Native American Sovereign Wealth: The Impact on Human Capital

Global Conference 2010
Native American Sovereign Wealth:  
The Impact on Human Capital  
Monday, April 26, 2010; 11:00 AM - 12:15 PM  

**Moderator:**  
Shawn Baldwin, Chairman, Capital Management Group  

**Speakers:**  
Joseph Callahan, Assistant General Manager and Chief Financial Officer, River Rock Casino  
David Greendeer, Executive Administrative Officer, Ho-Chunk Nation  
Bill Lomax, President, Native American Finance Officers Association  
Stephen Manydeeds, Division Chief, Indian Affairs, U.S. Department of the Interior  
Chris McNeil Jr., President and CEO, Sealaska
Native Americans

By the numbers

• 2.5 million Native Americans in the United States

• 564 federally recognized tribes

• 36 percent of Native Americans reside on reservation land

• 40 percent of tribes operate casinos

Sources: U.S. Census Bureau; Department of the Interior, Bureau of Indian Affairs.
Native American population has grown in recent decades

Native American population (in millions)

Percent of total population

Source: U.S. Census Bureau. Note: Data are for single-race Native Americans.
Native American gaming revenues reached almost $27 billion in 2008.

Source: National Indian Gaming Commission.
Unemployment higher for Native Americans compared to white population 1st half of 2009

Unemployment rates by region

Native Americans are half as likely to graduate from college than the rest of the population.

Source: U.S. Census Bureau.
71 percent of Native Americans graduate from high school

Source: U.S. Census Bureau.
Ten largest Native American tribes

- Cherokee
- Navajo
- Sioux
- Chippewa
- Choctaw
- Pueblo
- Apache
- Lumbee
- Iroquois
- Eskimo

Source: U.S. Census Bureau. Note: Data are for single-race Native Americans.
Majority of Native Americans live in the West

Source: U.S. Census Bureau. Note: Data are for single-race Native Americans.
Tribal economic development bonds

• American Recovery and Reinvestment Act authorized $2 billion of these tax-exempt bonds

• Expands the kinds of projects that tribal governments can finance with tax-exempt debt
  – No longer need to satisfy the “essential governmental function” test

• Can be used for any economic development project, except gaming facilities or projects located outside a tribe's reservation
**Southern Ute Indian Tribe**

- First tribe to receive a AAA rating by Standard & Poor's and Fitch
- As of mid-2007, had about $4 billion in assets
- Tribe's Growth Fund manages a variety of businesses, assets and investment funds in:
  - Oil and gas exploration and production
  - Natural gas gathering, processing and pipelines
  - Construction and home building
  - Ready-mix concrete and construction aggregates
  - Master-planned community development
  - Office, retail, industrial and apartment investments
  - Private equity and venture capital investing
  - Financial services
Panelist slides
Stephen Manydeeds
Division Chief, Indian Affairs
U.S. Department of the Interior
## Indian energy resources

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Potential resource</th>
</tr>
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<tbody>
<tr>
<td>Oil</td>
<td>5.3 billion bbl*</td>
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<tr>
<td>Gas</td>
<td>25 billion mcf*</td>
</tr>
<tr>
<td>Coal</td>
<td>53.7 billion ton*</td>
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<tr>
<td>Coal bed methane</td>
<td>12.7 million mcf*</td>
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<tr>
<td>Wind energy</td>
<td>535 million kW**</td>
</tr>
<tr>
<td>Solar energy</td>
<td>17,600 million kW**</td>
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<tr>
<td>Woody biomass</td>
<td>3 billion kW***</td>
</tr>
<tr>
<td>Hydroelectric</td>
<td>5.7 million kWh****</td>
</tr>
<tr>
<td>Geothermal</td>
<td>21 million kW******</td>
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* Recoverable oil, gas, coal and coal bed methane resources that have either been discovered through drilling, testing or mining operations, or been identified as existing based on regional geology and trends, including Osage production starting in 1970 (*Source*: USGS, 1995 National Assessment of U.S. Oil and Gas Resources; BIA, Atlas of Oil and Gas Plays on American Indian Lands; IHS Energy Data).

** Wind and solar resources estimations reflect total coverage of the reservation. DEMD believes that only 5-10% of these resources may actually be developed. (*Source*: DOE, Tribal Energy Program).

***This number is based off of total board feet allowable cut determined from forest management plans. There are 400 million kWh/year from slash and residues alone. Please note that not all reservations have completed a forest management plan. (*Source*: Status of Forest Management Inventories and Planning, BIA, National Forest Inventory Summary, 2008).

**** Source – Idaho National Energy Lab

*****Source – Geothermal Energy Association
What is an industrial-scale energy project?

Developed *primarily* to provide a reliable energy resource to a manufacturing or industrial process.
The reality

• Energy and mineral resources on Indian lands are valuable commodities, with potential revenue values exceeding billions of dollars.

• These commodities are the single greatest source of income for Tribes to create sustainable economies.
Why industrial scale development?

- Attract outside investment
- Enable Native ownership
- Spur job creation
What is private industry looking for?

- Reliable and cheap power source
- Access to a unique local market
- Labor force
- Tax incentives
- Access to water
- Transportation infrastructure access
  - Rail, road, deep water port
Quick resource facts

• Woody:
  – 1 bone dry ton (2 green tons) ≈ 1 MWh
  – 22 reservations with industrial potential
    • 5-60 MW, within 20 mile radius of reservation boundary

• Waste to energy:
  – 1 ton municipal solid waste ≈ 550 kWh
  – 92 reservations with industrial potential
    • 5-130 MW, within 20 mile radius of reservation boundary
Quick resource facts

• **Hydro:**
  
  – 2% of dams in US are used to produce hydroelectricity
  
  • Large potential to retro-fit existing dams
  
  – Capital cost $/kW: $1700 - $2300/kW
  
  • Costs not including construction of dam

Source: U.S. Army Corps of Engineers, National Inventory of Dams
HUBZone

- **SBA program**
  - Provides contracting assistance to small businesses
    - Must be located in economically distressed communities, referred to as Historically Underutilized Business Zones, or HUBZones
    - Goal is to promote job growth, capital investment and economic development in these areas, including all federally recognized Indian reservations
HUBZone

• Benefits include:

  – Competitive and sole source contracting

  – A 10 percent price evaluation preference in full and open contract competitions as well as subcontracting opportunities.

  – The federal government has a goal of **awarding 3 percent of all dollars** for federal prime contracts to HUBZone-certified companies.
Foreign Trade Zone

• FTZs are established "in or adjacent to" U.S. Ports of Entry and are under the supervision of the U.S. Customs Service.

• Goal is to level the playing field for manufacturing facilities, creating value added products within the U.S.
Foreign Trade Zone

- Benefits include:
  - Relief from inverted tariffs
  - Duty exemption on re-exports
  - Duty elimination on waste, scrap, and yield loss
  - Weekly entry savings

- A number of Indian nations have lands located within FTZs.
David Greendeer
Executive Administrative Officer
Ho-Chunk Nation
Executive Departments Fiscal Year
Budget 2009 - 2010

- LABOR Million
- OOP Million
- PERSONNEL Million
- BUSINESS Million
- TREASURY Million
- EDUCATION Million
- HOUSING Million
- HERITAGE Million
- JUSTICE Million
- ADMINISTRATION Million
- HEALTH & SOCIAL SERVICE Million

- 19.38%
- 25.11%
- 18.50%
- 8.97%
- 7.88%
- 4.98%
- 3.79%
- 4.71%
- 3.08%
- 1.32%
- 2.30%
Ho-Chunk Nation casino revenues by casino

- Majestic Pines: 18.6%
- Rainbow: 11.1%
- Wittenberg: 9.6%
- Tomah: 3.2%
- (MPC food and bev): -0.4%

Total: 57.2%
Indian Gaming Correlations

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