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

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**Information On Federally Owned
Submarginal Land Within
The White Earth Reservation
In Minnesota Proposed To Be Held
In Trust For
The Minnesota Chippewa Tribe**

B-147652, B-147655

Bureau of Indian Affairs
Department of the Interior

900820

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

9/10/71

089399

OCT. 27, 1971



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

B-147652
B-147655

AG 000006

Dear Mr. Chairman:

In accordance with your request of April 1, 1971, this is our report containing information on federally owned sub-marginal land on the White Earth Reservation in Minnesota proposed to be held in trust for the Minnesota Chippewa Tribe. Our comments on S.1217, which would convey beneficial interest in this land to the Indians, have been furnished separately.

The information in this report updates information contained in our 1962 report on the 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, August 13, 1962).

A report updating information on land proposed to be held in trust for the Stockbridge Munsee Indian Community in Wisconsin is also being furnished separately. Updated information on the other tribes mentioned in the 1962 report will be furnished later.

We plan to make no further distribution of this report unless 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,

Comptroller General
of the United States

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

SEN 01900

*COMPTROLLER GENERAL'S REPORT TO
THE COMMITTEE ON INTERIOR AND
INSULAR AFFAIRS, UNITED STATES
SENATE*

INFORMATION ON FEDERALLY OWNED
SUBMARGINAL LAND WITHIN THE WHITE
EARTH RESERVATION IN MINNESOTA
PROPOSED TO BE HELD IN TRUST FOR
THE MINNESOTA CHIPPEWA TRIBE
Bureau of Indian Affairs
Department of the Interior
B-147652, B-147655

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 April 1, 1971, requested the General Accounting Office (GAO) to provide the Committee an updated version of GAO's 1962 report on the 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, August 13, 1962). The Chairman also requested GAO to examine into how conveyance of the lands in question can contribute to the social and economic development of the Indian groups involved.

FINDINGS AND CONCLUSIONS

Under proposed legislation beneficial interest in 28,555 acres of submarginal land on the White Earth Reservation in Mahnomon and Becker Counties, Minnesota, would be conveyed to the Minnesota Chippewa Tribe with title to be held in trust by the United States Government. GAO estimates that the land, for which the Government paid about \$175,000, has a market value of \$1.6 million. (See p. 6.)

There are some improvements, such as houses and farm buildings, on the land; and the Bureau of Indian Affairs, which administers the land, is developing some of the land for lakeshore homesites. (See p. 7.) But most of the land is timberland. From 1966 through June 30, 1971, the Bureau received about \$121,500 in revenues from timber cutting and other land-use activities. If beneficial interest in the land is conveyed to the tribe, such revenues would accrue to the tribe, less up to 10 percent the Bureau would charge to cover its administrative costs. (See pp. 8, 11, and 14.)

From 1966 through June 30, 1971, the tribe received about \$8,000 from subpermits it issued for lakeshore homesites on land for which it holds a revocable permit from the Bureau. (See pp. 8 and 14.) The tribe has also made some efforts to develop the recreational and agricultural potential of reservation land but these efforts have been largely unsuccessful because of a lack of financing, community interest, or necessary facilities. In 1971, however, two manufacturing plants began operations on

reservation land and, although one had closed by the time of our review, the other was providing employment to Indians. (See p. 10.)

Bureau and tribal officials told GAO that plans for using the submarginal land had not been developed and pursued because the revocable permits, which had to be obtained from the Bureau, created uncertainties. They said that, if the land is conveyed to the tribe, harvesting of timber would continue and recreational and agricultural development was likely. (See p. 11.)

GAO believes that, if beneficial interest in the submarginal land is conveyed to the tribe, the net revenues which would accrue to the tribe, together with those it already receives through subpermits, could help tribe members advance their social and economic standing, provided the revenues are invested in planning, establishing, and operating enterprises which would employ Indians and have reasonable chances of success. (See p. 14.)

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ABBREVIATION

GAO General Accounting Office

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THE COMMITTEE ON INTERIOR AND
INSULAR AFFAIRS, UNITED STATES
SENATE*

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From 1966 through June 30, 1971, the tribe received about \$8,000 from subpermits it issued for lakeshore homesites on land for which it holds a revocable permit from the Bureau. (See pp. 8 and 14.) The tribe has also made some efforts to develop the recreational and agricultural potential of reservation land but these efforts have been largely unsuccessful because of a lack of financing, community interest, or necessary facilities. In 1971, however, two manufacturing plants began operations on

reservation land and, although one had closed by the time of our review, the other was providing employment to Indians. (See p. 10.)

Bureau and tribal officials told GAO that plans for using the submarginal land had not been developed and pursued because the revocable permits, which had to be obtained from the Bureau, created uncertainties. They said that, if the land is conveyed to the tribe, harvesting of timber would continue and recreational and agricultural development was likely. (See p. 11.)

GAO believes that, if beneficial interest in the submarginal land is conveyed to the tribe, the net revenues which would accrue to the tribe, together with those it already receives through subpermits, could help tribe members advance their social and economic standing, provided the revenues are invested in planning, establishing, and operating enterprises which would employ Indians and have reasonable chances of success. (See p. 14.)

CHAPTER 1

INTRODUCTION AND SCOPE

Pursuant to a request dated April 1, 1971, from the Chairman of the Senate Committee on Interior and Insular Affairs (see app. I), we have obtained information on lands comprising the White Earth Reservation in Minnesota to update certain factual data on such land contained in our August 1962 report on submarginal land administered by the Bureau of Indian Affairs, Department of the Interior.¹ That report was submitted to the House and Senate Committees on Interior and Insular Affairs.

The Chairman's request was made in connection with a bill which would convey beneficial interest in submarginal lands within the White Earth Reservation to the Minnesota Chippewa Tribe with title to be held in trust by the United States Government.

To obtain the information, we reviewed pertinent records and interviewed officials at the White Earth Reservation and at the Bureau's headquarters office in Washington, D.C.; its Area Office in Minneapolis, Minnesota; and its Minnesota Agency Office in Bemidji, Minnesota. We interviewed the Agriculture Department's District Conservationist and the Mahnomen County (Minnesota) Executive Director, Agricultural Stabilization and Conservation Service, to obtain their views on certain matters within their areas of expertise.

WHITE EARTH RESERVATION

The White Earth Reservation is located in northwestern Minnesota and covers all of Mahnomen County and parts of the adjoining Becker and Clearwater Counties. The reservation

¹Report 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, August 13, 1962).

is one of six member reservations of the Minnesota Chippewa Tribe. The other reservations are Grand Portage, Fond du Lac, Leech Lake, Mille Lacs, and Nett Lake.

The Minnesota Chippewa Tribe was organized to manage tribal lands, to promote the general welfare of the members, and to represent members concerning rights and privileges afforded under Federal statutes. The tribe operates under a constitution ratified by a vote of its members in November 1963 and approved by the Secretary of the Interior in March 1964.

There were about 18,000 White Earth members of the tribe as of April 1971, most of whom resided away from the reservation. The 1971 "Report of Labor Force" prepared by the Bureau showed that, in 1967, about 2,300 Indians lived within the reservation boundaries and about 300 lived near the reservation.

The White Earth Reservation, established in 1867 by treaty with the United States Government, is an "open reservation" in the sense that it is open to settlement by both Indians and non-Indians. Originally the tribe held 709,000 acres of the estimated 737,000 acres of land within the reservation boundaries. Most of the land has passed from Indian ownership. Much of it was sold to lumber companies after the Act of June 21, 1906, permitted adult mixed-blood Indians to sell their land allotments. These lands were again sold after the companies logged off the timber.

As of June 30, 1971, all of the land on the reservation was owned by private parties except for 53,476 acres, or about 8 percent, which were owned as follows:

<u>Ownership</u>	<u>Acres</u>
Government--submarginal	28,555
Tribal	22,928
Allotted by tribe to individual members	<u>1,993</u>
Total	<u>53,476</u>

The tribe also owned about 2,640 acres of land consisting of several scattered tracts in three townships adjoining the reservation.

CHAPTER 2

INFORMATION ON SUBMARGINAL AND

TRIBAL LANDS

LOCATION OF SUBMARGINAL LAND

The Bureau's records show that, of the 28,555 acres of submarginal land at the reservation, about 24,163 acres are in tracts in two townships in Mahnomen County intermingled with tribal, county, and State lands. The remaining acreage consists of scattered tracts in Becker County. In total, there are 54 tracts which range in size from 20 to 14,319 acres.

The land was acquired by the United States 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 the Act of August 24, 1935 (49 Stat. 750, 781).

According to Bureau records, the Government originally paid about \$175,000 for this land. In 1962, we estimated, on the basis of fair market values furnished by the county assessors, that the market value of the land was \$474,000. On the basis of information furnished by a realty officer at the Bureau's Minnesota Agency, we estimate that the market value at the time of this review was \$1.6 million.

IMPROVEMENTS ON SUBMARGINAL LAND

In 1962 we reported that:

"Improvements on submarginal land consist mainly of dwellings and farm buildings that were on the land when it was acquired by the Government. In addition, some improvements have been made on lakeshore lots by the individuals who lease the lots from the Bureau under revocable permits. We could not obtain reliable values for the improvements, but from limited available

information and from our observations we believe that the values are insignificant."

The Minnesota Agency realty officer told us that, subsequent to 1962, two houses, having an estimated value of \$5,000 each, were placed on the submarginal land.

The Bureau also made some improvements on the submarginal land in connection with forestry management activities. Expenditures for these improvements between 1962 and June 30, 1971, are as follows:

<u>Type of improvement</u>	<u>Estimated expenditure</u>
Reforestation	\$41,804
Timber stand improvement	18,619
Roadside fire hazard reduction	5,838
Boundary line survey	<u>5,400</u>
Total	<u>\$71,661</u>

Also, at the time of our review, the Bureau was surveying some of the submarginal land near one of the reservation's lakes for an access road and for subdividing 1 mile of lake shore into 52 lots each having about a 100-foot frontage. The Bureau will spend about \$3,500 for the above tasks. A Bureau official told us that the cost of the complete project was estimated at \$30,000 to \$35,000; that the tribe would contribute about 10 percent of the cost; and that the remainder would be obtained from other sources, such as grants. A tribal official told us that the tribe would subpermit the lots at \$1 per lakefront foot per year and that this income would accrue to the tribe.

LAND USE

Present use of submarginal land

Prior to January 20, 1960, the tribe leased submarginal land directly to individuals for lakeshore sites, farming, and gravel removal. No fees were paid to the Bureau and it was estimated that the tribe collected about \$2,000 a year from these leases. On January 20, 1960, the Bureau advised the tribe to terminate these leases and negotiate revocable permits to be effective retroactively to May 15, 1959. Permit revenues were to be deposited into the general fund of the United States Treasury.

Effective April 1, 1966, the tribe obtained a revocable permit from the Bureau to use 3,963 acres of submarginal land, exclusive of timber and mineral rights, on a free use basis for agricultural and recreational purposes. The tribe has derived income by subpermitting some of the submarginal land for these purposes (see p.13). According to the Minnesota Agency realty officer, 16 subpermits were in effect as of July 1971, mostly to non-Indians for lakeshore homesites. We were advised also that about four Indian families reside on the submarginal land without permits.

The Bureau supervises the cutting of timber on submarginal land in accordance with sustained-yield plans which provide for the productive capacity of the land to be maintained. Also, under Federal regulations pertaining to Indian forest lands (25 CFR 141), members of the tribe are allowed to cut selected types of timber without permit and without charge, provided it is for their personal use. Starting about 1964 the market for timber species on the reservation's submarginal land improved and receipts for timber harvested since then have ranged from \$14,725 in 1965 to \$36,734 in 1969.

As of June 30, 1971, the Bureau classified the submarginal and tribal lands, including the 2,640 acres of tribal land adjoining the reservation, as follows:

<u>Classification</u>	<u>Acres</u>	
	<u>Submarginal</u>	<u>Tribal</u>
Farm	950	3,517
Commercial timberland	19,071	19,011
Potential commercial timberland	2,154	1,774
Nonforest land	<u>6,380</u>	<u>1,266</u>
Total	<u>28,555</u>	<u>25,568</u>

Efforts to use reservation land

The White Earth Reservation Business Committee, on December 2, 1961, adopted an economic development plan which dealt with the use of submarginal and tribal lands. The plan was approved by tribal officers on March 8, 1962, and by the United States Department of Commerce on September 8, 1962.

The plan proposed that resources be developed to permit the cultivation of cranberry marshes; the cultivation, harvesting, and processing of wild rice; mink farming; the raising of poultry; the harvesting of maple syrup; dairying and allied agricultural pursuits; and greater utilization of recreational resources. Progress reports updating the plan are submitted yearly.

In July 1969, we reported to the Congress¹ that tribal organizations and agencies had made some efforts at development of the reservation's resources but that the efforts were largely unsuccessful because of a lack of financing, community interest, or necessary facilities.

The tribe's progress report for 1971 updating its economic development plan showed that two manufacturing plants had located on reservation land. One plant had started production of furnaces in June 1971 and employed 14 Indians. The other plant started to produce all-terrain vehicles in January 1971 but closed on April 30, 1971.

¹Effectiveness and Administration of the Community Action Program Administered by the White Earth Reservation Business Committee under Title II of the Economic Opportunity Act of 1964 (B-130515, July 15, 1969).

Potential use of submarginal land

Bureau and tribal officials stated that if the submarginal land is conveyed in trust to the tribe, the following uses are likely to be made of the land.

1. Forestry. Harvesting of timber would continue under Bureau management but the revenues, less up to 10 percent which the Bureau would charge to cover its administrative costs, would go to the tribe rather than the United States Treasury. The Bureau estimates receipts of \$17,550 and \$19,500 for fiscal years 1972 and 1973, respectively, for timber cut from the submarginal land.

2. Recreation. According to the officials, lakeshore development, similar to the project described previously, represents a potentially good source of income.

3. Agriculture. Potential exists for wild rice paddy development. Although the Bureau and tribal officials appeared enthusiastic about such development in our discussions with them, the Department of Agriculture District Conservationist told us that he had not been able to motivate the tribe towards such a project in the past. The District Conservationist also said that about 7,000 acres would be suitable for grazing if the land was cleared.

Bureau and tribal officials told us that plans had not been developed and pursued for the submarginal land because of uncertainties created by the requirement that revocable permits be used. They told us that they believed that conveyance of this land to the tribe would result in such benefits as additional employment and funds for housing and education, with an attendant reduction in public welfare.

Housing and related improvements

Since 1962, 93 federally financed public housing units and one unit under the Bureau's Housing Improvement Program have been constructed on tribal land at a total cost of \$1,273,000. In addition \$918,000 has been expended for water and sewer improvements and 22.5 miles of roads have been constructed on tribal lands. Conveyance of the

submarginal land would provide additional areas for similar improvements.

Water resources

The principal value of water resources on the submarginal land relate to (1) recreation on land adjacent to the lakes and (2) potential rice paddy development.

Mineral value

In our 1962 report, we said that no valuable minerals had been found in Mahanomen County. Bureau officials, the Agriculture Department's District Conservationist, and the Mahanomen County Executive Director, Agricultural Stabilization and Conservation Service, told us that gravel was the only known mineral deposit in the county.

TRIBAL FINANCIAL RESOURCES

The Minnesota Chippewa Tribe's unaudited balance sheet as of May 31, 1971, showed the financial condition of the tribe as follows:

Assets:	
Cash	\$ 26,003
Receivables	3,162
Equipment	4,314
Land and buildings	<u>1,114,818</u>
Total assets	1,148,297
Liabilities	<u>264</u>
Net worth	<u>\$1,148,033</u>

The United States appropriated \$3,932,205 to the tribe in 1965 in settlement of a claim for lands ceded to the United States in a treaty in 1855. Of this, \$240,370 went to the White Earth Reservation Business Committee to finance industrial or other projects and \$2,220,532 was distributed to individual members of the tribe at White Earth.

According to the Bureau, claims are pending for the fair market value of lands ceded to the United States in three other treaties. One third of any settlement would go to the Mississippi Band of Chippewas, to which about 72 percent of the White Earth members belong.

INCOME FROM SUBMARGINAL LAND

From April 1966, when the Bureau issued the revocable permit to the tribe for the use of 3,963 acres of submarginal land, through June 30, 1971, the tribe's gross revenues from subpermits totaled \$8,125.

From 1966 through June 30, 1971, the Bureau had received revenue from the submarginal land as follows:

Timber permits	\$121,055
Gravel permits	<u>420</u>
Total revenue	<u>\$121,475</u>

CONCLUSION

If beneficial interest in the submarginal land on the White Earth Reservation is conveyed to the tribe, the revenues now being collected by the Government, except for that portion the Bureau would charge to cover its administrative costs, would accrue to the tribe. Such revenues, in addition to those the tribe already receives through subpermits, could help tribe members advance their social and economic standing, provided they are invested in planning, establishing, and operating enterprises which would employ Indians and have reasonable chances of success.

APPENDIX

HENRY M. JACKSON, WASH., CHAIRMAN
 CLINTON P. ANDERSON, N. MEX.
 ALAN BIBLE, NEV.
 FRANK CHURCH, IDAHO
 FRANK E. MOSS, UTAH
 QUENTIN N. BURDICK, N. DAK.
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 MARK O. HATFIELD, OREG.
 TED STEVENS, ALASKA
 HENRY BELLMON, OKLA.

United States Senate

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

JERRY T. VERKLER, STAFF DIRECTOR

B-147652

B-147655

April 1, 1971

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

Dear Elmer:

This letter is in reference to 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.

Recently, Senator Gordon Allott, ranking minority member of the Committee, and I introduced two bills S. 1217 and S. 1230 to convey beneficial interest in submarginal lands to the Indians on the White Earth Reservation in Minnesota and the Stockbridge Munsee Indian Community in Wisconsin, respectively, with title to be held in trust by the United States Government. The bills were based on Executive Communications transmitted to the Congress by the Administration.

Hearings were held on the proposed legislation on March 26, 1971, with testimony being presented by Administration and tribal officials. The proposed legislation was discussed before the full Committee in executive session on March 31, 1971. At that time, Senator Allott moved that the two bills be tabled until such time as the Comptroller General could present the Committee with an updated revision of the 1962 report.

Please consider this letter an official request to have your staff begin an updating of the document in question. Also, you or representatives from your office may find it useful to discuss this matter with Mr. Jerry T. Verkler, Staff Director of the Committee.

In preparing for the revision, I believe it is important for you to give recognition to the fact that both

Honorable Elmer B. Staats

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April 1, 1971

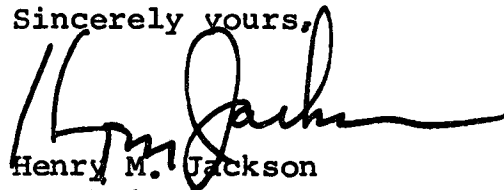
the Administration and Congress have, in a sense, repudiated the so-called "termination" policies of the 1950's. President Nixon's Indian Message to Congress of July 8, 1970, clearly states a policy of "Self-Determination, without Termination." Also, during the past Congress, a number of concurrent resolutions repudiating termination as a policy in the Indian field were introduced in both Houses of Congress. The multi-agency involvement in Indian affairs with identifiable Federal expenditures in excess of \$625 million in the 1971 fiscal year is further evidence that we view development of the human and natural resources of our Indian citizens as a more realistic approach to this complex problem.

I am hopeful that the updating of your 1962 Report on Submarginal Lands will be undertaken within the more positive climate of Indian affairs today, and that your staff will examine closely how the conveyance of the lands in question to Indian tribes can contribute to their social and economic advancement.

Enclosed are copies of S. 1217 and S. 1230 currently pending before our Committee. Will you please review these bills now and submit an immediate report to the Committee on them to expedite our consideration of this legislation.

With every good wish,

Sincerely yours,



Henry M. Jackson
Chairman

HMJ:fgr
Enclosures

Note: Copies of S. 1217 and S. 1230 have not been reproduced herein.
The requested report on the bills is being furnished separately.