315 SRES COOK INLET LAND EXCHANGE

COOK INLET LAND EXCHANGE

RECOMMENDATIONS

Cook Inlet Trade

After its consideration of the major issues and aspects of the proposed settlement, Commissioner James Hurley moved and Commissioner Celia Hunter seconded "That this Commission recommend to the Joint Resources Committee of the Alaska Legislature that appropriate legislation be passed authorizing the Cook Inlet settlement under the terms and conditions of P.L. 94-204." The motion carried unanimously, with Federal Co-Chairman Burton W. Silcock, Acting State Co-Chairman George W. Roger, and Commissioners James J. Hurley, Celia M. Hunter, Phil R. Holdsworth, Joseph H. FitzGerald, John W. Schaeffer, and Richard A. Cooley voting "aye".

The recommendation made, the Commission proceeded to address guidelines for future land exchanges. Summarized below are tentative general guidelines accepted by the Commission.

Future Land Trades

It has become increasingly apparent that a series of trades and exchanges will be necessary to adjust land ownership patterns established by the Statehood Act to enable sound land use planning and management by all involved. Both the Commission and members of the State Legislature have recognized the necessity for legislation which would guide and facilitate the exchange process. With clearer ground rules, much of the complexity and difficulties experienced in the Cook Inlet land trade could be reduced.

The Cook Inlet experience offers an excellent test case which should be carefully studied in developing guidelines for future land trades. The basic elements for such exchange legislation, as suggested by the Cook Inlet experience, are as follows:

1. Land trades should further the establishment of land ownership patterns that will enable planning and management to foster the wise use and disposition of land and land resources.

2. Land trades should result in an equitable exchange of values between the parties involved. In determining equity, intangible values such as sound land use and management as well as social and economic benefits should be included.

3. Trade procedures should include consultation with affected local governments and relevant State and Federal agencies, as well as a specific program for public consultation.

The Commission plans to analyze the Cook Inlet trade process in detail, as well as to review land trade and exchange procedures utilized elsewhere. On this basis, the Commission will make recommendations for legislation that would establish guidelines for future land exchange.

Federal-State
Land Use Planning Commission
For Alaska

733 W. FOURTH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99501

March 7, 1976

Honorable Kay Poland
Chairman
Senate Resources Committee
State of Alaska
Pouch V
Juneau, Alaska 99811

Dear Senator Poland:

Enclosed is the report containing the determinations of the Joint Federal-State Land Use Planning Commission on the Cook Inlet land settlement. Time did not allow for mass reproduction of the report for distribution to each member of the Legislature.

Two copies of the background materials are also enclosed for use by members of the Legislature.

We appreciate the information furnished by the Joint Resources Committee for the Commission's use in considering the matter.

Sincerely,

Burt Silcock

Burton W. Silcock
Federal Co-Chairman

BWS:go

Enclosures (2)

1. A Report To The Senate And House Of Representatives Resources Committees Of The Alaska State Legislature On The Proposed Cook Inlet Land Trade.

2. Backup materials.

Federal-State
Land Use Planning Commission
For Alaska

733 W. FOURTH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99501

A REPORT TO THE SENATE AND HOUSE OF REPRESENTATIVES RESOURCES COMMITTEES OF THE ALASKA STATE LEGISLATURE ON THE PROPOSED COOK INLET LAND TRADE

This report is a summary of the primary considerations underlying the recommendation of the Commission on the proposed Cook Inlet Land Trade. It is submitted in response to a request for Commission review and recommendation made on February 11, 1976 by the Resources Committees of the Alaska State House of Representatives and Senate and by the President of the Senate, Senator Chancy Croft, on February 17, 1976.

The Commission's recommendation is:

> That appropriate legislation be passed authorizing the Cook Inlet Settlement under the terms and conditions of P.L. 94-204.

CONTENTS

SYNOPSIS OF PROPOSED LAND TRADE

Section 12 of Public Law 94-204, passed by Congress on January 2, 1976, together with an agreement entered into December 10, 1975, by representatives of the Department of the Interior, Cook Inlet Region, Inc., and the State of Alaska, which is incorporated by reference in the Act, sets out the terms and conditions of the Cook Inlet Land Trade. The major elements of this complex trade are:

.....Agreement by Cook Inlet Region to shift more than half of its statutory entitlement under ANCSA away from the Cook Inlet area and, with the consent of other regions and villages, into adjacent regions.

.....Conveyance by the Federal government of approximately 50 townships of land to the State of Alaska above the entitlement provided in the Alaska Statehood Act, as well as key tracts such as Campbell Airstrip, Campbell Point, Point Woronzof, and Goose Lake in the Anchorage bowl in exchange for approximately 20.5 townships of State land to be conveyed to the United States for the benefit of the Cook Inlet Region and certain of its village corporations. This results in an increase of total State land selections of approximately 30 townships.

.....Conveyance by the Federal government of approximately 10,000 acres in fee and 220,000 acres of subsurface rights outside of known producing oil fields in the Kenai National Moose Range and certain other lands to Cook Inlet Region, Inc., in addition to the lands received from the State. The lands received by Cook Inlet are in complete satisfaction of its entitlement under Section 12(c) and Section 14(h)(8) of ANCSA.

A map illustrating the current land status of the region and one delineating the lands proposed for exchange with an accompanying chart of the size of the tracts are on the following pages. Full details of the settlement may be found in the agreement which is reproduced in House Report 94-729, dated December 15, 1975.

State ratification of the endorsement requires legislative concurrence no later than sixty days after the convening of the second session of the Ninth Alaska State Legislature, or by March 12, 1976.

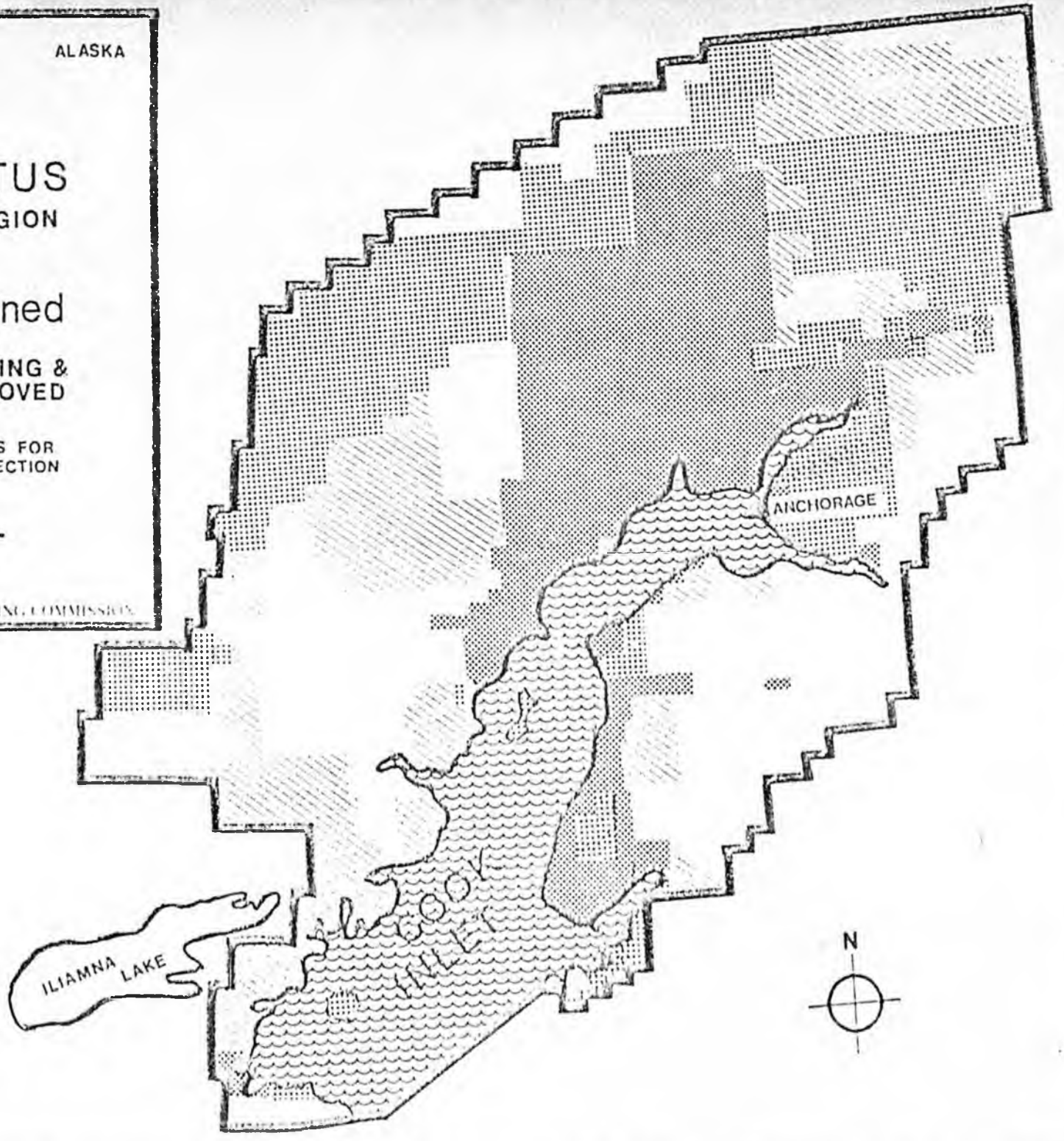
MARCH 1976 ALASKA

CURRENT LAND STATUS

COOK INLET REGION

- State Owned
- State PENDING & APPROVED
- Native AREAS FOR SELECTION
- FEDERAL

FEDERAL - STATE LAND USE PLANNING COMMISSION



MARCH 1976 ALASKA

PROPOSED COOK INLET LAND EXCHANGE SETTLEMENT

Native*

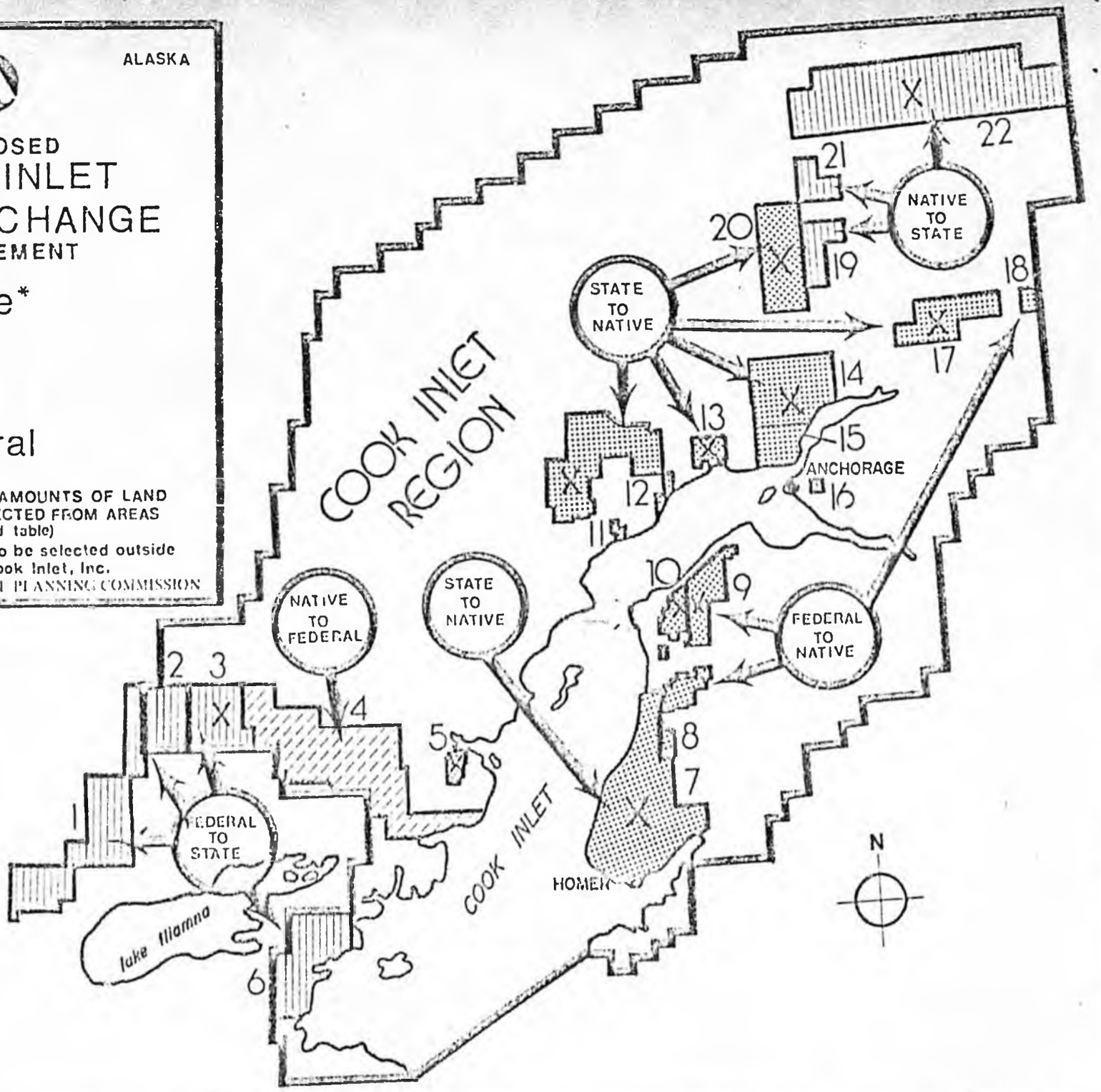
State

Federal

X X SMALLER AMOUNTS OF LAND TO BE SELECTED FROM AREAS (see attached table)

* 29.66 Townships to be selected outside region by Cook Inlet, Inc.

FEDERAL - STATE LAND USE PLANNING COMMISSION



PROPOSED COOK INLET LAND EXCHANGE

Map No.	Area Name	Approx. Area Size in Twnshps.	Approx. Number of Townships to be Selected, and Notes
1	Nushagak-Chulitna	19	23-27 - depends on village lands relinquished in Lake Clark. Additional from d-2.
2	Tutna Lake	7	7*
3	Koksetna	7	See No. 22
4	Lake Clark	28	All village selections to U.S.
5	Tuxedni	2	.5 - plus road and port easement.
6	Kamishak Bay	13	13*
7	Kenai	25	5 - scattered sites from State land, subject to State guidance.
8	Tustumena	.5	.5
9	Moose Range	4)	3.6 to 9.6 - varies with other selections. Subsurface oil, gas, and coal only. Excludes existing production.
10	Moose Range	6)	
11	Nikolai)	16	13.5 - excludes Beluga and Nikolai gas fields.
12	Beluga)		
13	Alexander	2	Depends on area relinquished in Lake Clark. Probably less than .25
14	Knik-Willow	12	.19 - see note, area 7.
15	Point Mackenzie	4	.14 - see note, area 7.
16	Campbell Tract	.2	.2
17	Chickaloon	7	.2 - see note, area 7.
18	Matanuska Glacier	1	All U.S. interest.
19	Sheep Creek	4	4*
20	Kashwitna	10	1.7
21	Talkeetna River	3	3*
22	Susitna-Chunilna	36	1* (Chunilna) 12.4 - option here and area 3.

Area Name	Approx. Area Size in Twnshps.	Approx. Number of Townships to be Selected, and Notes
These not shown on map:		
Anchorage area	.1	Miscellaneous tracts if surplused.
Healy	1	1
Intra-Regional exchange pool	6	0-6 - from surplus or revoked U.S. reserves and unperfected land entries. Available for exchange only on acre/equivalent basis for extra regional selection.
Extra Regional	N.A.	Up to 29.6 - subject in part to exchange, appropriate village regional, U.S., and State agreement, and State %-strike provisions.

* These total 28 townships - only 26 to be selected.

THE COMMISSION'S ROLE

The Joint Federal-State Land Use Planning Commission for Alaska was created by Act of Congress in the Alaska Native Claims Settlement Act and by Act of the Legislature of the State of Alaska (A.S. 41.40.010). The primary goals of the Commission as established by law are to: (1) insure that the economic growth of Alaska is orderly and compatible with environmental values and the economic and social well-being of the State's residents; and (2) plan for the wisest and best use of Alaska's lands. The Commission is expressly directed to: (1) seek ways to avoid conflicts among the State, the Federal government, and Alaska Natives over the selection, use, and management of lands; (2) improve coordination between the State and Federal governments; and (3) recommend changes in laws, policies, and programs affecting land use and management in Alaska. The Commission has ten members, half of whom serve as Federal appointees and half appointed by the State of Alaska.[1/] Providing executive leadership are the Governor of Alaska or his designee as State Co-Chairman and a Federal Co-Chairman appointed by the President of the United States. The Governor is required by law to name an Alaska Native to, at least, one of the State seats on the Commission. A small staff, including planners, resource specialists, lawyers, and economists, supports the Commission in its deliberations.

The Commission as a body upon which State, Federal, and Alaska Native interests are represented and whose mandated intent is to promote cooperation and resolve conflicts among these major landowners, occupies a unique position from which to provide oversight on land trades and adjustments.

Commission Involvment in Cook Inlet Selection Problems

Section 17(a)(7)(B) of the Alaska Native Claims Settlement Act directs the Commission to make recommendations concerning proposed land selections by Native village and regional corporations. Pursuant to this and other authority provided in Section 17(a) of the Act the Commission has been involved since 1972 in seeking a satisfactory solution to the land selection problems which have confronted Cook Inlet Region, Inc., and its constituent villages.

In general and specific recommendations the Commission recognized the necessity of providing lands of "similar in character" to Cook Inlet Region, Inc. to fulfill their entitlement under the Claims Act. Constraints imposed by the Claims Act prohibit selections of State lands, selections within the Kenai Moose Range, selections out of the Cook Inlet Region, or selections within a two-mile buffer zone of first class municipalities. In recognition of these constraints and problems they posed for fulfillment of the Native entitlement, the Commission recommended on March 29, 1974 that acreage in the Lake Clark area be withdrawn for Cook Inlet Region, Inc. When it appeared that Congressional amendments to the

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1/ Two vacancies, one State seat and one Federal seat, currently exist on the Commission.

Claims Act would remove most of these prohibitions and that negotiations between the Department of the Interior and Cook Inlet Region, Inc. also included the participation of State government, the Commission on October 30, 1975 communicated its unanimous support of the approach taken by the negotiators. The Commission set out the premises of its support of the concept and cautioned that technical problems required solution and that the views of neighboring regions and the full participation of Cook Inlet villages be obtained. (Copies of the letters communicating the actions cited above, as well as a detailed summary of Commission involvement in the Cook Inlet land selection problems, are included as Appendix A.)

Public Law 94-204 was enacted by Congress January 2, 1976 incorporating the agreement reached through the negotiations entitled "Terms and Conditions for Land Consolidation and Management in Cook Inlet Area." In its deliberations on the agreement, the House and Senate Resources Committees met in joint session on February 11, 1976, and passed a motion to request Commission review and report to the Legislature on the agreement.

The Commission's Review

In respons to the Legislature's request, all staff were committed to an intensive compilation and analysis of land and resource data and legal issues. A special session of the Commission was scheduled for March 5 and 6. Data was solicited from all parties to the exchange, other Federal and State agencies, and the public. Transcripts of legislative and administrative hearings and minutes of legislative committee meetings on the proposed settlement were reviewed, together with testimony both supporting and opposing the settlement[2/] in order to assure that all major issues and questions would be addressed in the Commission deliberations. Data previously compiled in the Commission's Statewide Resources Inventory and research conducted in prior instances when the selection problems of the Cook Inlet Region have been considered by the Commission were reviewed. Staff presentations reflected multidisciplinary expertise and individual evaluations of alternatives to the proposed settlement.

Commissioners had the opportunity to review staff memoranda and information submitted from other sources prior to the meeting and to consult directly with the staff a day in advance of the meeting. Problems with the settlement were cited by staff, as well as benefits accruing to the settlement parties. At the meeting, comprehensive presentations were made by the lead negotiators of the Federal and State governments and the Cook Inlet Region, Incorporated. Commissioners posed questions on all major aspects of the proposed settlement to the negotiators. Each geographical area subject to the proposed exchange was examined.

2/ Written statements and documentation from Harold Galliett, David S. Jackman, and Bristol Bay Native Corporation. Copies of these statements and documents are included in the notebooks transmitted to the two Resources Committees.

PRIMARY CONSIDERATIONS

In evaluating the proposed land trade, the Commission considered how the wide variety of interests of different citizen groups affected by this trade had been accommodated. The Commission and the State have a responsibility to protect the interests of the 6,000 citizens of Cook Inlet as they strive to receive their rights from the Federal government under the Alaska Native Claims Settlement Act. At the same time, the interests of the citizens of the State as a whole, of which the Cook Inlet people are a part, must not be sacrificed. The effect of the trade on the State's overall economic well-being must be assessed and the rights of other Native regional corporations must be considered. The Anchorage area, which has been the center of the State's rapid population growth, has a need for close-in recreation space which must be considered, and plans for Anchorage's north/south runway and for a new State capital site must not be jeopardized by the trade. In addition to these and other factors which concern both the Commission and the State, the Commission has a responsibility to consider the national interest in Federal lands and in nationally and internationally important resources such as the Bristol Bay fishery.

Among the many different interests affected by the proposed trade, the Commission identified the following as primary considerations:

Overall Considerations

1. The decision on this proposal is not simply whether or not to approve this trade but, rather, whether this is the best of a range of congressional and judicial alternatives.[1/] One element is certain--Cook Inlet's entitlement under the Settlement Act to approximately 54 townships of land must be satisfied in some manner.

2. The negotiated approach embodied in this proposal represents a far better means of harmonizing conflicting interests than the other alternative means by which the Federal government might meet its obligations to Cook Inlet. Without a three-party negotiation, the transfer would be between the Federal government and Cook Inlet, and the State would have little or no input. Through the terms and conditions built into this negotiated proposal, checks and balances have been provided to insure that the interests of all parties are protected.

3. The cooperation of Federal, State, and Native interests to come to a mutually acceptable trade sets a healthy precedent for future land planning in Alaska. In the future, joint planning by the three major landowners within the State is essential if the massive redistribution of land tenure caused by the Statehood Act and the Alaska Native Claims Settlement Act is to be arranged into a satisfactory management pattern.

1/ Detailed in Appendix B.

4. This agreement involved a great deal of give and take by the parties involved. For example, Cook Inlet agreeded to take over half of its entitlement outside its own region in areas that are generally remote from the Cook Inlet people, and to accept Federal and State controls over land selection and use that would not be required under the regular provisions of the Settlement Act.

5. The proposal provides protection for the interests of Native corporations in other regions by giving both village and regional corporations veto powers over selections adjacent to and up to 12 miles from lands withdrawn for selection by Native corporations within the region.

6. State selections in the early years of Alaska statehood were concentrated in the area that was to become the Cook Inlet Region. By 1971, when the Settlement Act passed, the lowlands of the region were virtually all in State and private ownership except for Federal withdrawals such as the Moose Range and the military reservations. Given this situation, without the proposed settlement, and without State assistance and the State selected lands, there is little leeway within the Cook Inlet Region to satisfy Cook Inlet's entitlement to lands "of a charcter similar" to village sites.

Legal Considerations

1. The probability of protracted law suits is less under this proposal than under other alternative ways by which the Federal obligation to Cook Inlet could be fulfilled.

2. Most of the legal impediments to the proposed trade were removed by Public Law 94-204.[2/] The only remaining legal necessity to enable the trade is for the State Legislature to approve the conveyance of subsurface by the State government and to waive requirements for determination of equal value on a purely monetary basis.

3. The conflict between Anchorage's proposed north/south runway extension and park and recreation uses is recognized by all parties involved. This problem may be solved by the Federal process of surplusing Federal withdrawals which would eliminate land identified as needed for airport purposes from the parcel before conveyance to the State for park and recreation purposes.

4. All vested third party interests are protected by the terms and conditions of the proposed agreement. Lands made available for Native selections were in areas where there were already many private land holdings which will be protected.

2/ Detailed in Appendix C.

5. Approval of the proposed trade would assure the continuance of the 1972 settlement between the State and the Department of the Interior.[3/] Without this trade, the Cook Inlet Region will continue its litigation which challenges the 1972 settlement. A decision in favor of Cook Inlet would jeopardize approximately two-thirds of the State's existing land selections.

Land Use Considerations

1. Under the terms of the agreement, the State obtained powers to guide and control the selection process and to keep lands with particular values for recreation and other public purposes in public ownership. Similar planning powers would be unavailable to the State under the unnegotiated alternatives to this proposal.

2. The trade is designed to protect the large regions in Southcentral Alaska which have high values for public purposes.[4/] Ownership boundaries around such areas, for example, Lake Clark, Iliamna Lake, and the proposed Talkeetna State Park, have been drawn to establish workable management units.

3. Where possible, land ownership units have been consolidated and simplified. For example, blocks of State owned land are expanded in the Susitna Valley and west of Iliamna Lake, and village holdings on the west side of Cook Inlet have been consolidated.

4. This trade provides substantial protection for the Kenai National Moose Range, which has high public value as a prime recreation area for the State's rapidly growing population. Other proposed alternatives could have conveyed large areas of Moose Range surface ownership or producing oil fields to Cook Inlet.

5. Native villages will receive lands closer to village sites than under existing selection withdrawals which were far removed from villages. Such lands generally have more use and value for village purposes.

6. The proposed trade will enable Cook Inlet to acquire lands that are suitable for private land use purposes. Lands which have currently been made available for Cook Inlet selection are primarily mountainous areas which would have little or no value for a private corporation.

7. The trade retains proposed capital site areas in State ownership.

8. The trade will accelerate and assure the transfer to the State of prime areas for recreation and public purposes in the urban area of the Anchorage bowl. Of special concern to the Municipality of Anchorage is the Campbell tract. The agreement specifies that this

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3/ Copy of 1972 agreement included in notebook submitted to the Resources Committees.

4/ Detailed in Appendix D.

tract will be managed in accordance with a generalized land use plan already proposed for the area. If and when other Federal tracts, i.e., Point Woronzof, Point Campbell, and Goose Lake, are declared surplus for Federal use, they, also, will be conveyed to the State.

Economic Considerations

1. Because of the nature and complexity of the trade, and the very real difficulties in applying ordinary valuation methods, broad economic standards must be used in judging the trade. These standards must include the Commission's mandate to make recommendations relating to orderly economic growth compatible with other social, cultural, and environmental values. The standards must also include an assessment of the impact of the trade on the future fiscal and economic well-being of Alaska.

2. The economic losses that the State will purportedly incur as a result of the trade appear to be exaggerated. When highly speculative gross asset values are converted to "net present value" of probable foregone revenues, the State's expected losses are minimal.5/

3. The future fiscal viability of the State is largely unaffected by the trade. This is so for a variety of reasons, including the following:

   a. Economic development is at least as likely to occur if resources are in private ownership as would be the case if the State retained ownership of the resources. Thus, State revenues from corporate income taxes, personal income taxes, and most other tax sources will be at least as great under private resource ownership as public. Economic rents that might possibly be foregone (in the form of royalties) can for the most part be recouped through the State's power of taxation.6/

   b. It is probable that revenues foregone under the proposed trade will constitute only a minute fraction of total State revenues in the future. Anticipated revenues in the 1990's, amounting to several billion dollars annually, dwarf potential foregone revenues. For example, expected coal royalties from a proposed development in the Beluga fields are only about 1.5 million dollars per year, which amounts to about 0.03 percent of projected total State revenues in 1990.

4. The general level of economic activity will be largely independent of resource ownership. In fact, if Cook Inlet Region is assumed to be at least as development oriented as the State, then total economic activity can be expected to increase.

5/ Detailed in Appendix E.

6/ Detailed in Appendix E.

5. Economic benefits to Cook Inlet will, in part, be redistributed to other regional corporations in the State under the provision in the Settlement Act which requires that 70 percent of the revenues from resource development by any one Native regional corporation be shared with all the regional corporations.

6. The proposed trade protects the State's Swanson River petroleum revenues by excluding all producing oil fields within the Moose Range from conveyance to Cook Inlet.

APPX. A

Federal-State
Land Use Planning Commission
For Alaska

733 W. FOURTH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99501

March 3, 1976

MEMORANDUM

TO: Commissioners

FROM: Esther C. Wunnicke

SUBJECT: Commission Involvement in Cook Inlet Land Selection

Section 17(a)(7)(B) of the Settlement Act directs the Commission to make recommendations concerning proposed land selections by Native village and regional corporations. Pursuant to this and other authority provided in Section 17(a) the Commission has been involved since 1972 in seeking a satisfactory solution to the land selection problems which have confronted Cook Inlet Region, Inc., and its constituent villages.

.....August 16, 1972. The Commission urged the Secretary to accord the deficiency land needs of Native organizations priority in every instance over 17(d)(1) and 17(d)(2) withdrawals.

.....March 6, 1973. In addressing Chugach Native deficiency problems the Commission adopted the following general principles:

a. land withdrawals made under Section 11(a)(3) for possible regional selection should include any lands remaining after village selections from the same areas.

b. the "similar in character" standard should apply to both regional and village deficiency withdrawals made pursuant to Section 11(a)(3).

.....March 7, 1973. Formula 3 adopted for calculating gross acreage of village and regional deficiency.

.....August 2, 1973. National interest d-2 use recommendations.

.....August 6, 1973. Commission stated that none of its recommendations concerning the use of d-2 lands should be construed so

as to preclude necessary deficiency classifications. Finally the Commission requested that the Secretary exercise his administrative authority by designating needed deficiency lands prior to transmittal to Congress of recommendations regarding d-2 withdrawals.

.....September, 1973. Staff presented resource summary to Cook Inlet on lands available for possible selection.

.....January 10, 1974. Commission provided Secretary with an interim staff report on Kenai Moose Range. Second study completed and transmitted April 16, 1974.

.....March 29, 1974. Recommendations that acreage in Lake Clark area be withdrawn for Cook Inlet deficiency - based on land status problems and legal constraints in ANSCA, e.g.

no out-of-region selections
no administrative authority to open Moose Range lands to regional selections
no availability of State lands for regional selection
2-mile buffer zone

.....June 6, 1974. Small withdrawal review.

.....August, 1974. At the request of Cook Inlet Region, Inc., the Commission prepared an analysis of lands which could be withdrawn by the Secretary pursuant to Section 11(a)(3) to satisfy the deficiency entitlement of that region.

.....April 29, 1975. Staff memorandum was prepared by Counsel setting out pending Federal legislation. The memo regarding Cook Inlet land exchange set out these considerations:

-appeal of adverse District Court ruling vs. CIRI
-commencement of discussions with State
-Moose Range and Lake Clark townships for selection
-selection of small scattered tracts - Campbell and Woronzof
-lands in Eklutna withdrawals
-suspension of land selection rules requiring odd-odd and even-even regional selections

.....May 2, 1975. Commission meeting. Motion that the Commission express an encouragement to discussions presently underway between the State, CIRI and other entities that may result in better overall solutions in terms of overall management in the Cook Inlet Region, and that the Commission resources in terms of technical assistance be made available to these discussions. Also that additional time be provided to Cook Inlet; passed by general consensus.

.....October 24, 1975. Commission meeting. Michael C.T. Smith, Director of the State Division of Lands, briefed the Commission on the present s ation with respect to Cook Inlet Region, Inc. Motion by Silcock, second by Holdsworth, to endorse the land trade concept in its present status and to communicate the Commission's endorsement to the House and Senate Interior and Insular Affairs Committees: motion passed unanimously.

Elements of that briefing ar: as set out in 10-2/3-75 "Opening Statement" prepared by Department of Natural Resources.

.....October 30, 1975. Recommendations were made to the House and Senate Committees on Interior and Insular Affairs stating that the Commission had considered the tentative agreement arrived at between Cook Inlet and the State of Alaska, and was in unanimous support of the approach taken in the proposed agreement. The premises for Commission approval of the concept of the agreement are set out as: the insufficiency of lands to meet deficiency requirements; disagreement with the District Court's ruling; improved land management units through the consolidation of ownership; and lessened impact of private land ownership in the Kenai National Moose Range. In supporting the agreement the Commission did not minimize the technical problems which needed to be overcome prior to final adoption, and the Commission urged that the views of neighboring regions be obtained and that the full participation of Cook Inlet village corporations be assured.

.....February 6, 1976. At a regular Commission meeting, after a brief explanation of P.L. 94-204 and the corresponding "Terms and Conditions for Land Consolidation and Management in Cook Inlet Area" the Commission, by unanimous vote, authorized the State Co-Chairman to support state law reform concerning land trades on behalf of the Commission. Co-Chairman Jackman advised that he would be testifying before House and Senate Natural Resources Committees of the Alaska Legislature.

.....February 11, 1976. Co-Chairman Jackman was asked by the House and Senate Natural Resources Committees to convey to the full Commission their request for Commission review and submission of a report of its findings on the proposed Cook Inlet land trade.

.....February 17, 1976. Confirmation of the legislative request was sent to the Commission by the President of the Senate together with a request that the Commission expedite its report as much as possible to enable the Alaska Legislature to act within the times established in the agreement.

.....February 23, 1976. Formal request of the Senate Resources Committee for Commission assistance was transmitted by Committee Chairperson, Kay Poland. Concern of the Committee about relative values of lands given and received, impact on future land selections by the State, and long term effects of the amendment of Section 6(i) of the Alaska Statehood Act was expressed.

.....March 5, 6, 1976. A Commission meeting to consider the Cook Inlet land trade and to make recommendations to the Joint Senate and House Resources Committees was scheduled.

October 30, 1975

Honorable Henry M. Jackson
Chairman
Senate Committee on Interior
and Insular Affairs
Attn: Steve Quarles
3106 Dirksen Building
Washington, D.C. 20510

Dear Chairman Jackson:

It is our understanding that the Interior Committee will soon commence its markup of certain proposed amendments to the Alaska Native Claims Settlement Act. With this in mind, I am writing to communicate the Commission's strong support for amendatory legislation relating to the land entitlement of Cook Inlet Region, Inc., and its constituent villages, as such legislation is described in the recently announced agreement between Cook Inlet and the State of Alaska.

For the past three years, the Commission has been actively involved in efforts to resolve the land-related problems which have confronted Cook Inlet and its constituent villages. These efforts have taken the form of technical assistance to the regional corporation and, more recently, to the State of Alaska, and recommendations to the Secretary of the Interior with respect to the location and quantity of withdrawals needed to help satisfy the requirements provided in Section 11(a)(3) of the Settlement Act. Most recently, the full Commission has considered the tentative agreement arrived at between Cook Inlet and the State of Alaska. On the basis of this consideration, which took place at a Commission meeting held on October 24-25, 1975, I have been authorized to communicate our unanimous support for the approach taken in the proposed agreement.

The Commission's position is premised on the following principal considerations. First, in our opinion, a significant portion of the acreage presently withdrawn for possible selection by Cook Inlet does not meet the qualitative criterion provided in Section 11(a)(3) of the

Settlement Act. In arriving at this conclusion, we are cognizant of the Federal District Court's ruling in Cook Inlet v Morton, and are constrained to disagree with that portion of the ruling which relates to compliance with the criteria specified in Section 11. Second, the land status pattern in the Cook Inlet region, which encompasses large Federal withdrawals and significant acreage in State and private ownership, indicates that it would be very difficult for Cook Inlet to obtain a satisfactory land entitlement in the absence of the land exchanges and other mechanisms provided in the pending agreement. Third, implementation of the agreement would greatly improve land management within the Cook Inlet region by consolidating Federal, State, and Native ownership in areas which aptly reflect the interests of the various parties. Thus, for example, the agreement would result in Native ownership of certain areas on the Kenai Peninsula which, by virtue of their location, soils, and other characteristics, appear suitable for private settlement and development. Similarly, the State would obtain additional lands in the Bristol Bay watershed, which is of critical importance to the State for its fishery and recreational values, and the Federal government would be assured of a viable management unit in the Lake Clark area, which has been proposed for national park status pursuant to Section 17(d)(2) of the Settlement Act. Improved management and ownership patterns would also result in other areas of the Cook Inlet region, including the Talkeetna Mountains and the Kenai Peninsula. Fourth, the proposed agreement would lessen the impact of private ownership on the Kenai National Moose Range by reducing the total acreage that might otherwise be transfered to Native corporations and by requiring that certain protective measures be taken in a significant portion of the lands that would be conveyed. In short, implementation of the agreement would permit the creation of rational patterns of land management and ownership which reflect the varied interests of the parties involved. Neither the administrative nor judicial alternatives afford the flexibility which is necessary to accomplish this result.

In supporting the proposed agreement, the Commission does not mean to minimize the technical and other problems which must be overcome prior to its final adoption. For example, there are certain legal issues which must be addressed. However, the research conducted by our staff and more extensive work performed by attorneys for Cook Inlet and the State indicate that solutions to these problems do exist. Moreover, since the agreement would authorize Cook Inlet to select lands within the boundaries of certain other regional corporations, the views of those corporations must be considered with great care, and an effort must be made to insure that in the process of improving land ownership and management patterns in the Cook Inlet region, we do not jeopardize

the opportunity to create sensible patterns in other areas of the State. In addition, full participation on the part of Cook Inlet's constituent villages and groups will be required, for the agreement calls for the relocation of certain withdrawals made for their benefit. We believe that the participation and cooperation of all of the parties to the agreement and other affected Native corporations will create an atmosphere in which possible problems can be resolved and the objectives of the current proposal can be successfully achieved.

Thank you for your consideration of this correspondence.

Sincerely,

Burton W. Silcock
Federal Co-Chairman

cc: Senator Ted Stevens
Senator Mike Gravel
Royston C. Hughes, Assistant Secretary, Program Development and Budget
Ken Brown, Legislative Counsel, Department of the Interior
Guy Martin, Commissioner, State Department of Natural Resources
Michael C.T. Smith, Director, State Division of Lands
Sam Kito, President, Alaska Federation of Natives
Roy Hundorf, President, Cook Inlet Region, Inc.

JWK:go

March 29, 1974

Honorable Rogers C.B. Morton
Secretary of the Interior
Department of the Interior
18th and 19th Streets N.W.
Washington, D.C. 20240

Dear Secretary Morton:

This letter is written as a followup to our correspondence of March 12, 1974, relative to the land entitlement of Cook Inlet Region, Inc. under relevant provisions of the Alaska Native Claims Settlement Act. The purpose of this letter is to provide an analysis of the quantitative and qualitative aspects of the present situation and to suggest a possible solution.

The analysis which follows is predicated on the following assumptions:

1. In accordance with the position of the Department of the Interior and the State of Alaska, and for the purpose of this analysis, lands within the Cook Inlet Region which were selected by the State in the first half of 1972 will not be considered as available for withdrawal under Section 11(a)(3) of the Settlement Act.

2. For the purpose of this discussion, it will be assumed that the Secretary of the Interior is prohibited as a matter of law from releasing lands now located in the Kenai National Moose Range if the sole reason for doing so is to satisfy a Native deficiency entitlement. This assumption is predicated on inferences from the perceived Congressional intent in enacting limitations on village selection within units of the National Forest and Wildlife Refuge Systems. It does not apply, of course, to those village selections within the Range which are specifically authorized by the Act.

3. Pursuant to final decisions of the Bureau of Indian Affairs respecting village eligibility, the villages of Tyonek, Carvell, Chickaloon, Alexander Creek, Point Possession, Knik, Salamatof,

and Kaltag, as well as those villages which have already passed through the qualification process, will be considered as eligible to receive land under the Act. Accordingly, the land status and selection rights of these villages will be considered in the computations set out below.

4. The "similar in character" requirement specified in Section 11(a)(3) applies to both village and regional withdrawals made pursuant to this subsection. With respect to the former category of withdrawals, the reference point for determining which lands satisfy this standard is the "core" or primary township or townships upon which the village having the deficiency is located. With respect to the latter category, the relevant yardstick is a composite of the core townships of villages located within the region. Accordingly, lands located within the proposed withdrawal should possess physical and topographical characteristics which are similar to those contained within the appropriate core township or townships.

5. Section 11(a)(3) lands which are not selected by the appropriate village corporation will be made available for possible regional selection. This remainder, when added to other available lands, will enable the region and its constituent villages each to select from lands totaling three times their estimated deficiencies. Accordingly, the quantitative criterion specified in Section 11(a)(3) will be satisfied in each instance.

In the past, the Commission has made certain general recommendations to you with respect to the disposition of lands under Section 11(a)(3). Since these recommendations apply equally to the analysis set out below, we will list them here for your ready reference:

1. In all instances, the selection requirements of Native corporations under relevant provisions of the Settlement Act should be given preference over withdrawals made pursuant to Section 17(d)(1) and (2). As stated previously, we believe that this approach is consistent with the underlying philosophy of the Act.

2. Section 11(a)(3) lands which are not selected by the appropriate village corporations should be made available for possible regional selection. This remainder, when supplemented by other available lands, will enable the regional corporation and its constituent villages each to make their selections from lands totaling three times their estimated deficiencies. Accordingly, the quantitative criterion specified in Section 11(a)(3) will be satisfied.

3. The "similar in character" criterion specified in Section 11(a)(3) should be applied to both village and regional withdrawals made pursuant to this subsection. With respect to the former category of withdrawals, the reference point for determining whether this standard has been met should be the "core" or primary township or townships upon which the village having the deficiency is located. With respect to the latter category, the relevant yardstick should be a composite of the core townships of villages located within the region. Accordingly, lands located within the relevant core township or townships and within the proposed Section 11(a)(3) withdrawal should possess similar physical and topographical characteristics.

Specific Analysis

On the basis of the foregoing assumptions and recommendations, and having reviewed relevant land status information for lands within the Cook Inlet Region, we respectfully suggest the following findings and recommendations. Our findings are as follows:

1. The Native census for the constituent villages of the Cook Inlet Region indicates a population of 1,286. (The total Native population of the Region is approximately 8,300.) Broken down by individual villages, this figure translates into a total village land selection entitlement of 1,013,760 acres pursuant to the formula provided in Section 14(a) of the Settlement Act.

2. Pursuant to the formula provided in Section 12(b) of the Act, the 12 villages located within Cook Inlet are entitled to select an additional 219,999 acres. For the purposes of this analysis, this total is allocated on a population basis among the villages involved.

3. The total village entitlement under Sections 14(a) and (b) is 1,233,339 acres.

4. Approximate total acreages in the following categories of land have been withdrawn pursuant to Sections 11(a)(1) and (2): 252,200 acres of public domain, 373,200 acres located within an existing wildlife refuge, 20,000 acres within an existing national forest, 210,350 + acres of State selected and tentatively approved land, and 43,650 acres comprising other categories. Taking cognizance of the quantitative limitations on selections from within existing wildlife refuge and national forest areas and on the selection of State lands which have not yet been patented, as provided in Section 12(c)(1) of the Act, the total acreage included within the categories just referred to translates to an available village selection right of 771,333 acres.

5. The land selection deficiency of villages located within the Cook Inlet Region is 462,426 acres, which is derived by subtracting the total acreage available for possible selection within withdrawals made pursuant to Sections 11(a)(1) and (3) (771,333 acres) from the total village entitlement under Sections 12(a) and (b) (1,233,759 acres). Introducing the 3X multiplier specified in Section 11(a)(3), a withdrawal of 1,387,278 acres is required.

6. The deficiency lands referred to in the preceding finding must be allocated to the villages of Tyonek, Eklutna, Alexander Creek, Knik, Salamatof, Nanilchik, and Seldovia, each of which has an unsatisfied deficiency that occurs as a consequence of existing land status and the selection limitations specified in the Act.

7. The Department of the Interior has previously withdrawn approximately 2,058,500 acres to satisfy the outstanding deficiencies of Eklutna, Tyonek, Nanilchik, Seldovia, and Salamatof. Of this amount, approximately 525,000 acres definitely do not, and approximately 530,000 acres may not, meet the qualitative criterion specified in Section 11(a)(3). (This determination is based on an examination of U.S.G.S. topographic maps which depict land contours and elevations with an acceptable degree of accuracy.)

8. In accordance with the formula provided in Section 12(a) of the Settlement Act, the selection entitlement of Cook Inlet Region, Inc. is 1,971,360 acres. In addition, because of the statutory prohibition against regional subsurface selections within existing wildlife refuges, the region is entitled to select 200,640 acres of subsurface estate.

9. As a consequence of the land status around existing villages and the selection limitations provided in the Settlement Act, the regional corporation can select only a few acres from lands currently withdrawn for village selection pursuant to Section 11(a)(1). Accordingly, the region has an unsatisfied deficiency of 1,279,000 acres. Introducing the 3X multiplier specified in Section 11(a)(3), this figure translates into a withdrawal requirement of 3,837,000 acres.

10. Pursuant to Section 11(a)(3), the Department of the Interior has previously withdrawn approximately 3,700,000 acres to satisfy the outstanding deficiency of Cook Inlet Region, Inc. and pursuant to Section 17(d)(2)(B) has identified an additional 805,000 acres of dual withdrawals for ultimate disposition by Congress. Of the lands previously withdrawn, 1,552,000 acres, as computed in relationship to the USGS maps referred to previously, definitely do not, and 1,989,000 acres may not, satisfy the qualitative criterion specified in Section 11(a)(3).

11. One half of the deficiency lands designated in findings 7 and 10 to be in question from a qualitative point of view satisfy the "similar in character" criterion and one half do not. (This "best guess" appears reasonable on the basis of the data now available.)

Recommendations

1. The Secretary of the Interior should withdraw at least an additional 250,000 acres meeting the qualitative and distance criteria specified in Section 11(a)(3) in order to satisfy the deficiency entitlements of the villages referred to in finding 6 above. In recognition of the land selection prohibitions and restrictions which apply to the Kenai National Moose Range, to State selected and tentatively approved lands, and to certain other categories of land located within the Cook Inlet Region, it is recommended that these withdrawals be made principally from acreage within the Lake Clark area which is now withdrawn pursuant to Section 17(d)(2) of the Settlement Act. As specified in Section 17(d)(2)(C), such withdrawals should be given preference over the d(2) classification which now exists.

2. A minimum of 1,500,000 additional acres meeting the qualitative and distance criteria specified in Section 11(a)(3) should be withdrawn for possible selection by Cook Inlet Region, Inc. Because of the prohibitions and restrictions on regional selection referred to above, these withdrawals should be made principally from lands located within the Lake Clark area. In accordance with previous Corporation communications to the Department, it is recommended that all deficiency withdrawals made for the benefit of Cook Inlet Region, Inc. be given precedence over withdrawals previously made under Section 17(d)(2) of the Act.

3. After the withdrawals specified in recommendations 1 and 2 above have been made, those lands presently included within Section 11(a)(3) withdrawals which do not meet the criteria specified in this subsection should be returned to a different status.

We recognize that the recommendations made herein, if implemented, could have an adverse impact on certain legislative proposals submitted by the Department pursuant to Section 17(d)(2) of the Settlement Act. We believe, however, that the findings and recommendations which we have made are required either by the express terms of the Act itself or by reasonable inferences therefrom. In other words, the operation of the statute dictates the result, and in view of the existing land status situation within the Cook Inlet Region, there is little room for administrative discretion.

With this in mind, we are hopeful that the present selection problems confronting Cook Inlet and its constituent villages will be quickly resolved on an administrative level. If this does not occur, the Department and Cook Inlet Region, Inc. will remain locked in litigation which has already proved to be an expensive and rather unsatisfactory problem solving mechanism for both parties.

Thank you for your consideration of this matter. We look forward to discussing it further with you during our upcoming trip to Washington, D.C., at which time we will supplement the analysis provided herein.

Sincerely,

Barton W. Silcock
Federal Co-Chairman

Sincerely,

Joe P. Josephson
State Co-Chairman Designee

cc:

0001.1.15.a

Appx. B

Alternatives to Land Settlement	Possible outcomes, remedies and restrictions	Effect on: State	Federal	Native
1. Rejection of current offer.	1. Cook Inlet goes back to Court and loses:			
	a) Secretary does nothing to alter current land status.	Retains currently held lands & resources but could potentially lose control of very limited unselected lands near Anchorage.	Retains currently held lands & resources. Lake Clark management unit proposed as park-lands reduced in size or lands must be purchased from village corporations to maintain proposal dimension under current agreement.	Retains currently held lands & resources Because of the nature of current holdings potential more intensive development would be required to establish same return as is possible with better lands obtained through the trade.
	b) Secretary offers alternative lands to Cook Inlet.	Retains currently held lands & resources. Could potentially lose control of some lands near Anchorage & could be forced to set aside some additional State lands for recreation & habitat if Moose Range land losses severely restrict recreational opportunities. Potential time delay if attempt is made to transfer Moose Range lands. Loss of oil & gas revenue.	Because of limited lands available of "like kind" within region may be forced to attempt to transfer lands within Moose Range. Serious legal questions over Secretary's ability to transfer Moose Range lands for these purposes. Other Federal lands within region of much lower quality even in Lake Clark d-2 areas or any of the remaining d-1 areas.	Possible gain of additional better quality lands. However without going out of region, lands available to Secretary are very limited & will probably include additional Moose Range lands which could delay settlement & could result in Cook Inlet gaining nothing.

Alternatives to Land Settlement	Possible outcomes, remedies and restrictions	Effect on: State	Federal	Native
	c) Congressional action which does not neutralize the "1972 memorandum of agreement."	State would retain lands currently patented "T.A.'d" or in patent pending status. Could potentially lose control of small amount of unselected lands near Anchorage. State could be forced to set aside some additional lands for recreation and habitat if Moose Range losses are incurred & if same general level of recreational opportunities are to be maintained. Could lose oil revenue from Swanson River field.	Because of limited lands of like kind available it is likely that Congress would be forced to transfer lands from the Moose Range & from the Lake Clark d-2 areas. Federal government might lose oil revenues.	Cook Inlet would gain much better quality lands, however, it might be difficult to give full entitlement in lands of "like kind." Natives would probably receive oil royalties & other minerals in the Moose Range.
	d) Congressional action which in effect neutralizes the "1972 memorandum of agreement."	The ramifications of this type of action to the State are enormous. Those State lands which were put into a selection pending status could (unless stipulated by Congress) all be subject to reclassification throughout the entire State. The Secretary could be forced to reclassify substantial amounts of this land into d-2 status or Native deficiency forcing the	The breakdown of the "1972 agreement" will leave the Secretary open to suits which could force him to reclassify much of the land currently under State selection into d-2 status. The whole process of determining "national interest" lands could be reopened resulting in a high cost both in terms of time & money.	Cook Inlet would gain substantially particularl if out-of-region selections are allowed. They could possibly pick up lands within the Moose Range as well as being able to select out-of-region lands which are currently unde State control.

Alternatives to Land Settlement	Possible outcomes, remedies and restrictions	Effect on: State	Federal	Native
		State to reselect & redevelop its selection patterns. This could also make it more difficult for the State to select its full entitlement by the 1984 deadline. The State could lose some of the best "settlement lands" available to them.		
2. State makes a settlement which involves State & CIRI only. (This exchange would probably do little to affect Cook Inlet's economic status, merely transfer to them lands of "like kind & character.")	1. Primary constraint is meeting equal value criterion.	Even considering the problems of determining "equal value" (see Tuck memo). The State would be hard pressed to exchange land with Cook Inlet on an acre for acre basis which would probably end in the State receiving more land of average lower value than that currently held. Legal questions resolved within State courts.	This arrangement would not affect the Federal government land status.	Cook Inlet would probably receive considerably less acreage than their current entitlement. A few more development options might be open to them, however, their near-term economic position is likely to remain unchanged.
3. Settlement between Federal State, and Cook Inlet. (Modifications of current agreement.)	1. Possible area changes. a) Force Cook Inlet to select within their own region.	Lands might not be sufficient to avoid potential State selections completely. Could have the effect of speeding completion of the settlement however, thereby	Federal government might be forced to give up additional acres in Moose Range or possibly some d-2 lands to compensate Cook Inlet for selection of "like	Cook Inlet would improve their position over a no-agreement position although depending on the choices available for out-of-region selections they could

Alternatives to Land Settlement	Possible outcomes, remedies and restrictions	Effect on: State	Federal	Native
		allowing the State to complete its selection in other regions.	kind" lands within the region.	possibly be worse off than under the current agreement. The time taken to complete the settlement might be shortened from current agreement.
	b) Do not allow Cook Inlet to select land within the Moose Range.	Because of the high values present on the Moose Range lands pressure will be on State to make additional State lands available to compensate for the high value lands the Natives would lose.	The same problem exists here as with the State. The high values on the Moose Range could force the Federal government to increase the amount of land available to Cook Inlet to compensate for the loss of Moose Range lands. If values received by Cook Inlet & the Natives are not an issue, there is probably sufficient land within the region to fulfill the strict ANCSA requirements for Cook Inlet.	Cook Inlet, unless compensated by a selection of large blocks of land would probably lose value under this situation, at least as far as known. Total value could be held at the same level if the region were allowed more land outside of the region, however, it would be difficult to swap on this basis completely within the region.
	c) Exclude Beluga area from Native selection.	This alternative would protect currently selected coal reserves in the Beluga area. The total value of the loss to the State is likely to be small since the State would retain sufficient taxing authority to tax most of the "economic	This alternative could bring additional pressures on the Secretary to release other equal value lands for Cook Inlet. Since the lands are limited, this could mean either more land, higher value land as in the Moose Range, or	Cook Inlet could lose one of its prospects for near term income. This could accelerate the rate at which they develop other lands. They are also likely to push for additional income-generating lands in other areas.

Alternatives to Land Settlement	Possible outcomes, remedies and restrictions	Effect on: State	Federal	Native
		rents" that would be associated with the field.	possibly more land outside of the region.	
	d) Allow CIRI to select more land outside of the region.	State will lose additional lands and control of lands outside of region could also be forced to select lower quality lands in other regions.	This should not affect current d-2 lands, however, additional lands would have to be made available for CIRI selection. Total lands held in other regions would decline.	Cook Inlet could gain some additional "high quality" lands outside of region which could improve their economic viability.

Federal-State
Land Use Planning Commission
For Alaska

733 W. FOURTH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99501

March 4, 1976

MEMORANDUM

TO: Commissioners

FROM: Esther C. Wunnicke, Attorney Advisor

SUBJECT: Legal Issues in Cook Inlet Land Trade

At the time the Commission made detailed recommendations to the Secretary of the Interior of lands to be made available for deficiency selections by Cook Inlet Region, Inc., in March, 1974, the following legal constraints applied:

- out-of-region selections were prohibited by Section 12(c)(3) of the Alaska Native Claims Settlement Act;

- selections in the Kenai Moose Range were prohibited by apparent Congressional intent in the Settlement Act to respect then-existing boundaries of Federal withdrawals and prohibit Regional selections within them. Qualified villages located within the range are entitled to village selections within the range;

- the agreement between the State of Alaska dnd the United States of September 1, 1972, confirmed selection by the State of Alaska of lands in the Cook Inlet Region making them unavailable for Regional selection;

- Section 6(i) of the Alaska Statehood Act prohibited conveyance by the State of subsurface title on pain of forfeiture to the United States;

- no selections were allowed Native corporations within a two-mile buffer zone of first class municipalities as provided in Section 22(1) of the Settlement Act.

The above constraints were addressed in the Congressional enabling legislation, P.L. 94-204, January 2, 1976, and the remaining legal barrier to the completion of the proposed agreement is premised on provisions of State law.

A.S. 38.05.125 mandates the reservation of mineral rights to the State in any deed of State land, except for land originally acquired by purchase, exchange, condemnation, gift, excheat, or foreclosure. Most lands in the exchange were obtained by the State as selections under the Alaska Statehood Act. Division Order No. 121 which further defines Alaska policy in this regard also states:

> The State shall retain all mineral rights. The other party to the exchange may transfer or retain the mineral rights. In no event shall the mineral estate be contemplated in equating the value of the respective parcels.

A.S. 38.95.060 provides for exchange with Native corporations created under the Alaska Native Claims Settlement Act. Subpart (b) of that Section provides that exchange "shall be on the basis of equal value and either party to the exchange may pay or accept cash in order to equalize the value of the properties exchanged."

This proposed settlement may be distinguished from exchanges contemplated under the Alaska Native Claims Settlement Act. Exchanges of this magnitude and, particularly, exchanges before title had been obtained by Native corporations had not been considered previously. Although it is arguable that "equal value" in the economic sense need not be required in this exchange and that since the conveyance by the State is to the United States to whom it would forfeit the lands anyway if a reservation of mineral estate were not made, it would be well for the State Legislature expressly to waive the application of A.S. 38.05.125 and A.S. 38.95.060 in any legislation approving the participation of the State of Alaska in the proposed exchange.

The Commission has had the benefit of the opinion submitted to the Senate Resources Committee by Mr. Berrier, Director of Legal Services of the Legislative Affairs Agency, and reiterates the following portion of that opinion:

> Any specific legislation should (1) contain recitals relating to the Cook Inlet Land Trade and what the legislature intends to accomplish by approval of the land trade; (2) a specific waiver of the provision of AS 38.05.125 since this is clearly the major impediment existing currently; (3) a specific waiver of the equal value exchange requirement contained in AS 38.95.060. While arguably this equal value requirement would not apply in any event, the values on both sides of the transaction are of such nature that appraisals would be complex and subject to substantial dispute....

Other legal issues which have been raised apparently need only clarification or further agreement of the parties. These encompass such things as:

Restrictions on Point Woronzof, Point Campbell, and Goose Lake titles for recreational purposes. These tracts will not be available until surplused by the Federal government and it appears that any conflict, particularly that of the use of portions of the Point Woronzof tract, for airport purposes, may be solved by excision of particular sites before surplusing and conveyancing. A letter from Deputy Assistant Secretary for Fish and Wildlife and Parks of the Department of the Interior, chief negotiator for the Federal government, addressed to Alaska Attorney General Avrum Gross speaks to this issue.

Mental Health lands included in earlier tentative agreement among the parties for conveyance by the State of Alaska have been removed from the agreement. These were Mental Health lands in the Beluga area. The trust status of any Mental Health lands which may be included in pool areas in the exchange dictates that the State either use its blocking power to prevent selection of these trust lands or that the State assure that a fair exchange is made for other lands of equal value for Mental Health funds.

The status of Port Alsworth as a group under the Alaska Native Claims Settlement Act and its entitlement to land which will become part of a d-2 proposal for National Park purposes remains to be resolved. Legal staff has prepared a memorandum on this issue.

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

FEB 27 1975

Honorable Avrum M. Gross
Attorney General
State of Alaska
Department of Law
Pouch K
Juneau, Alaska 99811

Dear Mr. Gross:

This is in response to your inquiry of February 23, 1976. Specifically, you inquire whether lands described in subsection IC(2)(e) of Terms and Conditions for Land Consolidation and Management in Cook Inlet Area (H.R. 94-729, 94th Congress, 1st Session, December 15, 1975; hereinafter Terms and Conditions), may be transferred to the State of Alaska by the Federal Aviation Administration for airport purposes. It is our understanding that FAA has the authority to make such a transfer by virtue of the Airport and Airway Development Act of 1970, 49 U.S.C. §§1701-1741 (1970).

Subsection IC(2)(e) of Terms and Conditions provides that Cook Inlet Region, Inc., may not include certain lands, including Point Woronzof, in the selection pool created by this document. The subsection further provides that:

> [S]uch lands shall be reserved by the United States for early conveyance to the State for park and recreation purposes as an integral part of the consideration for this document.

The issue is whether this provision precludes transfer of part of the Point Woronzof tract to the State of Alaska by the FAA for other than park and recreation purposes, if the transfer were otherwise authorized by law.

The Terms and Conditions must be read in conjunction with section 12 of P. L. 94-204, January 2, 1976. This section directs the Secretary, after certain conditions are met, to make a number of conveyances to Cook Inlet Region, Inc., and to the State of Alaska. The mandatory conveyances to the State of Alaska are described in paragraph (d) of section 12, and this paragraph refers to the Terms and Conditions to clarify the identities and amounts of lands to be conveyed to the state. Section 12 does not specifically direct the Secretary to convey Point Woronzof to the state for park and recreation purposes. Paragraph (b) of section 12 states that the duties and obligations of the United States and Cook Inlet Region, Inc., under the Terms and Conditions, are ratified as a matter of federal law.

We should note that it certainly was not the intention of the Departmental or State negotiators that the subject provision be construed as exclusive. And we are not aware of any reason why legislation authorizing a transfer of land to the state for park and recreation purposes should be construed as prohibiting a transfer of those lands to the state for airport purposes, if that transfer were also authorized by law. Apparently, the State of Alaska desires to receive part of Point Woronzof for airport purposes, rather than for park and recreation purposes. We see no impediment to such an action, if the proposed FAA action is authorized by law.

Sincerely,

Curtis Bohlen

E. U. Curtis Bohlen
Deputy Assistant Secretary for
Fish and Wildlife and Parks

Federal-State
Land Use Planning Commission
For Alaska

733 W. FOURTH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99501

March 4, 1976

MEMORANDUM

TO: Commissioners

FROM: Richard J. Stenmark, Natural Systems Analyst

SUBJECT: Cook Inlet Region Land Settlement
Land Use and Planning Implications related to
Existing and Proposed Federal and State Reserves

Lake Clark Management Units:

The proposed land settlement helps to define boundaries of the Lake Clark management unit and provides opportunities to enhance the unit for conservation, preservation, and public recreation purposes by providing for:

1. Greater Federal retention of lands in public ownership along the middle section of Lake Clark, at Kontrashibuna Lake and its scenic valley, and in the connecting lands between the Kontrashibuna drainage and Chinitna Bay on the Cook Inlet coast.

2. Relinquishment of certain Native land selections along the middle section of Lake Clark, and around Kontrashibuna Lake so more of these important recreation lands remain in public ownership.

3. Sets the stage for possible future Federal acquisition or consolidation of village selected lands between Chinitna Bay north to Harriet Point subject to village consent. Acquisition might be by purchase or exchange.

The settlement also helps to clarify Federal and State interests and concerns in the general area:

1. Nationally significant resources are recognized in the area by the Secretary, CIRI, and the State.

2. Management of this area should be flexible and recognize the scenic, recreational, and inspirational resources that should be preserved, as well as State and local interests, including subsistence and sport hunting.

If the aforementioned public/private land adjustments were not made now as part of the Cook Inlet land settlement, it seems likely that the adjustments would be sought by the Federal government through exchange of lands involving lands elsewhere in the State, or possibly by purchase. Basis for this probable action is that many people believe these lands have important public values and are an integral part of the Lake Clark management unit whether it ultimately becomes a park, preserve, or whatever.

Past actions or recommendations by the Federal-State Land Use Planning Commission or others regarding all or portions of the area include:

1. Recognition by Interior agencies and the Forest Service of national interest values.

2. F-SLUPC land use recommendations that addressed the recreational, fishery, subsistence, mineral, and other values of the area in August, 1973.

3. Lake Clark National Park proposal by the Federal government in December, 1973.

4. A preliminary proposal in November, 1975, by the State of Alaska for Alaska Resource Lands unit.

5. A tentative proposal by the Federal-State Land Use Planning Commission for a national preserve unit within the National Park System.

The proposals in items 3, 4, and 5 did not include the area proposed to be added to the Lake Clark unit by the Cook Inlet Settlement, partly because of the lack of settlement of the Cook Inlet Region Natives' entitlement.

Iliamna Lake Management Unit:

Several factors may be relevant to this management unit and how it relates to the Cook Inlet Region land settlement. An Iliamna National Resource Range was proposed by the Federal government which includes lands in the vicinity of Iliamna Lake and in the Nushagak River drainage, and was to be a unit of the National Wildlife Refuge System. The area is also of considerable State interest.

Though a variety of values are present within the area, the dominant values are generally considered to be the fisheries and fishery habitats. Sport trophy fishing opportunities are recognized as exceptional. Spawning habitats, especially in streams entering Iliamna Lake, are perhaps the most important element related to the Bristol Bay commercial salmon fisheries.

Significance of the Bristol Bay commercial fisheries is assigned to local, State, national, and international levels.

During bargaining of the land settlement, the State has apparently sought to strengthen its presence in the general area but has ended up primarily with lands in the Nushagak drainage with lesser fishery and recreation values. A position has apparently been taken by Interior to retain as much of the most important lands and waters of the proposed range in a management unit in Federal ownership for fishery and other values. Several reasons could exist for this. One may be related to United States involvement in North Pacific international fishery treaties and any commitment conceived from those treaties regarding protection of habitat used by fish involved. Another reason probably considers the quality and significance of this resource area and since it is the heart of a proposal before Congress, the Department should not usurp the right of Congress to consider the area and provide for its disposition.

Proposed resource range lands that are involved in the proposed land settlement appear to be less critical lands and waters. They tend to round out or complement previous State selections and interests in the general area.

Past discussion by the F-SLUPC and others has recognized the changing land ownership pattern in the Iliamna Lake vicinity and suggested that perhaps there is merit in the lands adjoining Iliamna Lake going into State ownership and administration. This is a possible future for these lands but one not assured.

There are two additional aspects regarding this area. The Bureau of Land Management has had a long-time interest in these lands and did classify the area for Federal retention prior to the ANCSA. Management of the proposed resource range was to involve both BLM and the Fish and Wildlife Service. However, recent action in Congress regarding wildlife ranges, indicated an overwhelming concern that units of the National Wildlife Refuge System be administered directly by the Fish and Wildlife Service.

How these various factors will affect Federal and State interests in the area and ultimate disposition of the lands is only conjectural at this time.

Kenai National Moose Range

The moose range has been the subject of previous studies by the F-SLUPC related to the Cook Inlet Region, Inc., land settlement, and Kenai Borough requests for land. In general, the range has been viewed as an extremely important public reserve because of its varied recreational opportunities, wilderness values, wildlife, and habitat values, and for certain subsurface mineral resources. Its recreational attributes are particularly important because of the relative proximity to large population areas of the State. Federal-State Land Use Planning Commission's opinion regarding the range was essentially to minimize any intrusion into the range in terms of land transfers that would significantly affect key values.

The question raised in the case of this proposed land settlement is, does the intrusion into the moose range to help satisfy CIRI's entitlement seriously affect the values and purpose of the range? This can be viewed by looking at the regional interests only or in conjunction with the village selections that will also remove certain lands along the western edge.

From previous analysis information, it appears the combined intrusion will not significantly and adversely affect the long-term viability of the range in most respects. Village selections are subject to the laws and regulations governing use and development of the moose range.

Surface estate lost to the Regional Corporation at the west end of Tustumena Lake can be developed in a manner complementary to values of the lake. Sufficient restrictions in this regard appear to exist.

Extraction of subsurface minerals at some future time will be in areas of village selection, where development has occurred, or is expected to occur and there are restrictions on the manner of extraction. A problem that might occur in this regard would be subsidence of the land following removal of coal in the form of gas if and when coal extraction is authorized.

Critical habitats need not be lost. Only one (Elephant Lake--the smallest) of the areas identified as suitable for wilderness is involved, and the popular canoe trails are not affected except for a possibility along the Swanson River which need not occur through proper planning and appropriate easements.

It does appear, however, that any further intrusion into the moose range, than that provided by the agreement, could very well affect the quality or quantity of certain values, such as the number of moose that could be supported on the range.

Proposed Talkeetna Mountains State Park:

Through the proposed land settlement, the State would receive certain lands along the western edge of the Talkeetna Mountains which lie within a State park proposal now before the Legislature. Without the proposed settlement, these lands would likely be selected at least in part by Cook Inlet Natives. Acquisition by the State of these lands through purchase or exchange would be necessary to overcome land ownership and administrative problems.

A park or recreation area in this general section of the Talkeetna Mountains has been pursued the past few years. Hatcher Pass and the old Independence Mine area were focal points for this area. However, agricultural and mining interests in certain lands as well as other factors have caused a change in the current bill to help minimize some of the overlapping interests. Principal drainage in the current park proposal is the Kashwitna. Few lowlands would be in the park unless the lower Kashwitna River area is included. While the westernmost lowlands are State patented lands, the next range of lowland and valley entrance to the east is presently in regional deficiency classification for Native selection. These are the lands that would become available to the State through the settlement.

The value of these lands is that they would complete State ownership of all the lands within the proposed park.

These lowland areas are particularly important in this context in that this is the likely zone where access, camping, and other facilities might be developed for the general public visiting this section of the park. The Independence Mine area which is an interest area has certain use limitations. Other than the above values, the tract does not appear to possess any particular attributes differing from lands to the north or south. However, this aspect must be viewed in the context of the whole park proposal.

Proposed Far North Bicentennial Park:

Three areas within the Anchorage Bowl are very important to the State as well as the Anchorage municipality for recreation and other purposes. Point Woronzof, the Campbell Tract, and Point Campbell are prime recreational lands that will be utilized more and more in the coming years. The State Division of Parks views the Campbell Tract not only as an excellent urban recreation area immediately accessible to a growing community but also as an entrance to nearby Chugach State Park. This would create a complete unit, with recreational lands close to the people and park and wilderness somewhat further away. Lands adjoining Point Campbell and the Point Woronzof area are already used for recreational purposes.

These three areas are well located in that each one is in a different part of Anchorage.

The Campbell Tract has had considerable support as a municipal park to be named the Far North Bicentennial Park.

APPX. F

Federal-State
Land Use Planning Commission
For Alaska

733 W. FOURTH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99501

March 5, 1976

MEMORANDUM:

TO: Commission

FROM: Dr. Bradford H. Tuck, Economic Analyst

SUBJECT: Cook Inlet Land Trade: Some Economic Considerations

I. Introduction

Recent discussions surrounding the Cook Inlet land trade, including those presented in various testimony, in the newspapers, and in discussions at the Commission have raised a variety of economic issues. Many of these are related to a major concern of all parties, namely, that the lands involved including resources, are of equal value. A variety of State and Federal statutes require some treatment of the equal value issue in land trades, and Cook Inlet Region, Inc. is of course interested that it receives at least equal value. However, none of the statutes are explicit about how value is to be determined.

When the magnitude of the trade is taken into account and uncertainty surrounding lands and resources involved in the Cook Inlet trade are considered, the problems of determining equal value are extreme. Ordinary valuation procedures are simply inadequate.

The Commission must decide whether or not the trade meets standards implicit in the ANCSA; specifically that its recommendations are conducive to enhanced land use planning for Alaska and that its recommendations are designed to:

> "insure that economic growth and development is orderly, planned and compatible with State and national environmental objectives, the public interest in the public lands, parks, forests, and wildlife refuges in Alaska, and the economic and social well-being of the Native people and other residents of Alaska."

The State must also apply broad economic standards in attempting to evaluate the trade. Three major questions of economic significance should be addressed.

1. What, in real economic measures, is the State either gaining or losing in the trade?

2. What impact does the trade have on the future fiscal viability of the State?

3. What consequences does the trade have with respect to the future general economic well-being of the State?

An analysis of these issues and questions, and not a parcel by parcel evaluation, must be the basis for measuring the economic values of the trade.

II. Summary and Conclusions

A variety of issues of economic significance have been explored in relation to the proposed land trade. The conclusions can be summarized as follows.

1. Because of the complexities of the trade and the very real difficulties in applying ordinary valuation methods, broad economic standards must be used in judging the trade. These standards must include the Commissison's mandate to make recommendations relating to orderly economic growth compatible with other social, cultural, and environmental values. The standards must also include an assessment of the impact of the trade or the future fiscal and economic viability of Alaska.

2. The economic losses that the State will purportedly incur as a result of the trade are generally found to be highly exaggerated. When highly speculative gross asset values are converted to "net present value" of possible foregone revenues, the State's probable losses are minimal. In short, little, if anything of economic consequence, is lost.

3. The future fiscal viability of the State is largely unaffected by the trade. This is so for a variety of reasons, including the fact that the State power of taxation can effectively recoup possible economic rents given up in the trade. Also, the probable foregone revenues would constitute only a minute fraction of total State revenues.

4. The net effect of the trade on total economic activity is quite limited, and in any case, the bias would be toward increased activity. This is based on the assumption that CIRI is at least as economically development oriented as the State.

III. The Problem of "Equal Value"

Value can be determined (at least theoretically) in a variety of ways, but for present discussion purposes, there are two methods that are of particular interest. The first of these relates to determining value on the basis of market comparisons or other transactions of a similar nature, and the second approach attempts to find a present value of some kind of expected future income from the lands and resources involved. The concepts are not mutually exclusive, but can be treated separately.

The market comparison approach is one frequently used in appraisals. The basic idea is to find other transactions of "like kind and character" which reflect what the present market is willing to pay for a particular parcel. When one attempts to apply this method to an evaluation of the Cook Inlet trade, many serious flaws emerge. The first is, quite simply, that the magnitude of the land parcels involved in almost all cases dwarfs anything that typically trades in the private sector. In other words, there are no comparable trades. Hence, we must look at much smaller parcels and then estimate what the effect of a significant increase in the quantity of land would have on the market clearing price, and this involves, in turn, some estimate of the rate of disposal of the lands and resources.

A second major problem in the present situation is that in most instances both surface and subsurface property rights are involved. While the surface resources are known to some degree, knowledge of the subsurface is much more limited. Thus, a high level of uncertainty surrounds any attempt at evaluating the subsurface resources. Even if subsurface resources were known, major problems in valuing these resources would exist. Specifically, we would have to know the net income stream that could be derived from the resource. At best, such estimates are highly speculative.

A much more fundamental problem with market comparison valuation lies in the theoretical underpinnings of this method. In essence, valuation by market comparison rests on the assumptions of pure competition; a large number of buyers and sellers, none of which is sufficiently large to effect the market price, and freedom of entry and exit from the market by all interested parties. If these conditions are not met, then the result is bargaining between parties holding some degree of monopoly control over the market and, as a consequence, over the resulting price. A price, or value, determined under these conditions does not necessarily reflect the "socially desirable" market clearing price that is the basis for market comparison valuation.

In the present trade we are faced with a situation in which the sheer magnitude of the lands involved (even with full knowledge of the quality of the lands and resources) means that no valid market comparisons exist. Both in terms of the size of the trade and the limited number of parties involved, the setting is one that closely parallels an oligopolistic bargaining situation. It is highly unlikely that the three-party valuation of the trade would be anything like that which would emerge on the basis of competitive market forces.

With these reservations in mind, it is interesting to look at some rough attempts at valuation of the trade. A somewhat cursory attempt at placing market comparison values on the State lands involved in the trade was carried out by the State Division of Lands. Using their data, and supplementary guesses where necessary, Table 1 was constructed. The assumptions underlying the table are set out in the notes to the table, but in general, only surface values are considered. In one instance (the Beluga area) discounted coal royalties are included, and in one other instance (Campbell tract) sand and gravel values are included in one case.

It is clear from inspection of the information in the table that the net value of the trade is highly sensitive to certain assumptions. Using value per acre figures that would find some support in at least some quarters in all instances, the State either gains, loses, or emerges in a neutral position, depending upon which set of assumptions one wishes to use. A recent suit filed in which it is claimed that the State is losing 285.7 million dollars in the trade (surface estate only) is a further indication that the problem of determining value (in the appraisal sense) is great.

A second approach to the valuation of lands or resources is based on the capitalization of expected net income flows resulting from the lands and resources involved. The problems associated with this approach also present serious obstacles to accurate valuation of the present trade. In general, two key variables, the "net income stream" and the "discount" rate are involved.

From the State's perspective, the net income flows from the lands and resources involved may take the form of sales revenue, leases, bonus payments, rentals, royalties, severance taxes, property taxes, etc. In some cases there may also be personal and corporate income taxes that might otherwise not occur. From these revenues must be subtracted the administrative costs of managing and disposing of the lands and resources involved to obtain the net income stream. Thus, the revenues to the State depend on a complex set of policy considerations relating to the disposition of State lands and resources as well as the timing of this disposition, and on a whole

TABLE 1

Sensitivity of "Equal Valuation" Considerations to Per Acre Valuations,
Cook Inlet Land Trade, State Lands

Area Lands to State	Acres (000)	[1]Valuation, State $/Acre	Total (mil$)	Modified Valuation[4] "Unfavorable" $/Acre	Total (mil$)	Modified Valuation[5] "Favorable" $/Acre	Total (mil$)
Nushagak) Chulitna)	599.04	40	24.0	30	17.97	120	71.88
Sheep Creek	23.04	40	0.9	30	0.69	120	2.76
Sheep Creek	69.12	40	2.8	30	2.07	120	8.29
Campbell Tract	4.00	1501	5.9	1000	4.00	1000	16.00
Pt. Woronzof	0.59	5598	6.6	1000	0.59	1000	0.59
Pt. Campbell	1.18	7083	4.2	1000	1.18	1000	1.18
Tutna Lake	161.28	40	6.5	30	4.84	120	19.35
Chunilna	23.04	40	0.9	30	0.69	120	2.76
Talkeetna River	69.12	40	2.8	30	2.07	120	8.29
Koksetna	285.70	40	11.4	30	8.57	120	34.28
Susitna							
Kamishak Bay	299.52	40	12.0	30	8.99	120	35.94
TOTAL	1535.63		$78.0		$51.66		$201.32
Lands From State							
Pt. Mackenzie	3.20	200	0.640	667	2.13	667	2.13
Knik-Willow	4.48	300	1.344	1000	4.48	1000	4.48
Kashwitna	38.40	250	9.600	500	19.20	500	19.20
Chickaloon	4.80	125	0.600	300	1.44	300	1.44
Kenai	115.20	150	17.280	450	51.84	450	51.84
Beluga, Nikolai[2]	311.04	70	38.872	100	48.20	100	48.20
Misc. Lands to Villages[3]	41.47	225	9.331	300	12.44	300	12.44
TOTAL	518.59		$77.667		$139.73		$139.73
NET TOTAL (To-From)			+0.333		-88.07		+61.59

Source: See Notes.

Notes:

1. Valuation based on information contained in a memorandum from Michael C.T. Smith to Guy Martin, dated December 6, 1975, and in supporting materials for memorandum.

2. Includes 15.9 million for coal royalties and revenues foregone, and 1.2 million dollars of foregone timber values. Both numbers are present value figures.

3. Informed guess.

4. Assumes; "$40" land is actually worth $30 per acre; that restriction on use of Campbell Tract, Point Woronzof, and Point Campbell (for recreation, etc.) reduce value to $1,000 per acre; and that lands relinquished by the State are revalued upwards as indicated. While there is no particular basis for assuming these figures, they are not out of keeping with general observations on land prices in the respective areas, and the probable impact that relocation of the capital might have.

5. Assumes that the values for lands relinquished by the State remain as in note 4, but that the value of lands received by the State is $120 per acre instead of $30, and that sand and gravel sales from development of Campbell Tract (at 12 million dollars) are included. Gravel sales are restricted to the development of Campbell Tract for recreation purposes only. Data based on Division of Lands information.

set of future economic conditions which in general have neither been predicted nor in any sense are knowable at present. Some truly Herculean assumptions would be necessary to even begin to estimate either the magnitude or the timing of the net income stream that the State is either giving up or obtaining in the trade.

A further problem exists in the case of public resources in attempting to estimate net income. It is one of attempting to assign dollar values to nonmonetary flows of services such as those derived from recreational use of the lands. For example, the Campbell tract if restricted to park and recreation uses might be expected, at the outside, to yield an annual income of perhaps $100,000 net. If we capitalize this income stream, in perpetuity, at 5 percent then the tract is theoretically worth 2 million dollars, or about $500 per acre. I suspect that many people would place a substantially higher valuation on the tract precisely because the land is restricted to park and recreation purposes. Or, for example, how does one place a dollar value on the preservation of fisheries habitat? In other words, there are real problems with setting dollar values on many of the benefits associated with public lands.

The problems that Cook Inlet Region, Inc. and the Federal government face are similar, although in the case of Cook Inlet, the subjective valuations (aside from uncertainty due to imperfect knowledge) are of a different nature given the private identity of the corporation.

To compare net income streams they must somehow be capitalized or discounted to obtain comparable present values. Thus, a second major consideration in this approach to valuation is the choice of discount or capitalization rates.

The present value of income received far in the future is highly sensitive to the particular discount rate selected. For example, $100 received 50 years in the future has a present value of $8.72 if the discount rate is 5 percent, while the value of $100, 50 years in the future, is only $2.13 if the discount rate is 8 percent. Alternatively, the capitalized value of a perpetual income stream of $100 is $2,000 at a 5 percent capitalization rate, but only $1,250 at an 8 percent rate. The point is simple; the value of future income or the capitalized value of a future stream of income, is highly sensitive to the discount or capitalization rate used. When this is combined with the highly speculative nature of future net income streams, either public or private, any attempt to estimate value is subject to extreme error.

The discussion of the issue of "equal value" can be summarized as follows. A serious problem arises as soon as we attempt to determine value on the lands and resources involved in the trade. The

magnitude of the tracts involved, and the uncertainties as to the kinds and qualities of the lands and resources involved, as well as the uncertainties related to future income anticipated, make standard valuation techniques inappropriate. In short, if the concept of equal value is to have real meaning in the analysis of the present trade it must be based on broader economic concepts than those set out above.

IV. What is the Economic "Loss" to the State?

There currently are many numbers being mentioned purporting to show various values that the State is losing in the trade. In a suit filed by Galliett and Lewis, asking for a permanent injunction against the trade, the net loss to Alaskan citizens is estimated to exceed 5 billion dollars in present value. Figures prepared by the Bureau of Mines, which you have, indicate that about 2.0 billion dollars of potential royalty income to the State will be foregone. Another figure points to roughly 90 million dollars of potential agriculture and forest land values that will be lost by the State. A detailed critique of these and other numbers goes beyond the scope of this memorandum, but certain points should be made.

The most important point is that generally the losses are grossly exaggerated. What the State stands to lose (and the same standard applies to what it might gain) is the present value of revenues that it would derive from the disposition of the lands and resources that it would not otherwise derive, minus the associated costs of managing and disposing of the lands and resources.

In each of the above cases, it is implicitly assumed that every acre and every resource, be it known, inferred, or hypothesized, is going to be sold, leased, extracted, or in some other way converted into revenue going to the State. Such an assumption is simply in error. Clearly only a small fraction of land that the State is giving up in the trade would have gone into private ownership or in some other way generated revenue for the State. Even with substantial population growth in the State, market demand will not exist in sufficient magnitude to absorb the vast quantities of acreages being discussed.

In a period of rising land prices past history must be interpreted with caution, but it is instructive to take note of the history of land disposition in the State. It is generally recognized that revenue was only one of several forces influencing land disposal. Much of the pressure was, in fact, counter to the revenue objective, inspired as it was by the desire to obtain "cheap" land. Presently proposed legislation to create "homestead" land is indicative of a continuing sentiment that revenue is not the only concern in the disposal of land.

A second consideration is that, for example, during the years 1972-74, land disposal revenues to the State ranged between 1.5 and 3.0 million dollars per year. This is hardly a significant source of revenue. Furthermore, disposal of lands, particularly when random settlement and development is the result, probably generates costs to the State far in excess of the revenues received.

For similar reasons, it is highly unlikely that the State would or could market every last acre of timber resource that has been identified in the trade, nor is it probable that the State could convert all of the lands with agricultural potential that have been identified into some form of revenue. In other words, the gross value of the surface estate is a far cry from future income streams that the State might derive from these lands.

It was pointed out earlier that the relevant economic value to the State is the present value of the revenues, not their nominal value some generations in the future. This clearly further reduces any hypothetical loss to the State.

Similar remarks apply to the subsurface resources. The assumption that all of the known, inferred, and hypothesized deposits or resources will be developed, even with the time frame suggested, is at best rank speculation. There is, firstly, a real question as to whether some (or perhaps any) of these resources will ever have commercial value. Secondly, it is entirely possible that, as a matter of State choice, the resources would not have been developed in any event.

It is meaningless to compare future gross royalties when no adjustment is made either for timing or for the uncertainty of the future revenues. It is a problem of adding apples and oranges. A common denominator is necessary and present value is the most frequently accepted means of making the comparison. For example, if the numbers prepared by the U.S. Bureau of Mines are discounted for both time and risk, the present value (1976) of all royalties estimated amounts to about 24 million dollars. This is a far cry from the several billion dollars that might be inferred from the tables. While the choice of risk factors and timing are arbitrary, a wide range of factors will result in present value amounting to millions, not billions of dollars.

A more concrete example of what present coal prospects look like is available. According to the Alaska Scouting Service, a huge coal complex is planned for the Beluga area. Informed sources place annual production at an average of 5 million tons per year, at a royalty of $0.30 per ton. Thus the revenue amounts to 1.5 million dollars per year. Assuming that production begins four

years from now, and lasts for thirty years, the present value of the royalty (discounted at 8 percent) is about 12 million dollars. It might also be pointed out that the project is still in the planning stage and there is no guarantee that production will ever take place.

There is another point that needs to be made with respect to State "losses." This relates to the issue of income foregone by the State on resources traded off. Since economic rents are closely tied to this discussion, we should briefly define the concept. We can define economic rent as the revenue received from the sale of a resource minus the real economic cost of producing the resource (including a competitive rate of return on investment)

The importance of this concept is that economic rent is a "surplus" above and beyond that necessary to bring a resource into production, and that the economic rent is the only source of revenue from the resource that the State may acquire. In other words, only if economic rent is present will the State be able to impose any kind of royalty or tax on the resource. If the rent is not there, and the State attempts to impose a royalty, production will not take place.

Hence, the question of what the State gives up in the transfer of the resource is really a question of how much economic rent the State stands to loose. The answer varies according to the assumption one makes.

If we assume that the State uses its full power of taxation, then 100 percent of the economic rent can be returned to the State, and the State has given up nothing in the transfer of the resource to the private sector.

While the State is unlikely to do this, it is reasonable to expect that the State will be as successful at "capturing" rents from the private sector as it is in capturing them in its own negotiations. Under these assumptions, the State again has lost little or nothing.

In other words, while the State may give up ownership of the resource, it in no way gives up the ability to derive roughly the same revenue that it would have derived otherwise. Whether it chooses to do so or not is another matter.

V. The Issue of the State's Fiscal Viability

The second major economic question that should be addressed is "does the trade impair the future fiscal viability of the State?" The answer is almost certainly no.

significant in the context of the numbers with which the State will be dealing in the near future. In any event, the assumed foregone income is substantially over stated.

In short, relatively small investments by the State over the next 20 to 30 years could easily endow an income stream in perpetuity that would exceed anything that would likely be derived from the lands and resources being given in the trade.

For these, and other reasons stated above, the future fiscal impact of the trade is negligible.

VI. Economic Consequences of the Trade

The final question of significance is the impact of the trade on the general level of economic well-being in the State. In all probability, total economic activity will be largely unaffected by the trade. If we assume that Cook Inlet Region, Inc., is as development oriented as the State, then the net effect is negligible.

There are some factors that suggest that the trade will actually lead to an increase in activity. For example, the State's requirement of primary processing on timber sold from State land means that privately owned timber of comparable quality is more readily marketable. The fact that CIRI is a "for profit" corporation may also promote development that might not have occurred if the State had retained possession of the resources.

In any event, it is unlikely that the net difference will be of any significance in the overall situation. The ISEGR projections indicate that total personal income in the State in 1990 will be in excess of 10 billion dollars, even under the limited growth assumptions. It is hard to envision the net consequences of the trade having much effect on such a total.

A BRIEF SYNOPSIS OF TESTIMONY RECEIVED ON THE PROPOSED COOK INLET LAND TRADE AS RECEIVED BY THE SENATE RESOURCES COMMITTEE

JOHN A. FARLEIGH
ADMINISTRATIVE ASSISTANT
SENATE RESOURCES COMMITTEE

* *

FOREWORD

THIS SYNOPSIS, EXCEPT WHEN QUOTED, IS A PARAPHRASE OF TESTIMONY RECEIVED. SOME OF THE TESTIMONY HAS BEEN OMITTED TO AVOID REPETITION. IF EXACT LANGUAGE IS NEEDED, PLEASE FEEL FREE TO CONTACT ME, JOHN A. FARLEIGH, AT THE SENATE RESOURCES COMMITTEE, ROOM 126, CAPITOL BUILDING. I WILL BE GLAD TO LET YOU LISTEN TO THE ORIGINAL TAPES.

MEETING #1

Briefing by Cook Inlet Region Incorporated as presented to the Senate Resources Committee January 23, 1976 by Roy Huhndorf, President of CIRI, and Monroe Price, Legal Counsel for CIRI.

The meeting started with Mr. Price explaining the black book that Governor Hammond sent down explaining the proposed Cook Inlet Land Trade. Mr. Price said that the State took the position during negotiations that no producing oil or gas well or mineral resource should be included in the trade with the exception of the Beluga-Capps coal field. He mentioned that the State Mental Health lands, containing approximately three/fourths of the known coal reserves, were excluded from the trade area. The State had other interests to protect; such as Cook Inlet's law suit,(CIRI vs. Morton) which calls for some State selections under the 1972 settlement of State of Alaska vs. Morton to be relinquished and made available for selection by CIRI. Also, the State is currently receiving approximately $7 million per year in royalties from the Swanson River oil and gas fields and fields on the Kenai National Moose Range. The State insisted on protecting this flow of revenue. Mr. Price felt that there was at least a 50% chance that CIRI would have received these fields as they were included in the Frizzel offer. (Then acting Secretary of the Interior, Frizzell had made an offer to CIRI, but it fell through at the 11th hour.) At this point, Senator Rader expressed a reluctance to transfer mineral rights under this agreement because it might establish a bad precedent for future trades. Mr. Price stated, that he felt that it would not set a precedent because the State conveys the land to the Federal Government

who in turn conveys it to CIRI and because this trade was conceived under a unique set of circumstances. In response to a question, Mr. Price said that the State's figure on the value of coal in the trade area is $15.9 million, discounted at 8% under the medium scenario. Mr. Huhndorf then stated that the only reason that CIRI would accept so much of its entitlement (up to 30 townships) out of region was that they would receive one source of revenue capable of early production (Beluga-Capps coal field). Senator Rader then asked if CIRI would accept cash or additional land for the mineral rights the State is giving up. Mr. Huhndorf replied that the settlement was worked out very carefully over a period of 8 months. He felt that any substitution would void the agreement and that the Board of Directors of CIRI was not "overjoyed" at the prospect of more negotiations. Mr. Price said that the State has the expectation that CIRI will participate financially in the development of Beluga coals. The area would be developed faster which would be in the long term best interest of the State economy. Revenues could be protected by severence tax rather than royalty. Senator Poland mentioned that under section 7(i) of ANCSA, CIRI would have to share 70% of its coal royalties with the other 11 Native Corporations, Senator Rader then advanced the theory that CIRI would do better for themselves if they took cash instead of minerals to avoid the provisions of 7(i). Mr. Huhndorf rebutted that the court might rule that the money is payment for the subsurface rights; therefore section 7(i) would apply anyway. Mr. Price added that if CIRI ends up with no subsurface rights, it would't be fair to the other corporations that must share theirs. Senator Rader said since the trade is now a proposal rather than an agreement, cash would not constitute purchase of subsurface rights because the land has not yet been patented to CIRI. When asked if there were any other mineral rich areas being traded, Mr. Price replied, there are coal reserves on the Kenai

Peninsula, but most of that land is already in private hands and wouldn't be eligible for Cook Inlet selection. Senator Poland asked if CIRI was receiving their full entitlement under this agreement and Mr. Huhndorf said yes. Mr. Price concluded that the State didn't get involved because of inequity to CIRI but because they were trying to protect State interests. Among them; lands near proposed capitol sites shouldn't be in private ownership, protection of revenues the State was already receiving, good land use planning and land management, and avoidance of instability due to federal litigation.

MEETING #2

A briefing on the Cook Inlet Land Trade by the Department of Natural Resources as presented to the Senate Resources Committee February 4, 1976 by Guy Martin, Commissioner and Michael C.T. Smith, Director, Division of Lands.

Mr. Martin opened his statement by saying that since his staff had prepared the technical testimony for presentation to the Committee in Anchorage on February 7, he would limit his testimony to a brief synopsis of the historical, legal and resource management framework of the trade. Mr. Martin went on to say: Here is the situation as of mid-spring, 1975. CIRI protested the situation they were in because of a lack of suitable lands for their selection. Most of the suitable lands were in either tentatively approved (TA) status or already patented by the State. CIRI had entered into law suit with the Interior Department (CIRI vs. Morton). CIRI entered into settlement negotiations with the Interior Department which went on virtually unknown to the State. Acting Secretary of the Interior Frizzell made an offer to CIRI which would have included among other things, the Swanson River oil & gas fields, but the offer fell through at the 11th hour. Upon failure to negotiate a settlement, CIRI went to Congress for resolution of their plight. The State started to lobby in Congress for its interests in the Cook Inlet area. There they were asked by the House and Senate Interior Committees and Alaska's delegation to intervene in the negotiations between CIRI and the Interior Department. The State also felt that CIRI had a viable law suit, and

since the CIRI was asking the court to rule some State selections made in 1972 void, the State was uncertain of any judicial outcome. Therefore, the State administration decided to intervene in the negotiations.

Mr. Martin continued his testimony, "The Cook Inlet Land Exchange will be the forerunner for other negotiations which are similar." Trades of this type are essential for proper land management. Future trades will have to be handled similarly to this one. We must establish a framework for future trades. We must "deal with issues of value in a much broader prospective" by defining and quantifying values other than tangible values. This is the first attempt at solving this type of problem. We must use this trade to help establish guidelines for future trades. In other comments, Mr. Martin said, the State is keeping the "lions share of the Beluga coal fields" and "the State must look to a severence tax to derive its revenues from these or other mineral resources."

In response to questions, Mr. Smith said the following: Three/fourths of the known coal reserves are in the State Mental Health lands and are not included in the trade. Current leases under contract, in the Beluga coal field, have a royalty set at 10¢ per ton. The leases are in effect until 1991 when they can be renegotiated. When asked what percentage of the known coal reserves the State is keeping is under lease, Mr. Smith said, all of it. The State has never had a program to collect coal data on its own land. The data comes from people who obtain prospecting permits.

To obtain a lease you must get a prospecting permit and then be able to prove that commerical quantities of coal exists in the lease area. Therefor, when a coal reserve becomes proven, someone has the right to take a lease on it. The royalty is fixed at the time the prospecting permit is issued, which currently is fixed at 30¢ per ton.

Senator Poland then asked, CIRI maintained that the amendment to the Statehood Act, waiving the equal value provision and ban against trades of mineral estates, wasn't needed for this trade. Why was this included in the Omnibus Act? Mr. Martin replied, "just as a safety factor." Jim Keeves, Assistant Attorney General, Anchorage, added, "that the principal impact of that amendment is upon the flexibility with which the Federal Government will be free to conduct itself in undertaking other transactions." Senator Croft then asked, why the Governor had changed his position and said that he would not commit the State to the trade unless the Legislature approved it. Mr. Martin replied, in our "best legal judgement", we think the Legislature should approve the trade as "an appropriate safeguard" to insure the legality of the trade.

MEETING #3

Cook Inlet Land Trade public hearing held in Anchorage Saturday, February 7, 1976 before the Joint Senate & House Resources Committees and other interested Legislators.

Michael C.T. Smith, Director, Division of Lands, was first to testify. However, due to a malfunctioning tape recorder almost all of his opening statement was lost. He introduced Ross Schaff, State Geologist and Director of the Division of Geological and Geophysical survey (DDGS), who began to summarize open file report 94 entitled, "Economic and Geological Resource Occurences in other areas of the Proposed Cook Inlet Land Trade." The report was written by Patrick L. Dobey, Don L. Mc Gee and DDGS staff. Mr. Schaff stated, the "known coal reserves in the Beluga land trade area is only 570 million short tons", while "the hypothetical reserves within the land trade area amounts to 2 billion short tons." "This does not include the 1.6 billion known short tons in the Mental Health lands, which are not included in the trade. "In the case of known coals, we are 95% sure that those coals are there." In the case of hypothetical coals, "in our professional opinion", we think, the coals are there. "Actually, this hypothetical estimate will be different depending upon the operator or the investigator." Total estimated loss in royalities to the State, "to the year 2025 would range between $84 million and $650.9 million". If those figures are discounted at 8% to present day values, we're talking between $6.5 and $67 million in income to the State lost. Discounted at 10%, between $3.7 and $42 million. This does not include lease fees. "Our report deals with the other trade areas and

here we are more or less in the realm of speculation, because of the uncertainty of the actual land that will be traded." "In terms of the total trade, the State would be trading away a total of 895 million short tons of known coal." "In terms of hypothetical coal...50 billion tons would be our estimate." Just for comparison, "the total hypothetical coals in the State reported by McGee in open file report 51, we're probably talking about 4 trillion short tons of coals." When asked, Mr. Schaff replied, "We do not have any direct evidence that oil and gas exists. We can speak of the potential." When asked what would be the earliest possible production date, Mr. Schaff replied, production would begin in the trade area in 1981 at 1 million tons per year in the most optimistic case and in 1990 at half a million tons per year in the pessimistic case. The accumulative production at the end of 50 years would be 150 million tons in the pessimistic case and 891 million tons in the optimistic case, presuming a production rate of 21 million tons per year. This is very optimistic as the largest coal producer in the U.S. produces 7.4 million tons per year. Mr. Pat Dobey, co-author of the report, added, "the assumption here is that somebody can absorb 21 million tons per year of our coal which is a tremendous amount of coal."

Cleland Conwell, a State mining engineer, was next to answer questions. Senator Poland asked him if he had been asked to give an appraisal of the trade area and if he agreed with the figures in the report submitted to the Committee. Mr. Conwell replied that he had been consulted and

that he basically agreed with those figures. He went on to say that the 10¢ per ton royalty was misleading because it only applies to "one specific lease granted in 1971 and that is only on 7,000 acres (less than 1/3 township). Furthermore, the State has the right to make adjustments in rents and royalties if an inequitable situation exists. "The State of Montana recently has raised their royalty to, I understand, 33%." When asked how soon mining could begin, Mr. Conwell replied, large scale mining - 10 million tons per year or greater - couldn't be done"in less than 6 years... a 6 to 10 year time limit for a major operation is realistic." When asked what the prime market might be, Mr. Conwell answered, for export to the Pacific Northwest and Japan.

Next to testify was Steve Hackett, exploration geophysicist for DGGS. Senator Poland asked Mr. Hackett what he had discovered through his research in the trade area. Mr. Hackett replied, "There is substantial evidence that indicates that there is quite a bit of tertiary sediment in the Beluga Basin north of the Castle Mountain fault. Senator Poland asked, "What does that mean?" Mr. Hackett replied, "the gravity and magnetics in the area indicate that there could be a substantial tertiary sediment which encloses the coal and possibly oil and gas resources within the area of discussion." When asked if he agreed with the report at hand, Mr. Hackett said, "I believe that this report refers specifically to a coal evaluation and it does mention oil and gas potential, but the survey, as such, just used known geologic evidence." "I think that there is quite a bit of evidence to indicate that there is oil and gas potential in the

Beluga Basin area that has not been previously considered." "The only way that this type of data can be expanded is by drilling."

Representative Smith then asked, if any of the trade area is under oil and gas lease at present? Detro Denton, mineral leasing officer for the Division of Lands, came forward to answer. He said, "I'm not sure. I believe that a part of it is." Don McGee, co-author of the report, then testified in support of the report, echoing comments made previously.

Dr. Ernest Wolff, employed at the University of Alaska's Mineral Research Laboratory, then read a brief statement by Earl H. Beistline, Dean of the School of Mineral Industry. In conclusion, Mr. Beistline said, "thus, in my opinion, the State should retain as much of its mineral resources as possible and make such resources available to the private sector for exploration and mining. The rest of Dr. Wolff's testimony was lost to an inaudible tape. Dr. Wolff did express similar feelings to those of Mr. Beistline and did say that his was not the official position of the University of Alaska.

Bill Waugeman, President of the Alaska Miners Association, testified in favor of the trade. Mr. Waugeman did not however, represent the views of the Alaska Miners Association.

Roy Huhndorf, President, Cook Inlet Region Inc., and his attorney, Mr. Monroe Price, were next to testify. Mr. Huhndorfs testimony covered the same material presented to the Senate Resources Committee, January 2?

Mr. Huhndorf said, "We (CIRI) did not seek an amendment to the Statehood Act, nor did we consider such an amendment necessary to carry out the terms of our agreement." Another new point by Mr. Huhndorf was, "it has already been made clear from preliminary talks with some of the lessees that CIRI will not be able to profit from the coal unless it contributes, through capitol, to the acceleration of development." Senator Poland asked if Congress "would be less sympathetic to the State's needs if the State doesn't conclude the negotiations?" Mr. Huhndorf replied, yes, in my opinion. Senator Poland then asked if CIRI intended to "to draw out the coal?" Mr. Huhndorf said, "Yes, we do."

David Jackman, (at that time) State Co-chairman of the Federal/State Land Use Planning Commission, testified in his own behalf. Mr. Jackman began, "The Commission was presented with the rudimentary outline of this land exchange at one of its earlier meetings. They communicated their views of general approval for this kind of a land trade effort." "The Commission viewed this proposed trade...as a very highly motivated effort to try to resolve these kinds of problems which are likely to occur time and time again in the next few years in this State." The Commission did authorize me to support legislative reform, "which would set down guidelines and procedures and standards for trades of this kind" and "to move away from the strict equal value cash appraisal type of judgement." Echoing his own feelings, Mr. Jackman said, as for CIRI's extra-regional selection rights, CIRI has an additional 2 1/2 years to select up to 30 townships out of region. Since CIRI, "will try to find

lands that will have high resource value....your displacing 30 townships that otherwise might rank fairly high in the unfolding scheme of State selection." The ext[illegible] egional selection pool, "comes from those very lands that will be the prime candidate for future State selections...and that's the basic sum of my concern."

Testifying in favor of the trade, in order of appearance:

Sam McDowell, representing Alaska Fisheries Resources and the Isaac Walton League
Helen Neinhauser, Anchorage resident
Virginia dal Piaz, President, Cook Inlet Chapeter of the Alaska Conservation Society
Bob Rude, 1st Vice President, CIRI
Jeff Knaebel, Engineer and Engineering Consultant
Douglas Stark, Anchorage Engineer
Andy Camkoff, General Manager, Knik Village Corporation
John Alsworth, Port Alsworth
Nelson Ankapak, Calista Corporation
Carl Armstrong, Chairman, Kodiak Regional Native Corp.
Jack Hession, Sierra Club

and finally Nels Anderson Jr., Chairman, House Resources Committee, read a short statement by the Bristol Bay Native Corporation, in favor of the trade.

Testifying against the trade was Homer Burrel, who said the legislature did not have enough information to approve the trade and Chuck C. Hawley, President of the Anchorage Chapter of the Alaska Miners Association, who said the trade would be "detrimental to mining."

Last to testify was Harold Galliet, Jr., Engineer and Engineering Consultant from Anchorage. Mr. Galliet opposed the trade contending, there is 13 billion tons of "recoverable coal" in the trade area, over 6 times the amount contended by DGGS. Mr. Galliet advanced that at a royalty of only 20¢ per ton, the State would lose 2.7 to 5.8 billion dollars in future revenues. Much of Mr. Galliet's testimony is inaudible. However, copies of his series of articles or his plead ngs filed in Superior Court are available from this office.

Dale P. Tubbs, Deputy Director, Alaska Division of Lands, expressed many of the same reservations voiced by Mr. Jackman concerning the proposed exchange. Mr. Tubbs specifically raised the question of whether the State could transfer mineral rights appertinent to any State land to any party, including the federal government, without a legislative waiver of AS 38.05.125 (requiring that all leases, sales or grants of State land contain a specific mineral reservation). He expressed additional concerns as to whether the proposed exchange would accomplish a consoldiation of State land ownership patterns. Copies of Mr. Tubbs testimony is available on request.

MEETING #5

The hearing on the Cook Inlet Land Trade held Thursday, February 12, continued from the day before.

Mr. Roy Huhndorf, President, CIRI, opened the meeting with CIRI's position in the trade. His testimony echoed presentations previously made to the Committee.

Ross Schaff, State Geologist, Don McGee, Pat Dobey, Cleland Conwell and Steve Hackett, all of the DGGS, made similar presentations to that in Anchorage, February 7.

Bill Fackler, Executive Director, Royalty Oil & Gas Advisory Board and former Deputy Commissioner of Natural Resources, testified in answer to questioning, that he was not involved in the trade negotiations and expressed some reservation over whether or not it was a good trade for the State.

Harold Galliet, Jr., testified echoing his testimony in Anchorage on February 7.

MEETING # 6

A continuation of meetings 4 and 5 held Friday, February 13, 1976.

Opening the meeting was Phil Holdsworth, former Commissioner of Natural Resources, and a present member of the Joint Federal/State Land Use Planning Commission. He expressed concern over the lack of quantification of actual values involved in the proposed exchange. He feels that the State may be giving up far more in mineral value than they are receiving in purportedly equivalent value. In response to a question from Senator Rader, Mr. Holdsworth took the position that the Legislature does not have enough information before it on which to make a sufficiently reasoned decision on whether or not to approve the proposed exchange.

Then we received testimony in favor of the trade from:

Roger Allington, Land & Engineering Officer, Sealaska Corp.
Russ Cahill, Director, Division of Parks, who mentioned the recreational value of land received by the State under the trade.
Ron Hawk, Sierra Club
Odette Foster
Iola Harsons, Knik Canoers and Kayakers

The meeting ended with Mike Smith, Jim Reeves and Monroe Price answering questions.

P.O. Box 1796
Fairbanks, Alaska 99701

February 17, 1976

Honorable John Huber
Pouch V
House of Representatives
Alaska State Legislature
Juneau, Alaska 99801

Dear John:

This is to offer support for the proposed Cook Inlet Region land trade as it has been negotiated by the State of Alaska, Cook Inlet Region, and the U.S. Department of Interior. This is a necessary arrangement for which provisions have been made in the Alaska Native Claims Settlement Act. It is difficult to see how any other arrangement could be made which would satisfy the legitimate concerns of the Cook Inlet Natives.

I am well aware of the intricacies and mechanics of this negotiation and had received a briefing on it at the Department of the Interior last fall. I believe the bargaining was done in good faith. Ultimately, this arrangement helps to put land into private ownership which is one important aspect of the state's future economy.

Please let me know your views on this subject. Thank you for your consideration of these views.

Sincerely,

Jim Kowalsky

JAY S. HAMMOND
GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

December 26, 1975

The Honorable
John Huber
Box 2591
Fairbanks, Alaska 99707

Dear John:

Over the past months, many of you have heard varying reports regarding the Cook Inlet Land Exchange. During the extensive public process which followed initial announcement of the proposal, a special briefing was held for legislators which some of you attended, and a subsequent detailed briefing was held for the Legislative Council which was also well attended. Because some of you have not been able to attend these meetings, I do want to bring the matter to your attention, give you a current status report, and indicate my intention to bring the issue before you.

The attached press release, issued at the time I indicated I would give my support to the final agreement, is a good summary of the agreement and the process which I intended to follow. As a matter of policy, which I would have demanded when I was a legislator, I intend to lay this entire matter before you, and to provide full documentation and support. Should the Legislature disapprove of the exchange, you have my pledge that I will not pursue to its implementation.

I obviously believe it is right, and perhaps the only wise course the State could take. The final agreement has passed Congress with the support of our entire delegation, and now resides on the President's desk. The State is the final link, and you are part of it. I look forward to discussing this with you, for it is a unique and cooperative solution to a difficult problem. I thought you would appreciate this report, and look forward to seeing you in January.

Sincerely,

Jay S. Hammond
Governor

Enclosures

STATE OF ALASKA
FICE OF THE GOVERNOR
JUNEAU

JAY S. HAMMOND
GOVERNOR

NEWS RELEASE

FOR INFORMATION CONTACT:
Scott Foster, Press Secretary
Office of the Governor
Pouch A Juneau, Alaska 99811
OR PHONE: 907-465-3500

GOVERNOR HAMMOND SUPPORTS COOK INLET LAND EXCHANGE PROPOSAL IN CONGRESS
December 9, 1975
#301

Governor Jay Hammond has given Administration support to a Congressional amendment authorizing Federal authority for the Cook Inlet land exchange. Hammond said, "I am today authorizing Administration support for the Cook Inlet land exchange. We join with the Cook Inlet Region and the Department of the Interior in this proposal to Congress which resolves a series of legal and land management problems in the Cook Inlet Regional area to the benefit of Alaska as a whole."

The State has little choice in the timing of Congressional consideration of the amendment. It is expected the House Interior Committee will act on December 10, on amendments to the Alaska Native Claims Settlement Act, of which this land trade will be a part. Before a final land exchange agreement is consummated, however, it will also require approval from the Cook Inlet Regional Corporation and the State.

Hammond said, "It is the clear policy of this Administration to support open government, particularly on matters which affect the future of State resources so substantially. For this reason, I have directed that prior to the time the State gives its final approval to this agreement, the matter be submitted to the