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Assistant Secretary for Indian Affairs Kenneth L. Smith today pledged involvement of tribal leaders through a more effective consultation process and warned that budget cuts will require sound management of all Indian programs.

Addressing the 38th annual convention of the National Congress of American Indians in Anchorage, Alaska, Smith said he had made consultation with tribes a priority item and stressed the need for recommendations and suggestions from tribal leaders.

“We are going to do things openly," Smith said, "so you can see and know and comment.”

He said one way of achieving the goal of keeping tribes better informed would be to establish better communication with Bureau of Indian Affairs area and agency staffs.

“We are going to involve our line officers at the area and agency levels much more in the consultation process," he said. "Unfortunately, in the past they have sometimes been the last ones to know about plans or actions of the central office. We intend to change that."

The top Indian official said that while he would actively seek the views and suggestions of tribal leaders, consultation did not mean asking for permission to make a decision.

“We cannot abdicate our management responsibility,” Smith said.

Smith said his office would have to apply principles of sound management to all programs to minimize the difficulty involved with spending reductions being sought by the Reagan administration.

“We are going to have to get our house in order very quickly,” he said, 'Because we must anticipate further reductions for the entire federal government in 1983 and 1984. We simply cannot afford wasteful management practices.”

He said that while the Bureau of Indian Affairs fared better than most agencies in the administration's first round of budget cutting, an additional 12 percent cut would have to be taken in the 1982 budget.

“We were also told that it had to be 12 percent from each of our major appropriation items," he said. “As a consequence, we couldn't take the easy way of making the cuts by taking most of them in construction,” He said the 12 percent cut required hard decisions that had to be made very quickly.

“We tried to protect those activities which we consider basic to our mission,” Smith said; “These would include our elementary and secondary schools, law enforcement, general assistance for needy people, payments for dependent and abused children, trust and natural resource programs, and the basic maintenance and operation of facilities and roads.”

The Assistant Secretary said he would be asking for volunteer tribes to experiment in 1982 with a consolidated block funding project.

“When this concept was introduced in our budget request earlier this year, it was tied in with the funding reduction . . . and encountered opposition,” he said. “We think its flexibility makes it a useful instrument for tribes and we are going to ask a few tribes to try the idea this year.”

Smith said he would request additional funding in 1983 to help small Indian tribes and to use as "seed" money to assist Indian enterprises.

“In fiscal 1983 we plan to request $5 million to provide a previously unavailable baseline of government support for small tribes which do not have the financial resources to maintain an adequate government,” he said.

“We also intend to seek $10 million for 'seed' money grants to assist Indian enterprises to realize opportunities for development of Indian resources," Smith said. “We anticipate requiring that at least 75% of the project funding be non-federal.”

Smith added that these grants would not be “giveaway money” and said an investment criteria similar to those used by banks would be adopted.

The Assistant Secretary said in anticipation of future reductions in the budget, his office was considering closing or consolidating several area offices by the end of fiscal year 1982. He also said additional savings would result from the closure of some off-reservation boarding schools operated by the BIA.

Smith said he would push for legislation to establish "enterprise zones" on reservations to provide tax credits and other tax incentives to investors.

“And we will support a bill to permit tribes to issue tax-free bonds as municipal and other local governments now do as a means of raising capital,” he said.