

## **Written Testimony on Tribal Economic Development and Diversification**

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Over the last two hundred years the United States has developed arguably the world's best financial, legal and economic development system. But those battle tested economic and financial systems don't work on the reservation. It isn't that Tribes and Native Americans aren't capable of economic success. Tribes had a complex economic and trading system based on mutual self-interest for thousands of years. Like all people we want to make sure that our families have the best available opportunities. But participating in the American economic system remains a far-fetched dream for tribal governments and tribal members because our hands have been tied behind our collective backs.

### **The Trust Land Economic System**

I want to discuss briefly the economic system we are forced to function in. The consistent and long-term poverty of tribes has its roots in federal policy. If I had to pick one reason we are poor, I would chose federal trust land. When the government created trust land it basically guaranteed our dependence on it for basic services and put a stranglehold on tribal entrepreneurial and economic development.

Trust Land can't be taxed by anyone including tribal governments themselves. This prevents tribes from using local property tax dollars and tax-exempt bonds to implement basic government services. Other attempts at developing an alternative tax base are consistently attacked by overaggressive state governments and encouraged by the US Supreme Court rulings. This lack of a tribal tax base results in tribes being dependant upon the federal government for education, health, roads and police protection.

Trust land is also inalienable and therefore, can't be used as collateral for a loan. This effectively killed modern farming on my reservation. Tribal members simply couldn't go to the bank in the spring and get a loan to plant our crop. This forced our members to lease their land to non-Indian farmers and condemned our landholders to the bottom of the value added chain. In most years, the farmers receive more in federal subsidies than we do in lease income.

Trust land also killed home ownership in Indian Country. Owning a home has always been a path to create wealth in the United States. But you cannot get a normal mortgage on trust land. We have become life long renters. As a result, we never developed any equity in our homes. This lack of home ownership means inheriting meaningful wealth doesn't even enter our minds. No capital, no collateral, no intergenerational wealth transfer and no experience means owing your own business remains only a dream to most Native Americans.

The Federal Government has created this “Trust Land Economic System”, which is an astounding failure. To make up for it the federal government creates small-scale band-aid lending and homeownership programs, which in essence are designed to try and recreate the American economic system on reservations. These programs are well intentioned but have almost no chance of addressing the underlying issue, which is that we don’t control our own fate because our largest asset, our land and resources, is controlled by someone else--the federal government.

### **Stereotype Economic Development**

Because meaningful Trust Land reform remains a controversial issue, we have to function in the Trust Land Economic System for now. Without a tax base and almost no hope of being allowed to develop one, we are told by the federal government to develop businesses, and to use the profits in lieu of taxes to provide for ourselves.

So what do tribes do? We exploit what we can. We historically have gone into low capital businesses that take advantage of all we have—tribal jurisdiction. Tribes have stereotype businesses that include things like gas, tobacco and now gaming. These aren’t genetically hard wired into tribal DNA. These are businesses that allow us to create some type of advantage using our tribal jurisdiction.

The problem is that these businesses are controversial. Their existence is not viewed as part of a governmental development strategy, but as an unfair advantage given to a racial group. A cross border tax variance in price on gas or tobacco between states is acceptable and common, but if a tribe tries to create an advantage for itself it is called an unequal playing field. This type of attack is bitterly ironic when you consider that the entire economic system on reservations has clearly been slanted against tribes.

Now we have gaming, which has been the most successful use of tribal jurisdiction yet for economic development. But it too is under attack now. The tribes have never in our history of dealings with the United States been able to maintain anything of significant value. There is always a logical rationale, but in the end it is the same result and tribes are left wondering what happened?

Because of the obvious threats to non-Indian interests, nobody believes that these jurisdiction-based businesses are the final answer. They are simply the first step. Tribes have to move up the economic ladder to the second stage of development. By taking the income from these controversial businesses and investing it into other types of businesses we will have a chance to create a permanent and self-sustaining economy.

### **SBA 8(a) Program and Diversification**

One of the primary ways that tribes diversity their economy is the SBA 8(a) program, which allows tribes to break out of a cycle of economic dependence and move up the ladder of economic activity.

The company I run is fairly sophisticated, but it took us four years of hard work to figure out how to best utilize the SBA 8(a) program. We are currently doing projects for the federal government all over the United States and in three countries. In just a few years, we have been able to transform ourselves from a company dependant upon cheap cigarette and gasoline sales to one that is performing vital tasks for the federal government.

Without the SBA 8(a) program we would be stuck in the Trust Land Economic System and figuring out ways to get more gamblers and smokers to come to our reservation. This program has been hyped by the federal government for as long as I have been an Indian professional. It is astounding to me and beyond common sense that its success is being attacked. The SBA 8(a) program should be trumpeted as a clear sign that tribes are evolving their governmental, legal and corporate systems to participate at a higher level in the economic system.

In closing, our economic problems are not our own creation. We are doing what we can in an incredibly difficult development environment and are desperately trying to improve the lives of our members. You, as our leaders and controllers of our assets, have the ability to help or hurt us. I respectfully request you help us by allowing us to take control of our destiny and leaving in place meaningful incentive programs that help us help ourselves. Thank-You.