

How and why the elders' checks are generated



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This unit report will explain how and why the elders dividend checks are generated and why they have fluctuated.

In the 1830s, the federal government acquired millions of acres of land from the Ottawa and Chippewa tribes in northern Michigan. Beginning in the 1950s, the tribes filed claims against the federal government for arguing that the U.S had not paid fair compensation for this land. These claims were successful — and in 1997 Congress passed the Michigan Indian Land Claims Settlement Act providing for payments to a number of tribes as additional compensation for these lands.

The Sault Tribe received

approximately \$20 million, which was deposited into a fund the Congress called the Self-Sufficiency Fund (also known as the land claims fund or the elders fund), to be administered by the Sault Tribe's board of directors. The bill also spelled out the purposes for which this fund and interest earned on the fund could be used. For example, it allowed the interest from the fund to be used as a payment to our elders. It also allows the board to use either the principle or the interest to buy land. If that land is purchased with interest from the fund, the Act provides that it "shall be held in trust." This makes such land subject to tribal jurisdiction, rather than state jurisdiction.

That is the basis of our Lansing project. Because land purchased with interest from the fund is required to be held in trust, we believe we can legally conduct casino gaming on such land.

The federal act also allows the tribe to add money to the principle anytime it wishes and it has done so. Ten million was added from Greektown and \$1 million came in from the 7+1+1 litigation. Other smaller amounts have been added throughout the years.

Here is where the elder checks are calculated. The checks depend

on three factors: the number of elders, amount invested and interest rates. The number of elders is not a constant figure. The baby boomer generation is now beginning to become elderly. As a result, each year the number of elders has continued to grow.

From 2010 to 2011 we added 400 new elders to the list. This year we sent out over 4,000 checks. That number is expected to increase dramatically in the next five years. But the interest earned by the fund has not grown. This means that every member who reaches 60 years old divides the interest by a greater number and reduces the size of the individual checks.

Right now, a large part of the money in the Lands Claim Fund is invested in the tribe. Roughly \$8 million is in a bank savings account. Approximately \$10 million was loaned to the tribe to help fund the construction of the St. Ignace casino and the tribe is paying interest to the land claims fund on that loan at 12 percent a year. Another \$10 million was loaned to the tribe's general fund and the tribe is paying interest back to the fund at 12 percent a year. As you see, with these interest rates being paid to the fund by the tribe are well above the interest rates that are currently available in the market. Right now

interest rates are from 1 to 3 percent for long-term investments. It is these high interest rates being paid by the tribe that are generating the interest used for the elder payments.

So when people say the tribe is not looking out for the funds in a fiscally responsible way, I disagree. Some have said repay all the loans. If all the money is put back into the account and not invested there would be no elder checks since there would be no interest earned by the fund and, thus, no funds available to distribute. If the funds were instead put in a regular bank savings account, it would only generate an interest rate of about 1 percent. That would earn only about \$300,000 in interest and, after that amount was divided among the 4,000, each would receive a check of only about \$75 each.

The other question we hear is, how did the tribe give out \$1,600 checks at one time? The answer is that there were fewer elders at that time but, more importantly, the board decided, in an election year, to add other tribal funds to the base amount. This money came out of the tribe's general fund. I was not on the board at that time, but I am told that this amount was raised many times at a single board meeting until it finally reached \$1,600. If you

recall, those checks to the elders also came with a tax notice and the amount that was not interest was to be taxed by both the state and the federal governments. With the financial crisis of 2006, the board could no longer afford to supplement the checks and they had to return to the original method of simply distributing the interest generated by the fund.

The other item to be discussed is the possible coming referendum on the Lansing project. There has been a lot of misinformation distributed by the opponents. The tribe has tried very hard to get out the correct information with over 20 townhall-type meetings and with our tribal paper. If you have any questions please call your tribal board member or the chairman anytime. We would be happy to help you understand the project and how we will be able to accomplish a casino in Lansing.

Please understand that to disapprove the board's action will stop the entire project and kill any chance of working with Lansing on a casino. When this project is successful it will greatly enhance all the tribe's services.

Thank you for all your letters and phone calls.

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