

WEAVING OUR FUTURE

A PROPOSAL FOR ECONOMIC STIMULUS IN INDIAN COUNTRY



THE NATIONAL CONGRESS
OF AMERICAN INDIANS

FEBRUARY 2003

INTRODUCTION

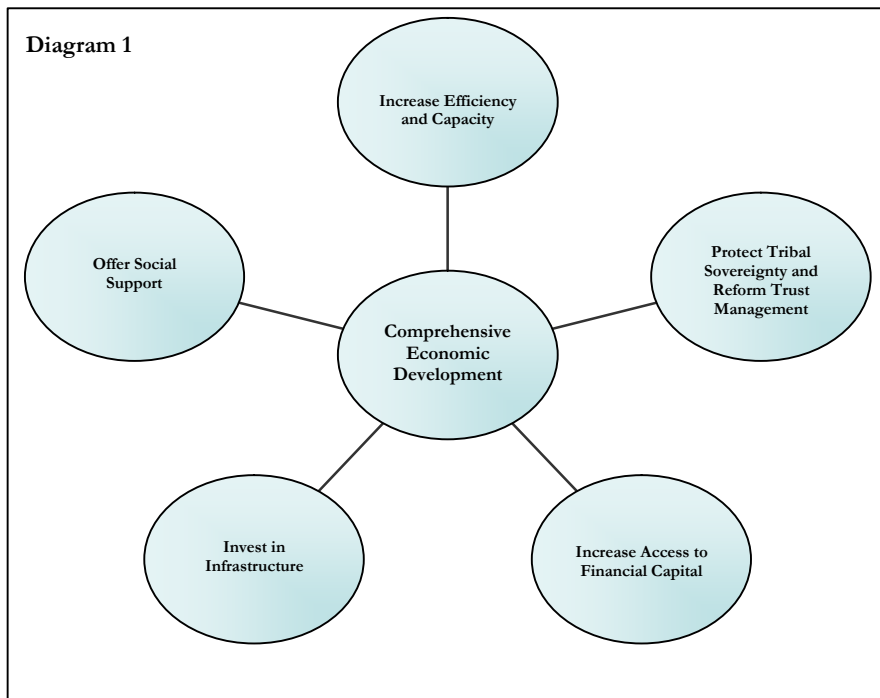
The need for a large-scale, creative, and comprehensive economic stimulus program for Indian Country is clear: most reservation communities suffer from high unemployment and low educational attainment, lack adequate physical and technological infrastructures, struggle with poor health, must endure substandard housing, and are hampered economically by low income levels. With more than a quarter of Indian people living in poverty, and unemployment rates of reservations more than double the population at large—13.6% on average, and over 80% in some communities—there is no group of people with a more urgent economic crisis than American Indians. Conditions are such that piecemeal efforts at economic revival have proven ineffective for all but a few tribal communities.

Indian Country is in need of a comprehensive stimulus that will improve our schools, provide health care for our young, sick, and elderly, invigorate reservation economies so that tribes themselves can provide employment and investment, strengthen and maintain infrastructure and housing facilities, and bring tribal communities full-force into the American and international markets.

Economic development in Indian Country means economic development for America. Stimulus in Indian communities is not only needed to increase standards of living for tribal populations or even to ensure the long-term success of tribal governments, but is necessary to secure the economic health of the United States as whole.

Tribes have taken responsibility for shepherding their communities toward healthy and diversified economies, but the challenge for those tribes with limited access to economic resources is too great to go alone. Congress, the Administration, investors from corporate America, and tribes all have a role to play in the development of reservation economies, and NCAI has made it a priority to work with all parties involved in implementing the provisions and policies put forward here, in the following Economic Stimulus Plan for Indian Communities.

This plan, introduced last month in NCAI's first annual State of the Indian Nations address, is not necessarily new. The majority of ideas, initiatives, and programs in this package have already been introduced as legislation in Congress or as policies in the Administration. These have been reinforced by the priorities set forth in the Tribal Leaders' White Paper on Economic Development that was a product of our 2002 Midyear Session. What is new is that this plan represents a comprehensive approach to the problems that Indian Country faces. This proposal is designed to bring together existing ideas from Congress, the Administration, and tribes to provide a single proposal for giving equal chances to reservation economies to generate lasting success.



There are five overarching themes addressed in this stimulus proposal.¹ First are a number of general provisions that, when implemented, can help other proposals run more efficiently and effectively. Second are the protection of tribes’ governmental status and a reform of the federal government’s trust management efforts. Third is a call for a concerted investment in the physical and technological infrastructure of reservation communities to provide a foundation for economic growth. Fourth is the need to provide access to financial capital in reservation economies for individual entrepreneurs and tribal enterprise. Finally, there is an expression that economic success cannot occur without vital social services such as education and health care.

Long term economic success in tribal communities is not just a concern for American Indians and Alaska Natives, but is vital to the overall health of the United States. Tribes have identified the problems in their own communities, and are requesting help when they need it. It is important to state that economic development is not a government program, nor a demand made of tribes, but an initiative of the tribes themselves. Tribes are driven to serve the needs of their people, preserve their traditions and cultures, and honor their ancestors and future generations. The following proposal outlines the different areas that we must address *together* to revitalize Indian economies.

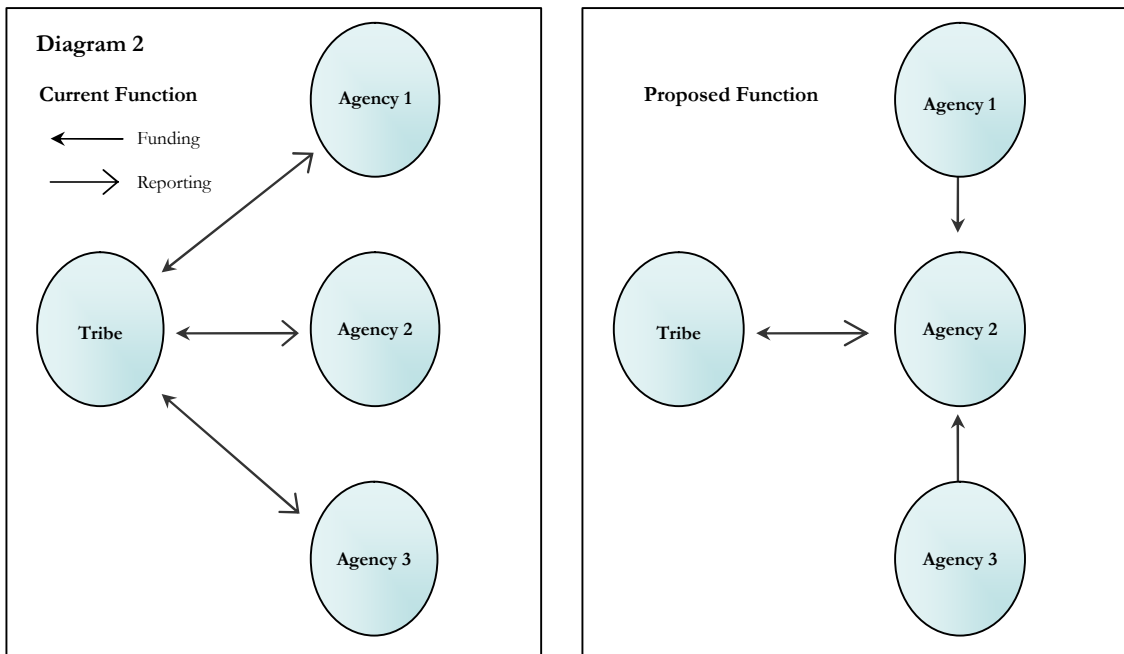
¹ See Diagram 1.

GENERAL PROVISIONS

Developing capacity and eliminating inefficiency will do a great deal to build tribal economies. There are a number of changes in both the way tribes use their governing institutions and the way the federal government fulfills its trust responsibility that can greatly increase the efficiency of providing services to Indian communities; from cataloging, consolidating, and coordinating existing programs, to providing seamless integration of new programs into those already in place that have proven successful. It is worth a step back to take stock of what exists, and what is needed.

Capacity Building – The ability of tribes to govern their own communities without the threat of termination is the stated goal of the Indian self-determination policy. In order to use this policy to its fullest extent, tribes must build their own governmental capacity by implementing good governance practices and developing institutional infrastructure. Understandably, this is a difficult goal to achieve through legislation, but we believe that programs meant to reward good governance and give incentives for capacity building will spur the growth of capable tribal institutions. We also believe that increased funding for tribal court systems is imperative for tribal capacity building, and propose creating new funding areas for our justice and governmental systems.

Consolidated Funding – By implementing the concepts of economies of scale, the United States can efficiently spend monies allocated to Indian Country by consolidating funding with the same purposes. The **Indian Tribal Development Consolidated Funding Act (S. 343 – 107th Congress)** would create a demonstration program for Indian tribes and tribal organizations to use available Federal assistance more effectively and efficiently², while targeting such assistance more readily to particular needs through wider use of projects that are supported by multiple agencies,



² See Diagram 2.

programs, or appropriations. The bill would also encourage federal-tribal arrangements under which Indian tribes and tribal organizations may more effectively and efficiently combine Federal and tribal resources to support economic development projects, and would promote the coordination of Native American economic programs to maximize the benefits of these programs. Combined with increased good governance practices, consolidated funding would not only merge streams of funding, but would increase the power of each dollar the government provides for Indian development.

Comprehensive Planning – One of the barriers tribes face when they receive funds to implement programs in their communities is an adequate planning system to efficiently distribute the monies to maximize their potential. While state and local governments use professionals to decide how to employ their resources, tribes do not have the resources to retain such professionals. This creates a catch-22: hiring a planner would deplete the limited resources a tribe receives, but a planner is needed to allocate those limited resources most effectively. We propose a new program that would implement a training program for tribal planners. While providing planning expertise to individuals, this program would also serve to increase the efficiency of tribal economies as a whole as those planners work in their communities toward cohesive development.

Increased Appropriations – Indian programs receive significantly fewer funds than similar non-Indian programs nearly across the board. In health, education, housing, and transportation spending, the average spending per tribal member is far below the national average. Bringing funding for tribal programs to parity with similar programs would better facilitate program efficiency and lay the foundation for stronger tribal economies that require fewer services.

PROTECTING TRIBAL SOVEREIGNTY AND REFORMING TRUST MANAGEMENT

One of the most important things to understand about American Indian tribes is the simple fact that tribes are governments—not non-profit organizations, not interest groups, not an ethnic minority. We are one of only three sovereigns discussed in the U.S. Constitution, alongside the federal and state governments. We provide many of the same services to our people that state governments do: tribal fire departments, tribal police, and tribal schools. We make governmental decisions to protect public safety, ensure a bright future for our young people, and stimulate our economies. Protecting these governmental rights in an absolute requirement for economic development, and no tribe has shown itself to be economically successful that hasn't proclaimed its sovereignty *a priori*.

When the lands that had provided their livelihood were taken from tribes, the U.S. gave its solemn promise in return to protect the rights of tribes to govern themselves, and to provide for the health, education, and well being of tribes. This commitment, the U.S. trust responsibility to tribes, is not a hand-out, but a *contract*. That contract has been broken time and again by the federal government, both in failure to provide adequate resources as promised and in mismanagement of the lands that the federal government holds in trust for tribes and individual Indians.

Preserving and Reclaiming Tribal Jurisdiction – Tribes are responsible for providing services that all governments provide to their citizens. However, threats to tribal jurisdiction hamper tribes' ability to ensure services and stimulate economic development. Indian Country has proposed a legislative package to clarify tribal jurisdiction, thereby strengthening tribal institutions and providing a basis for good governmental practices. Integrating this legislation into an economic stimulus package will be key to stabilizing and invigorating tribal economies.

Trust Reform – Among the largest challenges facing tribes and the federal government is reform of the failed trust management processes at the Department of Interior. Billions of dollars held in trust for both tribes and individual Indians have been lost by the federal government, cutting off a supply of funding that would do a great deal to stimulate tribal economies. Without the funds they are owed, individual Indians and tribes are not able to use that capital for purchases, entrepreneurship, or investment. Development of tribal lands is deeply hampered by land fractionalization and lengthy delays in title processing. We support the passage of a comprehensive piece of legislation—created in full consultation with tribes—to reform the process that has created this glaring injustice for Indian people.

INCREASING ACCESS TO FINANCIAL CAPITAL

Tribal communities on the whole do not have sufficient resources to spur economic growth. Outside investment, for a variety of reasons, is nearly absent, and traditional means of financing business enterprises are often impossible to take advantage of due to unique land tenure and homeownership situations that leave most Indians without collateral. Now is the time to produce creative funding mechanisms that will work for reservation economies.

Making Reservations Attractive to Investors – Indian reservations have historically been ignored by investors as a result of their geographic isolation, lack of resources, or perceived political risk. Providing incentives such as tax credits to outside investors or contractors to work with Indian Country can do a lot to mitigate these concerns. The **Indian Reservation Economic Investment Act (S. 558 – 107th Congress)** and the similar **Indian Reservation Jobs and Investment Act (HR. 388 – 108th Congress)** provide the basis for a tax credit program to be included in this proposal to stimulate investment in reservation economies, particularly reservation infrastructure.

Empowering Tribes to Develop Their Own Communities – Tribal governments are prohibited from using tax-exempt bonding to the extent state and local governments do. While other governments can issue tax-exempt bonds for a variety of projects, tribes can only do so for projects related to “essential government function.” This has hampered tribes who wish to issue these bonds for initiatives in and around their communities. Proposals such as the **Tribal Government Tax-Exempt Bond Authority Amendments Act (HR. 386 – 108th Congress, HR. 2253 – 107th Congress and S. 660 – 107th Congress)** would lessen the restrictions on tribes, giving them the ability to employ more of their members and spend their own resources on improvements and projects to better their communities.

Invigorating Current Incentives – There are several existing incentives that have been effective in drawing businesses, contractors, and the government to do business in Indian Country. The Department of Defense 5% incentive program, for example, provides a 5% bonus for contractors that subcontract with an Indian organization or Indian owned business. Similarly, the American Indian Employment Credit enables employers to save up to \$4,000 in tax on each employee who is American Indian or the spouse of an Indian. These programs are working well, but would benefit greatly from permanent authorization to stabilize their implementation and enable greater visibility. **HR. 409** and **HR. 431** in the 108th Congress seek to extend the Indian employment tax credit, as well as accelerated depreciation of property in Indian reservations. By extending these benefits indefinitely, they can become part of everyday commerce between tribes and outside investors, thereby increasing the volume of business done in reservation communities.

Using International Models for Development in Indian Country – There is a certain amount of risk involved when investing in Indian Country, as there is with any investment. Many investors are hesitant to work with tribes due to fear of the unknown—tribal governmental sovereignty is an unusual concept to many. However, it is this sovereignty that is the basis of many of Indian country’s economic opportunities. Just as businesses have realized prospects for investment in foreign nations, Indian Country can present some of these same possibilities. We propose that Congress establish an Indian Reservation Private Investment Corporation that will operate programs similar to those at the Overseas Private Investment Corporation to develop business ventures in developing countries. The insurance of investors from ‘international’ risk could help to allay concerns regarding

political difference, and enable businesses to better engage the special opportunities available in Indian Country.

Resurrecting NAFSO – The Native American Financial Service Organization was a proposal advanced in 1996 to provide resources for development projects in Indian Country through a network of banks. The NAFSO would act as a developer of sorts, creating more lending and banking services by educating institutions that perceive investment in Native American projects as too risky, and providing training and technical assistance to those institutions ready to enter the Indian market. We propose that the NAFSO concept be resurrected with the addition of two important programs. One would provide ‘diagnostic’ services to identify the programs and practices that are non-productive and those that are successful, thus providing guidelines for investors and a roadmap for improvements to tribes. The other would provide funding to create ‘incubation centers’ for tribes with demonstrated capacity to explore innovative development methods that could in turn serve as models for other tribes. This “NAFSO Plus” would create a vital link between Indian Country and private markets, bringing business opportunity to our communities.

Providing Training and Assistance to Indian Entrepreneurs – Perhaps the greatest resource tribes have is the entrepreneurial potential of their own citizens. However, many of the services readily available to individuals interested in starting a small business in other communities are non-existent in Indian Country. The **Native American Small Business Development Act (S. 2335 – 107th Congress)** provides a way to alleviate this shortcoming. By creating more Native American Business Development Centers on Indian reservations, and creating an Office of Native American Affairs in the Small Business Administration, this Act extends the training and assistance already available to most American entrepreneurs to Indian businesspeople who can then build the foundation of small business for reservation economies.

Fill the Office of Native American Business Development at the Department of Commerce – We see a great need for Indian economies to be part of the Department of Commerce’s daily processes. Various arms of the Department have taken interest in Native American affairs, such as the Economic Development Administration and the Census Bureau, but the Department as a whole has not prioritized tribal economies. It is imperative that the Office of Native American Business Development—an office that was created *four* years ago—be filled immediately. This office must be established *within the office of the Secretary* in order to create a link between tribes and the Department to provide a foundation for relationship-building in the future.

INVESTING IN INFRASTRUCTURE

Before we can attract businesses to our reservations, we must have the capacity to provide basic services for them to operate. The state of Indian Country's physical infrastructure prevents this development from taking place. Power grids, water and sewer lines, and transportation facilities are not adequate to support thriving economies in most reservation communities. By investing in the foundation of Indian economies, we can erase those barriers that keep us from implementing further change.

Investing in Transportation Infrastructure – Many of the roads in Indian country are unpaved, and are often rendered impassable during inclement weather. Most tribal schools must have four-wheel drive vehicles just to get children to class each day. Though reservation roads make up more than 2.5% of federal roads, the Indian Reservation Roads program receives less than 0.5% of available funding for federal road construction and maintenance. A large investment in Indian transportation is needed to ensure capacity to transport the goods, employees, and customers that are vital to emerging reservation economies. NCAI has proposed a bill for this year's transportation reauthorization, dubbed the Tribal Transportation Equity Act, based on the **Indian Tribal Surface Transportation Act (S. 281 – 108th Congress)** and the **Tribal Transportation Program Improvement Act (S. 2971 – 107th Congress)** that will increase funding for construction, maintenance, and planning, as well as non-road transportation such as transit and aviation facilities.

Providing for Tribal Energy Self Sufficiency – Many tribes have the raw resources to produce both renewable and traditional forms of energy. However, many tribes have found that it has not been viable to enter the energy market due to the high costs involved with production. We support the **Tribal Energy Self-Sufficiency Act (S. 424 – 108th Congress)**, which provides incentives for energy production on Indian lands, as well as incentives for the purchase of this energy. Section IV of the **Energy Policy Act (HR. 4 – 107th Congress)** also contains many programs that are potentially beneficial to Indian energy producers.

Overcoming Geography with Technology – Technological advances are essential to the development of tribal economies. While many reservations are located in remote areas, telecommunications can act as an equalizing force, giving tribal businesses the ability to act in the global market alongside their urban counterparts. However, nearly a quarter of reservation homes still do not have telephone access. This 'dial-tone divide' creates a great need for technological infrastructure updates. The **Native American Telecommunications Improvement and Value Enhancement Act (S. 761 – 107th Congress)** would create a revolving loan fund to provide resources for tribes to create telecommunications on their reservations. The **Community Telecommunications Planning Act (S. 1056 – 107th Congress)** would provide similar resources to rural and underserved areas to help them build telecommunications infrastructure. By delivering this technology to the tribes, we can provide the capacity necessary to leap geographical hurdles and enter the American market.

OFFERING SOCIAL SUPPORT

Another critical aspect of long-term economic capacity building for tribes is ensuring a healthy, well-educated and well supported workforce. Development will be impossible if our people are preoccupied with financial crises, health dilemmas, or poor living conditions. Housing, education, health care, and welfare reform are vital to the economic success of our communities.

Providing Livable Housing – Providing adequate, livable housing for tribal communities is a perennial challenge. Many single-family homes in Indian Country are shared by two or three families. Statistics show that a total of 220,000 new homes must be built in Indian Country to eliminate existing problems of overcrowding, and significant upgrades in water, sewer, and power delivery systems are needed to ameliorate problems with substandard housing. A major step toward this goal was taken when the President signed the **Native American Housing and Self Determination Act Reauthorization (PL 107-292)** into law last December. Following up on this important authorizing measure with appropriations increases for construction of new homes, homebuyer education for individual Indians interested in purchasing their own homes, and initiatives creating access to mortgage lending will help livable housing become a reality in Indian Country.

Offering a Helping Hand – A key component of any effective economic stimulus package for Indian Country should be ensuring that welfare recipients who desire to be self-sufficient have adequate job training, social support services, and employment opportunities. In a time of state fiscal crises and federal cutbacks, the reauthorization of welfare reform is critical—tribes need the opportunity for direct federal funding for these efforts. We include the **American Indian Welfare Reform Act (S. 2484 – 107th Congress)** in this proposal to ensure that assistance to the neediest of our families continues.

Learning Our Ways – Our children are our insurance for future prosperity. Education of Indian youth is critical to preparing the next generation of leaders in tribal communities. Although our schools and tribal colleges fulfill a critical role, they suffer from severe under funding. We believe that as increasing numbers of tribes take over the education of their own children, our students are learning more and becoming more successful. We feel that this success fits in with the President’s promise to “leave no child behind.” Tribally controlled schools—if they are provided the resources to do the job—do a great deal in fulfilling that promise. In order to continue this success, we propose full funding for Administrative Cost Grants for tribes who have taken over operation of BIA schools.

Keeping our Communities Healthy – The most vital component of any stimulus plan is to provide for the well-being of our people. No economy can thrive when its people are not healthy. It is for this reason that we include the **Indian Health Care Improvement Act (HR. 1662 – 107th Congress and S. 212 – 107th Congress)** in our economic stimulus proposal. Tribal communities must be able to provide for the basic needs of their communities—especially health care—in order have citizens who can fully participate in vibrant reservation economies.

NEXT STEPS FOR THE 108TH CONGRESS

While we wish to present a comprehensive view of an economic stimulus package for the long-term development of Indian Country, we recognize that political and budgetary realities may prohibit an all-in-one approach. We've identified the following priority areas for action in this Congressional session:

1. Provide increased funding for tribal courts through the tribal courts initiative.
2. Pursue the development of physical infrastructure with improved tribal provisions in this year's TEA-21 Reauthorization.
3. Reauthorize the Indian Health Care Improvement Act.
4. Pass legislation to give tribes equal ability to issue tax-exempt bonds for community development.
5. Pass the Tribal Energy Self-Sufficiency Act to assist in energy development for Indian tribes.
6. Extend permanent authorization for tribal wage credits and accelerated depreciation.
7. Redouble efforts to reach a solution in tribal trust management reform.

We believe these to be realistic goals for this Congress, and will focus our advocacy efforts in these areas. We urge tribal leaders to remind members of Congress of these priorities when visiting Capitol Hill.

A comprehensive approach to development is needed to truly transform economies in Indian Country. Scattered programs have proven to be only partially effective, while background problems that go unsolved continually erode the progress of otherwise successful measures. This proposal is not meant to address all of the challenges that Indian Country faces, but is designed to provide a basis for further action. Development in Indian Country is not an easy task, and we don't presume that over two hundred years of destructive history can be reversed with one piece of legislation. 600 years ago, new arrivals to this land found thriving tribal economies. The centuries that followed—particularly the past 100 years—saw those economies deeply damaged. We look toward a future in which threads of our rich culture and traditions can be woven into contemporary contexts to reestablish thriving, diversified economies for Indian Country. We hope this proposal can contribute first steps toward that goal.