
United States Senate Committee on Indian Affairs

Hearing on

“Job Creation and Economic Stimulus in Indian Country”

Written Testimony

National Congress of American Indians

January 15, 2009

The National Congress of American Indians (NCAI) is the inter-governmental body for American Indian and Alaska Native tribal governments. For over sixty-years tribal governments have come together as a representative congress through NCAI to deliberate issues of critical importance to tribal governments.

Economic development in Indian Country lags behind the rest of the nation and impacts nearly every aspect of reservation life and tribal governance. It is critical that tribes are included in the American Economic Recovery and Reinvestment Plan for three very compelling reasons.

First, the lack of basic infrastructure investment is the single greatest impediment to economic development in Indian country. Reservations offer unique opportunities for rapid economic growth once the basic infrastructure is in place. By investing in tribal governments, America will be meeting its moral obligation to ensure those populations that have persistently lived in the poorest economic conditions have the opportunity to go down the same path to success as the rest of America. And second, tribal governments rely on revenue from economic development to provide core services to their citizens in lieu of a sustainable tax base. This reliance makes tribal governments much more vulnerable than other governments during economic downturns. Finally, it has been proven that an investment in Indian Country is an investment in America.

Tribal Socio-Economic Conditions

Hundreds of tribes suffer economic hardship and remain nearly invisible. They struggle to preserve their reservations, their culture, and their sovereignty. They are now feeling the full effects of the economic downturn. For some tribes, once promising opportunities in energy development are no longer viable, while other tribes have seen tribal industries like timber production - once considered economic staples - closing their doors. Even higher-profile gaming tribes around the country are currently laying off thousands of workers affecting entire regions. The downturn is having a dramatic effect on tribal governments that, as a population, already occupy the bottom end of the socio-economic scale.

Most reservations are characterized by extensive land bases, spread out communities, and homesteads mired in one long-standing poverty cycle. Most

Indian tribes experience economic and social conditions that are on par with many developing nations.

Real per-capita income of Indians living on reservations is still less than half of the national average. Unemployment is still double what it is for the rest of the countryⁱ. A full 8 of the 10 poorest counties in the United States are home to Indian reservations. Although Indian specific data is not available to analyze the precise impact of the recession on Indian country, signs point to the recession hitting low-income Americans hardest. Between September 2006 and October 2008, the unemployment rate for workers age 25 and over who lack a high school diploma, a very low income group, increased by 39 percentⁱⁱ. In 2007, 20 percent of American Indians aged 25 and over lacked a high school diploma, compared to 14 percent for the U.S. populationⁱⁱⁱ.

Many tribal governments lack the ability to provide the basic infrastructure most U.S. citizens take for granted, such as passable roadways, affordable housing, plumbing, electricity and telephone service. It is difficult to believe that in America, where 97.5% of households have a phone, there are reservations are unable to provide basic telephone service to 70% of their citizens. In addition, there is a tribal average of 3 in 10 households without basic means of communication.

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 high with over 60% more incidents than the average in America. Alcoholism on reservations and diseases like Tuberculosis are both over 500% higher among Indians.

Despite the challenging social and economic conditions on reservations, there are examples of economic success that have resulted from tribal investments in infrastructure and use of available federal tools to grow their local economies and provide their citizens with a better quality of life – the goal of every government.

For example, in the 1960's, rural Neshoba County in Mississippi was once one of the country's most economically-depressed areas. Neshoba County is home to the Mississippi Band of Choctaw Indians who lived under miserable economic and health conditions. Nearly all houses on the reservation were considered substandard: 90 percent had no indoor plumbing; one-third had no electricity^{iv}.

In the 1980's the Tribe worked hard to turn conditions around by building the infrastructure necessary to draw industrial jobs to the reservation. After completing an industrial park, the tribe convinced a division of General Motors and the American Greetings company to locate on the remote reservation. Soon after, the tribe diversified its economy by creating service sector enterprises. Today, the tribe is the state of Mississippi's second largest employer with over 8,000 employees on its payrolls^v. After generations of living in the worst economic conditions, the tribe has become a regional economic leader in the south.

Mississippi Choctaw is not an isolated example. Tribal governments, when given the right tools, can effectively lift their populations out of poverty and fully participate in the American economy. Not only can tribes raise their economic profile, but they have proven time and again that investing in tribes is an investment in rural America. Surrounding communities, and sometimes entire regions, are also beneficiaries of tribal success.

NCAI has developed a Tribal Government Economic Recovery Plan that provides targeted infrastructure spending for projects that are proven shovel-ready and already have funding mechanisms in place to ensure accountability. The unmet infrastructure need or backlog throughout Indian Country is substantial. Targeted spending to meet this need promises to have a dramatic effect on tribal economies as well as the economies of the surrounding communities.

The Tribal Government Economic Recovery Plan targets \$6.13 billion in infrastructure spending that will create thousands over 50,000 local jobs and allow tribes to effectively compete in the global economy regardless of their location by building 21st century schools, energy efficient government buildings and the infrastructure needed to develop locally, regionally and globally.

The infrastructure and long-term efficiency requests included in the Tribal Government Recovery Plan met the requirements of being shovel-ready, provided long term effects, created efficiencies for competitiveness and allowed participation in green energy production and jobs. Investments in tribal government infrastructure spending targets:

- Building 21st century schools
- Creating energy efficient homes and tribal government buildings
- Building and repairing our roads and bridges

- Creating healthier and safer communities through investments in clean and waste water facilities, public safety buildings and health facilities through repairs and technology improvements
- Using our vast natural resources and workforce to move toward energy independence
- Improving our access to emergency and broadband networks
- Meeting pent-up housing needs, and
- Making unworkable lands more viable for economic development through a land consolidation program.

The American Economic Recovery and Reinvestment Plan's targeted infrastructure development offers tribal government a proven path to economic success. Funding streams are already in place for tribal governments to fully participate in building needed infrastructure.

Tribal governments simply need to be directly funded under these programs as other governments are to ensure that we are not left out. Inclusion not only meets the Congressional trust responsibility, but offers tribes a solid economic base to pursue self-sufficiency and self determination – for the tribe and for its citizens.

NCAI's Tribal Government Economic Recovery Plan also includes an important component that gives tribal governments and businesses access to the tools needed to sustain economic gains made from targeted federal infrastructure spending.

Tribal Government Revenue – Removing Barriers & Providing Access

The plan calls for removing barriers to the capital needed for tribal governments to effectively grow their economies and to ensure their local citizens have the ability to directly participate in building and repairing our infrastructure. Without access to these tools, tribal governments will be placed on the sidelines while other governments build effective infrastructure and outside companies participate in contracting opportunities that could be completed locally.

Congress, federal agencies and other partners should do everything they can to support and promote tribal economic development. Tribes simply cannot rely on decreasing federal funds or a severely-limited tax base to provide needed government infrastructure and services. Economic revenue becomes a necessity for tribal and individual self-sufficiency and self determination.

Access to Credit Markets

Currently, with the economic downturn, state and local governments are feeling the effects of a frozen credit market. Low cost tax-exempt debt has become a necessity for state and local governments when financing schools, roads, health facilities and economic activities. When the credit markets effectively froze in the fall, state and local governments sought federal intervention including calls for federal guarantees for investor reassurance and the removal of Alternative Minimum Tax for high-net worth investors to make tax exempt debt more attractive.

Tribes, however, have never had full access to the tax-exempt markets and because of the strict interpretation placed on the tribal use of tax-exempt financing, the market for tribal bonds has been effectively frozen for the past decade. Tribal governments need access to the same low-cost debt to build and repair schools, roads and healthcare facilities. Since tribes rely on economic development revenues in lieu of a tax base, tribal governments need access to the low-cost debt market to provide economic development revenue for the tribe. Clarifying tribal government use of tax-exempt bonds would help tribes to stimulate their local economies and provide better services

Access to Capital Markets

Many tribes, especially large land-based tribes, are centered in rural and remote areas of the country. Creating an economic base and attracting capital is a challenge. Many of these tribes want to utilize their large land bases to develop alternative energy and participate in lessening our dependence on foreign oil.

There are two impediments that currently exist that make investing in tribal energy and other enterprises less attractive. The first is an oversight in the tax code that gives businesses an incentive in the form of a tax credit to invest in alternative energy projects. Tribal government cannot use these tax credits so the current tax code provides a disincentive for tribes to partner in developing alternative energy.

The second impediment is also an oversight. When the Securities and Exchange Commission drafted Regulation D, which determines private equity participation and securities registration, it did not explicitly list tribes as governments. This oversight prevents tribes that are economically successful from investing in other tribes as equity partners.

Tribal leaders often have greater needs than their non-Indian counterparts and, at the same time, tribal governments have fewer resources with which to fulfill their governmental responsibilities. The Economic Recovery and Reinvestment Plan offers an opportunity to correct these oversights and give tribal government access to the tools they need to succeed. This means clarifying the use of tax-exempt debt, allowing tribes to transfer tax credits, and listing tribes as governments for investment purposes. In addition, those programs that are clearly working should be enhanced.

Community Participation

The American Economic Recovery and Reinvestment Act should support utilizing successful programs to meet the increased need for business capital that is sure to follow a large stimulus. The Tribal Government Recovery Plan supports increased funding for an existing Department of Interior guaranteed loan fund not just for business loans but for surety bonding and energy production loans.

Capital to start businesses and surety bonding is difficult to come by for tribally-owned construction companies. It is important that local participation is encouraged to build local capacity and support local economic development.

The Tribal Economic Recovery Plan has been developed with tribal, federal and organization partner input. It is comprehensive and designed with the access to capital and credit requests intended to enhance and leverage the targeted federal infrastructure spending requests. The total amount requested, while modest in comparison to other government requests, is needed to make a real and lasting impact on tribal economies.

Tribal governments are too often an afterthought in the development of significant national policy initiatives. They are either inappropriately shoe-horned into legislation at the eleventh hour, or left out entirely. As a result, Indian tribes are left farther and farther behind.

The American Economic Recovery and Reinvestment Plan presents a once in a lifetime opportunity for the nation, including tribal governments, to repair existing infrastructure, create jobs, and generate energy and income. It would be a travesty for Indian Country – which is persistently burdened with high unemployment and poverty rates, inadequate housing and infrastructure, and economic under-development – to be left out of much of the opportunities created by the Economic Recovery Plan.

ⁱ Overview of Federal Tax Provisions Relating To Native American Tribes and Their Members, Scheduled for a Public Hearing Before the Senate Committee on Finance on July 22, 2008 Prepared by the Staff of the Joint Tax Committee on Taxation, July 18, 2008

ⁱⁱ Parrott, Sharon. (2008, November 24). *Recession Could Cause Large Increases in Poverty and Push Millions into Deep Poverty*. Washington, DC: Center on Budget and Policy Priorities.

ⁱⁱⁱ U.S. Department of Commerce, U.S. Census Bureau (2007). *2007 Annual Social and Economic Supplement*. Current Population Survey (CPS).

^{iv} NPR, All Things Considered, July 17, 2004

^v Neshoba County Website, Community Development Partnership, Mississippi Band of Choctaw Indians Timeline