Chapter twenty-six of a serial: Funding for regional corporations, village corporation

(Editor's Note: This is the twenty-sixth in a series of excerpts from the Alaska Native Land Claims book. It is the hope of the Tundra Times and Alaska Native Foundation that the publication of the series will further the understanding and implementation of all parties involved and affected by the claims Settlement Act. The book was released by the ANF in 1976 and was also made possible by a Ford Foundation grant. Robert D. Arnold edited the text. Authors include: Janet Archibald; Margie Bauman; Nancy Yaw Davis, Robert A. Frederick; Paul Gaskin; John Havelock; Gary Holthaus; Chris McNeil; Thomas Richards, Jr.; Howard Rock and Rosita Worl.)

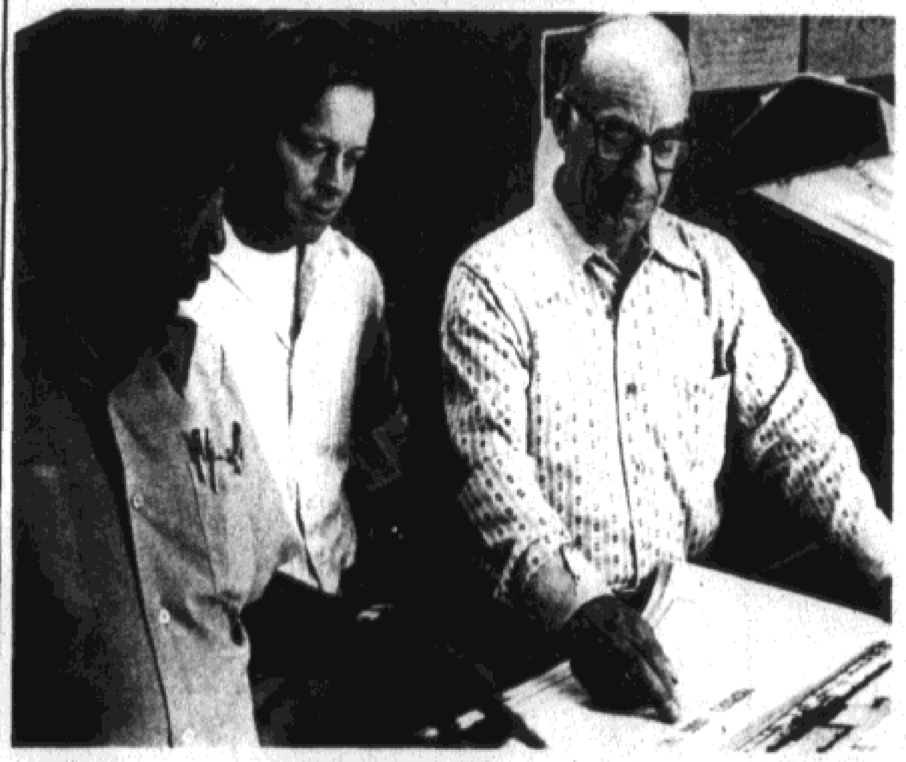
Funding For Regional Corporations Chapter 30

The 45 percent of the compensation retained by the 12 regional corporations through the end of 1974 amounted to about $94 million. Because the distribution among the regions is enrollment-based, there was a wide range in the number of dollars available to each corporation.

Approximate amounts available through 1974 to regional corporations ranged from $1.3 million to $20.3 million, as follows:

Sealaska	$20.3 million
Calista	15.5 million
Doyon	11.3 million
Bering Straits	8.5 million
Cook Inlet	7.7 million
Bristol Bay	6.8 million
NANA	6.0 million
Arctic Slope	4.8 million
Aleut Corp.	4.1 million
Koniag	4.1 million
Chugach	2.5 million
Ahtna	1.3 million

After the mandatory distribution in 1976, regions will begin retaining 50 percent of the compensation and other income they receive. Before the Alaska Native Fund is exhausted, an additional $375 million will be available from this source for the use of regional corporations.



Ahtna, Inc.

Reviewing plans for Ahtna's motel. Ahtna Deputy Director Nick Jackson, Dean Olson, Executive Director, and Emery Clark, Project Engineer for the motel.

Uses: administration

A major use of claims money by regional corporations during the first three years was dictated by the role the settlement act gave them. As the vehicles of settlement, the corporations had to bear much of the costly task of implementing it.

They needed to become organized, hire staffs, and begin planning for the use of funds to be received. They needed to help villages become incorporated, to select land, and to plan for the use of their funds. And, almost at the same time they were learning the settlement act, they needed to be teaching it to others.

Opening of offices meant renting space, purchasing furniture and equipment, and hiring of staff. Carrying out planning for the use of funds meant engaging financial consultants, and planning for land selection meant hiring other experts on natural resources. Analyzing and urging changes to regulations issued by the Department of the Interior meant spending for the services of attorneys. And, working with villages to help them learn the act, to incorporate, and to plan for land selection meant substantial expenditures for travel.

One of the larger regional corporations reported spending about one-half million dollars for operations in fiscal year 1973 and about three times that amount in fiscal year 1974. The activities carried out with such funds were those required by the act or expected to be of long-term benefit to the corporation and stockholders of the region.

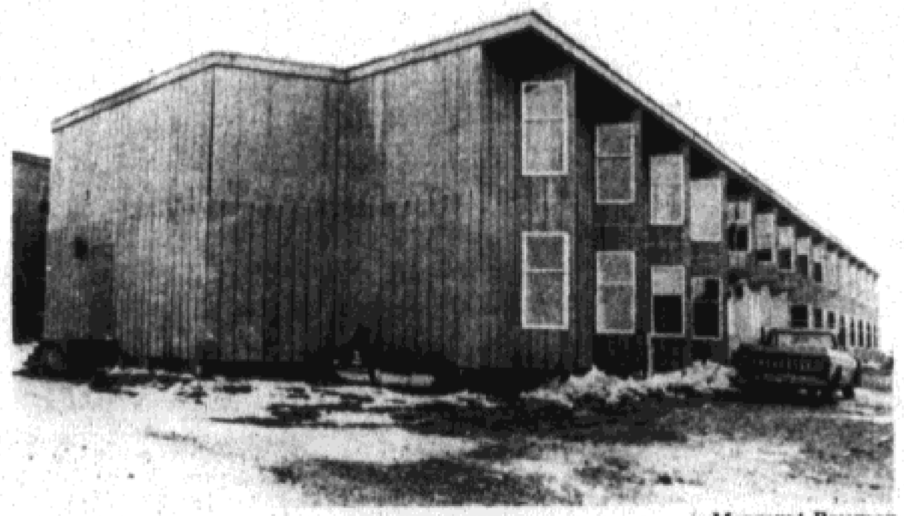
Uses: investment

Most of the funds retained by regional corporations are invested in bank deposits or securities, although some investment is also taking place in new enterprises.

Since the regional corporations are profit organizations, decisions on investment of their funds take into account how safe a proposed investment would be, how readily an investment can be sold or otherwise converted to cash, and the amount of interest that can be realized. As Calista explained, in its annual report to its stockholders:

> Your Board of Directors chose the following ideas as important steps so that your wealth will grow:
>
> (1) Safety. To lend money to people who have a record of always paying their debts. In our case they are strong companies, large banks, and even the government.
>
> (2) Easy to get at. You can get back as much money as you need whenever you need it. In this case, your Board of Directors decides very carefully how much money it needs to make your corporation work.
>
> (3) Growth (Income). After thinking about safety and making sure that we can easily take money out from the main pot, we see that this portion of the money will be able to grow and earn what is called interest income. It is no different from lending fish to a man you can trust. Let's say you loaned him 100 fish out of the extra fish that you have. Because you have helped him he pays you back 108. You have now made what is called profit or interest or income. The 100 fish you loaned out is what is called an investment, and you have earned an interest of 8 fish.

Earning profits for stockholders can be pursued in a variety of ways, in addition to simply earning interest. The NANA Regional Corporation purchased a hotel in Kotzebue and constructed a second one. A subsidiary — a business corporation — owned by the Arctic Slope Regional Corporation joined with Ukpeagvik Inupiat Village Corporation of Barrow to establish a hotel and restaurant in that northern community. Both Sealaska and Calista announced plans to construct multimillion-dollar buildings — Sealaska, an office building in Juneau, and Calista, a high-rise hotel in Anchorage. The Aleut Corporation purchased two 120-foot crabbing and fishing boats. In a joint venture with an experienced road building firm, the Bering Straits Regional Corporation accepted a contract for road construction in the southeastern part



Margaret Bauman

Nulukvik Hotel, an investment of NANA Regional Corporation.

of the state. Ahtna, Inc. established a subsidiary to build access roads in that region for the Alyeska Service Company. Also under contract to Alyeska Pipeline was Chugach Natives, Inc. for a tug and barge service in Prince William Sound.

Many subsidiaries were being established for specific profit-making enterprises to protect the regional corporation's assets — its property and money. Even though the regional corporation was the sole owner of the subsidiary, the liability of the corporation was limited to the subsidiary's assets. In effect, the larger assets of the regional corporation were protected.

An ambitious joint venture of four regional corporations — Doyon, Ltd., Bristol Bay, NANA, and Cook Inlet Region, Inc. — is establishment of the United Bank of Alaska. Approval of the group's charter was expected by mid-1975.

Funds being invested by regional corporations in their early years were largely from compensation paid for land claims extinguished. A number of corporations, however, had already received some income from oil companies for exploration rights to lands which they would soon own. These lands and resources — in the opinion of most observers — will make up the real wealth of regional corporations and their stockholders.

As with individuals and village corporations, regional corporations pay no taxes on funds they receive as compensation but they do pay taxes on their profits.

UNIT EIGHT LAND SETTLEMENT

"The billion dollars is nothing; it's the land that's the real settlement." —*Hank Eaton, Kodiak Anchorage Daily News September 22, 1973*

Several thousand pages of testimony from Congressional hearings carry the theme of the importance of land to Natives of Alaska. "Our whole life is lived on the land," Neal Charlie, a Minto villager, had told the Congress, "and we would not know what to do without it."

The settlement act promised full ownership of 40 million acres, almost one-ninth of the total acreage of the state. It was less than Native spokesmen had sought — given their solid claim of aboriginal title to virtually the whole state. But it was more than most observers believed could be won.

Once the land itself was acquired, Natives would become the third largest owner of land in Alaska. Only the federal government and the State would be holders of more land. Unlike government holdings, Native lands would be private, not public. Through their corporations, Natives would be, by far, the single largest group of private land owners in the state.

Three years after the settlement act village corporations had completed their selection of land that would total not more than 22 million acres. Regional corporations were proceeding to select their scheduled 16 million acres. Regions, the four named communities, and others were also proceeding to acquire the remaining 2 million acres.

Seven local corporations on five revoked reserves had voted to accept full title to their former reserves and to forego other benefits of the settlement act. By their decisions to obtain title to 3.7 million acres, the total land being conveyed to Natives under the act rose to almost 44 million acres.

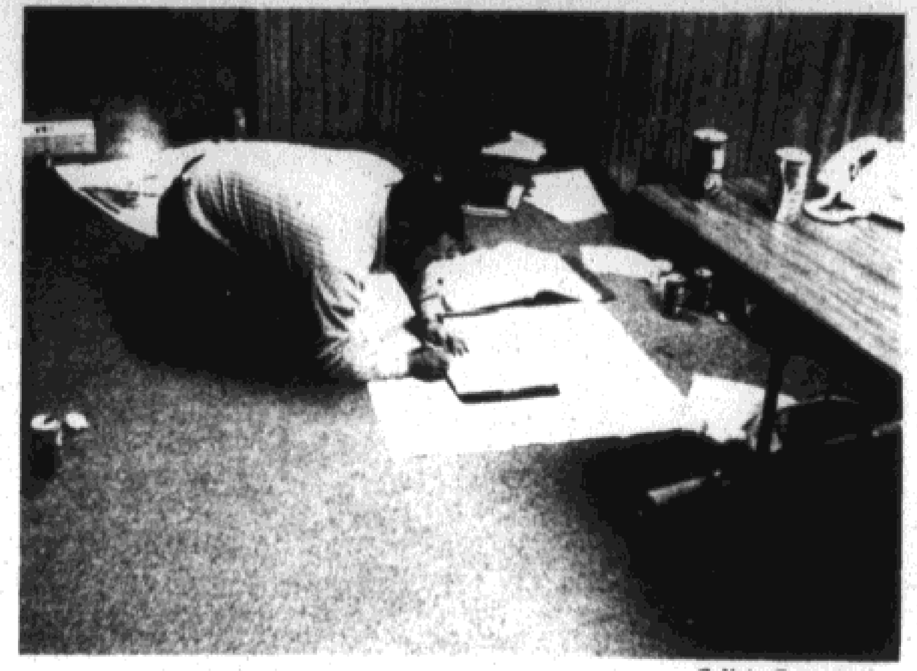
Over 83 million acres had been withdrawn by the federal government for possible inclusion of 80 million acres in its systems of wild and scenic rivers, forests, parks, and wildlife refuges. Action by Congress on the withdrawals was still awaited in 1975.

Village Corporation Selections Chapter 31

All Native village corporations required to choose their lands by December 18, 1974 made the deadline. Because there were more than [illegible]00 villages [illegible]ich needed to select land and because the [illegible]ection proc[illegible] was complex, there had been wide concern that the job couldn't be done.

The last of 217 village corporations filed its bulky application with the U. S. Bureau of Land Management just before closing hours on the last day. Together, the corporations had filed for nearly 24 million acres. Of those filing, 203 were certified as eligible corporations; the other 14 had been denied eligibility, but were planning court appeals or looking to legislative remedies.

The determination of which specific lands would be selected was made by each village corporation. In most places, a special committee was formed to make choices based upon what was important to be owned by the people of the village. Across the state, villages selected lands used for subsistence — trapping, fishing, hunting, berry-picking. They also selected lands having present or future economic values — timber or mineral resources, fisheries, recreation, and tourism. Their selections were limited to designated lands and, as will be described in the next chapter, by numerous other factors.



Calista Corporation

Preparing land selection applications.

Eligible village entitlements

When the applications are processed each of the 203 corporations will own the surface estate in one to seven townships, most of which will be near their villages. Entitlements of these corporations were:

Number of Village Corporations	Number of Townships	Stated in Acres
9	1	23,040
54	3	69,120
58	4	92,160
60	5	115,200
14	6	138,240
8	7	161,280

The number of townships to which the villages are entitled is based upon their enrollment, except for the southeastern villages. Since these nine shared in the earlier Tlingit-Haida court settlement, they are entitled to only one township each.

Together the 203 village corporations are entitled on this basis to 843 townships or about 19.4 million acres. Since this is less than the acreage earmarked for villages, they will share (except for the nine southeastern villages) in an additional 2.6 million acres or 112 townships. Allocation of these lands among the 11 regions is to be based upon enrollment. Distribution of the 112 townships by the regional corporations to the villages is to be based upon their populations, subsistence needs, and historic uses (Barrow Selection, Map 24). Once that second round of selection takes place, village corporations will own the surface estate of 22 million acres.

Top-filing and overselection

The amount of land filed for by the village corporations was substantially greater than they will obtain because there were uncertainties about ownership of parcels of land within the areas selected (Eklutna Selection, Map 25). Because of these uncertainties, the corporations overselected and top-filed. They overselected in case some of the lands they chose were already owned by others. They top-filed — applied for land which might be owned by another — in the event it was not.

Surface estate only

Village corporations will own only the surface estate of the land they select. The minerals below the ground — all of the subsurface estate — will belong to their regional corporations.

The surface is valuable, however. Once a village corporation conveys parcels of land to individuals and organizations as required by the act, it may sell the surface to others or it may allow its use for a fee. It may sell the timber on the land.

If its region desires to obtain the oil or mineral below the surface, it needs the consent of the village. Since the surface estate was granted to villages to protect lands used for subsistence, the village might withhold consent when subsistence activities were threatened. If consent is given, the village would be entitled to reasonable compensation from the region for damages caused to the surface.

Land title

Issuance of final patents to village corporations is believed to be many years away. The reason for this is that land must be surveyed before it is patented. And most of the land being selected is not yet surveyed.

There is provision, accordingly, for what is called "interim conveyance." Such a document will transfer title from the Bureau of Land Management (BLM) to the village corporation. Except for the precise description of the patent (obtainable only by surveying), the interim conveyance will be like a patent. It will allow village corporations to transfer title to individuals and organizations as required by the act, and to lease or sell land.

To obtain even the interim conveyance from the BLM will take much time. Each village corporation's application needs to be reviewed to determine with certainty that the land to be conveyed is clear of any claims by others. It will be examined to see that it meets all the requirements of the settlement act. While this process is continuing, another part of the BLM will be identifying easements — routes for public access or use — within the area selected. Once these steps have been completed, the interim conveyance is prepared, reserving the easements.

It was expected that all village corporations would receive interim conveyance to some of the acreage they selected within a year of filing their applications. As they do, similar title would go for the subsurface estate (except for wildlife refuges and Petroleum Reserve No. 4 selections) to their regional corporations.

Other local corporations

The three-year deadline for selecting land did not apply to local corporations in the four named cities nor to Native groups certified as eligible to receive the surface estate of land. Land selected by those other local corporations is not subtracted from the 22 million acres earmarked for villages. For these local corporations the deadline was December 18, 1975 and the land was to come from the 2 million acres withdrawn for several specified purposes.

Native corporations in the four named cities — Juneau, Kenai, Kodiak, and Sitka — were entitled to one township (23,040 acres) each. They were to choose from lands withdrawn for that purpose within 50 miles of their cities.

Certified Native groups were to select up to 7,680 acres. The amount of acreage was not to exceed 320 acres per person, and the land selected was to be in the locality of the group's residence. Only two such groups were certified during 1974, Caswell and Montana Creek, both in the Cook Inlet region. Until the selection deadline in 1975, it remained possible for additional groups to be certified.

The seven corporations which chose full title to their former reserves, instead of selecting land and obtaining money benefits, are acquiring 3.7 million acres of land. They will hold not only surface patent, but the subsurface as well. Their lands range in size from 977 acres (Klukwan) to 1,408,000 acres (Arctic Village and Venetie).

Taxation

Village corporations pay no property taxes on lands they acquire until 1992, except on those tracts which are developed or leased. After 1992, all land owned is subject to taxation. In the meantime, if land is sold or leased for a profit, the profit is taxable.

These provisions also apply to local corporations formed in the four named cities, to Native groups, and to former reserves.

Next week

Limitations on Selections Chapter 32

continued next week . . .