

ALASKA STATE LEGISLATURE
JOINT MEETING
SENATE SPECIAL COMMITTEE ON WORLD TRADE, TECHNOLOGY AND
INNOVATION
HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, INTERNATIONAL
TRADE AND TOURISM
October 26, 2009
11:11 a.m.

MAVER CAREY, President and CEO
The Kuskokwim Corporation

POSITION STATEMENT: Delivered a PowerPoint presentation to demonstrate the benefits derived from participation in Native 8(a) contracting.

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MAVER CAREY, President and CEO, The Kuskokwim Corporation (TKC), and founder and chair of the Alaska Native Village CEO Association, introduced herself. She said this new association is about a year old and has 40 village corporation members.

MS. CAREY said she is using a PowerPoint to show how the 8(a) program is working for The Kuskokwim Corporation and what it is like for members of several other Native corporations that have yet to tap into the 8(a) benefits.

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She displayed a slide showing of the organizational structure of The Kuskokwim Corporation. Seven years ago when she became CEO, TKC had a stock and bond portfolio and passive real estate investments that paid for administrative overhead and minimal dividend to the 1,100 shareholders. Since then TKC formed a holding company that has two 8(a) companies and non-8(a) subsidiaries that provide revenue back to the parent corporation.

TKC is managed by a 12-member board of directors. She highlighted individual board members to demonstrate that the board is dynamic and stable. Unique to TKC, ten village corporations in 1977 pooled resources and merged to form TKC. These included: Aniak, Upper Kalskag, Lower Kalskag, Chuathbaluk, Napaimute, Crooked Creek, Red Devil, Georgetown, Sleetmute, and Stony River. All the villages are upriver from Bethel.

MS. CAREY displayed several slides showing the location of the 10 villages along the Kuskokwim River and TKC ownership of nearly 1 million acres of surface estate lands. Calista Corporation owns the subsurface and resources. She noted that Donlin Creek mine is located above Crooked Creek and is potentially one of the largest gold mines in the world. Calista Corporation owns those resources.

TKC has enrolled descendants and now has 3,100 shareholders. If the board and shareholders agree to again open enrollment, TKC could have 5,000 shareholders within 15 years.

MS. CAREY displayed pictures of elders and shareholders in the region.

The TKC board and staff envision that by 2015 TKC will be a shareholder-managed \$100 million asset value village corporation. At the same time shareholders will receive benefits in the form of dividends, scholarships, and employment opportunities. More than just revenue, they want to give opportunity.

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MS. CAREY said that TKC is located in the poorest area in the region. She displayed a slide showing children in Stony River getting ready for the fishing season and noted that villagers rely heavily on subsistence. Barges deliver cargo and bulk fuel to villages that have no roads. Employment opportunities are generally limited. Some residents find seasonal employment as firefighters and some work as teacher assistants. Teachers generally come from outside rural Alaska. About three jobs are available at either the tribal council office or the city office.

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She said that four-wheel ATVs are typical transportation and are very cold at -45°F. She displayed a slide showing snow machines with sleds and described this as a typical way to haul water or ice for domestic use. The Kuskokwim River is their road. In summer it is traveled by boat and in winter it is an ice road that's used by snow machines and ATVs. She displayed several slides showing a fish-drying rack, a fish cleaning and fillet table, a fish camp structure, and smokehouse. These are typical scenes in June and July when people go to fish camp to catch and prepare subsistence foods for use in the winter when food is limited.

MS. CAREY displayed several slides depicting typical homes in Cripple Creek, population 144, Chuathbaluk, population 112, and Stony River, population 56. In the very poor village of Stony River, just two of the homes have running water and one has a flush toilet. She pointed to a home that does not have running water and noted that two grandparents, three of their children, and ten grandchildren all live together. The cost of living is high.

MS. CAREY displayed a chart comparing the price of gasoline in a village to the price in Anchorage. If the cost is \$2.80 per gallon in Anchorage, Alaska, it is \$5.50 per gallon in these villages where residents don't have an income.

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CO-CHAIR RAMRAS encouraged members to also consider the component of degree days because the temperature in some of those communities is a great deal cooler than in Anchorage.

REPRESENTATIVE JOULE added that every business that offers a service adds a fuel surcharge, which has a domino effect on everything they have to do in order to live.

CO-CHAIR RAMRAS said he believes that that it's easy for some people in the U.S. Senate to look at the Native corporation buildings in Anchorage as a reflection of the standard of living of Alaska Natives in rural Alaska.

MS. CAREY said some people ask why the people in rural Alaska don't go to Anchorage to find economic opportunity, but flying from Stony River to Anchorage involves a plane change in Aniak and a cost of \$1,045 per person. Even so, many of these people do fly to Anchorage to go to Costco to do shopping for the year because it's cheaper.

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In 2008 when the price of gas in Anchorage was \$2.89 per gallon it was \$4.79 per gallon in Aniak, \$5.95 per gallon in Crooked Creek, \$8.00 per gallon in Red Devil, and \$6.35 per gallon in Sleetmute. When she visited Kalskag last week the last barge of the year arrived. Gas cost \$6 per gallon and that's at the beginning of the winter season. The cost of heating their homes for a year ranges from \$3,500 to \$4,000 and boat fuel costs about \$5,000 per year.

MS. CAREY displayed several slides showing a small store in Kalskag and comparable costs of food items in Aniak, Stony River

and Anchorage. For example, a loaf of white bread in Aniak might cost four times what it does in Anchorage. The cost is even more in Stony River. The cost of meat is so high that it's clear why subsistence is needed in that area.

A 2007 data chart comparing village economy to the Anchorage economy emphasizes that this region along the Kuskoquim River is very poor. When Anchorage had 7.4 percent of the population living below poverty level, the figure for Stony River was 38.7 percent. A subsequent slide shows a person dumping a honey bucket, a common scene since most people do not have flush toilets in their homes. Among the 10 TKC villages, between 10 percent and 57.7 percent live below the poverty level.

MS. CAREY displayed a number of slides showing scenery, a church and typical homes in the region. In one slide, she recognized board member Iyana Gusty. He is a respected Yupik Eskimo elder who does not read or write, but is an accomplished barge captain on the Kuskoquim River. Unfortunately, he is now showing signs of dementia and a 10 year relative is now taking care of him in his home that has no running water.

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Potential economic opportunity in the region includes Donlin Creek. If it becomes a working mine, it could provide over 500 construction jobs. The next several slides show the location of Donlin Creek and the current project.

MS. CAREY outlined the following social impacts in these villages: unemployment, high cost of living, few economic opportunities, teenage pregnancy, drug and alcohol abuse, and high suicide rates. She noted that recently the board did stock transfers for three 20-year-olds who committed suicide.

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MS. CAREY said that the 8(a) program will provide economic value if TKC makes more income and is able to provide shareholders with higher dividends. TKC is also working on employment opportunities, including construction projects in the Lower-48.

She displayed a bar graph depicting the TKC balance sheet as follows:

	<i>April 30, 2009</i>	2008	2007
<i>Current Assets</i>	\$36.5m	\$34.7m	\$27.1m
<i>Liabilities</i>	\$19.3m	\$18.6m	\$ 8.4m
<i>Shareholder Equity</i>	\$17.2m	\$16.0m	\$18.7m

She displayed a line graph and said that TKC has paid out more than \$9 million in shareholder dividends. She noted that shareholder equity would be higher had TKC not paid those dividends, but that is an important source of income to shareholders.

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CO-CHAIR RAMRAS asked how many of the 3,100 TKC shareholders live in the 10 villages.

MS. CAREY replied historically it's been 51 percent but last year it dropped to just 36 percent. Our people are moving to Anchorage because of economic issues in the villages, she said.

She displayed the following TKC income statement:

	<i>April 30, 2009</i>	2008	2007
Revenues	\$13.9m	\$30.6m	\$14.7m
Expenses	\$12.4m	\$30.9m	\$13.9m
Net Income	\$ 819.8t	\$ (223.1t)	\$ 4.4t
Gain on Sec.	\$ 255.2t	\$(1.6m)	\$ 44.4t
Comp. Income	\$ 1.0m	\$(1.8m)	\$ 4.5m

MS. CAREY noted that their balance sheet today is \$45 million, which in large part is due to the 8(a) program. They hope to reap those benefits to shareholders as they continue to grow.

She displayed a bar graph showing TKC assets from 2004 projected to 2015. Their vision is to be a \$100 million corporation by 2015. The current \$45 million shows TKC is slowly getting there, she said.

TKC also provides scholarships to shareholders through the Kuskokwim Educational Foundation Scholarship Program. Individuals are able to receive up to \$2,000 each year. Last year TKC provided \$22,000 to 23 recipients. Hopefully that too will grow.

MS. CAREY displayed a slide showing students in the Red Devil, Alaska school role-playing as she teaches them how their for-profit village corporation works.

She thanked the committee and restated that she hopes that TKC can continue to provide benefits to shareholders and continue to grow with the 8(a) program. "There are so many village corporations who have not even tapped into this yet," she again

pointed out. Hopefully the new CEO association will help educate others about the benefits of the 8(a) program.

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CO-CHAIR RAMRAS highlighted that it's been statistically demonstrated that rural students who have gone through the Rural Alaska Honors Institute (RAHI) scholarship program are twice as likely to matriculate to a college degree. He asked if TKC follows scholarship recipients to know how many complete a degree program.

MS. CAREY replied she doesn't have the statistics, but when she started with TKC 16 years ago it wasn't uncommon for students to attend college for just 6 months before dropping out. Now she knows of three shareholders who are being funded to get their masters degree.

CO-CHAIR RAMRAS suggested she gather the statistics because that is a touch point to present to Congress.

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REPRESENTATIVE JOULE commented on the recent passing of the founder of the Dragon Slayers in Aniak who was responsible for many young ladies going on to enter healthcare programs. If a corporation is sufficiently healthy that it can similarly turn around and help young people, then it is returning large dividends.

MS. CAREY added that as these for-profit corporations continue to grow, they are not only able to pay dividends to shareholders but also to provide other economic benefits. This is a huge area in which to grow, she said.

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CO-CHAIR MCGUIRE observed that the state struggles with similar challenges. Last last year it gave every Alaskan a \$1,200 energy rebate yet some people in this community are still struggling to pay their energy bills. Their rebate money is gone and they made no refits that would reduce energy consumption. The payment was appropriate, but it doesn't address the need for basic infrastructure.

CO-CHAIR RAMRAS asked if TKC pays taxes to the federal government.

MS. CAREY said yes.

CO-CHAIR RAMRAS suggested that she highlight that point to demonstrate that the federal government is getting its share of the work that corporations are doing through the 8(a) program.
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