

**TESTIMONY
OF
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ASSISTANT SECRETARY – INDIAN AFFAIRS
U.S. DEPARTMENT OF THE INTERIOR
FOR THE HEARING
BEFORE THE
COMMITTEE ON INDIAN AFFAIRS
UNITES STATES SENATE
ON
S. 519, THE NATIVE AMERICAN CAPITAL FORMATION
AND
ECONOMIC DEVELOPMENT ACT OF 2003**

July 21, 2004

Good morning, Mr. Chairman and Members of the Committee. I am David Anderson, Assistant Secretary – Indian Affairs. Thank you for the opportunity to present the views of the Department of the Interior on S. 519, “The Native American Capital Formation and Economic Development Act of 2003.” We understand the Committee will be significantly amending S. 519, therefore, our comments do not speak to provisions of S. 519, but rather address the concepts of the bill. The Department supports exploring creative approaches to economic development in Indian country.

Economic development on tribal reservations poses many challenges. Access to capital in Indian country is extremely limited. This shortage of capital represents one of the primary barriers to comprehensive and lasting economic development. In addition, there are few opportunities to generate capital on Indian reservations. Studies show that unemployment on or near Indian reservations commonly exceeds 50 percent and in some areas that figure jumps to over 90 percent. Unemployment in Indian country has placed more than 500,000 people who live on or near Indian reservations at or below the poverty level. These obstacles are further compounded by the rural location of most Indian reservations. As a result of these factors, Indian country accounts for many of the poorest areas in the United States.

Although poverty and joblessness pose great obstacles to economic development in remote reservation settings, economic development is not impossible. Increasingly, tribes continue to overcome these obstacles and create growth in reservation economies.

The Bureau of Indian Affairs (BIA) is working with tribes to continue discovering creative and long-term solutions to building sustainable tribal economies. Through the recent reorganization of the BIA, the offices of Indian Gaming Management, Self-Governance, and Self-Determination were elevated to the Assistant Secretary’s Office under the newly created Deputy Assistant Secretary, Policy and Economic Development. By elevating these and other economic programs, the BIA will emphasize expanding

reservation and tribal community business opportunities and Indian employment. With the creation of the new Deputy Assistant Secretary, the BIA hopes to maximize efficiency in assisting tribal economic development.

Another challenge the BIA is working to address is the issue raised by many investors and private lenders regarding tribal legal infrastructure; inadequate or non-existent legal and business codes. To address this issue, the BIA included in its 2005 budget request \$1 million to help tribes develop tribal ordinances and commercial business codes. We view this as a positive first step to help encourage more capital investment on tribal lands.

The Department also encourages the use of self-governance programs as a method of encouraging tribal economic development. Through self-governance programs, the tribes control the administration of federal programs to ensure the programs meet the needs of the individual tribe. For the tribes that choose to engage in self-governance or self-determination compacts and contracts, this direct control creates tailor-made programs that lead to the creation of viable and stable economies and tribal self-sufficiency. We will continue to work with tribes to expand self-governance and self-determination as a way to find creative solutions to economic development.

Currently, the BIA independently administers a program that is addressing some of the financing needs of Indian country. Since 1974, the BIA has successfully administered an Indian Guaranty, Insured, and Interest Subsidy Program. The mission of the program is to “stimulate and increase Indian entrepreneurship and employment through the establishment, acquisition or expansion of Indian-owned economic enterprises.” The program guarantees loans up to \$20 million dollars from the private sector to promote economic development of tribes, individual Indians and Alaska Natives. The guaranteed and insured loan portfolio currently totals \$271 million. With enactment of the FY 2005 Budget Request, the program expects to leverage private sector financing of 65 new businesses and create 1,300 jobs on or near Indian reservations. The guaranteed and insured loan program has achieved a success rate of 93 percent in the number of businesses without default for all loans funded since fiscal year 1992. From 1992 to the present, 719 loans have been guaranteed, and of that total only 51 loans have defaulted.

While the BIA loan program is successful and takes steps toward addressing the need in Indian country, it does not fulfill every financing need. There is a gap between the small scale financing the BIA can provide and the funding required for other economic development projects.

We would welcome the opportunity to further discuss our program. Additionally, we are willing to participate in further discussions regarding innovative approaches to enhance economic development in Indian country. Thank you for the opportunity to participate in the discussion today. I would be happy to answer any questions you may have.