficient to offset significant state funding reductions, our unique structure and role allow the Trust greater flexibility to act quickly on urgent matters to support innovative actions and implementation of practical and effective solutions by our partners.

As the Trust recognizes major advancements and remembers past successes during this anniversary year, we know there is still much more work to do. We pledge to do our part, substantially increasing the Trust's spendable income, listening to our beneficiaries, identifying constructive and proven solutions to problems, and supporting the efforts of Alaskans and our leaders to meet the challenges facing all of us.

Russ W. Holden Jeff Z. Jensen

“The [prison] mental health clinician, a wonderful woman, came back to my segregation cell and talked to me through my tray slot and started to offer me real help. She brought me over to the mental health unit for a while and started helping me figure out what was wrong with me. I’m not bad, I have a disorder.”

— Nichole, Trust beneficiary

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 an Outside institution after being charged and convicted for being “insane and at large.” In 1956, Congress transferred the responsibility

for providing mental health care to the territory, and ultimately the state, establishing the Alaska Mental Health Trust and granting the state one million acres of land to generate income for a comprehensive mental health program.



Jerry was born in Fairbanks and was adopted at birth by a family in the Lower 48. He returned back to Alaska as a child when he contracted an illness that affected his mental capacity. He was placed at Harborview Developmental Center in Valdez and lived there for more than 20 years. He now receives community-based services and lives with the Burke family.



Jerry and Michael were roommates at Harborview and were able to remain together after it closed.

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 in a final, landmark settlement and after many years of litigation, the Alaska Mental Health Trust was reconstructed with \$200 million and one million acres of land. For 20 years, the Alaska Mental Health Trust Authority has administered the Trust and served beneficiaries who experience mental illness, developmental disabilities, chronic alcoholism and other substance-related disorders, Alzheimer's disease and related dementia, and traumatic brain injuries. The Trust is the only organization of its kind in Alaska and works similarly to a private foundation, funding projects and programs that promote long-term, systematic change through capacity building, grant partnerships and rural-project technical assistance to improve the lives and circumstances of our beneficiaries.

A further condition of the 1994 settlement established an independent board of trustees appointed by the governor and confirmed by the Legislature to oversee Trust operations and initiatives. Trustees approve operating and capital budgets in two-year cycles, with annual recommendations to the governor and Legislature.

While trustees are authorized to spend Trust income without legislative appropriation, they are required by statute to recommend to the governor and Legislature operating and capital budgets for state general funds to support the Comprehensive Integrated Mental Health Program. The governor must then propose and the Legislature must pass a separate bill, known as the Mental Health Budget Bill, which includes budgets for Trust funds and state general funds.

The Mental Health Budget Bill includes the following components:

GENERAL FUND/MENTAL HEALTH BASE

Amount is established by identifying the mental health services funded within the state's general fund budget. These funds are designated as general fund/mental health dollars. The final budget from the previous fiscal year establishes the GF/MH base.

CAPITAL BUDGET

The separate appropriations bill includes that portion of the state's capital budget that funds mental health projects. This often includes funds from the Alaska Housing Finance Corporation to provide housing for beneficiaries as part of the Comprehensive Integrated Mental Health Program.

ADJUSTMENTS

Trustees may suggest adjustments to the base each year.

GENERAL FUND/MENTAL HEALTH INCREMENTS

When trustees identify better and more cost-efficient ways of providing ongoing services or solutions for unmet needs, they make recommendations in the form of GF/MH increments.

MENTAL HEALTH TRUST AUTHORITY AUTHORIZED RECEIPTS (MHTAAR)

Trustees authorize state agencies to spend Trust funds for specific operating and capital projects. These state agencies must have legislative approval to receive and expend Trust funds.

TRUST FOCUS AREAS

Disability Justice: *reduce the involvement and recidivism of Trust beneficiaries in the criminal justice system.*



Rhonda's mom Patricia lived with Alzheimer's disease for more than four years.

Due to their disabilities and unmet needs in the community treatment and support systems, Trust beneficiaries are at increased risk for involvement with the criminal justice system, both as victims and defendants. For 10 years, the Trust has included disability justice as a main focus area due to the overrepresentation of beneficiaries involved with the criminal justice system. However, recognizing the potential for collaboration, the Trust has dedicated more resources to these efforts as outlined on page 16.

Substance Abuse Prevention and Treatment: *focus on the full continuum of care from prevention and early intervention to treatment and recovery.*

The prevalence rates and negative consequences of alcohol and drug abuse among Alaskans are substantial. Substance abuse and addiction constitute the largest preventable and costly health problems in Alaska.

The Trust has been actively engaged in a partnership with the state Alcohol Beverage Control Board to review and revise Title 4, which is the state's statutes that govern the sale and distribution of alcohol. Title 4 had not been comprehensively reviewed since 1980, warranting a systematic review and revision of statutes to help the board carry out its mission. Through an inclusive and broad-based stakeholder process, statutory revisions were developed to improve the structure and organization of the statutes that will be brought forward to the Legislature in 2016.

Beneficiary Employment and Engagement: *increase integrated employment, meaningful activities, training and peer-based recovery support programs.*

Meaningful employment and engagement are critical for Trust beneficiaries.

However, data demonstrates that they are underrepresented in integrated employment settings with competitive wages. The Division of Vocational Rehabilitation and the Trust partnered to develop and implement a new program focusing on transition-aged youth titled Pre-Employment Transition Services, which currently operates throughout the state in Fairbanks, Anchorage, Kenai, Juneau, Haines, Ketchikan and Sitka and serves 150 youth. Services offered are:

1. Job exploration counseling
2. Work-based learning experiences
3. Counseling on opportunities for enrollment in comprehensive transition or post-secondary educational programs
4. Workplace readiness training and independent living
5. Instruction in self-advocacy

Workforce Development: *ensure service providers across the state have access to a stable, capable and competent workforce to serve Trust beneficiaries, their families and communities.*

This focus area is currently reengineering efforts to align goals and activities to coincide with Medicaid reform and the reentry and recidivism efforts, enabling more collaboration across focus areas and partnerships with various stakeholders.



Rhonda's family and mom received services including an in-home caregiver who enabled her mom to live at home and provided transportation to appointments, educational classes and support groups for both Rhonda and her mom.

This past year, on behalf of the Trust, the Alaska Area Health Education Center collaborated with the Alaska Native Science and Engineering Program to increase student exposure to STEM careers in healthcare. During the summer, two high school and two middle school academies focused on health science and served a total of 135 students. The partnership exposed middle and high school students to career paths in healthcare through hands-on activities developed to strengthen the relationship between STEM and health. And, in an effort to involve youth from rural areas in behavioral health career pathways, Ilisagvik College engaged and educated students on key topics in the field of behavioral health (including abuse, neglect, addiction, grief, stress and mental health) while exposing them to potential behavioral health and healthcare opportunities and occupations.

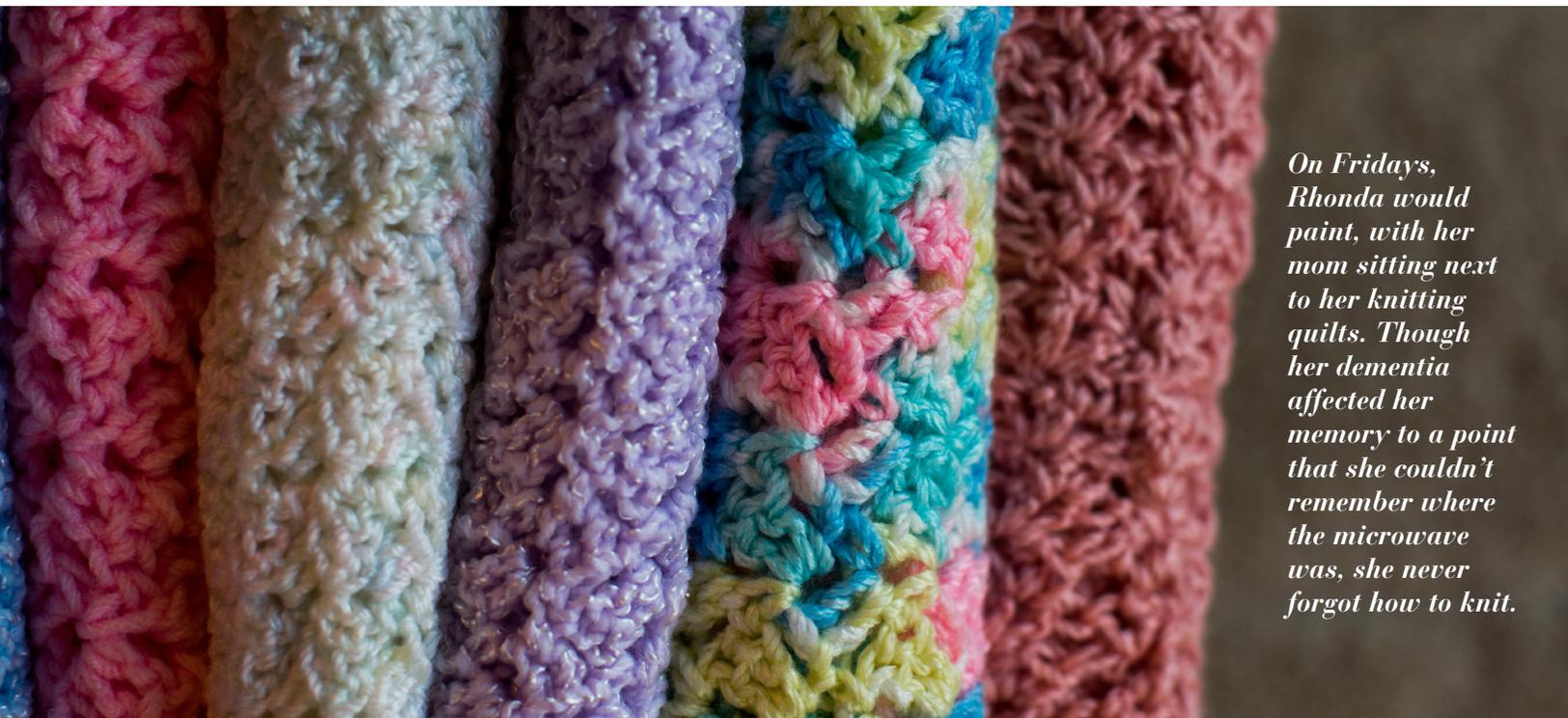
Housing and Long-Term Services and Supports: *increase the availability of housing options and community-based services and supports best-suited to the needs of beneficiaries that will improve or sustain their quality of life.*

The statewide housing shortage disproportionately affects Trust beneficiaries. This past year, the Trust worked hand in hand with the Division of Senior and Disabilities Services, providers, advocacy groups and various communities across the state to respond to the significant changes to Alaska's home - and community - based services brought forth by the release of the Centers for Medicare and Medicaid Services' final rule issued in March 2014. The requirement for "conflict-free case management," which requires that care coordination be separated from the provision of direct services, required extensive work to understand and educate what this meant for Alaska, while designing and implementing the new conflict-free system and minimizing the disruption to service recipients.

Additionally, in 2015, the Trust embarked on a unique partnership with the new administration in Anchorage to house a technical position in the Mayor's Office, focusing on housing and homeless services for Trust beneficiaries who are homeless in Anchorage. Mayor Berkowitz made a commitment to develop community structures and resources to reduce the number of homeless people in the city. While this position is focused on the municipality of Anchorage, the Trust is still actively engaged in statewide housing strategies.

“Alzheimer’s Resource of Alaska was such a huge resource to us. I would call them and say ‘I just have a quick question,’ and I would be on the phone with them for an hour. They always had time, they always listened, and they always had a Kleenex.”

— Rhonda, daughter of Trust beneficiary



On Fridays, Rhonda would paint, with her mom sitting next to her knitting quilts. Though her dementia affected her memory to a point that she couldn't remember where the microwave was, she never forgot how to knit.

MEDICAID REDESIGN

In the past year, Medicaid reform has become a subject of great public and political debate as Alaska faces an uncertain financial future. The current Medicaid program is widely recognized as unsustainable, and its redesign is largely promoted as a solution, in part, to the state’s current fiscal crisis.

For more than 20 years, Alaskans have pursued a non-partisan strategy of “Medicaid refinancing” to reduce general fund expenditures by shifting healthcare costs to the Medicaid program. As a result, the state’s comprehensive behavioral health services are now almost completely dependent on Medicaid – a considerable savings to the general fund. However, Medicaid “refinancing” didn’t just change the funding for services, it changed service systems, restricting services only to those eligible for Medicaid and limiting services only to the types that are reimbursable as dictated by Medicaid rules. Some populations, especially those at high risk of involvement in the criminal justice

Nearly 60% of adults with a mental illness didn’t receive mental health services in the previous year.¹

system, lost access to critical services, such as mental health and substance abuse treatment. Thus, the system increasingly became crisis-driven.

The Trust pledges a committed and collaborative approach to the development and implementation of effective Medicaid reform, working together with Gov. Walker and the Legislature. The Trust knows that expanding Medicaid will fill critical gaps in access to health and mental health care and allow for the recovery of thousands of Alaskans, fulfilling our mission to improve

¹Substance Abuse and Mental Health Services Administration



Sandra has a traumatic brain injury (TBI). Her first brain injury occurred at the age of nine when she was hit in the head with a stick while playing. Her second injury occurred during a ski accident, and her third injury occurred during a hand cycling accident.

the lives of Trust beneficiaries. While the expansion of Medicaid is important, it must be done in conjunction with Medicaid reform and transforming the state’s behavioral health system.

The Trust not only consistently advocates for Medicaid redesign but funds efforts too. For example, the Trust funded a contract through the Department of Health and Social Services that examined how other states have implemented reforms so Alaska can learn from their examples and adopt best practices while still considering Alaska’s unique conditions and needs.

Medicaid redesign provides many opportunities to minimize general fund expenditures by restructuring the Medicaid program to a system that provides more

The Trust invested more than \$600,000 this year to assist in making sound, strategic decisions regarding Medicaid redesign

lower-level services and reduces reliance on more costly crisis response services. This will ensure that more Alaskans get necessary services, including early identification of mental health issues. Prevention and early treatment are crucial



“The new normal is okay.”

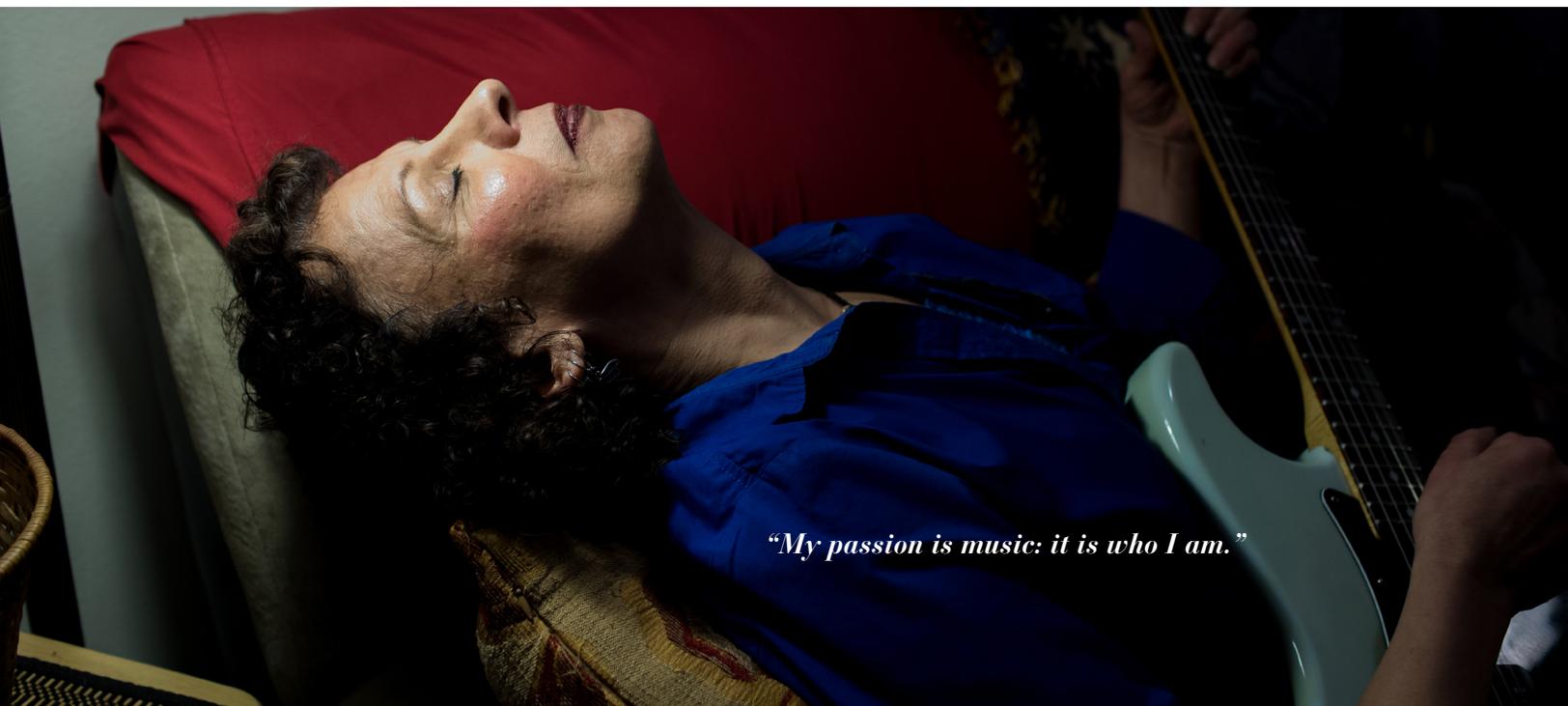
— Sandra, Trust beneficiary

(Left) One of the symptoms of Sandra’s TBI is amnesia. When she is out in public and gets confused or has difficulty remembering things, she shows people her card. Most people respond to her card and give her the help she needs.

to alleviating individual suffering, lessening social services costs and reducing the tragic outcomes that often occur when conditions go untreated.

Finally, this multi-pronged approach of expanding and reforming Medicaid and redesigning the behavioral health system are the foundation upon which

any significant effort to stop the growth in our prison population, reduce recidivism, and contain future corrections and justice system costs must be based. Without these foundational pieces, criminal justice reform efforts will achieve only limited success and only around the margins of the problem.



“My passion is music: it is who I am.”

CRIMINAL JUSTICE REFORM

The Trust recently commissioned a study characterizing Trust beneficiaries in Alaska correctional facilities. Since that time, the Trust has taken proactive steps to implement the recommendations of the report, which contributes to a large body of research showing that a significant number of individuals in custody have behavioral health problems – mental health, substance use disorders or both.

Indeed, on a given day, 65 percent of the Alaska Department of Corrections’ population comprises of Trust beneficiaries, essentially making it the state’s largest mental health provider. This figure alone substantiates the Trust’s commitment to finding effective ways to mitigate the growing populations of Alaska’s prisons.

Kione is 22 years old; his name means “John” in Hawaiian. When he was 13 years old his mom had a mental breakdown and left the family, causing the onset of his depression and anxiety.



The report provides details on the characteristics of incarcerated beneficiaries; analyzes information on the services available to them in the correctional system and within the community; identifies barriers to treatment; discusses research and evidence-based practices that show improved outcomes and recidivism rates; and provides an analysis of the costs and benefits of implementing effective treatment services.

The report concludes with a recommended framework for the next phases of reform, which addresses the overlapping objectives of the ADOC and behavioral health services. The framework serves as a model for working with and providing treatment for Trust beneficiaries in the corrections system and is divided into five stages.

Framework for Next Stages of Reform

1. Early intervention/diversion
2. Booking and screening practices
3. In-facility practices
4. Release planning
5. Community aftercare

Trust beneficiaries account for more than 40% of incarcerations each year¹

For felony offenses, Trust beneficiaries remain in jail twice as long as non-Trust offenders and 150% longer for misdemeanor offenses¹

Given the state's current fiscal crisis, identifying and reforming the ways in which Trust beneficiaries intersect with Alaska's correctional system is a sound, if not necessary, financial investment. Through partnerships, like those with the ADOC, the Trust is working to advance the most cost-effective policies and procedures to protect public safety while reducing beneficiary involvement with the criminal justice system.

Criminal reform efforts have become widely recognized as a way to maintain public safety while reducing costs. Alaska currently spends more than \$330 million each year on corrections, up 50 percent since 2005.

The Trust, along with a host of partners including the administration and the Legislature, is actively working to identify and implement strategies for reducing recidivism and promoting positive prisoner reentry programs, some of which are highlighted below.

Nearly 1/3 of beneficiaries have been involved with the child welfare system as a parent and/or as an abused or neglected child¹

Alaska Justice Information Center

In 2015, in partnership with the state, the Trust helped fund the formation of the Alaska Justice Information Center (AJIC), housed within the Justice Center at the University of Alaska Anchorage. AJIC recently began overseeing the Pew-MacArthur

Results First Initiative, a collaboration

¹Hornby Zeller Associates, Inc. Trust Beneficiaries in Alaska's Department of Corrections. Alaska. May 2014.

with the state to further its criminal justice reform efforts. AJIC is working to create an integrated database with information from key criminal justice and state agencies, which will allow the center to provide cost-benefit analysis of programs aimed at reducing criminal recidivism and overall state correctional expenditures; data-driven answers to questions from state agencies and

legislators; and reports on the status of Trust beneficiaries within the criminal justice system, among many other benefits.

Alaska Prisoner Reentry Initiative

As part of their ongoing recidivism reduction efforts, the ADOC created the Alaska Prisoner Reentry Initiative, or AK-PRI, the mission of which is to improve public safety by reducing



In 2013, while Kione was in college, his mental health started to deteriorate. His grades dropped, and he eventually lost his campus housing. With nowhere else to turn, he went to a homeless shelter for youth. Today, he lives at the transitional housing unit and receives mental health services.

crime through the implementation of services and supervision for each returning citizen, delivered through state and local collaboration, from the time they enter prison through their successful transition, reintegration and aftercare in the community. Working with the department, the Trust recently funded reentry coalition coordinators in four locations including Anchorage, Mat-Su, Fairbanks and Juneau. They will work to effectively manage the needs of all returning citizens, including Trust beneficiaries, within a community. These coalitions comprise pertinent state and community-based service organizations and design comprehensive community reentry plans that focus on the assets, gaps, barriers, proposed solutions, case management strategies and plans to follow evidence-based practices for reentry services.

Justice Reinvestment

In June 2015, state leaders launched the Justice Reinvestment Initiative, a comprehensive review of Alaska’s criminal justice system designed to develop evidence-based policy reforms to improve public safety, implement sound sentencing structures and control corrections costs. Recommendations from the Alaska Criminal Justice Commission, of which Trust CEO Jeff Jessee is a member, were published in December 2015 and will be presented during the 2016 Legislative session.

“Without the Covenant House I would have just continued to fall.”

— Kione, Trust beneficiary

BEHAVIORAL HEALTH SYSTEMS ASSESSMENT

The Trust, in partnership with the Department of Health and Social Services, Division of Behavioral Health, Alaska Native Tribal Health Consortium and Mat-Su Health Foundation, recently completed an assessment of the state-funded behavioral health system.

Building upon previous and ongoing efforts, the Alaska Behavioral Health Systems Assessment set out to identify the behavioral health needs of Alaskans and the capacity of the state-funded system to meet those needs, using data from 2009-2013.

Below are some of the findings on behavioral health needs:

- **27%** (145,790) of adults are estimated to have some sort of behavioral health need. Approximately **12%** (62,815) of adults are estimated to need treatment for drug or alcohol use,

and **19%** (105,966) had some mild, moderate or severe mental health need. Furthermore, **4%** (21,302) were estimated to have serious mental illness, while **16%** (84,663) had mild or moderate mental health issues.

- **Among traditional high school students, 34%** (8,450) were identified as having at-risk behavior for substance use, while **18%** (4,461) were estimated to have a moderate or high-risk behavior for substance use.
- **Approximately 29 %** (7,214) of traditional high school students are estimated to have had a mental health issue in the past year, and **10%** (2,396) were thought to have a moderate or high risk for substance use and a mental health issue in the past year.

It is important to note that need does not always equal demand. The closest estimate of demand for the system is the number of individuals currently utilizing services. **For example, while 27% (145,790) of adult Alaskans were estimated to have a need for behavioral health services, approximately 19% (27,728) were served.** Many of the individuals not served through the state-funded behavioral health system may be receiving services through other payer sources, while some may be falling into a gap of unmet need, meriting further exploration.

In terms of capacity of the state-funded behavioral health system, the assessment confirmed what has been suspected for a number of years: the state-funded behavioral health system does not offer a full continuum of behavioral health services to meet the needs of Alaskans. Gaps in the continuum of care include supportive housing, intensive outpatient services, step down/aftercare services as well as prevention services. As a consequence of these gaps, the system becomes crisis-focused, expensive and:

- Results in people with behavioral health needs not experiencing care in the most optimal setting, instead

receiving care at the most intensive and expensive levels of care – residential treatment, emergency departments and hospitals; and

- Tends to focus on the more severe end of the spectrum of behavioral health needs, overlooking the need for services for individuals with mild and moderate levels of behavioral health need.

There are a number of challenges and constantly evolving federal, state, local and organizational forces that impact the system capacity. For example, both workforce capacity issues, as well as untapped Medicaid billing potential, contribute to the gaps. Addressing these issues will be even more critical as the state engages in Medicaid redesign.

The Trust plans to use the current findings and further analyses to guide the next steps in working to develop a comprehensive integrated behavioral health plan and program for the state of Alaska.

GRANT MAKING

The Trust designates a portion of its annual operating budget for grants to beneficiaries, non-profits, service providers, tribal entities, governmental agencies and other groups that prioritize goals and initiatives consistent with the Trust’s mission. Grants are provided for a variety of purposes including: capital, equipment purchases, capacity building, planning, outreach and conference sponsorships.

Examples of Funded Projects and Causes

Grants in FY15

	<i>Total # of Grants</i>
<p>Authority Grants: \$6,962,056</p> <p>Designated to community providers and nonprofits and approved by the Trust CEO and board of trustees.</p>	131
<p>MHTAAR Grants: \$8,517,200</p> <p>Designated to state agencies and approved by the Legislature.</p>	45
<p>Mini Grants: \$1,207,329</p> <p>The Trust mini grant program provides individuals with all Trust beneficiary groups up to \$2,500 for a broad range of equipment, supplies and services to improve their quality of life, increase independent functioning and help them attain and maintain healthy and productive lifestyles. A mini grant is based on need and is awarded to an agency on behalf of the beneficiary.</p>	874

- Kenai Community Center
- YKHC-ONC Family Center
- Alaska Conference on Housing and Homelessness
- Kenai Peninsula FASD Regional Conference
- Donated dental project
- Path to Sustainability: Finding Hope While Living With Loss
- Pick. Click. Give. to benefit beneficiaries
- Specialized skills and services training on serving cognitively impaired offenders

- Coordinated Transportation
- Essential program equipment
- Microenterprise funds
- Mental health clinician oversight in youth facilities
- Partners in Policymaking
- Scorecard update
- Disability Employment Initiative
- Trust Training Cooperative

- Therapeutic devices
- Adaptive equipment
- Dental

FINANCIALS

The Alaska Mental Health Trust Authority and the members of the board of trustees are fiduciary agents responsible for the management and safeguarding of assets for the benefit of current and future generations of beneficiaries. Trustees make recommendations to the governor and the Legislature to expend Trust income and other state funds for Alaska's comprehensive integrated mental health program.

To finance the expenditure of Trust income, the Trust utilizes a handful of organizations to manage its assets, which are broadly categorized as either "cash" or "non-cash" assets. Cash assets are managed by the Alaska Permanent Fund Corporation – tasked under Alaska statute with managing Trust principal – and the Alaska Department of Revenue Treasury Division which manages a portion of budget reserves. The Department of Natural Resources Trust Land Office (TLO) manages the "non-cash" assets, which constitute approximately one million acres of land located throughout the state and, more recently, a growing directly owned real estate portfolio consisting of office buildings in a handful of states. The TLO generates revenue for the Trust through office and land rental as well as through the extraction of renewable and non-renewable resources including timber, gas and precious metal extraction.

The Trust's total net position at the close of FY15 reached \$601.9 million, an increase of \$20.5 million (or 3.5%) from the beginning of the fiscal year. The Trust's total revenues fell to \$44.1 million, a decrease of \$38.7 million (or 46.7%) from the prior fiscal year due to weaker investment results. There were a bevy of challenging global events that fueled volatility that dampened investment returns during the fiscal year. Investment income net of operating expenses from investments managed by APFC fell to \$21.4 million during the year (a decrease of \$41 million). The APFC investment yield

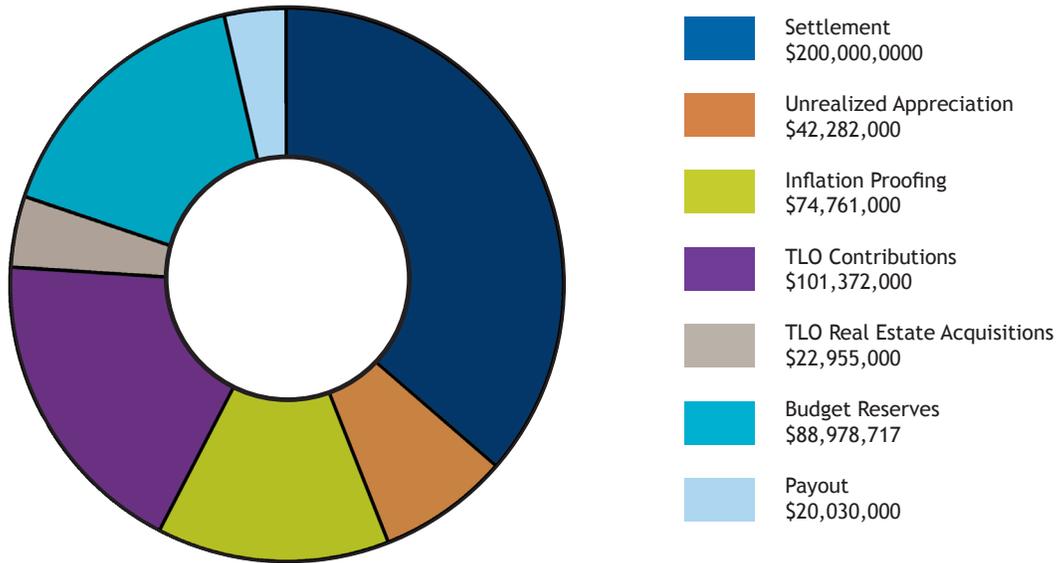
was 4.9%. Private equity holdings managed by APFC performed exceptionally well, contributing more than \$14.4 million to the Trust's performance and returning 16.5%. Real estate managed by APFC also performed well, returning 9.8%. International equity and international fixed income, on the other hand, were both a drag on performance with negative returns. Investments managed by Treasury returned 3.7% overall. The share of net revenues generated by the APFC and Treasury fell to 54% of total revenues versus 83% during the previous year. The balance of revenues is primarily attributable to TLO activities that contributed nearly \$13.4 million in revenue – an increase of more than \$950,000 from the prior year. Contributing factors that bucked the downward commodity price trend included a settlement of a case before the Alaska Oil and Gas Conservation Commission that resulted in recognition of previously deferred revenue, higher rents due to an acquisition of an office building in Austin, Texas, as well as the benefit of a full year of lease revenues from the prior acquisition of an office building in Tumwater, Washington, and the execution of another successful annual land sale program.

To ensure a relatively stable cash flow from year to year, the total funding available each year for trustees to allocate is a combination of the following:

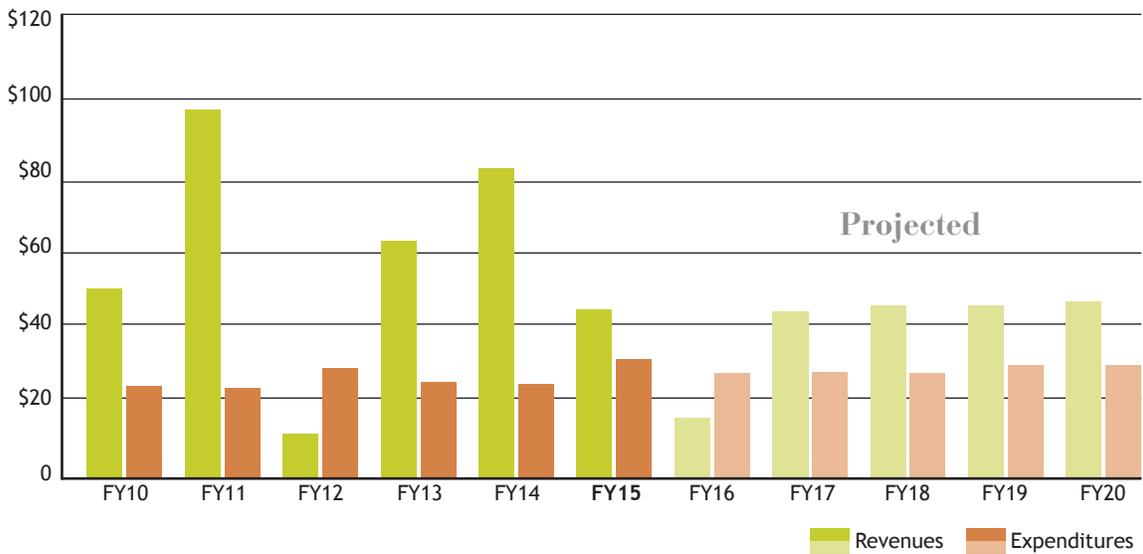
- **Base payout (4.25 percent of the average value of the Fund's cash assets)**
- **Spendable income generated from land and other non-cash assets**
- **Interest income earned on cash balances**
- **Unexpended funds from prior fiscal years.**

FINANCIALS

Trust Cash Assets at End of FY15



Revenues & Expenditures (in millions)

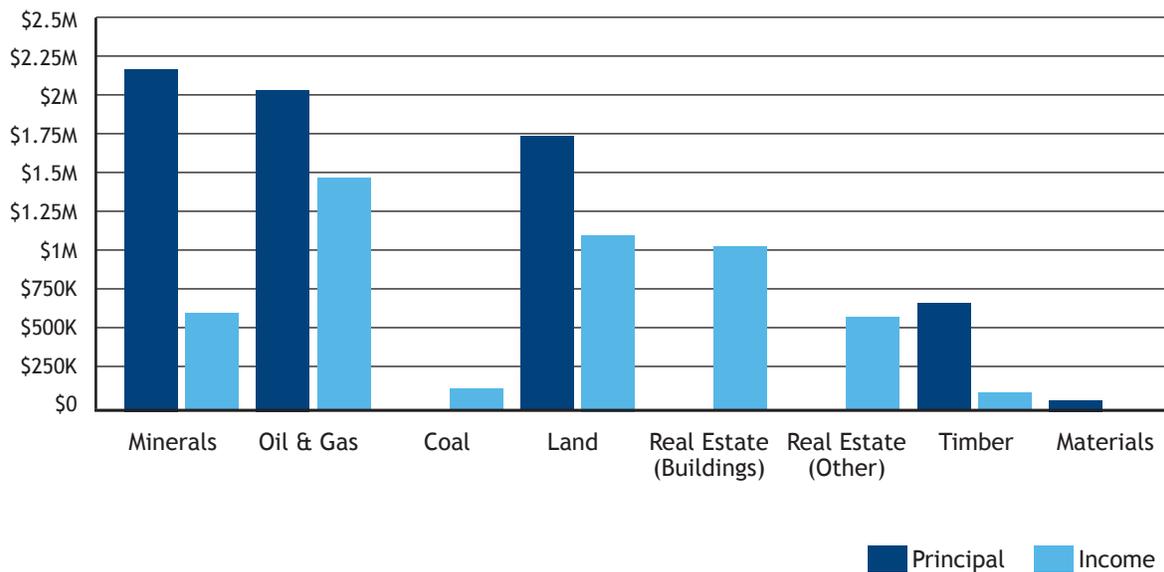


Trust Land Office

The Trust Land Office continues to pursue opportunities that provide long-term, dependable income revenue and 2015 has proved to be the highest income revenue on record.

The Trust Land Office engages in strategies to increase Trust income. For example, purchasing income generating real estate, exploring and marketing our mineral resources, and working on a land trade with the Forest Service to increase our marketable timber.

Trust Land Office Revenue Generated in FY15



Board of Trustees

Russ Webb, Chair

Mary Jane Michael, Vice Chair

Larry Norene, Secretary/Treasurer

Laraine Derr

Paula Easley

Carlton Smith

Trust Advisors

Advisory Board on Alcoholism and Drug Abuse*

Alaska Commission on Aging*

Alaska Mental Health Board*

Governor's Council on Disabilities and Special Education*

Alaska Brain Injury Network

Alaska Court System

Alaska Housing Finance Corporation

Alaska Permanent Fund Corporation

Department of Corrections

Department of Health and Social Services

Department of Natural Resources

Department of Revenue

Statewide Suicide Prevention Council

**Statutory Partner*

Approximate Number of Trust Beneficiaries

Mental illness: 34,000

Developmental disabilities: 13,000

Chronic alcoholism and other substance-related disorders: 20,000

Alzheimer's disease and related dementia: 6,000

Traumatic brain injury: 11,000



This publication is required by AS 47.30.046(b) by the Alaska Mental Health Trust Authority. The Trust, in an effort to minimize costs, only printed 350 copies of this report and will have an electronic version available on its website, mhtrust.org. This report was printed in Anchorage, Alaska at a cost of \$7.97 per copy.