
UNITED STATES SENATE
COMMITTEE ON INDIAN AFFAIRS

Oversight Hearing on -

“UNEMPLOYMENT ON INDIAN RESERVATIONS AT 50%:
THE URGENT NEED TO CREATE JOBS IN INDIAN COUNTRY”

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Written Testimony of the
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Americans are demanding less spending, lower budget deficits and, of course, jobs. These demands come at a challenging time for all governments.

Consumer and business spending has decreased substantially, leading to a decrease in tax revenue for governments. Adding to state and local government woes is reduced revenue from property taxes, which have declined along with the collapse of real estate values. Last year, a record 2.82 million homeowners could not meet their mortgage obligations or simply walked away from homes that were worth less than the amount owed. These foreclosures ensure home values and, consequently, state and local government revenue from property taxes will remain depressed for some time to come.

With local and state government revenue constrained along with consumer and business spending, the federal government has implemented targeted spending in an effort to navigate the complex financial crisis, real estate asset bubble and what is being termed the Great Recession. This spending took the form of a \$787 billion stimulus package of tax cuts and increased spending, a \$50 billion auto industry bailout, a \$1 trillion backing to the housing sector and nearly another \$1 trillion in monetary stimulus.

Federal spending and actions may have averted a financial crisis, slowed the housing meltdown and, quite probably, prevented a steeper recession; however, the national unemployment rate stands at over 10 percent not counting those who have given up looking for employment. With a financial and housing crisis averted, the federal government must turn its full attention to addressing the economic causes that resulted in 7.2 million Americans losing their jobs in 2009, the largest loss on record in post World War II America. Causes, such as a tightened credit market, retracting business and consumer spending, and constrained non-federal government spending.

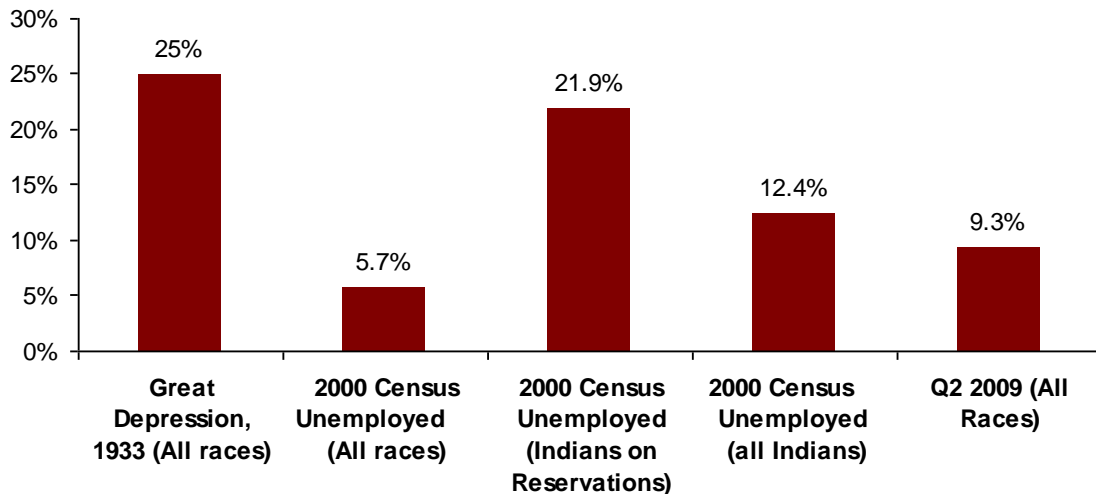
As the Senate addresses the causes of the current double digit unemployment rate, it is imperative that the economic concerns of tribal governments and their citizens are included in the current economic restoration focused on jobs creation. Tribal governments have experienced the effects of declining revenue during the economic downturn and have been wrestling with exceptionally high unemployment on reservations for decades. These challenges are formidable enough for any elected official; however, tribal governments often rely on

revenue from economic development for needed citizen programs and services, and are often asked to meet these challenges with fewer resources and with greater restrictions placed on important economic financing tools and incentives.

ECONOMIC CONDITIONS OF THE RESERVATION ECONOMY

For generations, tribal communities and Native people have faced economic conditions that are more pronounced than those of the current economic crisis. Economists and policy-makers worry as the national unemployment rate climbs above ten percent while data shows Indian communities have wrestled with the far-reaching impacts of an unemployment rate well above ten percent for generations, and as the last full census of 2000 indicates, unemployment on reservations was recorded at twenty-two percent. During the Great Depression, the unemployment rate reached twenty-five percent, making the assumption that tribes are mired in a recession not entirely accurate, since reservations are dealing with Depression-like conditions.

**Unemployment Rates in Great Depression vs. 2000 vs. 2009
American Indians Compared to All Races**



The 2000 Census, the most reliable and complete source of Native American economic data, reported the per capita income for American Indians and Alaska Natives living on reservations at \$7,942, merely one-third of the \$21,587 recorded as the U.S. average for all races. The poverty rate for Indian families on reservations is thirty-six percent, which is two and a half times the national average.

Households in Indian communities reflect the pronounced challenges of persistent poverty. Eleven percent of Native households lack kitchen facilities, seventeen percent lack telephone service, and twelve percent lack complete plumbing. These percentages stand in stark contrast to U.S. households, which count only one percent of the overall population without the same facilities. Only half of reservation homes are connected to public sewer lines, and, because of the persistent lack of housing, Native homes are almost three times more likely to be overcrowded than the national average.

These substandard economic and quality of life indicators have a social toll as well. Health disparities are prevalent, and suicide rates - a symptom of lack of opportunity - are too high, with over 60% more incidents than the national average. Alcoholism on reservations and diseases like tuberculosis are both over 500% higher among Indians.

EFFECTS OF SPENDING AND HOUSING DECLINES ON RESERVATION JOBS

The decline in consumer and business spending during this Great Recession has had a direct and substantial impact on tribal government revenue and jobs in Indian Country. Tribal gaming is one of the more significant economic drivers for many Indian tribes and, as a consequence, one of the largest sources of local jobs for tribal and non-tribal citizens alike. Gaming also serves as a needed revenue stream for government services.

While relatively few tribes have prospered through gaming, there is a perception by the American public and some in Congress that gaming has created wealth in tribes all across the country with a few tribes excepted. This perception could not be farther from reality. The gaming industry, for most tribes, serves a role, not as a significant profit center, but as a local jobs creator for the vast majority of tribes that have chosen to pursue gaming.

Since the recession began, tribes have seen their revenue from gaming decrease or slow considerably in most regions of the country. To a greater extent, those tribes that serve as destinations have experienced the greatest impact to revenues. Travel budgets were one of the first expenses to be cut by businesses and consumers stayed closer to home. This trend followed that of Las Vegas,

which is currently experiencing the highest rates of unemployment and the steepest decline in housing values in the nation.

Tribes that relied on local markets have also experienced slowing or declining revenue. Discretionary spending tightened as the recession wore on. Revenue derived from local gaming markets declined as a result.

The decline in business spending, travel budgets and discretionary spending meant tribes were forced to cut expenses, spend less on business services, lay off workers downsize government programs, and cut back on government services to their citizens. These results related to the economic downturn not only impacted local and regional gaming jobs, but businesses and jobs in the hospitality, food service and other businesses tied to tribal gaming.

The declining housing market has had a similar effect on tribes relying on timber sales. The Colville Confederated Tribes in the state of Washington has relied on the sale of timber for jobs and government revenue. As the housing market collapsed, the demand for the reservation's timber collapsed as well. It is now more costly to produce a board foot of lumber than the market will bear. Approximately 400 jobs were lost as a result.

ECONOMIC DEPENDENCE

Tribal economies are reliant on diverse industries for much-needed government revenue; making them much more reliant on economic revenue and more at risk during economic fluctuations than other governments. This reliance and focus on economic development and opportunities has developed out of necessity. Tribal governments have been historically underfunded leaving tribes creatively manage contract support costs and develop other partnerships, private and non-profit, to fill needed gaps in funding.

Economic development offers tribal governments the opportunity to supplement government programs and, in economically successful tribal governments, the opportunity to offer education, cultural, infrastructure, health and other quality of life programs is on par with other successful governments.

Indian Country is at a critical point as the nation considers ways to promote jobs and work toward economic recovery. When tribes have the necessary tools to exercise their inherent right of self-government, the results include strides toward improving the health and social and economic well-being of Indian Country.

The lack of adequate federal funding and tools supporting tribal governments and Indian programs has prevented tribes from taking full advantage of the Indian Self-Determination and Self-Governance Acts. The American Recovery and Reinvestment Act of 2009 (Recovery Act) is providing Congress and the Administration with an existing study on the effects of federal investment into Indian Country. Tribal governments received almost \$3 billion in direct programmatic funding and another \$2.4 billion in financing authority. NCAI has conducted interviews, developed tribal case studies and received direct tribal leader input that reveals some interesting and notable advantages to investing in tribal governments to create jobs and promote economic development.

* Targeted Direct Funding

Tribal governments received a majority of Recovery Act funding through pre-existing funding mechanisms. This meant the federal government, when including tribal governments as part of the economic recovery, could specifically direct funding to programs that could provide the biggest impact and meet the objectives of the Recovery Act. For example, funds to spur housing renovation and construction could be disbursed quickly and effectively through an existing Native-specific formula-funded program within the department of Housing and Urban Development. The Administration's focus on energy efficiency meant the same agency could utilize an existing flexible grant program to accomplish the objective and have the money disbursed quickly.

* Abundance of Projects Ready for Funding

Tribal governments, with a legacy of underfunding, had an extensive backlog of projects that could be undertaken if funding opportunities became available. In fact, as a few case studies revealed, some Recovery Act projects that were funded were planned over a decade ago. While there were plenty of tribal projects ready

for execution, many tribal departments with little resources for planning saw the opportunities for consideration pass.

* Ready Workforce and Impressive Job Creation

Tribal governments wrestle with the highest unemployment rates in the nation. When opportunities arose for infrastructure development and other initiatives, there was a plentiful and ready workforce. This was apparent in reservations like Colville in Washington where the downturn in the housing market led to a steep decline in the Tribe’s timber-reliant economy. Over 400 workers lost their jobs as a result of the downturn, adding to the already high unemployment rate of 50 percent. Less than half of those lost jobs were restored to the large transportation projects funded under the Recovery Act.

In economically-depressed reservations, jobs were created immediately with Recovery Act funding. Construction of schools, housing and roads employed an impressive number of people for the money spent. For example, the Choctaw of Oklahoma is on target to creating 240 jobs in the New Year from building elder housing. That amounts to an impressive \$35,000 investment per job.

Although the secondary jobs are not accounted for in the Recovery Act reporting, tribes that had an influx of construction and other workers shed even more workers from the unemployed rolls when related business like hotels and restaurants hired to meet the new demand. Navajo Rough Rock Indian School demonstrates this point very well. Hotels filled up and related businesses hired. Approximately 80 percent of the materials and supplies used for construction were sourced locally.

* Tribes Serve as Economic Drivers for Surrounding Communities

Rural America benefits when tribes are funded. Tribes are often located in rural communities and when federal investments are made to those tribes, the surrounding communities benefit. In the case of the Colville Reservation, a joint venture was formed with a nearby construction company to work on roads. In the case of the Navajo, workers from surrounding towns found employment, and in the case of the Nisqually Indian Tribe, contracts from the Recovery Act

meant training for residents in over a dozen other tribal and nearby communities.

* Foundations Created for Long-Term Growth

The scarcity of investment and the lack of basic infrastructure have created a poverty trap for reservations, with the absence of one perpetuating the absence of the other. Federal infrastructure investments in roads, telecommunication, energy, housing, education, and health care all create the foundations for economic growth needed for future development. Workforce development in the form of new on-the-job skills training is an additional benefit for tribes dealing with high unemployment rates and limited budgets for training programs.

* Community Benefits Beyond Jobs

One of the reoccurring points of discussion with tribes was the magnitude of secondary benefits the stimulus provided to their respective communities. The Navajo Rough Rock School superintendent was pleased the school construction project allowed both parents to remain in the community knowing the effect of having both parents at home and involved in the child's life. He fully expects test scores to improve as a result. Perhaps more dramatic were the multiple benefits realized from the Choctaw Elder Housing Program. Workers returned to the community filling churches, attended sports programs for their children and frequented local businesses. In addition, elders, who occupy a central cultural role in the community can remain at home in independent living facilities and interact with friends, family and youth passing on their rich cultural traditions to the next generations.

Chronic underfunding by the U.S. Government and severe lack of private investment has left the economic potential of Indian Country unrealized. The Recovery Act provides a glimpse of what is possible.

ACTION REQUIRED

To level the effects of reduced business and consumer spending, a housing and credit crisis, and Great Depression-level unemployment on tribal governments, Congress should consider 1.) Making direct, cost-effective infrastructure

investments; 2.) Providing appropriate financing tools and tax incentives, and 3.) Dismantling existing barriers for tribes to fully utilize programs and services.

1. Direct Federal Investments

With extremely high unemployment, a ready work force, an abundance of projects ready for funding, and a targeted funding stream, tribal governments are uniquely positioned to make the most of federal investments designated for immediate job creation. The two areas suitable for creating immediate jobs and a ready work force are community-based infrastructure investments and Workforce Investment Act programs targeted toward flexible tribal training and hiring initiatives.

Broadly distributed infrastructure funding to tribal communities had the effect of creating the greatest number of jobs for the investment. For example, direct funding in transportation and housing resulted in increased jobs and business opportunities - for tribal members and local communities alike - while meeting needs that have gone underfunded for decades.

- [See attached Jobs Creation for Reservation Economies – Infrastructure and Workforce Investment]

2. Finance Tools and Tax Incentives

Tribal governments rely on economic development to supplement valuable programs and services that have been historically underfunded. It stands to reason that tribes should be given all of the tools and incentives available to other governments to raise and attract capital. Tribal leaders are confronted with many of the same challenges that other government leaders face in this country but are not authorized to utilize the same government tools and incentives to grow their local economies. This is especially important given tribal reliance on economic development and the lack an adequate tribal tax base to provide basic citizen services.

- [See attached Jobs Creation for Reservation Economies – Investment Incentives and Access to Capital]

3. Fixes to Access Existing Programs

Regulations and legislation designed to meet the needs of state and local governments in a wide variety of programs often leave tribal participation uncertain or left out. While this was not the intention of the legislation or regulations, fixing the lack of clarity or unintended exclusion is an effective means of including those economies in greatest need of funding. NCAI has assembled a list of opportunities for tribal government inclusion.

- [See attached Jobs Creation for Reservation Economies – Legislative Improvements]

Indian Country has shown its resilience during difficult economic times for decades. As the rest of the nation moves toward recovery through jobs creation, it is incumbent upon Congress to make significant investments in Indian Country, authorize access to government financing tools and incentives and provide simple legislative fixes to previous oversights that have left tribal governments out. These investments, authorizations and fixes will help tribal governments and citizens realize their potential.

Attachments:

1. Jobs Creation for Reservation Economies: Investing to Create Sustainable Jobs and Tribal Economies
2. Fact Sheet on Unemployment in Indian Country
3. A Brief Note on Joblessness in Indian Country
4. Sources of Labor Force Data for the On-Reservation Indian Population