

HOUSE FINANCE COMMITTEE
February 5, 2025
1:32 p.m.

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CALL TO ORDER

Co-Chair Josephson called the House Finance Committee meeting to order at 1:32 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Andy Josephson, Co-Chair
Representative Calvin Schrage, Co-Chair
Representative Jamie Allard
Representative Jeremy Bynum
Representative Alyse Galvin
Representative Sara Hannan
Representative Nellie Unangiq Jimmie
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

Representative DeLena Johnson

ALSO PRESENT

Brent Fisher, Chair, Board of Trustees, Alaska Mental Health Trust Authority; Mary Wilson, Chief Executive Officer, Alaska Mental Health Trust Authority; Allison Biastock, Chief Communications Officer, Alaska Mental Health Trust Authority; Jusdi Warner, Executive Director, Trust Land Office, Alaska Mental Health Trust Authority; Julee Farley, Chief Financial Officer, Alaska Mental Health Trust Authority; Katie Baldwin-Johnson, Chief Operating Officer, Alaska Mental Health Trust Authority.

SUMMARY

PRESENTATION: ALASKA MENTAL HEALTH TRUST AUTHORITY

HB 53 APPROP: OPERATING BUDGET; CAP; SUPP

HB 53 was HEARD and HELD in committee for further consideration.

HB 55 APPROP: MENTAL HEALTH BUDGET

HB 55 was HEARD and HELD in committee for further consideration.

Co-Chair Josephson reviewed the meeting agenda.

^PRESENTATION: ALASKA MENTAL HEALTH TRUST AUTHORITY

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HOUSE BILL NO. 53

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; making supplemental appropriations; making reappropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

HOUSE BILL NO. 55

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

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BRENT FISHER, CHAIR, BOARD OF TRUSTEES, ALASKA MENTAL HEALTH TRUST AUTHORITY, introduced the PowerPoint presentation "Alaska Mental Health Trust Authority" dated February 5, 2025 (copy on file).

Mr. Fisher continued on slide 2 and explained that the board of trustees was an independent board that provided governance, fiduciary, oversight, and direction to the organization in achieving the mission of the trust. Trustees had five-year terms and were appointed by the governor and confirmed by the legislature.

Mr. Fisher advanced to slide 3 and explained that that the board considered Alaskans who had any of the conditions listed on the slide to be the beneficiaries of the trust. The board supported both youth and adult beneficiaries and prioritized individuals whose behavioral health condition or developmental disability placed them at risk of institutionalization if they did not receive proper care. The trust was also committed to preventing conditions from occurring when possible. He emphasized that improving life and health outcomes for beneficiaries was central to the trust's mission.

Mr. Fisher continued to slide 4 and described the trust as a state corporation that administered a perpetual trust to improve the lives of its beneficiaries. The trust was unique in that it was an independent entity within state government that used the proceeds from its land and cash assets to provide a comprehensive suite of mental health and disability services to meet the needs of both beneficiaries and communities. The trust funded its work through grant making and by advancing initiatives aimed at improving the system of care. Although the trust operated independently, it partnered closely with the state, local governments, nonprofits, tribal partners, and other providers to fulfill its mission. The trust prioritized its resources for system improvements, innovation, and strategic initiatives. An important entity within the trust was the Trust Land Office (TLO), which managed about 1 million acres of land and other non-cash assets to generate revenue for the trust.

Mr. Fisher explained that he would show a short video on slide 5.

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Mr. Fisher played the video on slide 5. The video explained that the trust was created in 1994 after a legal settlement between beneficiary groups and the Alaska. In the settlement, the state granted the trust 1 million acres of land and \$200 million in cash, making the trust the only one of its kind in the country. The video also compared the trust to a garden where cash, land, buildings, and natural resources like gold, coal, and timber were cultivated to generate money for beneficiary-related programs. The trust's funds were managed by the Alaska Permanent Fund Corporation (APFC) and its land and non-cash assets were

managed by TLO. The trust played a critical role in funding programs that improved the lives of beneficiaries, including individuals with mental illnesses, developmental disabilities, chronic substance abuse, Alzheimer's disease, and traumatic brain injuries. The trust awarded more than \$20 million annually in grants and was actively involved in advocacy, policy planning, and ensuring the state had a comprehensive mental health program. The trust also focused on key efforts like substance abuse prevention and treatment, housing, employment, long-term services, and disability justice.

Mr. Fisher concluded by inviting everyone to visit the trust's website for more information.

Co-Chair Foster thanked the presenters and liked the simplicity of the video.

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MARY WILSON, CHIEF EXECUTIVE OFFICER, ALASKA MENTAL HEALTH TRUST AUTHORITY, introduced herself. She explained that she had been in the CEO role for only two weeks. She relayed that she grew up in Alaska because her father moved to the state during the oil boom. She had graduated from Dimond High School and attended medical school at the University of Washington through the Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) program. She worked with Kaiser Permanente's Medical Group, where she took on multiple leadership roles that prepared her for her current position.

Ms. Wilson explained that during her time at Kaiser Permanente, she grew into various leadership positions and managed hospitals, clinics, and medical staff. She shared that she learned a great deal about population care management, prevention, and outcome management, as well as managing people. She emphasized that listening to patients to understand their needs and desires was another important lesson that would serve her well in Alaska.

Ms. Wilson explained that while it is essential to manage crises effectively, prevention was just as important. By preventing crises before they occur and addressing the root causes, health care providers could improve the overall health of the population. She noted that factors like social determinants of health and lifestyle choices

accounted for 80 percent of a population's health outcomes, which was why those aspects needed to be prioritized.

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Ms. Wilson shared that she was excited about the work the trust was already doing. The trust's focus on both managing crises and preventing them aligned well with her personal philosophy of health care. Although she had only been in the role for two weeks, she expressed confidence in the team she was working with.

Representative Stapp remarked that her resume was impressive. He asked about the decisions behind the advertising campaign from the trust and noted that he had seen ads frequently on YouTube. He asked why the campaign was initiated as he had not encountered ads by the trust before.

Ms. Wilson deferred the question to her colleague.

ALLISON BIASTOCK, CHIEF COMMUNICATIONS OFFICER, ALASKA MENTAL HEALTH TRUST AUTHORITY, explained that the trust was currently running an active campaign aimed at educating the public about the connection between trust lands and their purpose. The campaign highlighted how funds generated from the lands supported grant-making and trust beneficiaries. She clarified that the ads were not new, and it was possible that Representative Stapp had encountered the ads on some of the digital platforms where the trust had targeted its ad buys. She added that the trust also engaged in media campaigns focused on reducing stigma, which had been running for some time.

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Ms. Wilson continued on slide 7 to discuss the financial position of the trust. She explained that the trust had experienced steady growth in its assets since its inception, which reflected sound management by the board. As of the end of the last fiscal year, the trust's cash resources and investments totaled \$788.5 million, with an additional \$59.8 million in real estate equity, bringing total assets to \$848 million. The total represented a modest increase from the previous year, where total assets had amounted to \$818 million. The trust's corpus was managed by APFC and stood at \$551 million, which was an

increase from \$538 million the previous year. Since its inception in 1996, the corpus had grown due to revenues from activities on trust lands and permanent transfers for inflation proofing.

Ms. Wilson continued that the trust used a four-year average to calculate its annual budget withdrawal. The approach ensured that the trust remained a stable and reliable funding partner for Alaska's beneficiary-serving organizations. The blue bar on the chart on the slide represented the reserves held by the trust to guarantee spending for beneficiaries, even in periods of market downturn. The trust had \$108 million in unrealized appreciation, represented by the red bar. Unrealized appreciation was based on market value and was not available for spending until realized, as determined by the APFC investment team. She added that the real estate equity, represented by the dark blue bar, stood at \$59.8 million. She reiterated that the trust owned one million acres of land, although the land was not reflected in the chart.

Co-Chair Schrage asked why the value of the one million acre of trust land was not included on the chart.

Ms. Wilson responded that the lands were valued at \$1 per acre for simplicity, but the figure did not accurately reflect the true worth of the lands. She noted that some of the land was empty and some was accessible, and it was difficult to estimate an accurate market value for the lands.

Co-Chair Schrage asked where the \$1 per acre valuation had originated.

Ms. Wilson replied that it was a general use value figure that had been used for a long time.

Co-Chair Schrage asked if there had been any efforts to develop a more accurate method for valuing the land.

Ms. Wilson deferred the question.

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JUSDI WARNER, EXECUTIVE DIRECTOR, TRUST LAND OFFICE, ALASKA MENTAL HEALTH TRUST AUTHORITY, explained that in order to

obtain an actual value for the million acres of land and resources, an appraisal would be necessary. However, appraising such a large amount of land would be cost-prohibitive. There were very few appraisers in Alaska, making it nearly impossible to conduct such an appraisal.

Representative Stapp noted that land in Fairbanks was priced much higher at around \$20,000 per a half-acre. He asked where the "abundance of cheap" \$1 per acre land was located.

Ms. Warner responded that before the trust sold any land, it was appraised and sold at market value, which was sometimes simply what someone was willing to pay for the land. The \$1 per acre valuation was a simple book value applied at the time the trust received the land and resources. The valuation was based on the best information available at the time of the transactions, which occurred over 30 years ago. She added that the situation had changed since then.

Representative Stapp asked if the trust was selling land at \$1 per acre. He thought there seemed to be confusion.

Ms. Warner responded that no land was being sold for \$1 per acre.

Co-Chair Foster commented that the situation might be similar to how the university dealt with land on its books.

Co-Chair Josephson agreed that Co-Chair Foster was probably correct.

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Representative Hannan recalled a past sale of a prominent piece of trust land in the community, which had sold for nearly four times its appraised value. She asked if Ms. Warner could provide more information.

Ms. Warner responded that the appraisal for the property had now become public. She could confirm that the property had been appraised in the lower millions, but the trust had sold it for \$20 million.

Co-Chair Josephson understood that TLO employees were housed in the Department of Natural Resources (DNR) but paid using trust assets.

Ms. Warner responded that his understanding was correct.

Ms. Wilson continued on slide 8 which detailed the trust's commercial real estate investment. She explained that the assets were actively managed by TLO professionals. The board of trustees had previously determined that it was in the trust's best interest to sell the commercial real estate portfolio as it had met its investment objectives. The properties were originally purchased with a holding period of 7 to 20 years and the newest property was now 8 years old, meaning all properties had reached the expected holding period. Two properties had already been sold, which resulted in gains for the trust, and there were currently four properties remaining in the portfolio. She noted that three of the properties were in Alaska, but one was located in Texas. The trust had voted to cease the acquisition of any new commercial real estate properties for the time being. She noted that the properties had higher-than-average occupancy rates. The national benchmark for occupancy set by the National Council of Real Estate Investment Fiduciaries was around 80 percent and the trust's properties had an occupancy rate of 92 percent.

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Representative Hannan asked how trust land was acquired in Texas.

Ms. Warner responded that it was a trust decision to purchase commercial real estate outside of Alaska.

Ms. Wilson continued on slide 9. She explained that the slide illustrated how the trust determined its available funding. The calculation used to determine the annual budget for the upcoming fiscal year was presented on the left side of the slide. She relayed that the amount was projected to be \$39.9 million in FY 26. The chart on the right showed that the trust continued to see stable growth in its available funding thanks to the use of averaging.

Ms. Wilson noted that in late FY 24, the board had approved an update to the formula used to determine the annual expenditure amount. For future revenue calculations, a

four-year average would be used for invested assets. However, the calculation would also incorporate a two-year average of both TLO income from the prior years' unexpended funds and the actual interest income from the most recent fiscal years. The changes were intended to increase certainty for the annual revenue calculation without having any negative impact.

Ms. Wilson explained that the largest portion of the budget was funded through a withdrawal from the trust's invested assets, which was calculated as 4.25 percent of the average value from the previous four years. She stated that the two-year average of prior funds were carried forward, which included grants from prior years that had not been fully expended. She relayed that it was not uncommon for all budgeted funds to not be utilized due to various circumstances. Unused grant funds rolled back into the annual spending calculation and the process would be made quicker due to the new two-year average carried forward funds. The TLO's spendable income also contributed to the available spend estimate, which was shown on the slide as \$4.2 million and was based on a two-year average. The available funding also included nearly \$1.8 million in interest earning.

Ms. Wilson noted that the committee had previously expressed an interest in learning more about the trust's payout. She explained that the payout rate had started at 3 percent annually at the fund's inception and had gradually increased over time to the current rate of 4.25 percent. The trustees were presently in discussions with consultants from Callan to examine trust spending and help determine if changes to the payout percentages were in the best interest of both current and future trust beneficiaries.

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Co-Chair Schrage remarked that he was learning a lot about the trust and was trying to wrap his mind around its mission, how it functioned, and how the amount to be spent was determined. He understood the rationale behind the 4 percent withdrawal from investment earnings to avoid depleting the corpus and maintain steady funding. He requested more information on whether the trust spent the profits from sources like real estate transactions from the prior year, in addition to the 4.25 percent from investment earning.

Ms. Wilson responded not all of the income provided by TLO from real estate and other sources was spendable. She explained that a portion of the funding went back into the principal, which was mandated by statute. The real estate portion included only the spendable income, which was related to the status of leases. She noted that income that was considered royalties went into the corpus. She added that TLO's spending decisions were more complex and she offered to follow up with information on the different ways TLO distributed its funds.

Co-Chair Schrage asked whether there was a consistent flow of spendable income coming from TLO each year or if the income was more volatile, depending on market phases or other developments.

Ms. Wilson responded that while the 4.25 percent from the corpus was relatively steady, other income such as interest earnings was subject to market volatility. The two-year averaging system was designed to reduce volatility in the spending, which helped maintain a more consistent flow of available funds.

Representative Galvin understood that \$3.6 million would be carried forward. She asked if it was typically around 10 percent of the overall investment in mental health services that was expected to carry forward.

Ms. Wilson responded that she could provide the data for the last 10 years in writing. She had observed that the carry-forward amount had been fairly consistent, but she wanted to ensure she provided accurate information.

Representative Galvin remarked that she thought the intention was to spend all available funds, rather than carry them forward. She was curious why funds were carried forward and suggested having a discussion on the topic at some point in the future. She referred to the chart on slide 7 that illustrated the four-year average used to determine the annual expenditure amount. She asked whether an increase in the available funding for FY 26 should be expected given the market's strong performance and the significant growth in the corpus that was represented by the green bars on the chart.

Ms. Wilson deferred the question.

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JULEE FARLEY, TRUST CHIEF FINANCIAL OFFICER, ALASKA MENTAL HEALTH TRUST AUTHORITY, explained that the trustees approved the budget in August every year, but for FY 26, the final June 30, 2024, values of the Permanent Fund would not be known until September 15, 2025. Since the fiscal year for the trust ended on June 30, the trust had to look at the values from the previous year when determining the budget for FY 26. The uncertainty meant that the trust could not include the final values from the year ending June 30, 2024, in the calculations.

Representative Galvin asked whether the Permanent Fund mentioned referred to the corpus of the trust.

Ms. Farley responded that APFC managed the trust's principal and reserves by statute.

Representative Galvin understood that the information on the corpus came from APFC, and the trust had to wait for the corporation to provide the data.

Ms. Farley added that the timing was associated with receiving information from APFC, which was why there was a slight delay in using the most current data.

Representative Galvin commented that she had expected a higher increase than the \$1 million bump in the available funding given the positive performance over the last four years. She appreciated the clarification.

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Ms. Wilson continued on slide 10 and the trust's FY 26 spending allocations. She emphasized that the trust entire budget was self-funded, and it did not rely on state general fund dollars. She clarified that only the board had the authority to spend trust funds, and every increment in the budget had been approved by the trustees. The budget development process was done in close collaboration with state agencies, providers, tribal organizations, nonprofits, beneficiaries, and other partners.

Ms. Wilson explained that the FY 26 budget totaled around \$40 million. The largest portion, represented by the dark

green section of the pie chart, was designated for authority grants, which were trust grants awarded outside the state budgeting process and went directly to beneficiary-serving partners in the community. The yellow slice represented the Mental Health Trust Authority Authorized Receipts (MHTAAR) grants, which were trust grants to state agencies. She indicated that all MHTAAR increments were required to be part of the state budget process and the legislature needed to provide receipt authority for the trust funds to be used for the designated purposes. The grants reflected a long-standing commitment to state partners that played a critical role in serving beneficiaries. Since the trust's inception, approximately \$270 million had been granted to state agencies. Trust funds were intended to support state funding rather than replace it. The trust's annual budget represented only a small fraction of the total state spending dedicated to supporting the health and wellness of Alaskans.

Ms. Wilson noted that the chart also showed the remaining slices of the budget, which represented the operational expenses of both the trust and TLO. The expenses included advocacy and systems change efforts, grant funding administration, and the management and development of trust lands. The trust employed 17 full-time employees and TLO employed 19 full-time employees.

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Ms. Wilson continued to slide 11 which provided further details on the MHTARR slice of the pie graph on slide 10. She relayed that there was \$10.2 million in MHTAAR funding which was allocated to numerous state partners through the state's budget process. There were over 50 MHTAAR increments that had been transmitted to be included in the FY 26 budget. The funds would support various initiatives, including capital funds for programs working with trust beneficiaries, training programs for workforce development, data and planning efforts, and fund positions in multiple departments focused on beneficiary issues.

Representative Stapp understood that it was common for the trust to make recommendations on how the MHTAAR funding should be spent. He stated it was primarily because AMHTA used zero based budgeting, while the state did not. He asked how many times over the last few years had MHTAAR

funding disappeared after the trust had encouraged the state to start a new program.

KATIE BALDWIN-JOHNSON, CHIEF OPERATING OFFICER, ALASKA MENTAL HEALTH TRUST AUTHORITY, offered to conduct some reflective research on the issue. The trust's role in funding initiatives was to provide catalytic support, especially when launching new programs. She clarified that the trust would typically help fund a program for several years to get it established and ensure that it became solid and sustainable. After the initial period, the state would assume responsibility for the continued funding of the program. The approach was designed to help transition programs to long-term sustainability, and it was a common strategy for the trust. She emphasized that while the trust provided initial support, the responsibility for the ongoing funding would eventually shift to the state as new programs were launched and stabilized.

Representative Stapp asked for more information about the trust's budgetary process and how long the trust intended to support new programs. He asked if there were specific guidelines or considerations for determining how long the trust would help fund the initiatives and programs before transitioning them to the state.

Ms. Baldwin-Johnson responded that when the trust and its trustees considered supporting larger initiatives, it gave careful consideration to the long-term commitment of trust funds and the eventual transition to sustainability. Every budget process involved thoughtful deliberation of how to manage the trust's resources, with a focus on being conservative in making recommendations for general fund support. The goal was always to ensure that trust funds were used effectively and that programs were transitioned responsibly to the state once the funds were established.

Representative Stapp asked if there was any information on the trust's website or budget documents that stated how long the trust planned to fund the Alaska Training Cooperative (ATC). He asked whether it was for a few budget cycles, a one-time contribution, or for an indefinite period.

Ms. Baldwin-Johnson responded that there was no specific document outlining the duration of the trust's funding for the cooperative. She explained that the trust had launched

the cooperative with significant investment of over \$10 million, which was intended to support the ATC in providing crucial training to the workforce serving beneficiaries across the state. Additionally, various state divisions and departments benefited from the cooperative's work. Over time, other funding sources had contributed to the cooperative, including state general funds and contributions from other partners and foundations. As a result, the trust had reduced its financial commitment over the years and transitioned the funding responsibility to additional contributors.

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Co-Chair Schrage asked for more information about the current role of the trust and how to determine what part the trust played in addressing mental health challenges in Alaska. He asked how to differentiate between the state's role and the trust's role, especially when it came to funding and delivering mental health services. He wondered if the trust's primary responsibility was to initiate and support programs or whether it should be viewed as the main funder and provider of core services. He acknowledged the complex history of the trust and was seeking to understand its role today, specifically in comparison to the state's responsibilities in addressing mental health issues.

Ms. Wilson responded that the trust's role was multifaceted. The trust had a responsibility to directly allocate funds through authority grants, but it also had a statutory obligation to provide recommendations to the state on the use of general fund dollars for supporting beneficiaries. The trust's involvement in both direct funding and recommending state allocations allowed it to utilize its expertise and partnerships to advocate for programs that would help beneficiaries. She emphasized that the trust's role was not just to provide direct funding but also to ensure strategic thinking and innovation in addressing mental health challenges.

Co-Chair Josephson understood that there were three funding buckets: authority grants, MHTAAR grants, and the recommendations.

Ms. Wilson responded in the affirmative.

Ms. Wilson continued on slide 12 which included the trustee's FY 26 operating and capital general fund expenditure recommendations. She highlighted that the governor's proposed budget had included about 35 percent of the trust's recommendations, with most of the operating budget and mental health-related recommendations being included. One of the items included in the proposed budget was the Crisis Call Center, which had a \$750,000 increment with an MHTAAR match. The initiative had been developed in partnership with the Department of Health (DOH) and aimed to support the ongoing implementation of behavioral health crisis response services. The funds would assist in the establishment of crisis call centers and provide direct intervention services, warm talk lines, referrals to treatment, and recovery supports for trust beneficiaries dealing with severe mental illnesses, substance use disorders, and at-risk youth. She expressed appreciation that the program had been included in the governor's budget.

Ms. Wilson relayed that another recommendation was funding the Alaska Housing Finance Corporation's (AHFC) special needs housing grants (SNUG) and the Homeless Assistance Program (HAP) grants. The programs primarily supported permanent supportive housing, emergency and transitional housing services, and provided resources to prevent homelessness and rapidly rehouse displaced individuals. Both programs had been longstanding priorities for the trust, but the governor's FY 26 budget did not include the trust's recommended general fund allocations for the programs. She relayed that the Office of Management and Budget (OMB) had indicated that AHFC's contributions to the programs had increased, leading to an overall increase in funding for the programs compared to the previous year. The budget process was still in its early stages and the trust planned to continue its collaboration with the legislature about the recommendations and their potential impact on trust beneficiaries.

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Representative Bynum asked whether the trust would provide an additional presentation in the future to discuss the housing programs and home modification initiatives in more depth, particularly the SNUG and HAP grants.

Ms. Wilson replied that the trust could return for a more detailed discussion if needed or provide additional information in writing upon request.

Co-Chair Josephson noted that AHFC often gave a separate presentation to the committee. He assumed that AHFC would provide a deeper dive into the SNUG and homeless assistance programs during their presentation.

Co-chair Foster remarked that he was surprised that HAP had not been fully funded, especially given the heightened attention to homelessness in the state in recent years. He was concerned about the reduction in funding for home modifications and upgrades. He asked if Ms. Wilson knew the previous year's request and the actual amount funded.

Ms. Wilson responded that she did not have the information readily available but would follow up. She emphasized that the budget was still in development and the figures on the chart could change.

Co-Chair Josephson recalled that Ms. Wilson had mentioned that one item was 35 percent funded. He asked for more information on the item.

Ms. Wilson responded that the 35 percent figure referred to the overall percentage of the trust's recommendations that had been included in the proposed budget, with the majority of the funding allocated to the operating budget rather than the capital budget.

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Ms. Wilson continued to slide 13 and detailed the trust's focus areas and priorities. The focus areas aligned with the populations the trust served and included disability justice, mental health and addiction intervention including the behavioral health response crisis team, beneficiary employment and engagement, housing and home and community-based services, workforce development, and early childhood intervention and prevention. She explained that the focus areas and priorities ensured that the trust took a strategic approach toward meeting beneficiary needs through both grant-making and advocacy work aimed at systems change. Over time, the priorities had evolved and were shaped by stakeholder engagement and guidance from the

trustees. As part of the budgeting process, trustees approved spending in each of the areas every fiscal year.

Ms. Wilson relayed that each of the focus areas within the budget aligned with the state's Comprehensive Integrated Mental Health Program Plan [referred to as the Comp Plan]. She thanked DOH and the Department of Family and Community Services (DFCS) for their partnership in finalizing the most recent Comp Plan the previous fall. The trust supported the effort and worked closely with the state in developing and implementing it.

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Ms. Wilson advanced to slide 14 which detailed the trust's FY 24 grant awards across its focus and priority areas. In FY 24, the trust awarded 192 grants totaling approximately \$24 million. The map on the slide displayed 17 dots representing the locations of the grants, but it did not include many grants with a statewide impact, such as those supporting university workforce training, reentry programs, mental health services for inmates and reentrants, and expanding access to developmental screenings for infants and children. She explained that the types of grants awarded provided support to everything from planning and data needs to services, facilities, and the training of quality staff who directly worked with beneficiaries. The trust prioritized spending that could act as a catalyst for system improvement, and its grant funds were often leveraged with other community funders.

Ms. Wilson continued to slide 15 and relayed that one of the trust's key initiatives was to improve the behavioral health care crisis response, which had remained a focal point for several years. The initiative aimed to ensure individuals in crisis received care in the least restrictive manner possible and the system ensured that an individual in crisis had someone to call and a place to go. The model was known as Crisis Now and was designed to reduce suicides, avoid unnecessary emergency room and correctional facility visits, and provide optimal support to individuals in crisis. Since the initiative's launch five years ago, the trust had committed approximately \$20 million in grant funding to support the cause. Beyond funding, the trust had played a leadership role by providing staff expertise to support communities working to improve their crisis services, connecting partners, and

championing the work. She relayed that Crisis Now's partnership with the state had been successful and had allowed significant progress in advancing new services. A key example was the Fairbanks Mobile Crisis Team, which had been operational for over three years. The Fairbanks team reported that 85 percent of calls were resolved in the community by team members, with only 19 percent requiring law enforcement intervention or hospital resolution. Prior to the initiative, almost all such cases required law enforcement involvement.

Ms. Wilson noted that there were similar mobile crisis teams operating in Anchorage, Mat-Su, Juneau, and Ketchikan, with crisis response work underway in many more communities across the state. She appreciated that local leaders had embraced the initiative and recognized that there was a better way to help individuals experiencing mental health emergencies. She relayed that the trust was honored to have had a positive impact on these communities.

Co-Chair Josephson thought it was a great effort and understood it was the result of collaborate work between the legislature, the governor, and various other offices. He wished the initiative the best of luck.

Representative Jimmie asked why there were no response teams in southwest or northwest areas of the state.

Ms. Wilson responded that rural areas in Alaska faced significant challenges due to their small size and limited infrastructure. Many of these communities lacked essential resources such as crisis response teams or hospital beds. She stated that the trust was actively collaborating with local leadership to determine how best to adapt the Crisis Now model to suit the unique conditions of rural Alaska. The goal was to develop a version of the program that was tailored to the state's diverse geography and population needs. She noted that strategies that worked in Anchorage did not necessarily work in other areas of the state. She stressed that expanding the program into rural regions remained a key part of the trust's broader plan. She clarified the statewide crisis hotline was already available to all residents of Alaska, but the next step was to ensure that a physical response was available as well. The initiative was a good example of an effort that saved money and time for law enforcement, hospitals, and

emergency rooms and it ensured that people were receiving a higher quality of care.

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Co-Chair Foster requested that the committee receive a short written description of the current Crisis Now resources in Kotzebue. He explained that he was curious about the resource requirements to implement such a program in a rural setting and expressed interest in exploring whether it could be replicated in other parts of rural Alaska.

Ms. Wilson responded that she could share some information immediately and would follow up with a more detailed written summary. She relayed that leadership from the trust had recently met with health care experts and the regional health cooperative, Maniilaq Health Center, to begin planning an emergency psychiatric assessment, treatment, and healing (MPATH) unit at the hospital in Kotzebue. She explained that MPATH units were intended to function similarly to crisis stabilization units but were specifically designed for smaller communities with limited resources. She would provide more information including the investment amount in writing.

Co-Chair Josephson would distribute the information to the committee.

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Ms. Warner continued on slide 16 which gave an overview of TLO. She reiterated that the trust owned approximately 1 million acres of land across Alaska and that TLO operated under DNR but worked exclusively under contract with the trust. By statute, TLO had a singular mission to manage trust lands and resources with the sole objective of maximizing revenue generation in support of trust beneficiaries. She outlined the trust's various asset classes, which included forestry, minerals and materials, energy, commercial real estate, program-related real estate, mitigation marketing, and general lands. The revenues generated through the assets directly supported the trust's ongoing work. She relayed that trust lands were managed with long-term sustainability in mind and consideration of the impact on future generations.

Ms. Warner noted that TLO anticipated earning over \$33.3 million in revenue in the current fiscal year. The revenues would be divided between income, which was projected to be over \$25 million, and principal, which was projected to be nearly \$7.4 million. She emphasized that all decisions regarding land use were made based on how revenue from a parcel could be maximized. While TLO made efforts to align trust land management with public interest when possible, such alignment was not always feasible.

Representative Hannan noted that although trust lands were technically public lands, the lands did not operate under the same rules as other public lands in Alaska. The adjoining landowners were often not notified of activities such as timber sales or changes to trust land access, which created a conflict. For example, a swath of trees could be unexpectedly cleared, or gravel exported without local awareness. She understood that TLO's legal mandate was to generate the highest possible return, but wondered whether the trust or TLO might adopt a less rigid approach to land disposals to avoid unnecessary conflict. She relayed that the absence of a requirement to follow state public notification rules made the processes appear less transparent. She assumed that the trust and TLO would prefer to focus on land management rather than on the conflicts about the way the land was managed.

Ms. Warner replied that the approach to community engagement had evolved. She had made efforts over the past three years to increase transparency and public outreach. She offered reassurance that TLO followed all state laws regarding public notice for land disposals, but she also recognized the intrinsic value in seeking community input beyond what was legally required. She stated that TLO was actively working to communicate earlier and more effectively with communities before development or land activity occurred.

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Representative Hannan noted that many municipalities had yet to receive their full land entitlements from the state, but the trust had a legally mandated priority when selecting lands. As a result, trust lands were often situated within communities that had alternative land use preferences but the land would be sold to the highest bidder. She stated that the process often created friction,

as local governments could have legitimate interests in specific parcels but could not outbid private developers. She thought the policy set the trust up for conflict with local communities. She believed it created tension and altered the public's perception of the trust.

Ms. Wilson responded that both legal compliance and examining the broader picture was vital. She appreciated the insight.

Representative Hannan clarified that her concern was not about legality but about public perception. She thought that the law governing trust land disposals was distinct from that applied to other state land. She understood that trust lands did not require community-driven land management plans and decision-making authority rested solely with the board of trustees. She urged the trust to consider softening its approach to community engagement and to explore ways of bringing local stakeholders into the conversation. She argued that changing the approach would help build community understanding and support.

Ms. Warner responded that the trust was looking for creative solutions to meet the needs of both the local communities and the trust itself. She suggested that TLO could approach land parcels with more flexibility and the office was striving for proactive and collaborative problem-solving. She indicated that further detail on the office's programs would be provided on the next slide. The goal was to identify solutions before encountering the kind of conflicts TLO had experienced in the past.

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Ms. Warner advanced to slide 17 which highlighted several FY 24 accomplishments. She stated that FY 24 had been another successful year for TLO and it had generated over \$17 million in revenue, which was transferred directly to the trust. Among the key contributors to the success were timber sales, which brought in more than \$1.9 million and supported approximately 150 jobs statewide.

Ms. Warner reported that TLO had four active timber sales, with durations ranging from four to eight years remaining under contract. The sales included an estimated total of approximately 47.5 million board feet of timber to be harvested. The bulk of the revenue came from two major

sales: one near Ketchikan at Shelter Cove, and another near Naukati Bay on Prince of Wales Island. There was also a unique forest fuels mitigation project involving the Alaska Gateway School District which focused on the removal of hazardous forest fuels from 120 acres of trust land surrounding the Tok School. The harvested wood was chipped and processed into biomass fuel, which was then used to heat the school. The project was an example of beneficial and sustainable land use.

Ms. Warner indicated that trust land sales in FY 24 were highly successful. She shared that TLO offered both land sale auctions for select parcels and ongoing over-the-counter land sales. Over the course of the last fiscal year, the office financed land sale contracts and outright land purchases that were expected to yield more than \$10.5 million over the lifetime of the contracts. Once sold, the parcels could also generate additional revenue for local taxing authorities.

Ms. Warner continued that that six subdivision projects were completed across three different communities, which were Homer, Fairbanks, and Kenai. The office currently had ten subdivision development projects in various phases of active development in five different communities across the state. Initial feasibility work had also begun on 11 additional subdivision projects in FY 24.

Ms. Warner stated that resource development, including renewable resource development, continued to be a revenue source for the trust. In FY 24, the office finalized its first renewable energy project ground lease, which was a major milestone in diversifying its portfolio. The lease supported a solar energy project on 680 acres of trust land near Nikiski. The project proposed 28.5 megawatts of cost-competitive energy to be interconnected with the Homer Electric Association utility. The lease was projected to generate over \$3 million in royalty payments to the trust. The project also included the potential for expansion, with an option for a second lease that could further increase the trust's returns.

Ms. Warner shared that TLO was conducting exploratory work at Icy Cape, which was located approximately 75 miles northwest of Yakutat. The project focused on a large-volume placer gold and industrial heavy minerals district, which included critical minerals. She explained that a mineral

resource estimate and accompanying technical report on one of the four identified prospects were expected in the second quarter of FY 25. The prospects were large-scale placer deposits rather than hard rock deposits, which significantly reduced the cost of mining and operations and made the site more attractive to industry.

Co-Chair Josephson asked whether permitting for such a placer operation would be handled through DNR.

Ms. Warner responded in the affirmative.

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Representative Galvin asked about the decline in timber sales revenue. Based on information found on the TLO website, it appeared that revenue from timber sales had dropped by approximately \$1 million, which was a roughly 30 percent decrease. She asked if there was any explanation for the decline.

Ms. Warner responded that overseas markets continued to pose challenges, which contributed to the decrease in revenue. She noted that Alaska's timber market was niche, which added to the complexity.

Ms. Wilson concluded the presentation on slide 18. She emphasized that the trust was considered perpetual, which meant that it was accountable not only to present day beneficiaries but also to future generations. She hoped that the committee could see how the trust used its annual expenditures to support beneficiaries through effective and expert leadership in partnership with stakeholders across the state. She reiterated that the trust's role was to be a prudent and strategic overseer.

Co-Chair Foster directed attention to slide 12 and noted that several items in the trust's recommendations had not been fully funded by the governor. He asked whether the administration had communicated the reasons for the omissions, or whether there was a common theme behind the decisions.

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Ms. Baldwin-Johnson responded that communication was strong between the trust and the governor's office and OMB

following the trustees' transmittal of budget recommendations. The governor's office sent a letter in response, indicating which items were supported and provided justification for the exclusions.

Co-Chair Foster asked whether there appeared to be a consistent rationale for the omissions.

Ms. Baldwin-Johnson replied that the reasons varied. For example, in the case of SNUG and HAP, there had been an increase in receipts allocated by AHFC, which could have reduced the perceived need for additional general fund appropriations. She noted that creative solutions could address the needs of other entities originally identified in the trust's recommendations.

Co-Chair Josephson asked for confirmation that the administration's rationale for not funding SNUG and HAP was related to AHFC's increased investments in the programs.

Ms. Baldwin-Johnson responded in the affirmative. She noted that AHFC had designated additional receipts specifically for those programs.

Representative Stapp requested additional information about the Coordinated Community Transportation (CCT) line item on slide 12. He noted that in the FY 24 budget, there had been a \$300,000 MHTARR appropriation directed to Department of Transportation and Public Facilities (DOT) for CCT. He relayed that the \$300,000 difference aligned with the gap between the governor's proposed budget and the trust's current request, and he suggested there was a potential correlation. He asked why the MHTARR funds were no longer directed to the CCT program, even though the request remained the same.

Ms. Baldwin-Johnson responded that the trust had historically committed MHTARR funds to CCT. She noted that of the previous MHTARR commitment, \$200,000 had been reallocated within the trust's internal budget. The reallocation was now directed toward a Senior and Disability Services line item in the trust's budget, which was a more targeted communication project for beneficiaries. She explained that while the allocation of MHTARR funds had shifted, the trust had not withdrawn its investment in the program, but had simply chosen a

different approach that aligned more directly with beneficiary needs.

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Co-Chair Josephson asked how the trust responded to inquiries from members of the public or skeptics about the tangible results of its investments. He acknowledged that such questions were often rooted in curiosity or doubt. He asked how the trust demonstrated that its financial investments were making a meaningful difference in improving outcomes for beneficiaries.

Ms. Baldwin-Johnson responded that it was a difficult question because for any funding organization or philanthropic entity, measuring true impact could be one of the most difficult challenges. Every grant at the trust, whether issued to a nonprofit or a state agency, was tied to specific objectives and performance metrics that helped ensure that the trust could monitor and report on the outcomes of each funded initiative. She noted that assessing broader improvements in population-level health outcomes was far more complex. The complexity was due in part to the collaborative nature of system-wide interventions as there were many stakeholders involved, not just the trust. To monitor larger trends, the trust used tools such as the statewide scorecard and the Comp Plan, which helped align efforts and provide strategic direction. She relayed that the trust could clearly measure the impact of its own grant-making but understanding population health required broader coordination and a collective evaluation of efforts.

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Mr. Fisher added that understanding the outcomes of trust investments had become a key interest for the current board of trustees. He pointed out that while trust grants often supported organizations that served a mix of trust beneficiaries and other populations, the board was committed to better understanding the specific results for trust beneficiaries. He noted that the board's goal was to elevate the trust's capacity to analyze and communicate the impact of its work. He expressed optimism that under Ms. Wilson's leadership, the trust would enhance its ability to provide detailed, reliable data to legislators and other

stakeholders, ultimately improving transparency and accountability.

Co-Chair Schrage noted that while land sales benefited Alaskans in the near term, the long-term value derived from the assets was that more limited land was sold. By contrast, assets retained in the corpus generated sustained revenue for future generations. He asked whether there was a reason the trust did not direct more of the proceeds from land sales into the corpus in order to generate ongoing returns and preserve long-term value for beneficiaries. He asked if the idea had been discussed.

Ms. Wilson responded that she had been learning about the topic and it was an important philosophical and practical question.

Ms. Warner explained that the revenue from land sales had been treated as principal income, which had been deposited into the Permanent Fund to contribute to its long-term growth. She clarified that while interest payments from land sale financing had not contributed to the fund's corpus, the payments had been considered income and used for operational purposes.

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Mr. Fisher added that in addition to revenue from land sales, the corpus needed to be inflation proofed. He emphasized that any funds generated had been used to help secure the corpus for the benefit of future beneficiaries.

Representative Bynum noted that there was an ongoing housing crisis in Alaska and asked whether TLO had been focusing on creating more housing opportunities.

Ms. Warner replied that TLO had been prioritizing subdivision development statewide, particularly in areas like Ketchikan, where housing issues had been severe. She noted that the lands the trust had received had been surveyed and located both within and around communities. To date, TLO had sold less than 3 percent of its land portfolio and was focusing primarily on smaller subdivision parcels. However, the office had been in the process of subdividing larger tracts of land, with ongoing evaluations of market demand, the economic viability of projects, and the cost of necessary infrastructure.

Representative Bynum asked if there was anything communities could do to accelerate the process.

Ms. Warner responded that there were ways that communities could help. She pointed out that one of the main barriers to projects had been the high standards for road construction required by local communities. There had been opportunities for collaboration that would have allowed for adjustments to the road construction requirements and would make the projects more financially feasible. She shared that a memorandum of understanding (MOU) had recently been signed with the City and Borough of Wrangell to support the mission of the trust. She explained that while the agreement was non-binding, it represented a mutual commitment to work together in alignment with both the trust's needs and the community's needs.

Representative Bynum remarked that he would like to explore the issue in greater depth as it was important for the communities in district. He noted that there was growing pressure on education in Alaska and school districts had been increasingly vocal about the need for mental health resources in schools. He asked whether the trust had been involved in creating stronger relationships with the Department of Education and Early Development (DEED) to address these mental health needs in schools.

Ms. Wilson responded that the trust had been actively involved in the area of youth and childhood interventions, which included addressing special needs programs for children. She emphasized that early intervention had proven beneficial for school performance, and the trust was working towards dedicating more funding to early intervention.

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Mr. Fisher added that approximately two and a half years ago, the trustees had taken a special interest in pediatric and youth populations from a prevention standpoint. He noted that treatment plans for mental health often received reimbursement, but prevention plans lacked similar funding. The trust had been working with organizations focused on younger populations to help prevent the development of more severe mental health issues as the children aged.

Representative Bynum asked whether most of the funding for the initiatives was flowing through grants.

Mr. Fisher replied that the majority of the funding was provided through grants, though the trust also partnered with other organizations to supplement the support and mental health resources. He shared that the trust had also provided funding for housing related to therapeutic care and other services. The trust was taking a broader approach to addressing mental health needs.

HB 53 was HEARD and HELD in committee for further consideration.

HB 55 was HEARD and HELD in committee for further consideration.

Co-Chair Josephson reviewed the agenda for the following day's meeting.

#

ADJOURNMENT

[3:00:19 PM](#)

The meeting was adjourned at 3:00 p.m.