

Part twenty-five of serial: Funding for Native regional and village corporations

(Editor's Note: This is the twenty-fifth in a series of excerpts from the Alaska Native Land Claims book.)

Of the required distribution, 10 percent must go to stockholders — that is, to all Natives who are enrolled in regional corporations. With \$209.9 million available from the Alaska Native Fund through December of 1974, this 10 percent was almost \$21 million. Given a total enrollment of about 76,500, all enrolled Natives received no less than \$275 each. Before the mandatory distribution to individuals would end in fiscal year 1976, all were to receive about \$100 more.

All stockholders

The amount of this payment assumes that 100 shares of stock are owned, the situation of most stockholders. If, however, a stockholder held additional shares through inheritance, his payment would be correspondingly greater.

This \$375 payment is all that must be made to about two-thirds of all Natives who are enrolled. They are stockholders in village corporations as well as regional corporations. Their village corporations were to be the recipients of their per capita shares in the other 45 percent that regional corporations were required to distribute.

At-large stockholders

At-large stockholders — the other one-third enrolled — receive their shares of the 45 percent directly as individuals, since they are not members of village corporations. Over the first three years these at-large stockholders (holding 100 shares of stock) received payments of about \$1,500 each. Of this amount \$275 was based upon the 10 percent distribution. The \$1,225 was based upon the per-capita value of the 45 percent distribution, as follows: 45 percent of nearly \$210 million is about \$94 million; with some 76,500 persons enrolled, the per-capita value was about \$1,225. When payments were made for fiscal year 1976, each of these at-large stockholders was to receive about \$525 more.

Summary: first five years

In summary, cash benefits that regional corporations were required to distribute to individuals depended upon whether they were at-large stockholders or whether they were also members of village corporations. During the first five years, at-large stockholders were to be paid their per capita shares of 55 percent of the funds received by the regional corporation, and stockholders who are also in village corporations were to be paid their per-capita shares of 10 percent.

After five years

After the fifth year, the mandatory distribution of 10 percent to individuals comes to an end. The act does not require further payments by regional corporations to stockholders in village corporations. Individual payments must continue, however, for those who are not members of village corporations. These at-large stockholders must be paid their per capita shares directly as long as their regional corporations are receiving funds from the sources listed earlier.

Beginning with the sixth year, at-large stockholders must be paid their per capita shares (along with village corporations) of 50 percent of the regional corporation's income. From the Alaska Native Fund alone, each at-large stockholder (holding 100 shares) should receive an additional \$4,500 over what may be as much as a 15-year period. How much each will actually receive will depend upon the return on investments made by the regional corporations and the extent to which they develop their natural resources.

Even though distribution of cash by a region to its village stockholders is not required, such stockholders may expect to receive individual cash benefits in the form of dividends from their regional and village corporations. Such cash payments will be decided upon by the boards of directors of corporations on the basis of their profits.

Summary: after 1976

In summary, after 1976 the only group of stockholders who must be paid directly by the 12 regional corporations are their at-large stockholders. They must receive their per capita shares (based upon the total number of enrolled Natives) of half of the income of the regional corporations. The per capita shares of village corporation stockholders will go to their village corporations. Although these stockholders may expect to receive individual cash benefits after 1976, none are required by the act.

Uses

There are no restrictions upon the use to which individuals may put their land claims compensation. The first checks went for an endless variety of purposes. Savings accounts were opened by many parents for children who received claims checks. In Shageluk, for instance, Zho-tse, Incorporated (the village corporation) reported that such accounts had been opened for all children.

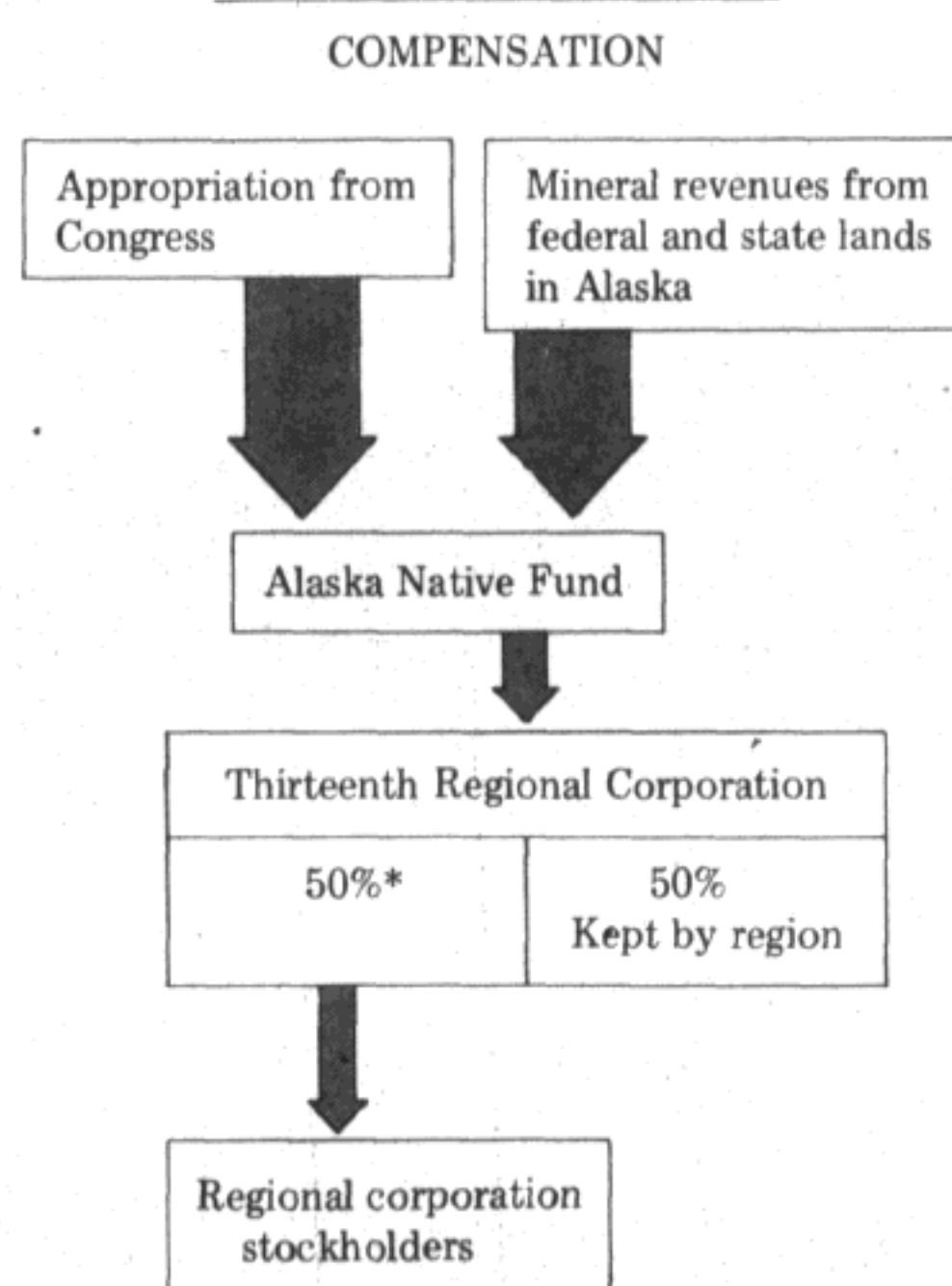
Taxation

Money received by individuals as their share of compensation for land claims extinguished is not subject to income tax. If it were, the payments made to them would be partially regained by federal and State governments and rob the cash settlement of any real meaning. Money received by individuals as their shares in profits of corporations, however, is taxable.

Thirteenth corporation

If a 13th corporation is formed, it would be required to distribute half of its revenues to its stockholders from the beginning. Since it would have no villages, it would not be required to have more than one category of stockholders. And, since it would have no land nor share in the resources of regional lands, its only revenues would be from the Alaska Native Fund and from the investments it makes.

FIGURE 16
MANDATORY DISTRIBUTION OF CASH
TO THE 13TH REGIONAL CORPORATION



*Not less than....

NOTE: Congressional appropriations extend over an 11-year period; federal and state resource revenues cease after \$500 million is reached.

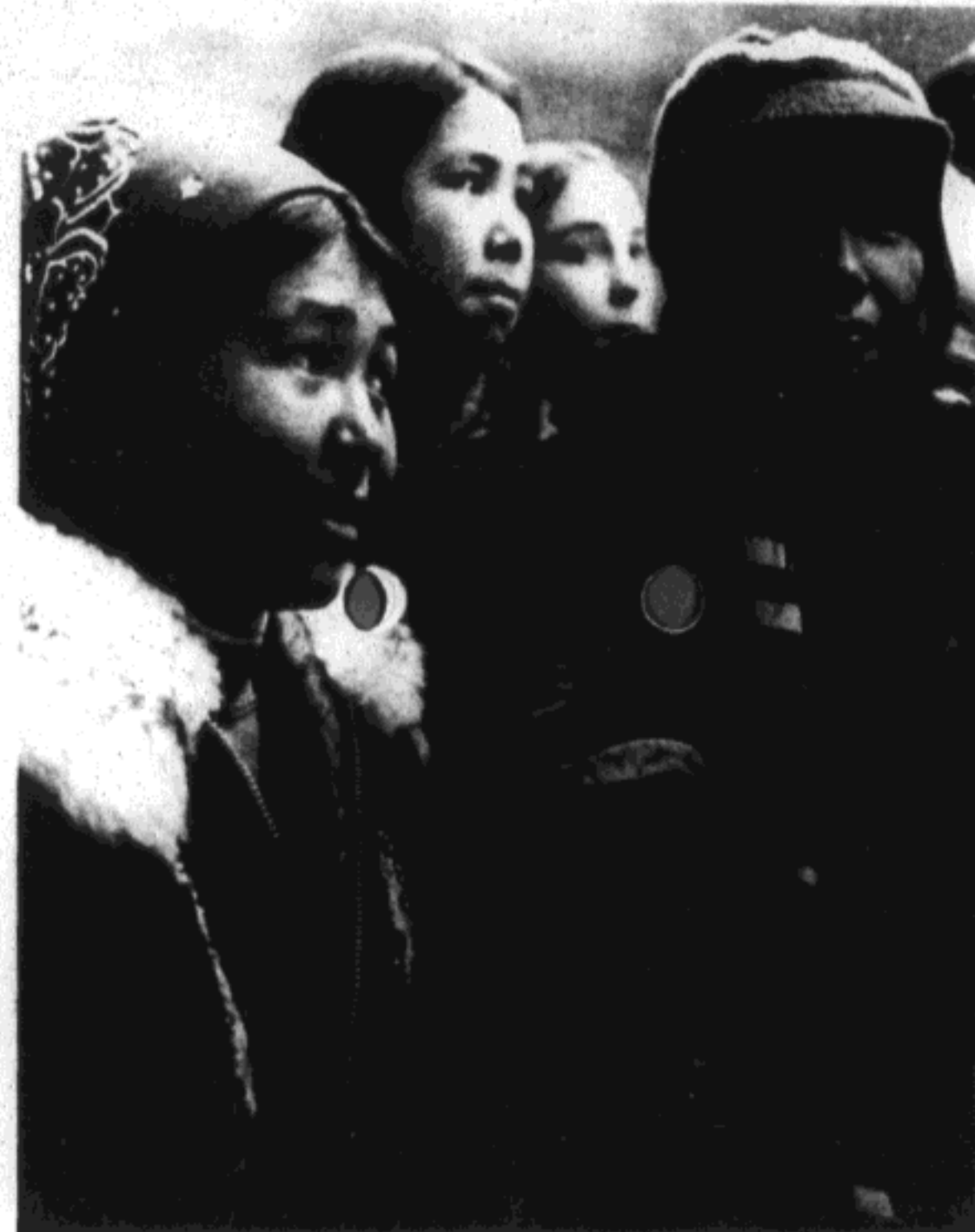
The above cash flow pattern applies to each year that the Alaska Native Fund is in effect.

Exclusions

As noted earlier, there are three groups of Natives presently living who receive no part of the compensation: those born after the settlement act became law, those 1,758 Natives who chose title to their revoked reserves, and those who failed to become enrolled before the deadline. The third group may yet benefit, if legislation introduced in the Congress to allow late enrollment becomes law.

Chapter 29 Funding for village corporations

As with the regional corporations, village corporations receive compensation and other cash on the basis of their enrollments. The larger their final enrollments, the greater their cash entitlements.



Young Selawik stockholders listen to Wells Fargo banker Margaret Bauman from San Francisco.

Through 1976, village corporations are to receive their proportionate shares of 45 percent of the compensation and other income of their regional corporations. During the first

Cash entitlements

four fiscal years that percentage amounted to about \$94 million. Given an enrollment of about 76,500 persons, this was about \$1,225 per person. This amount, which was paid directly to at-large stockholders, was to be distributed to each village corporation for each person enrolled to it.

On this basis, cash entitlements for the 203 certified village corporations ranged from a low of about \$27,000 to a high of about \$2.5 million through 1974. Approximate amounts which village corporations were entitled to receive through this period are suggested in the table which follows:

Number of corporations	Range in enrollment	Approximate range of cash entitlement through December, 1974
114	22 to 192	\$ 27,000 to \$ 235,000
62	200 to 392	\$ 245,000 to \$ 480,000
17	400 to 595	\$ 490,000 to \$ 730,000
3	620 to 737	\$ 760,000 to \$ 905,000
3	839 to 925	\$1,030,000 to \$1,130,000
4	1,725 to 2,060	\$2,115,000 to \$2,525,000

In fiscal year 1976, the 45 percent distribution was expected to have a per capita value of about \$425. On this basis, village corporations were to receive amounts ranging from about \$9,500 to about \$875,000.

After 1976, village corporations (along with at-large stockholders) will receive 50 percent of the income of their regional corporations. This distribution — to be made over an indefinite period of years — will have a per capita value of about \$4,500 from the Alaska Native Fund. On this basis, village corporations will receive from \$99,000 to \$9,270,000 before the Alaska Native Fund is exhausted.

Obtaining funds

To obtain its share of the compensation, an eligible village corporation is required to submit a plan for the use of the money that is satisfactory to its regional corporation. If the region finds the plan unsatisfactory, it may withhold

Taxation

As with individual recipients of compensation, village corporations pay no taxes on funds they receive from the Alaska Native Fund. Profits from their investments or sales of resources they own are, however, subject to taxation.

Exceptions to distribution

Cash payments are to be made only to village corporations certified as eligible to obtain land and money benefits of the act. This excludes corporations which: (1) have chosen full title to their former reserves; (2) have been formed to obtain land in the four named cities; and (3) have been certified as "Native groups" to obtain land.

Obtaining funds

To obtain its share of the compensation, an eligible village corporation is required to submit a plan for the use of the money that is satisfactory to its regional corporation. If the region finds the plan unsatisfactory, it may withhold funds. Only a few instances of such temporary withholding are reported to have occurred through 1974.

The region also may require village corporations to carry out joint projects with other villages or with the regional corporation itself. No instances of such a requirement being imposed have been reported.

If there is disagreement between a village and its regional corporation, the act requires arbitration as provided for in the region's articles of incorporation. Such a provision typically calls for the village to appoint a person, the region to appoint a person, and these two to name a third person. This panel of arbitrators reviews the matter over which there is disagreement and makes a decision based upon a majority vote. Its decision is final and binding upon both parties.

Uses of funds

Within the first three years after the act's adoption many village corporations had hired staffs to carry out obligations imposed upon them under the settlement act. Land selection had to be completed by them within this period. Plans had to be drawn for the issuance of stock to all enrollees. Planning for the investment of corporate funds had to proceed. And all of these had to be accompanied by appropriate record-keeping.



Interior of apartment complex, an investment of Bethel Native Corporation.

Even with these many duties, a number of village corporations had also purchased existing businesses or launched new enterprises. The Togotthele Corporation of Nenana, for instance, invested in a sawmill and log-home building business in that community. Its intention, according to the president, Al Ketzler, was to make profits, provide jobs, and have a use for the village corporation's timber resources. Sitnasuak Corporation purchased a grocery and general merchandise store in Nome. Many smaller corporations also purchased village stores. Perhaps the largest investment for a new business was made by Bethel Native Corporation, which constructed a million-dollar hotel and apartment building in that Kuskokwim River community.

While these efforts at generating profits — future income for their stockholders — are more dramatic than investments for interest, not all village corporations have equal opportunities open to them for new businesses. If but a few travelers pass through a village, there is little need for a hotel, for instance. Many village corporate leaders, therefore, chose to invest through bank deposits or to purchase securities to assure future dividends.

Too little money

Apart from an absence of local profit-making opportunities, there was another reason for many village corporations to simply earn interest on their share of the money: they weren't going to get very much. Furthermore, the cost to a village corporation of carrying out the tasks imposed upon it by the settlement act could equal or exceed the dollars available.

THE FUTURE OF VILLAGE CORPORATIONS: ONE VIEW

Harold Napoleon, the president of Yupiktak Bista, the regional nonprofit corporation in south-western Alaska, was interviewed by the *Tundra Drums* in mid-1975. Among other things, he was asked to "peek into the future." He commented:

Well, just looking back a few years, we see we could have made better decisions. Village corporations, for example — money making institutions in the villages where there are no economic potentials — any economic realist will tell you that out of every one hundred, ten corporations may succeed. In some cases, rather than have a village money making corporation, a community center or a community library would have been more practical, and might have proven more valuable in 20 years when the village corporation has gone broke.

In an analysis prepared for the Alaska Native Foundation, consultant Lee Gorsuch calculated the minimum cost to a village corporation of carrying out its corporate duties at about \$70,000 a year. This would provide a full-time manager, secretary-bookkeeper, limited legal fees, and some travel and office expense. He showed that even that modest budget couldn't be supported by most villages, and suggested how the problem of too little money might be solved. In addition to urging careful planning and budgeting by village corporations, he suggested that they consider management agreements with their regional corporations. Under such agreements, the village would purchase services from its region at less cost than if it hired its own staff. He also suggested two other possibilities: management corporations formed by several village corporations (a pooling of part of their money) or mergers of corporations (combining all of their money and other assets).

Approaches being taken

Numerous villages now have agreements with their regional corporations for the purchase of services. They include such things as the purchase of accounting and legal services and the purchase of professional advice on land and natural resources.

Management corporations — a second approach — have also been formed by groups of villages to pool part of their cash resources to employ the staff they need. By the end of 1974, three such management corporations had been organized, all within the Calista region. They are Yuqtak, made up of nine villages near Bethel; Kuskokwim Management Corporation, seven villages along the Upper Kuskokwim; and Nunivak Kaluiat Native Corporation, the eight villages of Nunivak and Nelson islands.

A third approach to the problem was being taken in 1975 in the NANA region. There, following several months of study, directors of village corporations and the regional corporation agreed to seek a merger of some village corporations with the NANA Regional Corporation. The decision whether to join the merged corporation would be made by each village. The advantages anticipated included economy of operation and improved opportunities for the management of money and land. Such a merger would require the amendment of State law and the settlement act, and the approval of the Secretary of the Interior and stockholders.

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Funding for Regional Corporations

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