Summary of Settlement Act--

Analysis Points Out Revenues, Expenditures, Funding

Funding and taxation are vital concerns to any corporation. This is as true of the Native organizations as of any other, as this installment of the Claims Settlement summary will show.

Settlement Act funds will necessarily be the regional corporations' responsibility. While they will not handle land investment money from the village corporations, they do have much to say about the Alaska Native Fund usage.

The regions do not have full fund-disposition powers, however. The 12 already-planned corporations will control less than half of the total. If a thirteenth is created, it will control half of the total.

Nearly a billion dollars — $962,500,000 — is being held in the United States Treasury. It will be paid out, after the regions are completed, on a quarterly basis. Each regional corporations share is determined by the number of its enrollees.

The amount of money and the enrollments are fairly well established, barring mathematical adjustments. And since the first 90 per cent of organizing will probably go smoothly, it may be possible to get around the provision that money may not be distributed until the rolls are complete. But this is likely only under a very liberal interpretation of the rules.

Congress will probably allow some regional funds before the deadline for enrollment. If the process is delayed, the Treasury can pay more as needed. Up to $462,500,000 is allowed by Section 6(a)(1). And at least $30,000,000 a year for the next 10 fiscal years must be given out.

Probably $62,500,000 will be put into special funds before distribution starts. With the Treasury paying four per cent interest, it could accumulate $2,500,000 a year in that interest. Shared mineral revenues will also be deposited.

This takes care of all but $500,000,000, which will come through the mineral revenue sharing. Right exists to what is termed the "two per cent overriding royalty."

The description is simple, but not necessarily accurate, according to the analysis. Since the applicable land and minerals are limited, it is more like owning two per cent of some minerals in a certain area.

The royalty described includes that of specified minerals value produced or removed from state-federal revenue-sharing lands. All bonuses and rentals for getting and maintaining leases for specific mineral and state leases are also covered by the "two per cent royalty."

If the federal government leases the land, it pays the royalties. But payments hit the State hardest, because 90 per cent of the federal mineral revenues revert to the State. Royalties get paid first, with the state and federal government splitting the leftovers.

A wide variety of minerals are mentioned in the Mineral Leasing Act of 1920. Only oil, gas and coal are really important to Alaska. State selections are approved by the Secretary of the Interior, subject to the royalties provision. And when the State selects land, they are already subject to federal mineral leasing and revenue-sharing.

One clause of the Act indicates that royalties from state-patented lands stop as soon as the U.S. asserts the reservation for those royalties. Not covered by this provision are State lands

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gotten from private owners, tides and submerged land, land under inland navigable waters or land granted to the State for schools and hospitals.

Federal land revenues are also subject to sharing. Land coming under the Mineral Leasing Act, as well as acquired and other federal lands, are included. But the Outer Continental Shelf is not.

Protection against non-payment by the State into the Native Fund is insured by a section allowing the federal government to take the money from anywhere else available. Holding back appropriations from highway departments is a good example of what it can do. While there is no time limit, the drain stops when the $500,C00,00C is collected.

Besides subsurface rights, the regional corporations also get 16,000,000 surface acrès. Except for restrictions on selling national forest timber, they can open up their timber and mineral revenues to others or dispose of them any other way they wish.

The separate fund from these sales is split up, and 70 per cent of it is divided yearly among the 12 regional corporations by the enrollment fi ures. If there is a 13th region, it doesn't get any of this money.

The corporation whose land is involved gets its proportional share plus the extra 30 per cent and a portion of whatever the other regions pass out.

Investments, loans on bonds and mortgages and bank deposits are all available as extra income. And all of these draw interest for the regions. Money can also come from the surface rights' sales and government or private grants.

Several sections go into regional dispositions of land and money. A percentage of the Native Fund, timber and mineral reserves and all other net income comes under these sections. And the stockholders get their share of 10 per cent of distributable funds. Before this can be done, the corporations must organize, complete their rolls and give out the Native Fund to those qualified.

Ratios of funds to people are determined by whatever is on the corporation books, not by the rolls. So they will change as the populations shift around. While the regional corporations control some village corporation actions, they can only withhold their funds. They cannot use them for anything else. And any regional projects benefiting the entire area may not be combined with village funds doing the same thing.

Besides the 10 per cent for the regions, 45-50 per cent of revenues go to village corporation stockholders over several years. After all distributions, not more than 45 per cent of revenues are still there for paying taxes and other expenses. And even a very passive corporation must pay out some, as they will need staff members and professional help with their duties.

Much is left up to the regional corporations for money-handling. They are like any other corporation in this respect. But neither the regions nor the villages may use Alaska Native Fund money for propaganda or for any political candidate. Violations can result in fines or jailing or both. Money from other sources may be used for these purposes, as may the Native Fund if it isn't for "propaganda."

The problems lie in deciding what propaganda is. But evil intent is usually one of the requirements for the term to apply. Laws concerning political involvement are numerous and complicated. And the corporation leaders must know them. The Act permits a fair range of activity, and the analysis suggests a "work-within-the-system" attitude as best.

A 13th region may be formed for non-resident Natives to share the Alaska Native Fund. It could not, however, select land for timber and mineral or surface rights revenues. Also, it can take advantage of grants, but it can't share in the other regional corporations' money.

Only 50 per cent of the Alaska Native Fund has to be distributed to 13th region Natives. Any money left over that, taxes and expenses can be invested and spent as the corporation sees fit.

And then there's the matter of taxes. Stock shares and Native Fund revenues given to corporations or individuals aren't taxable. Land selections or money from them is not taxable either. But investments, sales and leases are subject to the usual state-federal taxes. Gains and losses are calculated on a "what-the-market-will-bear" basis. And the Fund is the only truly tax-exempt revenue source.

No real property taxes may be levied for 20 years unless the land is developed. What constitues "development" remains open. A fish camp might be thought so, where a trapline would not be, for instance.

"Leased" land is another tricky matter. But it appears to mean land with a proven economic value for surface or mineral use. But easements, right-of-ways and such are separately taxable and create confusion.

If no property taxes are required, the land is classed as public and can get protection and assistance at federal expense. It does not, of course have to be kept in the corporation or by an individual. The people involved can transfer the land or use it for special projects and it will still be tax-exempt.

This section also includes cash flow charts for regions 1-12 for the proposed 13th regional corporation.

NEXT WEEK: land selections, background, ownership and recent state choices.