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**REPORT TO THE COMMITTEE
ON INTERIOR AND INSULAR AFFAIRS
UNITED STATES SENATE**

3.09.04

**Information On Federally Owned
Submarginal Land Within The L'Anse
Reservation In Michigan**

B-147652 B-147655

Bureau of Indian Affairs
Department of the Interior

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

SEPT: 8.1972

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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Dear Mr. Chairman:

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In accordance with your request of July 31, 1972, this is our report containing information on federally owned submarginal land on the L'Anse Reservation in Michigan. The information in this report updates that section (pp. 104 to 107) of our 1962 report on review of proposed legislation for conveyance to certain Indian tribes and groups of submarginal land administered by the Bureau of Indian Affairs, Department of the Interior (B-147652, B-147655, Aug. 13, 1962).

We plan to make no further distribution of this report unless copies are specifically requested, and then we shall make distribution only after your agreement has been obtained or public announcement has been made by you concerning the contents of the report.

Sincerely yours,

Acting Comptroller General
of the United States

The Honorable Henry M. Jackson
Chairman, Committee on Interior
and Insular Affairs
United States Senate

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ABBREVIATIONS

BIA	Bureau of Indian Affairs
GAO	General Accounting Office

D I G E S T

WHY THE REVIEW WAS MADE

The Chairman of the Senate Committee on Interior and Insular Affairs, in a letter dated July 31, 1972, requested the General Accounting Office (GAO) to

- provide the Committee with an updating of the factual data in the 1962 GAO report on review of proposed legislation for conveyance of submarginal land administered by the Bureau of Indian Affairs (BIA) to certain Indian tribes and groups and
- comment on how conveyance of the submarginal land can contribute to the social and economic advancement of the Indian groups involved.

There are 4,016 acres of submarginal land within the L'Anse Reservation in Michigan, which is inhabited by the Keweenaw Bay Indian Community (hereinafter referred to as the tribe).

FINDINGS AND CONCLUSIONS

In February 1971, BIA reported that the average value of the submarginal land was about \$99 an acre. On this basis the submarginal land would have a value of about \$398,000. (See p. 6.)

The only improvements on the submarginal land were nine houses ranging in value from \$2,500 to \$8,000 and three unattached garages ranging in value from \$200 to \$500. (See p. 7.) The submarginal land has been used primarily for timber production, from which the Government received total revenues of \$20,800 from inception of a timber management plan in 1965 through December 31, 1971. (See p. 7.)

The BIA Great Lakes agency office forester told GAO that the best use of the submarginal land is for timber production. Other potential uses include homesites, recreation, and farming. (See pp. 7 and 8.)

The tribe had not prepared proposals or plans for use of the submarginal land because it did not own the land. BIA and tribal officials told GAO, however, that the tribe probably would use the land for timber production

and homesites if beneficial interest in the land were transferred to the tribe. The tribal chairman added that the land could be used to graze a recently acquired buffalo herd or to establish an industrial park. (See p. 8.)

BIA officials told GAO that there were no water rights of significant value on the submarginal land. The chairman of the geological department of Michigan Technological University told GAO that no valuable minerals had been found on the reservation to date, and he expressed the opinion that any deposits which might exist would be of marginal value. (See p. 9.)

If beneficial interest in the submarginal land were transferred to the tribe, the tribe could realize estimated timber revenues of \$3,400 and \$4,700 during calendar years 1972 and 1973, respectively, less 5 or 10 percent to cover BIA's administrative costs. The tribal chairman told GAO that the tribe would use the additional income primarily to underwrite the high maintenance costs of operating the tribal community center. (See p. 8.)

GAO believes that such use of the income derived from the submarginal land and use of the land for timber production, homesites, or other potential purposes could contribute to the social and economic advancement of the tribe. (See p. 13.)

CHAPTER 1

INTRODUCTION

Pursuant to a request dated July 31, 1972, from the Chairman of the Senate Committee on Interior and Insular Affairs (see app. I) and in accordance with subsequent discussions with his office, we have updated the factual data in our August 1962 report on submarginal land administered by the Bureau of Indian Affairs (BIA), Department of the Interior.¹ That report was submitted to the House and Senate Committees on Interior and Insular Affairs. Also, the Chairman requested that we comment on how conveyance of the submarginal land could contribute to the social and economic advancement of the Indian tribes.

This report updates that section (pp. 104 to 107) of our 1962 report which pertained to the 4,016 acres of submarginal land within the L'Anse Reservation in Michigan. This reservation is inhabited by the Keweenaw Bay Indian Community (hereinafter referred to as the tribe).

To obtain the requested information, we reviewed pertinent records and interviewed officials and representatives of BIA's central office in Washington, D.C.; BIA's area office in Minneapolis, Minn.; BIA's Great Lakes agency office in Ashland, Wis.; and the tribe. We interviewed also the Department of Agriculture's district conservationist; the representative of the Agricultural Stabilization and Conservation Service in L'Anse, Mich.; a representative of the Varaga County (Mich.) assessor's office; and the chairman of the geological department of Michigan Technological University, Houghton, Mich., to obtain their opinions on certain matters in their areas of expertise.

¹"Report on Review of Proposed Legislation for Conveyance to Certain Indian Tribes and Groups of Submarginal Land Administered by Bureau of Indian Affairs, Department of the Interior" (B-147652, B-147655, Aug. 13, 1962).

L'ANSE INDIAN RESERVATION

The L'Anse Reservation, located in Varaga County in Michigan's Upper Peninsula, was established on September 30, 1854, by a treaty (10 Stat. 1109) between the U.S. Government and the Chippewas of Lake Superior. The 54,867 acres within the original reservation boundaries were allotted to individual Indians.

Under the acts of March 1, 1907 (34 Stat. 1018), and June 25, 1910 (36 Stat. 855), the allottees or their heirs were permitted to sell allotted land. As of March 1972 about 8,100 acres remained as allotted land.

As of November 1956 the Government had purchased 1,487 acres of land for the tribe under the Indian Reorganization Act of 1934 (48 Stat. 984). Additional acquisitions since that time have increased the tribal trust lands to 1,772 acres, 1,577 acres of which are within the reservation boundaries.

The following table shows the ownership of the land within the reservation boundaries as of March 1972.

	<u>Acres</u>
Indian land:	
Allotted by the tribe to individual Indians	8,125
Tribal (title held by the Government in trust for the tribe)	<u>1,577</u>
	9,702
Other land:	
Submarginal land, Government owned	4,016
State and local government owned	1,077
All other ownerships	<u>40,072</u>
Total	<u>54,867</u>

KEWEENAW BAY INDIAN COMMUNITY

The L'Anse, Lac Vieux Desert, and Ontonagon Bands of Chippewa Indians, residing within the boundaries of the L'Anse Reservation, organized the Keweenaw Bay Indian

Community to promote the general welfare of the members and to enjoy certain rights of home rule. The tribe operates under a constitution and bylaws ratified by its members in November 1936 and approved by the Secretary of the Interior in December 1936. The corporate charter was ratified by the members in July 1937.

A January 1971 housing survey, sponsored by the Baraga County Planning Commission and the Ojibwa Housing Commission, estimated that the tribe's population in Baraga County was 728 persons. A report prepared by BIA's Great Lakes agency office on the basis of March 1971 labor-force data showed that 388 Indians lived within the reservation boundaries. The report showed also that the Indian labor force totaled 94, of which 41 were unemployed, but that some of the unemployed men were woodsmen or construction workers with seasonal jobs.

CHAPTER 2

INFORMATION ON SUBMARGINAL LAND, TRIBAL LAND

AND OTHER TRIBAL RESOURCES

SUBMARGINAL LAND

BIA's records showed that the 4,016 acres of federally owned submarginal land were in 30 separate tracts which ranged from 40 to 660 acres and were located in Baraga County within the L'Anse Reservation boundaries.

The land was acquired by the Government under the provisions of title II of the National Industrial Recovery Act of June 16, 1933 (48 Stat. 200); the Emergency Relief Appropriation Act of April 8, 1935 (49 Stat. 115); and section 55 of title I of the Act of August 24, 1935 (49 Stat. 750, 781). According to BIA records the Government paid \$16,121 for the submarginal land.

The following table shows the number of acres of submarginal land by type.

<u>Type of land</u>	<u>Acres</u>
Forest	3,902
Swamp or wasteland	80
Other (primarily homesites)	<u>34</u>
Total	<u>4,016</u>

In February 1971 BIA's Great Lakes agency office reported to BIA's central office that the average value of the submarginal land was about \$99 an acre. On this basis the land would have a value of about \$398,000. A Real Estate Services official at BIA's central office told us that the submarginal land had not been appraised.

On the basis of information obtained at the county assessor's office and of use of the submarginal land for timber production, we estimate that, if the land had been subject to real estate taxes, the 1971 taxes would have been about \$2,100.

Improvements

Tribal officials told us that the only improvements on the submarginal land were nine houses, eight of which were occupied, and three unattached garages. Two of the houses are privately owned and seven are owned by the tribe. The tribal chairman estimated that the nine houses ranged in value from \$2,500 to \$8,000 and that the three garages ranged in value from \$200 to \$500.

Present uses

The BIA Great Lakes agency office forester told us that about 34 acres of submarginal land were being used primarily as homesites on which the nine houses were located. The tribal chairman told us that the tribe had made specific assignments to tribal members to occupy the houses at the time they were built.

The submarginal land is used primarily for the production of timber under a timber management plan implemented by BIA foresters in 1965. BIA supervises timber cutting on the submarginal land in accordance with a sustained-yield plan under which the productive capacity of the land is maintained. The principal marketable species are maple, aspen, hemlock, and yellow birch.

From inception of the timber management plan in 1965 through the end of calendar year 1971, the Government received timber revenues of \$20,800. During the 5-year period ended December 31, 1971, 11 permits and one contract were issued for harvesting timber from the submarginal land. Of the 11 permits, two were issued to tribal members; the contract was awarded to a non-Indian.

Potential uses

The BIA Great Lakes agency office forester stated that the best use of the submarginal land was for timber production and that cleared areas were suitable for homesites.

The BIA Great Lakes agency office real property officer stated that the submarginal land located in the southern part of the reservation was a good hunting area and suggested

that the tribe could build cabins and rent them to hunters during the hunting season.

The Department of Agriculture's district conservationist stated that, if the submarginal land in the northern part of the reservation were cleared of timber, it might be suitable for farming but that careful consideration would have to be given to the types of crops selected because the land would not be suitable for all types.

Planned uses and income derived therefrom

BIA and tribal officials told us that the tribe had not prepared any proposals or plans for use of the submarginal land because the tribe did not own the land. The officials stated, however, that, if beneficial interest in the submarginal land were transferred, the tribe probably would use the land for timber production and homesites. The tribal chairman added that the land could be used to graze a recently acquired buffalo herd or to establish an industrial park.

On the basis of the BIA forest manager's projected timber harvest and the market value of the timber in 1972, we estimate that timber revenues will total about \$3,400 and \$4,700 in calendar years 1972 and 1973, respectively. If beneficial interest in the submarginal land is transferred to the tribe, timber harvesting would continue under BIA management. Timber revenues, less 5 or 10 percent to cover BIA's administrative costs, would accrue to the tribe rather than to the Government.

The tribal chairman said that any revenues received from timber sales would be used primarily to underwrite the maintenance costs of the tribe's community center. He explained that the costs of operating the center are high and, as an illustration, said that heating costs during the winter had approximated \$750 a month.

We were not able to determine how much income, if any, the tribe would derive from raising a buffalo herd or establishing an industrial park.

Water resources

BIA officials told us that there were no water rights of significant value on the submarginal land and that the small streams on the reservation were too minor to be developed for revenue-producing purposes.

Mineral resources

In our 1962 report, we said that no minerals had been found in commercial quantities on the submarginal land. In March 1972 the chairman of the geological department of Michigan Technological University told us that the conditions and topography of the northeastern part of the reservation suggest that copper or uranium deposits may exist. He said, however, that no valuable minerals had been found to date and expressed the opinion that any deposits which might exist on the reservation would be of marginal value.

BIA's records showed that the mineral rights pertaining to 523 acres of submarginal land had been retained by the owners when the land was sold to the Government and that 75 percent of the mineral rights had been retained by the owners on 68 additional acres.

TRIBAL LAND

The Government holds title, in trust for the tribe, to all 1,577 acres of tribal land located within the reservation boundaries and to four tracts of land totaling 195 acres which are outside the reservation boundaries. Two 80-acre tracts, which at one time were individual allotments, are located northwest of the L'Anse Reservation on the Ontonagon Reservation. Since the Ontonagon Band of Chippewa Indians is a member of the tribe, title in trust to the two tracts is held by the tribe because the individual allotments were canceled on July 12, 1912, and May 27, 1952. One 8-acre tract, purchased about 1969 with funds donated to the tribe by a religious organization, is located about 50 miles from the reservation. One 27-acre tract, purchased by the Government in 1942 under the authority of the Indian Reorganization Act of 1934, is adjacent to the reservation boundaries.

The tribal chairman estimated that the tribal lands could be classified as follows:

<u>Type of land</u>	<u>Total acres</u>	<u>Acres within reservation</u>	<u>Acres outside reservation</u>
Forest	1,288	1,101	187
Homesites	100	92	8
Trailer park	60	60	0
Other (cleared land)	<u>324</u>	<u>324</u>	<u>0</u>
Total	<u>1,772</u>	<u>1,577</u>	<u>195</u>

Since 1962 numerous improvements have been made on tribal land, including 48 housing units constructed under the Department of Housing and Urban Development's low-rent public housing program. Under the program, the Department provides financial assistance to local tribal housing authorities which are responsible for management and maintenance of the low-rent housing. The housing is rented to Indian families at rentals based on family size and income.

As of March 31, 1972, 33 units had been constructed on tribal land within the reservation boundaries at a cost of \$612,834. Of this amount, \$12,526 was for dwelling and non-dwelling equipment. Fifteen units were constructed on the 8-acre tract located about 50 miles from the reservation at a cost of \$287,394. Of this amount, \$11,055 was for dwelling and nondwelling equipment. About \$58,900 was spent to improve 22 existing homes under BIA's home improvement program which began in 1970. In addition, the Public Health Service spent \$253,000 for water and sewer improvements related to the 48 new housing units and spent \$46,000 related to existing housing units.

An arts and crafts shop was established in about 1969. The shop was funded by the Office of Economic Opportunity and is owned by the Inter-Tribal Councils of Michigan, Inc., established in 1968 to increase Indian cooperative efforts statewide. The tribe has not derived any revenue from this business venture.

A trailer park was established in about 1963 or 1964 and has operated intermittently since that time. We were not able to determine how much income had been derived from its operations.

In 1971, the Western Upper Peninsula Economic Development District, with the authorization of the tribe, prepared an overall economic development program for the tribe. The program provided for expanding the trailer park and listed as future projects (1) upgrading reservation roads and (2) developing Christmas tree and sod farms, a skeet-shooting range, a golf driving range, and a miniature golf course. The deputy director of the Economic Development District told us that the tribe had not been able to obtain commitments to finance any of the proposed projects.

Sales of timber cut on tribal land totaled \$1,985 during the 5-year period ended December 31, 1971.

TRIBAL FINANCIAL RESOURCES

Although the tribe does not prepare financial statements, the tribal chairman and the treasurer did furnish us with data on the tribe's assets as of March 20, 1972, and told us that the tribe had no liabilities at that date. The data furnished, which was not verified by us, is shown in the following table.

Current assets:		
Cash:		
U.S. Treasury balance	\$	1
Tribal account		4,074
Ojibwa Campground (trailer park) fund		851
Legal services fund		12,967
Savings account		<u>2,000</u>
		\$ 19,893
Other assets:		
Loans receivable		13,990
Less doubtful accounts		<u>13,990</u>
		-
Fixed assets:		
Land:		
Tribal trust (note 'a)		51,880
Community center (note b)		<u>12,000</u>
		63,880
Buildings:		
Community center (note b)		65,000
Community center garage (note b)		7,500
Mobile home (gift from BIA) (note c)		3,000
Zeba community hall (note c)		<u>12,000</u>
		87,500
Other improvements (note c):		
Community center		500
Ojibwa Campground		45,000
Fencing for buffalo herd		<u>100</u>
		45,600
Tractor (note c)		3,000
Livestock (note c)		<u>2,500</u>
Total assets		<u>\$222,373</u>

^a The value was calculated by GAO on the basis of estimates obtained from the tribal chairman and the Baraga County Tax Department.

^b The value was appraised by BIA's Minneapolis area office.

^c The value was estimated by the tribal chairman, the tribal treasurer, or the U.S. Fish and Wildlife Service.

The legal services fund was established with funds donated by a religious organization and may be used only to pay for legal services. The savings account was derived from tribal funds and is held in escrow by the Government.

In October 1971 the tribe acquired a community center building, a three-car garage, and the land on which the buildings are located, from a religious organization for \$1. The trailer park was developed with funds obtained by the tribe under an accelerated public works program.

The livestock consists of seven buffalo donated to the tribe with the stipulation that the tribe return the same number after 7 years.

The title to all real property, excluding the mobile home donated by BIA, is held by the U.S. Government in trust for the tribe.

At the time of our review, four claims were pending with the Indian Claims Commission for the fair market value of lands ceded to the United States by the Mississippi and Lake Superior Bands of Chippewa Indians. According to the attorney who is processing the claims, the various tribes have not decided how to divide any proceeds of the claims.

SUMMARY

BIA and tribal officials told us that, if beneficial interest in the submarginal land were transferred to the tribe, the tribe would use the land for timber production and homesites. The revenues from timber-cutting permits and contracts, which presently accrue to the Government, would accrue to the tribe, except for the portion BIA would charge to cover its administrative costs. The tribal chairman told us that the tribe would use the submarginal land income primarily to underwrite the high maintenance costs of operating the tribal community center. We believe that such use of the income derived from the submarginal land and use of the land for timber production, homesites, or other potential purposes could contribute to the social and economic advancement of the tribe.

HENRY M. JACKSON, WASH., CHAIRMAN
CLINTON P. ANDERSON, N. MEX. GORDON ALLOTT, COLO.
ALAN BIBLE, NEV. LEN B. JORDAN, IDAHO
FRANK CHURCH, IDAHO PAUL J. FANNIN, ARIZ.
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LEE METCALF, MONT. JAMES L. BUCKLEY, N.Y.
MIKE GRAVEL, ALASKA

JERRY T. VERKLER, STAFF DIRECTOR

United States Senate

COMMITTEE ON
INTERIOR AND INSULAR AFFAIRS
WASHINGTON, D.C. 20510

July 31, 1972

The Honorable Elmer B. Staats
Comptroller General of the United States
Washington, D. C.

Dear Elmer:

This letter is in reference to my letter dated April 1, 1971, in which I requested your staff to begin updating the Comptroller General's Report on Submarginal Land which was submitted to the House and Senate Committees on Interior and Insular Affairs on August 13, 1962.

It has recently been brought to my attention that the Department of the Interior is making a study of instances in which a tribe or group of Indians seeks to acquire land and, as a result of this study, does not intend to submit any further proposed legislation and related comments on the proposed transfer of submarginal lands to Indian tribes and groups until the study is completed.

Previous agreements provided for your staff to initiate the updating of factual data in your 1962 report at the time the Department prepared a draft of proposed legislation providing for the transfer of submarginal land to an Indian tribe or group. Under these arrangements, reports were issued on four Indian tribes or groups and I understand that reports are currently in process on five additional tribes or groups.

APPENDIX I

The Honorable Elmer B. Staats

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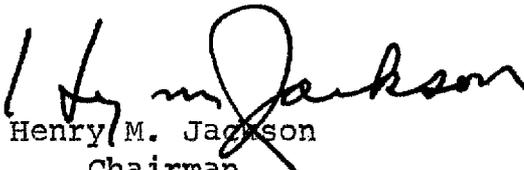
July 31, 1972

Because the Department apparently does not plan to submit any further proposed legislation providing for the transfer of submarginal lands to Indian tribes and groups until after its study is completed, please consider this letter an official request to have your staff begin updating the factual data in the 1962 report regarding the remaining nine Indian tribes or groups and to furnish individual reports thereon as soon as each is completed.

I would like for your reports to include comments on how the conveyance of the lands in question to Indian tribes can contribute to their social and economic advancement.

Your assistance is appreciated.

Sincerely yours,


Henry M. Jackson
Chairman

HMJ:fge