Part twenty-four of serial: money settlement; where the dollars come from, revenue sharing

(Editor's Note: This is the twenty-fourth in a series of excerpts from the Alaska Native Land Claims book. It is the hope of the Tundra Times and Alaska Native Foundation that the publication of the series will further the understanding and implementation of all parties involved and affected by the claims Settlement Act. The book was released by the ANF in 1976 and was also made possible by a Ford Foundation grant. Robert D. Arnold edited the text. Authors include: Janet Archibald; Margie Bauman, Nancy Yaw Davis, Robert A. Frederick; Paul Gaskin; John Havelock; Gary Holthaus; Chris McNeil; Thomas Richards, Jr.; Howard Rock and Rosita Worl.)

The activities of the nonprofit corporations are tailored to meet the needs of Natives within each region. Broadly told, these activities most often fall within the areas of health, education, housing, and employment assistance.

The Cook Inlet Native Association, for instance, operates a Native Assistance Center in Anchorage. Many Natives come to Alaska's largest city from rural areas and some need help in an unfamiliar environment. This the Center attempts to provide. The Tanana Survival School, which began operation in late 1973, is designed to give Athabascan students a renewed sense of identity and cultural ties to their past. The school is operated by the Tanana Chiefs Conference.

The regional nonprofit corporations also play important advocacy roles for the people of their areas. Kawerak, for instance, urged the airlines serving northwest Alaska to give safety instructions to passengers in Inupiat, not just in English. The Bristol Bay Native Association's efforts in 1974, following a disastrous salmon run, led to designation of the area as a "disaster area" which resulted in special programs of assistance. And Yupiktak Bista has worked consistently at trying to bring about improved transportation for the people of southwest Alaska.

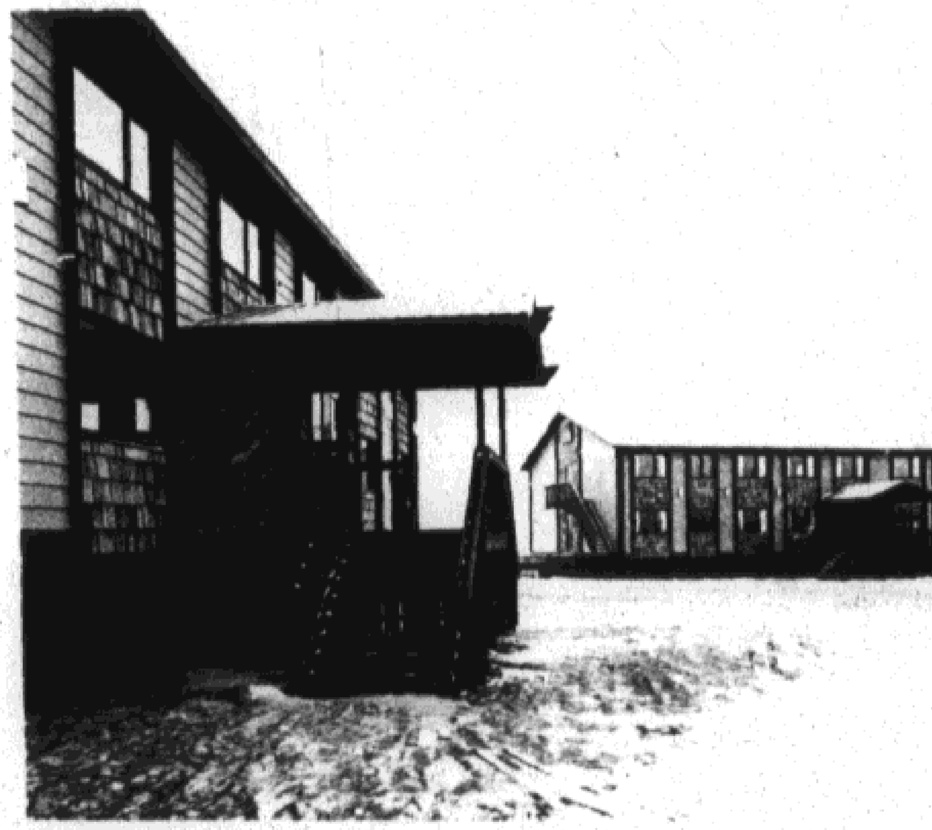
Alaska Tribal Association

Eleven village corporations which are receiving land but no money under the settlement act organized as a nonprofit corporation, the Alaska Tribal Association, in late 1974. The corporations are from the four cities named in the act (Juneau, Kenai, Kodiak, and Sitka) and the seven located on former reserves (Arctic Village, Elim, Gambell, Klukwan, Savoonga, Tetlin, and Venetie).

The purposes of the organization are to secure funding, to distribute information, and to otherwise advance their interests. Village corporation presidents make up the board of directors. George Miller, Jr., of Kenai was elected president of the Association.

If a bill introduced in Congress in 1975 becomes law, the problem of these corporations having no money would be remedied. The bill provides for a one-time appropriation of $100,000 for each village on former reserves and of $250,000 for each of the four-named cities. Such an appropriation would be in addition to appropriations scheduled for the Alaska Native Fund.

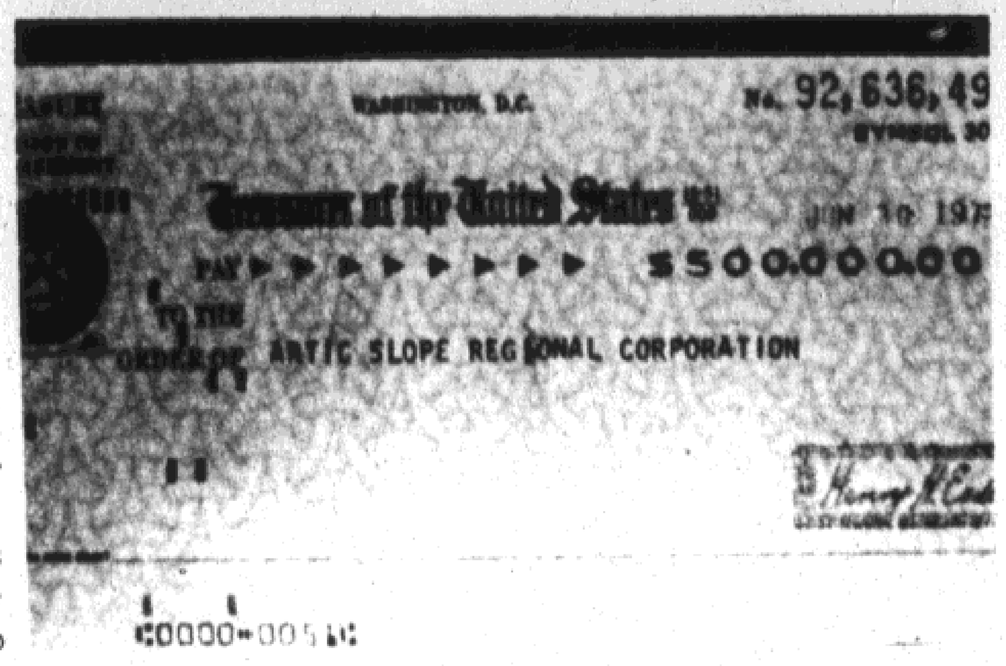
UNIT SEVEN MONEY SETTLEMENT



Tundra Times

As 1975 opened, nearly one-fourth of the compensation for land rights extinguished had been paid. Of the nearly $212 million which had gone into the Alaska Native Fund, about $209 million in checks had been distributed to the 12 regional Native corporations.

Consistent with the act, regional corporations had kept 45 percent or about $94 million. They had distributed or were scheduled to transfer checks ranging from a few thousand dollars to over two million dollars to village corporations within their regions. Taken together, the 203 village corporations were entitled to receive about $60.5 million through 1974.



Tundra Times

Payment of $500,000 accepted by the Arctic Slope Regional Corporation, despite error in spelling.

Regional corporations had also mailed checks totaling about $54.5 million to the more than 76,500 Natives enrolled to them. About 27,000 persons, who were enrolled only to regional corporations had received about $1,500 each; more than 49,000 persons, who were enrolled also to village corporations, had received about $275 each.

About $2.6 million remained in the Alaska Native Fund for payment of lawyers, consultants, and Native organizations for their expenses in obtaining a claims settlement. Although the amount of money appropriated for this purpose seemed large, it still fell far short of the more than $7 million filed for by lawyers and consultants.

The source for most of the money received through 1974 was appropriations by Congress. Payments of substantial size from the mineral resources of State and federal lands awaited the completion of the pipeline from the North Slope.

Funds received by corporations were being spent to implement the settlement, and they were being invested in a variety of ways.

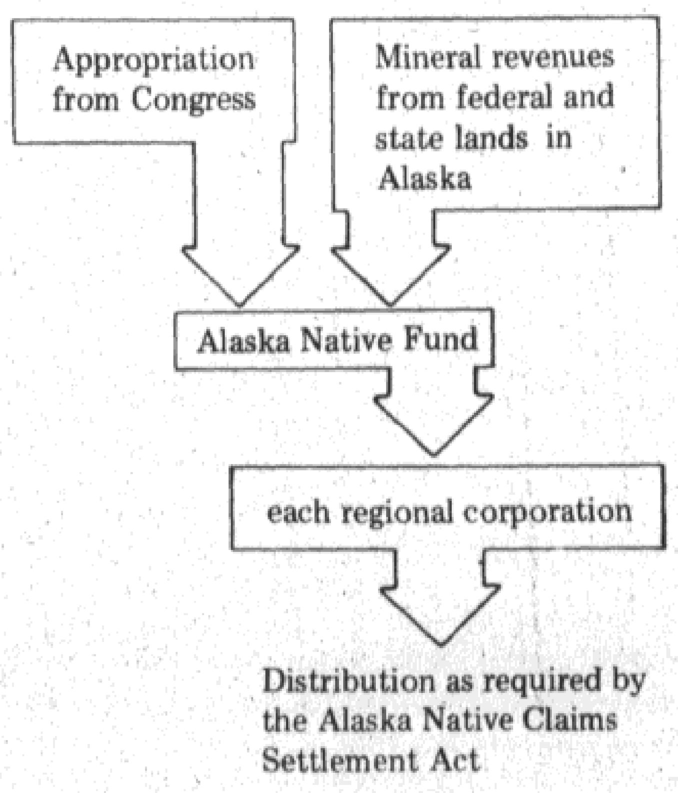
Chapter 27 Sources

The $962.5 million which Natives and their corporations are to receive under the settlement act is to be paid from the special account in the U. S. Treasury called the Alaska Native Fund. As established by the act, the Fund receives money from two sources: (1) appropriations made by Congress, and (2) a two-percent share of mineral revenues obtained from certain federal and State lands in Alaska. All money in the fund, except for the $2.6 million set aside for expenses of obtaining a settlement, is to be paid out on a quarterly basis to regional Native corporations.

Congressional appropriations

FIGURE 7

COMPENSATION



Of the total compensation, $462.5 million was to be appropriated by the Congress over an 11-year period. Through 1974, nearly all of the deposits made to the Alaska Native Fund were from this source. These appropriations, made in the first four fiscal years, totaled $202.5 million.

Revenue sharing

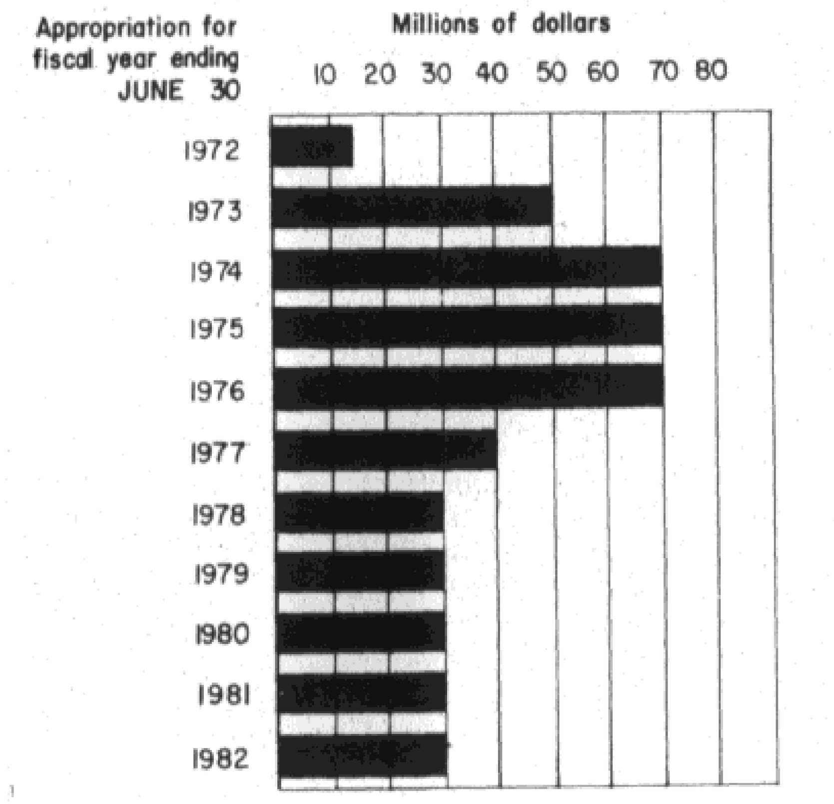
In fiscal year 1976 (July 1, 1975 – June 30, 1976), the schedule provided for $70 million. In the following fiscal year, it provided for $40 million. During the next five fiscal years, it provided for $30 million annually. These authorized payments are not deposited to the Alaska Native Fund until Congress passes a specific appropriation for the purpose each year.

The eleventh and final appropriation by Congress will be made before June 30, 1982.

Unlike the Congressional appropriations to be paid on a fixed schedule over an year period e $500 million in compensation to come from revenue sharing has no timetable, and it may be as long as 15 years before the total is reached.

FIGURE 8

APPROPRIATIONS AUTHORIZED BY CONGRESS FOR THE ALASKA NATIVE FUND



Since the most significant revenues to be shared are those from North Slope oil, and production wasn't expected to begin until 1977, mineral revenue sharing was of very little importance as a source of compensation during the first years. Only $3.3 million was deposited to the Alaska Native Fund from this source in the three years following passage of the act.

Generally, the two percent share of revenues being paid to Natives as compensation is based upon bonuses, rentals, and royalties paid by companies for mineral rights on State and federal lands in Alaska. Of the minerals covered by this provision, only oil, gas and coal, were of likely importance.

Although most minerals, most lands, and most revenues are subject to this revenue sharing plan, there are important exceptions. These exceptions include:

- metallic minerals, h as gold silver;
- lands acquired by the State at statehood, such as tidelands, submerged lands, or lands under navigable waters;
- the Outer Continental Shelf; and
- bonuses and rentals received by the State at its September 1969 North Slope oil sale.

It was estimated in 1973 that once the trans-Alaska pipeline was completed and maximum flow of oil thro gh it was achieved that the two-percent share for Natives and their corporations would be about $55 million a year. However, the rising price of oil and the rising cost of the pipeline (which reduces the value of the oil) made that estimate very uncertain. Annual payments to the Alaska Native Fund may be as much as twice that amount.

Completion of the pipeline in 1977 promised at least this: as compensation from Congressional appropriations declines, compensation from revenue sharing will begin to grow.

Even though payments are made by both the State and federal government, the $500 million to come from revenue sharing is largely the State's contribution to the settlement. North Slope oil is on State land and the two percent of the revenues to be paid Natives would otherwise go to the State. Secondly, 90 percent of mineral revenues from federal lands went to the State in the past. Under the act, two percent goes to Natives, and 90 percent of the remainder goes into the State Treasury.

The justification for the State's contribution to a federal claims settlement was that Natives had prior rights to lands granted the State, but their rights had not been recognized.

When the $500 million is reached – perhaps some time between 1982 and 1987 – all payments from State and federal governments will end. By terms of the act, Natives of Alaska will have been compensated for land claims extinguished by it.

Interest

About $6 million of the monies distributed by the Alaska Native Fund in the first three years was interest earned on deposits. This interest was earned on the appropriations made to the Fund before enrollment was completed, and therefore, before any distribution could be made. Deposits in the Alaska Native Fund no longer earn interest.

Other sources of cash

Even though compensation for lands given up is fixed in total amount and payment will come to an end, the total cash Native corporations will have as a result of the settlement is not so limited. Two other important sources of cash income are investments they make and natural resources of their lands which they develop.

Part of the money corporations receive is being invested in a variety of ways to produce cash. These include depositing cash in a bank or purchasing securities to earn interest. Another kind of investment being made is purchasing existing stores, fuel distributorships, hotels, or other businesses or establishing such enterprises.

A second additional source of income is the cash obtainable from the natural resources of the lands to which Native corporations are obtaining title. In a forested area, for instance, a village corporation might sell timber from its land and obtain cash income for itself. Regional corporations might likewise sell timber from their lands or lease rights to minerals and obtain cash. If regional corporations sell timber or rights to subsurface minerals, however, they are required to share the proceeds with other regions.

This sharing of income by a regional corporation from sale of its natural resources is limited to the 12 in-state corporations. Under the act, the corporation obtaining cash from such resources keeps 30 percent of it, and divides the remainder among all 12 (including itself). This division is made on the basis of the proportionate number enrolled to each. To illustrate: if the Bering Straits Corporation is required to distribute $100,000 from mineral development, it would retain $30,000 (30 percent); as it divided the remaining 70 percent among the regions it would allot itself another $6,300, because it has about 9 percent of the total enrollment.

This provision for sharing among regions, apparently intended to make up for the possibility that some regions might be resource-poor, is posing a number of difficult problems of interpretation. What costs of selling the resource, for instance, may be deducted in order to determine the total that should be distributed? Or, if a region uses its timber to manufacture something it then sells, how much of the income is to be distributed? These and many other questions have yet to be resolved.

These two additional sources of cash – investment and development of natural resources – may be pursued during the period in which compensation is being paid. Once compensation comes to an end, they are the only sources for generating a continuing cash flow.

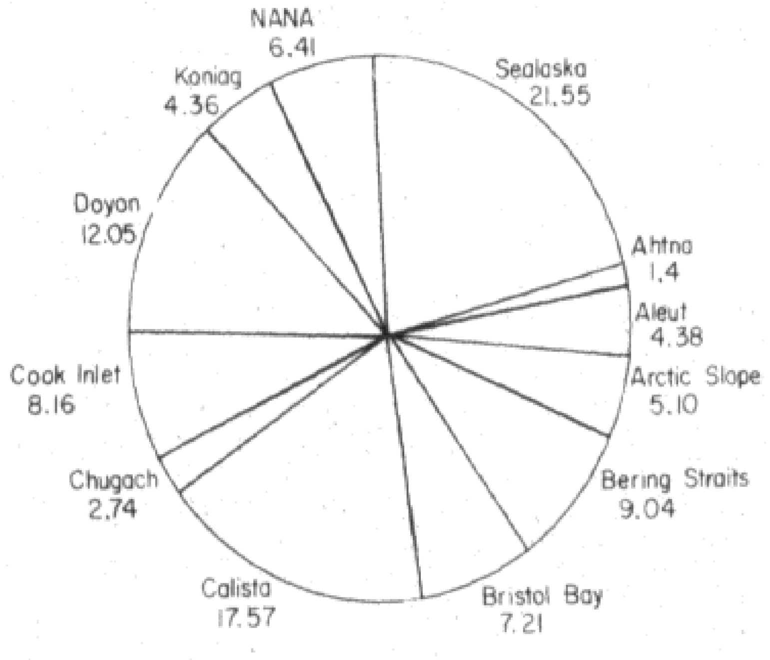
Chapter 28 Payment to Individuals

All money paid out from the Alaska Native Fund, except for the reserve described in the last chapter, goes directly to the 12 regional Native corporations. It is divided among them on the basis of their enrollments. Each corporation's share is determined on a per-capita basis; stated another way, a corporation's share is established by the ratio of its enrollment to the total number of Natives enrolled.

The percentage distribution established with the final roll does not change with deaths of stockholders and inheritance of stock by others. It does not change if stockholders move from one region to another. It remains constant unless corrections are made to the final roll or a 13th corporation is established. In the latter case, percentages of the existing corporations would decline as enrollees transferred to the 13th corporation.

FIGURE 11

ALASKA NATIVE ENROLLMENT BY REGION: PERCENT* OF TOTAL ENROLLMENT AS OF SEPTEMBER 16, 1974



*Subject to change upon formation of 13th regional corporation.

Among the present 12 corporations, Ahtna, Inc. receives the smallest portion – about 1.4 percent – and Sealaska the largest – about 21.5 percent. Through the end of 1974 Ahtna had received – for itself, its village corporations, and its stockholders – almost $3 million and Sealaska had received more than $45 million. If no revisions to enrollments were made, Ahtna would receive a total of about $13.5 million from the Alaska Native Fund and Sealaska would receive a total of $206.5 million.

Once a regional corporation receives its check, it is required to distribute part of the amount received to village corporations within its boundaries (again on a per-capita basis) and part of it to individual stockholders.

Differing direct payments

Immediate cash benefits from the Alaska Native Fund are not the same for all enrolled Natives. The amount of compensation that must be paid an individual depends upon whether he is a stockholder in both a village corporation and its regional corporation, or a stockholder only in the regional corporation. The duration over which compensation must be paid is similarly determined.

First five years

During the first five years following the settlement act, the 12 regional corporations are required to distribute to their stockholders and village corporations no less than 55 percent of the funds received: (1) from the Alaska Native Fund; (2) from mineral and timber revenues shared among all regions; and (3) from investments as net income.

In this period only the first category was of substantial importance because lands (with minerals and timber) were only in the process of being selected, and because implementation costs were so great that there was little net income.

Next week
How the money flows to shareholders ...

continued next week . . .