

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, INTERNATIONAL
TRADE AND TOURISM

February 6, 2007
11:03 a.m.

MEMBERS PRESENT

Representative Mark Neuman, Chair
Representative Kyle Johansen
Representative Vic Kohring
Representative Bob Lynn
Representative Andrea Doll
Representative Mike Doogan

MEMBERS ABSENT

Representative Carl Gatto

COMMITTEE CALENDAR

PRESENTATION: ECONOMIC IMPACT ON ALASKA BY ALASKA NATIVE
CORPORATIONS

-HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

SHERI BURETTA, President
Association of ANCSA Regional Corporation Presidents/CEOs;
Chairman of the Board
Chugach Alaska Corporation
Anchorage, Alaska

POSITION STATEMENT: Presented on behalf of the Association of
ANCSA Regional Corporation Presidents/CEOs.

VICKI OTTE, Executive Director
Association of ANCSA Regional Corporation Presidents/CEOs
Anchorage, Alaska

POSITION STATEMENT: Presented on behalf of the Association of
ANCSA Regional Corporation Presidents/CEOs.

ACTION NARRATIVE

CHAIR MARK NEUMAN called the House Special Committee on Economic Development, International Trade and Tourism meeting to order at [11:03:52 AM](#). Representatives Neuman, Doll, Doogan, Lynn, and Kohring were present at the call to order. Representative Johansen arrived as the meeting was in progress.

PRESENTATION: ECONOMIC IMPACT ON ALASKA BY ALASKA NATIVE CORPORATIONS

CHAIR NEUMAN announced that the only order of business would be the presentation: Economic Impact on Alaska by Alaska Native Corporations.

SHERI BURETTA, President, Association of ANCSA Regional Corporation Presidents/CEOs and Chairman of the Board, Chugach Alaska Corporation, began the presentation by introducing the report titled, Ch'etbuja 'We Share It', which was published by the Association of ANCSA Regional Corporation Presidents/CEOs (the Association). The report outlines the financial data of 13 Native regional corporations and 29 Native village corporations. The Association was formed in 1998 by the presidents and CEOs of the regional Native corporations to focus on the common issues of government, legislative and regulative policies, and to promote joint venture business opportunities and maximize shareholder hire. The Alaska Native Claims Settlement Act (ANCSA), passed in 1971 by the U.S. Congress to settle aboriginal land claims against the federal government, divided Alaska into 12 regions and authorized the creation of for-profit regional corporations and more than 200 village corporations, collectively known as the Alaska Native Corporations. Compensation to the Alaska Native Corporations totaled 44 million acres of land and a cash settlement of over \$900 million.

VICKI OTTE, Executive Director, Association of ANCSA Regional Corporation Presidents/CEOs, and shareholder of MTNT LTD, and Doyon, Limited, described the enrollment procedures for shareholders. She noted that 103,000 Natives are currently enrolled.

CHAIR NEWMAN asked the presenters about changes they would like to see in ANCSA.

MS. OTTE related that many amendments to ANCSA over the past 35 years have made improvements when needed.

[11:10:46 AM](#)

MS. BURETTA referred to early Alaska Native Corporation difficulties, such as Chugach Alaska Corporation's bankruptcy in 1982, which were largely due to management's inexperience with corporate structure and Western-style business practices. Currently, with the support of programs such as the Small Business Administration's 8(a) Business Development Plan ("SBA 8(a)"), corporations have been able to develop their businesses and become profitable.

CHAIR NEWMAN asked the presenters to address the sharing of profits between the 12 regional area corporations.

MS. OTTE referred to ANCSA Section 7(i) Settlement Agreement ("ANCSA Section 7(i)"), signed in 1982, which directed the corporations to share 70 percent of revenues.

CHAIR NEUMAN inquired about the management of the general fund, which holds the shared revenues.

MS. BURETTA explained that the funds are not held in a pool but rather are distributed by the regional corporations based on enrollment.

MS. OTTE pointed out that the revenue is shared with the regional and village corporations, and the at-large shareholders.

CHAIR NEUMAN commented on the success of ANCSA.

REPRESENTATIVE DOLL asked about the payment of corporate taxes to the State of Alaska.

MS. BURETTA stated state and federal taxes are paid by the corporations.

[11:16:09 AM](#)

MS. OTTE added that in one reporting year \$27.1 million was paid in federal and state taxes.

REPRESENTATIVE DOOGAN inquired as to how many Alaska Natives are not shareholders currently.

MS. OTTE informed the committee that 104,000 Alaska Natives are shareholders, but she said she was not sure of the number of

Alaska Natives not enrolled. She noted three corporations have periods of open enrollment.

REPRESENTATIVE LYNN asked how one's bloodline is determined.

MS. BURETTA stated enrollment is made with a Certificate of Indian Blood (CIB) issued by the U.S. Department of Interior Bureau of Indian Affairs (BIA).

REPRESENTATIVE LYNN suggested that Deoxyribonucleic Acid (DNA) can be used to follow migration patterns and bloodlines.

[11:19:12 AM](#)

MS. BURETTA confirmed that the determination for Native Alaskans was made on December 18, 1971, and thus those who were enrolled by that date were [considered to be] Native Alaskans.

REPRESENTATIVE LYNN suggested the use of DNA could be researched at a later date.

REPRESENTATIVE JOHANSEN asked for a definition of a "landless" Native.

MS. OTTE clarified that open enrollment shares [shares companies offered to Native Alaskans after 1971] cannot be willed to heirs while the shares of Native Alaskans enrolled prior to 1971 can be willed to heirs with specific blood quantum to remain voting shares.

MS. BURETTA said "landless" Natives are members of the 13th Regional Corporation, most of which were living Outside when the corporations were formed. These Native Alaskans were allowed to form a corporation but received no land.

REPRESENTATIVE JOHANSEN referred to Congressional legislation proposed by U.S. Senator Lisa Murkowski to address the problems of the 13th Regional Corporation.

MS. BURETTA reported that some of the regional corporations, though struggling at their inception, are now the largest companies in the state with business endeavors ranging from real estate to tourism and oil field operations. She pointed out that the ANCSA regional corporations are unique in that their shareholder stock is inalienable "ANCSA Section 7(i)" requires regional corporations to share 70 percent of its resources revenues with other regional and village corporations. Over the

last 35 years, the regions have shared over \$675 million with each other. In 2004, a sample of 42 Native corporations held combined revenues of \$4.47 billion [gross] and assets of \$3.57 billion [gross]. Ms. Otte relayed that ANCSA charges [its corporations] to continually enhance their position as financially strong Native corporations in order to promote the economic and social well-being of shareholders. Furthermore, the corporations provide jobs, revenue, and commitment to improving Alaska's economy.

[11:25:24 AM](#)

CHAIR NEUMAN commended the Alaska Native corporations on their success.

MS. OTTE spoke of the village corporation, to which she belongs, with profits of \$1.2 million last year of which 87 percent came from government contracting operations.

CHAIR NEUMAN inquired as to the percentage of the work [of Native corporations] occurs in Alaska.

MS. BURETTA stated Chugach Alaska Corporation has work in Alaska but most work is done in the Lower 48 and other countries.

MS. OTTE informed the committee that 17 regional and village corporations were recognized in 2006 as ranking among Alaska's top 49 businesses. In fact, 7 of the top 10 were ANCSA corporations. In addition, 16 Native for-profit and nonprofit entities are in the top 100 of the largest employers in Alaska.

MS. BURETTA noted, in 2004, the total equity for the 13 Native regional corporations was \$1.64 million, which is significantly higher than the original ANCSA cash settlement of \$962 million. The total dividend payout for the 42 corporations surveyed was \$117.5 million in 2004. Most of the earnings paid to shareholders are spent in Alaska facilitating further growth and investment in the state.

MS. OTTE, speaking of employment issues, said the 42 corporations participating in the Association's report had an Alaska work force of about 12,500 employees in 2004. Hiring Alaska Natives and shareholders and their families is a part of the Associations' commitment and policies.

[11:29:53 AM](#)

CHAIR NEUMAN asked if the Native corporations work together on workforce development.

MS. BURETTA explained that the regional corporations have individual nonprofit programs and benefits are balanced between scholarships and programs for elders. She noted that although each corporation has its own [scholarship and elder programs] they also utilize consortiums.

MS. OTTE further noted that Alaska Native Corporations gave \$8.5 million to charities and various nonprofit organizations, in the reporting year of 2004, in addition to funding scholarship programs and endowments.

MS. BURETTA described the increase of work tribal organizations are doing for the federal government through the Small Business Administration's 8(a) Business Development Program. In 2004, the \$141 million in payroll that was paid by Alaska Native Corporations "SBA 8(a)" businesses made a significant impact on Alaska's economy.

REPRESENTATIVE DOLL asked Ms. Burette for examples of the non profits that receive charitable funding.

MS. BURETTA named The United Way, Catholic Social Services, The Chugach Heritage Foundation and Museum, and Safe Harbor as some of the recipients of charitable funding.

REPRESENTATIVE DOLL noted that these gifts are given on regional and tribal levels.

MS. BURETTA referred again to the "SBA 8(a)" program which, in 2004, awarded 13 percent of its contracts to Alaska Native corporations.

MS. OTTE emphasized that this amount represents less than 1 percent of all the federal government contracts.

CHAIR NEUMAN asked if "SBA 8(a)" is the Native preference program.

MS. BURETTA clarified by saying the "SBA 8(a)" program is for all disadvantaged small businesses. She expressed concern over the special interest groups that wish to terminate Native traditional and statutory rights in the "SBA 8(a)" program, which would [negatively] impact the Native communities and the State of Alaska.

11:37:28 AM

MS. OTTE concluded by relating that the presentation today is just the "tip of the iceberg" in terms of the contribution of ANCSA corporations to Alaska's economy for the past 35 years.

CHAIR NEUMAN thanked the presenters and asked for questions from the committee.

REPRESENTATIVE DOOGAN asked [what caused] the sharp increase in income reported for 2001.

MS. BURETTA said she believes it can be attributed to when Cook Inlet Region, Inc. (CIRI) sold its wireless communications.

CHAIR NEUMAN asked how the Alaska Native corporations view the [proposed] natural gas pipeline.

MS. BURETTA related that the corporations are excited about the proposed natural gas pipeline. In fact, the corporations are preparing to participate in the project by anticipating the need for labor and recognizing that the pipeline route will go through regional corporation lands. She expressed hope that the state recognizes the opportunity to partner with the corporations with the natural gas pipeline.

CHAIR NEUMAN asked about the development of businesses to support the [proposed] pipeline.

MS. BURETTA explained that Native corporations have companies which are in the pipeline support business already and are successfully providing a high level of service to the federal government.

CHAIR NEUMAN inquired as to how the State of Alaska could model the "SBA 8(a)" program.

MS. BURETTA discussed the benefits privatization can have on operations, such as Chugach Alaska Corporation's [military] base operation and maintenance.

CHAIR NEUMAN reflected on the controversy of privatization of government contracts.

MS. OTTE indicated that hiring from the community is one way to solve some of the problems of privatization.

11:46:40 AM

REPRESENTATIVE LYNN recalled a presentation at the World Trade Center Alaska (WTCAK), regarding the opportunity for harvesting Alaska blueberries.

MS. OTTE confirmed that, in Kenai, an organization is looking at the potential market for blueberries and mushrooms.

CHAIR NEUMAN asked the presenters about value-added products being developed by the Alaska Native Corporations.

MS. BURETTA pointed out that the Alaska Native Corporations own raw natural resources, and the potential for resource development is great. However, environmental issues are a challenge to harvesting natural resources. Another economic factor is the subsistence economy in the rural communities and how to address protection of the land and development of resources.

CHAIR NEUMAN inquired as to long-range land resource management plans.

MS. BURETTA confirmed that Chugach Alaska Corporation has a detailed land management plan in place. Each region is in the process of getting conveyance to its entitlements.

CHAIR NEUMAN asked if the conveyances have been completed.

MS. OTTE replied that about 2 million acres have yet to be conveyed by the 2010 deadline.

CHAIR NEUMAN spoke of the state mandate to look at the development of boroughs and incorporations of areas. He asked if the Alaska Native Corporations can help communities to form organized boroughs.

11:55:04 AM

MS. BURETTA reminded the committee that Alaska communities are very different in size and needs. Formation of boroughs can have a large impact on smaller communities, especially with regard to school districts.

REPRESENTATIVE DOLL asked for an explanation of the tension between the regional corporations and the tribal organizations.

MS. BURETTA expressed concern that the corporations have income, but the tribes, which are responsible for governing and providing services for people in the villages, do not. The Alaska Native Corporations are trying to work with villages and help to provide economic benefits to rural communities.

REPRESENTATIVE JOHANSEN remarked that Ketchikan regional and village corporations are working together.

CHAIR NEUMAN thanked the presenters.

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Economic Development, International Trade and Tourism meeting was adjourned at 12:02 p.m.