



## THE HARVARD PROJECT ON AMERICAN INDIAN ECONOMIC DEVELOPMENT

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John F. Kennedy School of Government • Harvard University

### **HONORING NATIONS: 1999 HONOREE**

#### **Land Claims Distribution Trust Fund Office of the Chairman, Grand Traverse Band of Ottawa and Chippewa Indians**

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In 1971, the Indian Claims Commission settled a 1948 case against the U.S. government by awarding the Michigan Chippewa and Ottawa Indians \$10.3 million in just compensation for ceded lands. However, the settlement money could not exit Federal government coffers until the tribes decided on a distribution formula, and inter-tribal disagreements prevented its transfer for two and a half more decades.

By the mid-1990s, the settlement fund had grown to more than \$70 million. Appreciative of the benefits that this amount of money could generate for the disputing tribes, the Tribal Chairman of the Grand Traverse Band of the Ottawa and Chippewa Indians (GTB), undertook to bring the tribes to the negotiating table and begin work in earnest. The GTB Chairman's efforts created momentum and one year later, the tribes' decision was imbedded in the Michigan Indian Claims Settlement Act.

The Act establishes each tribe's portion of the settlement money and outlines parameters for its expenditure. For tribes prepared with an expenditure plan, the legislation actually specifies how the settlement money will be used. For tribes unprepared to embed an expenditure plan in law, the legislation gives the Secretary of the Interior the authority to approve both the process used to develop a plan and the plan itself. The proactive work of Grand Traverse's negotiators placed GTB among the first group, thus promoting the Band's self-determination over their money's use.

The GTB government's commitment to and "readiness" in the settlement process is commendable, but it is the Band's expenditure plan that is an even more important contribution to good governance. Whether Indian nations receive substantial financial settlements for claims against other governments, as in this case, or whether they earn substantial profits from the development of unique resources or market niches, American Indian governments are sometimes in the position of managing sudden and large monetary gains. On the one hand, the difficult present circumstances of many tribal members make immediate per capita distributions of this type of tribal income attractive; on the other hand, such distributions limit future generation's benefits. Remarkably, the Grand Traverse Band's innovative spending program makes it possible for the tribal government to meet both short term pressure for per capita distribution and long-term fiduciary obligations. Eventually, it will even enable them to provide ongoing income support to tribal elders—a group whose economic security is of concern to many tribes.

In particular, the spending plan specifies that the Band's portion of the settlement be

transferred to a Land Claims Distribution Fund and that the entire amount be invested (with an appropriate balance between income potential and wealth protection). The plan further directs the Band to post 80 percent of the investment principal as collateral for a loan and to distribute loan proceeds on a per capita basis to all eligible members. Income from the Fund's invested principal is to be applied to debt service until the loan is retired, and at that point, a permanent distribution fund for elders is to be established. After an initial fixed distribution, the plan calls for only 90 percent of the investment income from the Elders' Land Claim Distribution Fund to be distributed. The remaining 10 percent of the investment income is to be reinvested in order to maintain-and ever increase-the Fund's value. In essence, the Elder's Fund will behave like a tribal social security fund, but with benefits based on the Fund's returns and size, not on individual contributions. While the Band's Council may add to the Fund as it sees fit, the principal can never be distributed on a per capita basis. Finally, to further solidify the Band's self-determination over the settlement money, the law specifies that the Secretary of the Interior will have no trust responsibility for the Funds.

By, 1998, GTB had implemented the first stages of the spending plan. Favorable market conditions were enabling the Band's Land Claims Distribution Fund managers to accelerate loan repayment and to move even more quickly toward establishment of the Elder's Fund. The Band's Council, Chairmen, and citizenry continue to be supportive of the spending plan and of the opportunity it now presents to substantively honor tribal elders' lifetime contributions to and sacrifices for the community. And, because GTB's settlement negotiator had the foresight to "lock-in" self-determination, the Band will be able to continue to effectively manage its own settlement award, rather than see it be subject to the vagaries of Federal administration.

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