

**TESTIMONY OF JULIE KITKA,
PRESIDENT, ALASKA FEDERATION OF NATIVES
THURSDAY, January 15, 2009**

**Oversight Hearing on Job Creation & Economic
Stimulus in Indian Country**

Before the SENATE COMMITTEE ON INDIAN AFFAIRS

Mr. Chairman, Members of the Committee, Ladies and Gentlemen:

For the record, my name is Julie Kitka; and I serve as President of the Alaska Federation of Natives. AFN is a statewide Native organization whose membership includes over 200 villages and tribes, 13 regional Native corporations and 12 regional non-profit tribal consortia that contract and run federal and state programs.

Thank you for inviting AFN to provide testimony today. I ask that the hearing record be kept open for a period of time to allow our tribes and corporations, and interested individuals to provide additional written comments.

In many ways, we can describe rural Alaska and other Native communities as “emerging economies” similar to other countries around the world. As “emerging economies” we are and will continue to be hit very hard by the recession. Economic stimulus programs to help our economy will need to be tailored to the unique circumstances in our Native communities. To generate economic growth, we need U.S. financial and tax incentives to increase both local and expanded investment in our villages, which

can lead to stronger and more responsive economic performance levels and badly needed jobs.

Recently, Bill Gates was quoted as saying the highest leverage work that government can do is to set policy and disburse funds in ways that create market incentives for business activity that improves the lives of all people, including the poorest and most marginalized Americans. Within AFN, we agree wholeheartedly with this observation.

This economic recovery effort will allow new thinking and has the opportunity to bring solutions many people take for granted, to people who can't get them. The federal effort will play a life-changing role in whether we continue to build capacity to build sustainable economies, or if we are sidelined in the new economy.

A mere recovery from the crisis is not enough to deliver sustainable success. During World War II, for example, the famines of 1944 led some military planners to look ahead to the war's end and how they would help Europe rebuild its shattered farms and infrastructure – an effort that became the Marshall Plan. Long-term success was achieved not just by how well they handled a downturn, but also by their foresight in preparing for the upturn.

Native Americans need a Marshall Plan – we need to be part of the recovery and we need to be prepared for the upturn. AFN urges the Senate Indian Affairs Committee to adopt sweeping recommendations to the full Congress and embrace an effort to allow Native Americans to have the tools we need for the new economy.

Together, we need to be proactive in taking advantage of the opportunities presented in these extraordinary times. We must be the drivers of change. Federal policy and our leadership must encourage entrepreneurship to jumpstart the economic engines of our communities. We must not get distracted by the negative headlines, but instead remain focused on the opportunities at hand. We must rethink our assumptions about the future, rethink our strategies in light of the transformation-taking place and focus

on laying the groundwork for economic success in the 21st century.

Recession

A recession is defined as significant decline in activity across the economy, lasting longer than a few months. The technical indicator of a recession is two consecutive quarters of negative economic growth as measured by a country's gross domestic product (GDP). We are in a recession in the United States, and it will probably be the deepest recession any one of us will experience in our lifetimes – but these especially tough economic times bear with them especially exciting opportunities.

Recovery & Opportunities

Thanks to the efforts of the Congress and the new Administration, we will soon see a massive stimulus bill, the likes of which we have never seen before, to build new infrastructure, to create new jobs and stimulate the credit market. This stimulus bill will be one of the most important, transformational federal efforts in our lifetime. If done right, it will provide an opportunity for people throughout the United States to re-engage with the economy in three major ways: 1) Direct Economic Stimulus – encourage entrepreneurship; 2) Infrastructure Building – ensure inclusion for Native communities & workers; and 3) Alternative Energy – secure economic support for new & existing energy resources. The Senate Indian Affairs Committee should ensure Native Americans are included in a significant way in all major sections of the bill.

Pooling of Resources - Indigenous Sovereign Wealth Fund

Looking at Native communities as emerging markets within the United States market, we can also see an opportunity to create indigenous sovereign wealth funds. Through the combined capital or combined resources in these funds, Native communities could have the opportunity to track more resources and invest more wisely and create more jobs than ever before. Federal policies should encourage, provide incentives, support, and guarantees to make this happen.

What are Sovereign Wealth Funds?

Pools of money derived from a country's reserves, which are set aside for investment purposes that will benefit the country's economy and citizens. The funding for a Sovereign Wealth Fund (SWF) comes from central bank reserves that accumulate as a result of budget and trade surpluses, and even from revenue generated from the exports of natural resources.

Some countries have created SWF to diversify their revenue streams. For example, United Arab Emirates (UAE) relies on its oil exports for its wealth; therefore, it devotes a portion of its reserves in an SWF that invests in other types of assets that can act as a shield against oil-related risk.

AFN Requests for the Congress & New Administration

1. Applicable economic stimulus funds intended to assist federally recognized tribes or Alaska Native Claims Settlement Act (ANCSA) corporations should be directly funded from the federal government, and not through the States.
2. There should be clarifying language stating that the ANCSA corporations shall be treated as Indian Tribes for the purposes of the Economic Recovery bill.
3. Any matching fund requirements in authorizing law under the Economic Recovery bill should be temporarily waived for Indian tribes and ANCSA corporations.
4. The Congress should authorize, and President-Elect Obama should establish, a Native American Economic Council to provide Native Americans an opportunity to have a seat at the table when major economic decisions are made, to allow involvement in major new economic restructuring which will affect Native Americans, and to help focus on productivity and encourage Native American involvement in building US competitiveness in the global economy. Native Americans need to be brought into major new economic restructuring which will affect our communities -- right from the start, and not after the fact. We have the capacity across the nation because of our experience in tribal enterprises (both for profit and not-for-profit) to contribute expertise in development, which is sound.

- 5. The Congress should authorize and President-Elect Obama should establish, a Native American Development Bank, similar to the Asian Development Bank or the Inter-American Development Bank and capitalize it in the economic recovery package he submits to the Congress.**
- 6. The Congress should encourage inter-tribal economic collaboration including the creation of Indigenous Sovereign Wealth Funds.**
- 7. The Congress and new Administration should strengthen and expand government contracting as a model to diversify and provide value to the US government during this recovery. The SBA 8(a) program is a success and can be a strong vehicle in the economic recovery. Tribal small businesses are a key vehicle for ramping up job creation at the same time providing real value, transparency, and accountability.**
- 8. The Congress and new Administration should encourage entrepreneurship and small business development. A successful example, which could be ramped up is the public-private partnership -- the Alaska Marketplace Ideas Competition.**

The final set of recommendations deal with actions, which can be taken on energy.

So what can we do to deal with the immediate energy crisis in rural Alaska, and how can the federal government play a key role in addressing the problem? We believe a multi-faceted approach must be taken - one that provides greater economic opportunities for Native tribes and corporations to develop energy resources and one that drives down local costs of energy. Here are some practical ideas, as a starting place:

- 1. Congress should urge the Department of Interior to publish regulations on an expedited basis to implement the programs authorized by the Indian Tribal Energy Development and Self-Determination Act, Title V of the Energy Policy Act of 2005, and Congress should fully fund their implementation. The Indian Tribal Energy Development and Self-Determination Act authorizes a variety of financial, technical, environmental and other programs that are intended to empower tribes and Alaska Native**

Corporations to develop energy resources. It authorizes the Department of Interior's Office of Indian Energy Policy and Programs to reduce energy costs, enhance tribal energy infrastructure and improve delivery of electricity to tribal communities. It also authorizes a multi-billion-loan guarantee program, as well as other assistance to encourage development of renewable and non-renewable resources by tribes and tribal organizations. We have projects that are being held up because of the delay in the publication of regulations implementing this legislation. An important consideration for Alaska in the regulations is the inclusion of the Native corporations, who are crucial stakeholders. The Native corporations hold our land and resources, and must be included in any program affecting our land base.

2. The congressionally created Denali Commission has requested Letters of Interest on developing small-scale alternative/renewable energy and energy efficiency projects in Alaska, with a budget of only \$5 million. The Commission has received far more proposals than it has funds to support. Congress should increase funding to the Denali Commission for developing alternative/renewable energy projects.

3. State and federal strategies should be developed to provide economic incentives to conserve energy (including tax credits, low interest loans, rebates and grants to weatherize homes, and grants to purchase more efficient heating systems, wind generators, solar panels, and other technologies.

4. Congress should increase the supply of energy by encouraging exploration and development of private, state and federal uplands, both onshore and off-shore. This can be done by providing incentives, such as OCS revenue sharing for Alaska's coastal communities, as has been done for Florida, Louisiana and Texas. If our communities could count on sharing some of the revenue from offshore leasing for their own critical infrastructure and other needs, there would be greater local support for exploration and development in offshore areas. AFN strongly supports the right of self-determination for our Native communities and urges that

leases, which have generated a lack of widespread community support be revisited and discussions opened up with affected communities to address their concerns.

5. Congress should work closely with the State to ensure that in development of a Natural Gas Pipeline in Alaska, our communities have access to the natural gas that will pass through that pipeline through spur connections and pipe; and that ownership, partnership, and contracting opportunities for Alaska Native tribes and corporations be part of the development. Serious training funds should be appropriated for workforce development to ensure broad Native participation in the projects. If the Committee is interested, we could submit much more detailed information and recommendations on the natural gas project.

6. Congress should provide additional funding for the Low-Income Home Energy Assistance Program (LIHEAP) in Alaska – and should urge the State to add its own appropriations for this excellent program. This country should be concerned when its poorest citizens are left to rely on the generosity of companies like Citco to meet their basic energy needs.

7. Congress should urge, and provide incentives for, states to develop their own comprehensive energy plans, with effective processes for local input. This is perhaps the most critical step of all, since it can open the door to more specific solutions at the regional and community levels.

8. Congress should create real opportunities for alternative energy projects, at least one major demonstration project within each Native region in Alaska. And further projects should be structured to encourage Native-to-Native partnerships, both within Alaska and with Native American tribal partners. There is much sharing of information and experience, which can take place, and greater inter-tribal collaborations are to be encouraged.

9. Congress should fully fund and implement the Energy Independence and Security Act of 2007, which was authorized last year. That bill includes a host of provisions to further renewable

energy development, including a Renewable Energy Deployment Grant Program that would provide federal grants for up to 50% of the cost of building a wide variety of renewable electricity projects, including wind, geothermal, ocean, biomass, solar, landfill gas and hydroelectric projects in Alaska. It provides for a federal grant program specifically to help with construction of geothermal energy projects in areas of high electricity costs like rural Alaska.

10. Congress and the State should provide homeowners with incentives to shift to supplemental alternative energy, including a weatherization programs, rebates for installation of energy saving changes.

11. Congress should re-introduce, enact and fund S. 2232, the Native American Challenge Demonstration Project Act, creating a total of five pilot projects in remote, predominately Native American areas modeled after lessons learned from the US experience in providing foreign aid to the developing world. The project would use a compacting model to channel significant development funds to implement locally designed economic development strategies, including energy strategies. The objectives would be to enhance the long-term job creation and revenue generation potential of Native economies by creating investment-favorable climates and increasing Native productivity.

Thank you for the opportunity to share our ideas. Thank you for your dedication and hard work. The task you are undertaking right now will shape our collective future, and that of our whole country. We wish you wisdom and strength to do it right.

