

**STATEMENT OF  
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UNITED STATES DEPARTMENT OF THE INTERIOR  
BEFORE THE  
UNITED STATES SENATE  
COMMITTEE ON INDIAN AFFAIRS  
ON  
“CONTRACT SUPPORT COSTS AND SEQUESTRATION:  
FISCAL CRISIS IN INDIAN COUNTRY”**

**NOVEMBER 14, 2013**

Good afternoon, Chairwoman Cantwell, Vice Chairman Barrasso, and Members of the Committee. Thank you for the opportunity to provide a statement on behalf of the Department of the Interior (Department) at this oversight hearing on “Contract Support Costs and Sequestration: Fiscal Crisis in Indian Country.”

As the Assistant Secretary for Indian Affairs, I have the responsibility to oversee the numerous programs within the Bureau of Indian Affairs (BIA) and the Bureau of Indian Education (BIE), along with other programs within the immediate Office of the Assistant Secretary for Indian Affairs. The Office of the Assistant Secretary for Indian Affairs, BIA, and BIE programs expend over 90 percent of appropriated funds at the local level. Of this amount, over 62 percent of the appropriations are provided directly to Tribes and tribal organizations through grants, contracts, and compacts for Tribes to operate government programs and schools. Indian Affairs’ programs serve the more than 1.7 million American Indians and Alaska Natives living on or near Indian reservations.

Earlier this year I testified on the President’s FY 2014 Budget Request for Indian Affairs programs at the Department of the Interior. In that Budget Request, the Administration proposed that the FY 2014 budget for contract support costs (CSC) be funded at \$231.0 million, and also proposed to fund contract support in an account separate from the Operation of Indian Programs account. We stated that this would be an increase of \$9.8 million over 2012 and would strengthen the capacity of Tribes to manage Indian Affairs programs for which they contract. As a result of the *Salazar v. Ramah Navajo Chapter* Supreme Court decision in 2012, the Budget also proposed an interim measure requesting that Congress appropriate CSC funding to Tribes on a contract-by-contract basis, which was consistent with one of the options for Congress identified by the Court. To ensure as much clarity as possible regarding the level of contract support funding, the Administration provided Congress a contract-by-contract funding table for incorporation into the appropriations act on June 14, 2013.

After releasing the President’s Budget Request for FY 2014, we have heard a great deal of feedback from Indian Tribes. Indian Affairs held a CSC consultation session at the National Congress of American Indians conference in Reno, Nevada, on June 25, 2013. We have also heard on several occasions from Tribes at the Tribal Interior Budget Council meetings, which are formal meetings for consulting with Tribes on proposed budgets, and at the Self-Governance

Advisory Committee meetings. In addition, Indian Affairs, together with the BIA, also reconstituted the BIA's CSC Workgroup. This group is composed of tribal leaders and technical experts who are working to improve Indian Affairs policy and practice around these issues. That group met in August and had productive meetings. In each of these forums, the Administration has heard from tribal leaders. The Administration also hosted the Tribal Nations Conference this week, where additional outreach efforts were made.

Currently, the Administration is engaged in the important work of preparing the FY 2015 Budget Request. It is our intention to continue to work to find a responsible solution to the CSC issue. Our discussions with Tribes will continue, and the views we hear from Tribes will inform our path forward.

We are also dealing with the effects of sequestration on Indian Affairs programs, which in FY 2013 cut five percent from every program, project and activity and is having lasting effects on Indian programs. Our current budget for FY 2014 is funded by a continuing resolution that extends through January 15, 2014 and continues the 2013 post-sequester funding level. This operating level for FY 2014 is \$174 million or 6.8 percent below the 2014 budget request and does not address the additional funds we requested for contract support or other important program needs. We await the outcome with regard to full year appropriation for Fiscal Year 2014 and we are working with the Tribes to prudently plan. Our planning scenarios include the potential for budget reductions and sequestration. In the meantime, we are challenged to undertake the programs we are responsible to execute as we await congressional action. We urge Congress to enact a budget that more adequately funds Indian programs.

The effects of sequestration are beginning to be felt more and more, as the cuts had immediate impacts in FY 2013 with reductions in hiring, delays and cancellation of travel and training, and cuts in contracts for maintenance and other needs. The impacts will continue to be felt for some time, as the reductions erode capacity in direct services programs and in tribally operating programs. Reduced hiring and training undercuts the capacity needed and results in significant skills gaps in areas including child welfare, early learning programs, energy development, welfare and others. The long term effects including erosion of our workforce and, cut backs in educational programs and investments in economic development and other areas are becoming more apparent, as other witnesses will likely explain.

Because Indian people are often among the poorest communities in the United States, reductions to the budget caused by sequestration has undermined the health and safety of some of the most vulnerable segments of society with particular effects on children, the elderly, and families.

Sequestration has undermined the efforts of the BIA and BIE and other federal agencies to provide services to meet our trust responsibility to Indian Tribes and Indian people. Our employee ranks have thinned substantially as hundreds of staff positions have opened through retirement and other forms of attrition and cannot be easily filled in the current fiscal scenario.

This effect has been mirrored for Tribal governments in Indian Country. The sequestration reductions have reduced payments to Tribes to perform important federal services, undermining tribal self-determination and self-governance and severely handicapping the ability of Tribes to

implement treaty rights and various resource management programs to maintain and restore natural resources in Indian Country. Imposing automatic across the board cuts to reduce spending across all tribal activities has had immeasurable impacts in the denial of opportunities for a self-reliant people.

In conclusion, I hope the Congress will be able to successfully complete the negotiations being conducted for resolution of the budget situation so we can return to regular order, avoid sequestration, and have certainty in a budget that will adequately address needs in Indian Country.