

## Why GAO Did This Study

In 1971, the Alaska Native Claims Settlement Act was enacted to resolve long-standing aboriginal land claims and to foster economic development for Alaska Natives. This federal law directed that corporations be created under Alaska state law, which were to be the vehicles for distributing the settlement. As directed by the act, 12 for-profit regional corporations were established, representing geographical regions in the state. Later, a 13th regional corporation was formed to represent Alaska Natives residing outside of Alaska. Eligible Alaska Native applicants who were alive on December 18, 1971, became shareholders in the corporations. The Settlement Act, as amended, authorizes the corporations to provide benefits to shareholders and to other Alaska Natives.

GAO was asked to review these corporations. This report examines (1) governance practices of the regional Alaska Native corporations, (2) requirements for and oversight of the corporations' financial reporting practices, (3) benefits provided by the corporations to their shareholders and other Alaska Natives, and (4) questions to consider for the future. GAO reviewed relevant federal and state laws and regulations, as well as the corporations' annual reports, proxy materials, and other documents. GAO interviewed representatives from each of the 13 regional corporations and visited seven of the Alaskan regions.

GAO is making no recommendations in this report. Responses provided on behalf of the corporations made several points about their financial reporting and operations that are more fully discussed in the report.

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# REGIONAL ALASKA NATIVE CORPORATIONS

## Status 40 Years after Establishment, and Future Considerations

### What GAO Found

Incorporated under Alaska state law, regional Alaska Native corporations share fundamental characteristics, although they have chosen a variety of governance practices. Like other Alaska corporations, the regional corporations are subject to the state's corporate laws (with limited exceptions) and are run by an elected board of directors. Nevertheless, each regional corporation has chosen its own organization and governance approach in terms of board operations, executive and board compensation, board elections, and shareholder involvement.

Alaska Native corporations are subject to some financial reporting requirements under federal and state law, but oversight of the reporting is limited. The Alaska Native Claims Settlement Act generally exempts the corporations from complying with federal securities laws while requiring them to annually provide a report to their shareholders that contains "substantially all the information" required to be included in an annual report to shareholders by U.S. Securities and Exchange Commission registrants. The Settlement Act does not provide for a federal role to monitor the corporations' compliance with this requirement, and oversight by the state of Alaska is generally limited to enforcement of state securities laws and proxy regulations.

GAO found that the corporations provide a wide variety of monetary and nonmonetary benefits to their shareholders and other Alaska Natives. Monetary benefits include shareholder dividends, elder benefits, scholarships, memorial benefits, shareholders' equity, and charitable donations. Nonmonetary benefits—often offered in partnership with village corporations, tribal organizations, and nonprofit organizations within the region—include employment opportunities, cultural preservation, land management, economic development, and advocacy on behalf of Alaska Natives and their communities.

During this review, GAO identified three questions regarding the ambiguity of existing federal financial reporting requirements, the role of the federal government in maintaining the corporations' solvency, and the implications of defining who is eligible to be a shareholder. These questions may warrant consideration and discussion by the federal government, the state, the regional corporations, shareholders, or a combination of these entities.

- *Should the "substantially all" federal reporting requirement be clarified and overseen?* GAO was unable to determine whether the corporations are meeting the "substantially all" requirement in the Settlement Act because the phrase is not defined.
- *What is the appropriate role of the federal government in maintaining the solvency of Alaska Native corporations?* The federal government has intervened in the past to help maintain the financial solvency of the corporations. The 13th Regional Corporation has been insolvent since 2007.
- *Who should be a shareholder?* As authorized by amendments to the Settlement Act, shareholders of 5 of the 13 regional corporations have voted to issue shares to Alaska Natives born after December 18, 1971, who meet certain criteria. In deciding to offer new shares to more people, corporations and shareholders face a number of considerations such as, potential effects on dividends and shareholder involvement.