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THE PERFORMANCE  
DEVELOPMENT INSTITUTE

*file  
Indian  
Energy  
meeting*

**Joe N. Nay,**  
President

600 Maryland Ave. S.W.  
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THE PERFORMANCE  
DEVELOPMENT INSTITUTE

**John D. Waller,**  
Vice President

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IMPLEMENTING THE PRESIDENT'S ECONOMIC  
PLAN RELATIVE TO NATIVE AMERICANS

OBJECTIVE

Achievement of economic independence and diminished reliance on  
government programs

--for Native Americans

--through private sector investments and business  
ventures on Tribal Lands

## THE CURRENT SITUATION

### Budget Reality

Federal fund cuts and spending limitations are occurring.

### Economic Capability

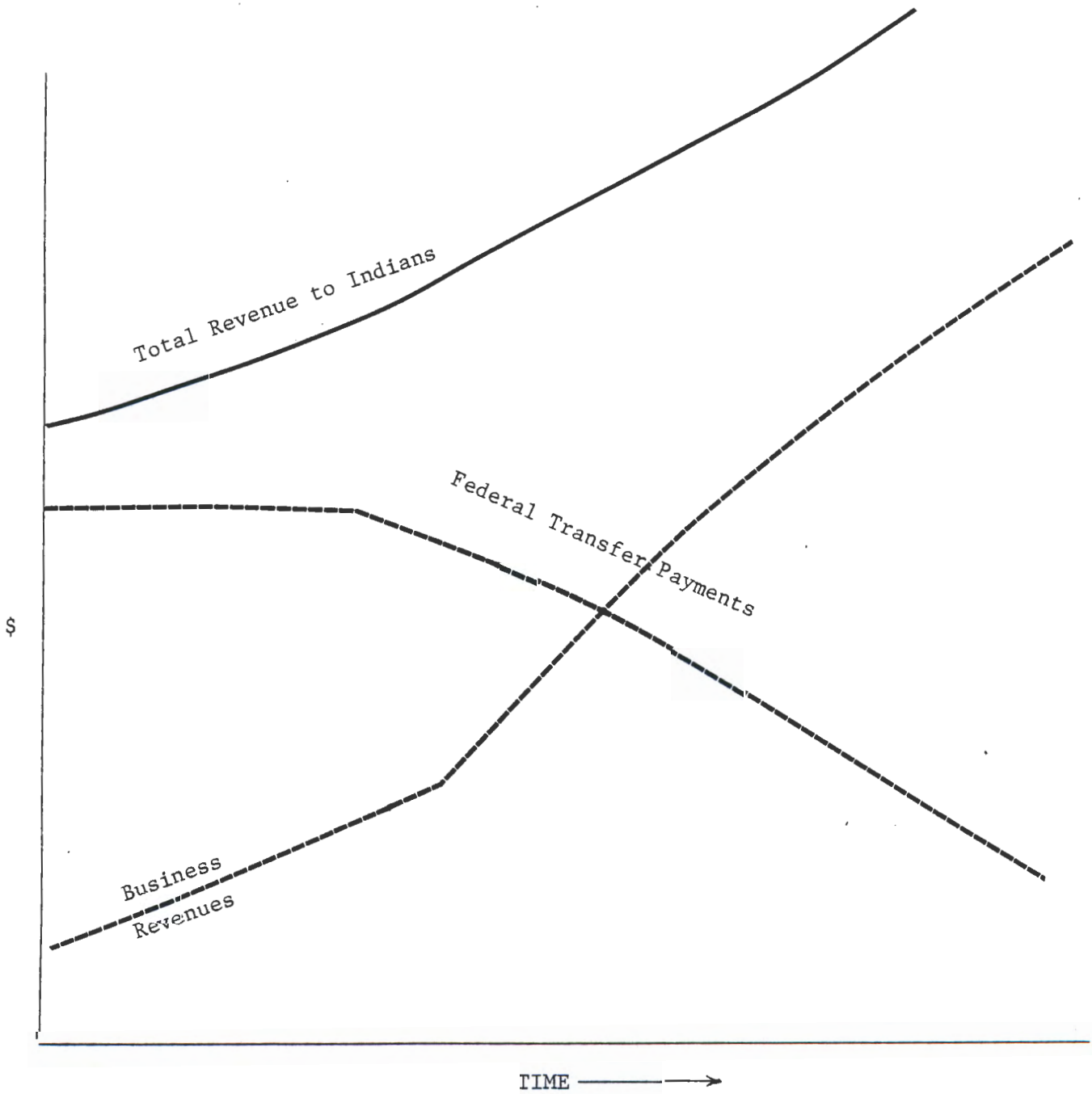
Opportunities for business investment exist that can lead to replacement and supplement of revenues.

### Administration Position

Public funding decreases are to be offset by revenue generating private sector businesses.

### Expectations for Action Exist

Administration statements, congressional pressure and demonstrated willingness of Indians to cooperate have created an atmosphere of anticipation of change.



THE CHANGING SITUATION

## NEEDED

### Environment that

- Preserves existing rights and resources of Indians and
- Provides the option to
  - create incentives for
  - and
  - reduces barriers toprivate sector investment in Indian resources.

## FACT

Government has not created the environment; it has impeded it. Change requires outside stimulus and technical support.

## MOVING TO A NEW ECONOMIC ENVIRONMENT

1. Allow economic incentives for private investment in Tribal lands
  - Tax free operating status
  - Tax free bonds issued by Tribes
  - Special operating areas on reservations
2. Explore business code questions and evolve into uniform Indian business code
3. Develop inventories of opportunities and modes of successful operations
4. Explore sources of capital that demonstrate financially sound developments
5. Monitor promises to see that they become effective actions rather than vanish in government or broken agreements



## TWO TRACK APPROACH FOR CHANGE

- Achieve exemplar set of business ventures that identify and demonstrate effective incentives and barriers to development, and
- Use experience with exemplar cases and existing knowledge to establish new environment for investment through
  - legislation,
  - program changes,
  - Indian uniform business code,
  - Model business situations,
  - Financial resources,
  - Oversight to maintain progress.

## WHO IS INVOLVED

- Lead government unit (probably Bureau of Indian Affairs) responsible for policy development and implementation.
  - Focal point for Indian development and self-determination
  - Solve problems
  - Coordinate agencies and technical support
- Other federal agencies involved with Indian resources.
- Technical support on:
  - Legislation,
  - Program modifications,
  - Identifying incentives and barriers to business development,
  - Evaluation and synthesis,
  - Policy development.
- Eventually - fee supported clearinghouse

## TIME PHASED ACTION BLUEPRINT

### Phase 1 - Next three months:

Establish program for change: people and dollars dedicated to the effort

Screen exemplar business opportunities

Identify potential barriers and incentives to successful business investments

Sort area where change may be needed

- legislative
- executive and bureaucracy
- business resources
- Indian activities

### Phase 2 - Subsequent six months:

Initiate exemplar partnerships

Develop and present legislative packages and oversight modifications

Organize existing knowledge into Indian business development solutions and models of how to utilize them

### Phase 3 - Subsequent year:

Achieve legislative and program changes

Evaluate and synthesize experience and exemplar efforts

Develop model business packages

Monitor overall progress to ensure that action occurs

Transfer change mechanism to private sector

NEXT STEPS:

- Appoint Action Person
- Secure Technical Support
- Begin Implementation of the Program



MAY 24 1982

Note to the selected members of the Working Group on  
Indian Policy:

Connie Horner, VISTA  
John Bode, Agriculture  
Aubry Lloyd, Labor  
James De Francis, Energy  
William Long, Defense  
Morton Blackwell, White House  
Lo Anne Wagner, BIA

There will be a meeting on economic development for the  
Indian policy paper on Tuesday, May 25, 1982 in my office  
at 330 Independence Avenue, S.W., Room 5300.

You may wish to attend or send a representative and/or  
any working staff.

If you have questions, please call my special assistant,  
Pat Wood, at 245-7716.

Sincerely,

A. David Lester  
Commissioner,  
Administration for Native  
Americans

Attachments

QUESTIONS AND ANSWERS BY PRESIDENT REAGAN FROM

INDIAN LEADERS DURING THE CAMPAIGN

**Q.** What is your position on sovereignty and self-determination for federally-recognized American Indian tribal governments?

**A.** I support tribal sovereignty and self-determination for federally-recognized American Indian tribal governments. Because I believe deeply in the rule of law, I support respect for and adherence to treaties, court decisions, and laws passed by Congress which clearly recognize Indian tribes right to self-government.

Tribes have not given up their powers of self-government in their local communities. I want to see tribal powers of local self-government continue to improve and develop. I want to see tribes effectively address the issues of poverty, education, poor health conditions, and community development, particularly more effective judicial systems.

I can think of no better example of the problem flowing from paternalistic big government than the events that have happened to American Indian communities. I would support Indian government through the fulfillment of treaty obligations and financial assistance, and not supplant Indian government by federal government bureaucrats.

**Q.** What is your position on "government to government" relations between the federal government and Indian tribal governments—in other words, treating tribal governments on an equal basis with state and local governments?

**A.** The traditional relationship between the United States and Indian governments is a "government-to-government relationship." History tells us that the only effective way for Indian reservations, and Indian communities, to develop is with local Indian leadership. Bearing in mind the legal and historical background, tribal governments must play the primary role in Indian affairs. State and non-Indian local governments can at best play only a secondary role.

**Q.** Will your Administration establish a White House coordinator on Indian tribal affairs to prevent the current situation of uncoordinated programs which overlap in numerous federal agencies?

**A.** We cannot promise that an office of special coordinator on Indian tribal affairs will be established in the Reagan White House, although the matter will be looked into. However, I can assure the Indian tribes that their leadership will have strong advocacy and an open channel of communication in the White House. The failure or refusal of the various federal agencies to coordinate their efforts on behalf of the Indian tribes results in gross inefficiency, loss of costly time, and greatly reduced cost-benefit to the Indian people. This will not be tolerated in the Reagan White House.

**Q.** What will your policy be on dealing with urban Indians and nonfederally recognized Indian groups, including state-recognized Indian tribes as opposed to federally-recognized tribes?

**A.** At the outset, let me say that I fully respect the unique trust relationship between the United States government and the federally-recognized Indian tribes. However, having served as Governor of the state which has some of the largest urban Indian communities in the U.S., I am aware of the unique nature of their situation and of the fact that their problems have been largely ignored in the past. The situation of the urban Indian, the off-reservation rural Indian communities, and the tribes not recognized by the federal government must be looked into with the goal of establishing ways and means of securing better opportunities for them. However, this must be done in a way that will not threaten or compromise the treasured trust relationship of the federally-recognized tribes, nor diminish the financial commitment of the federal government to them.

**Q.** Will your Administration retain the position of Assistant Secretary of the Interior for Indian Affairs and the Commissioner of Indian Affairs?

**A.** My Administration will consider various alternative arrangements for assuring the development of Indian policy and the effective execution of that policy. The present Assistant Secretary and Commissioner structure is one alternative. There may be others worthy of consideration, suggested by organizational experts or by tribal leadership. Whatever the final choice, it will be taken only after full consultation with Indian leadership.

**Q. Will Indian tribes continue to be eligible to receive General Revenue Sharing Funds?**

**A. I see no circumstances under which I would initiate any legislative changes that would alter current conditions and prohibit tribal eligibility to receive General Revenue Sharing Funds. In the long run, I would hope to decentralize program responsibilities from the federal government to the state and local governments, including tribal governments, along with the tax resources to pay for them.**

**Q. What is your policy on tribal governments determining their own membership and government policies without interference by the Bureau of Indian Affairs or Secretary of Interior, notwithstanding certain trust responsibility legal restrictions?**

**A. Indian people should determine tribal membership for themselves, since they are ultimately going to participate in the responsibilities and benefits of the tribal relationship. I believe state and local governments should have maximum freedom to develop their governmental policies without interference by federal agencies. Since tribal governments have the same responsibilities to tribal members that state and local governments have to their citizens my philosophical view is that federal bureaucrats should not interfere with Indian government policy development. Where the trust responsibility brought my Administration into conflict with tribal policies, I would be willing to consider consultation with Indian governments, recommending to Congress the repeal of laws that are causing difficulties.**

**Q. What will the policy be on encouraging tribes to take over Bureau of Indian Affairs and Indian Health Services programs as they are capable, thus reducing the role of government agencies but not terminating federal funding?**

**A. I endorse "Indian self-determination" as national policy. The Indian Self-Determination Act (P.L.93-638) was proposed by a Republican Administration and enacted by Congress to provide the legal and administration vehicle for the tribal government to secure control and management of federal programs designed to serve their constituencies. I believe that the tribal governments, as they decide they are able to administer it, should have that control.**

**Although I am informed that there have been problems in implementing P.L.93-638, I believe that the concept of Indian self-determination remains valid. A priority in my Administration's Indian affairs agenda would be a thorough review of P.L.93-638 with the Congress and the Indian leadership for the purpose of improving the legislation and the federal administration of it; and of removing those aspects which cause anxiety and reluctance on the part of the tribes to participate.**

**Q. Will your Administration guarantee tribal governments that it will not terminate tribes or the federal responsibility to tribes or abrogate treaties between tribes and the U.S. government?**

**A. My Administration would be opposed to the abrogation of Indian treaties and the termination of the unique relationship between the federal government and the Indian tribes. The policy of "termination" has been greatly discredited as morally and legally unacceptable and, in practical social and economic terms, devastating.**

**I stated earlier that because I believe in the rule of law I support respect for and adherence to existing Indian treaties. The provisions of many Indian treaties are still valid law and impose duties and responsibilities on both Indian governments and the United States government today. The support and fulfillment of Indian treaties is bound up with the honor and integrity of the United States. The United States should keep its pledged word to any nation, great or small. Supreme Court Justice Black expressed it this way, "Great Nations, like great men, should keep their word." The policy of termination of the federal trust responsibility to Indian tribes proved to be an economic and social disaster in the 1950's and 1960's. My Administration would not recommend that termination be revitalized or resurrected.**

**Q. Will your Administration guarantee against states or local governments taking over or having jurisdiction over any tribal reservation or historical lands?**

**A. My Administration would not advance executive action nor support legislation that would provide for the seizure of tribal jurisdiction by state authority. My Administration will be committed to upholding the law. If the tribal justice systems are deficient in their abilities to protect rights and property and to administer justice, government should assist them in carrying out their responsibilities fairly and responsibly.**

**I am informed that, at the initiative of Indian leadership themselves, a Commission on State-Tribal Relations has been sanctioned by the National Tribal Chairmen's Association, the National Congress of American Indians, and the National Conference of State Legislatures. I am encouraged by this action and look upon this type of negotiation as a promising step in resolving the age-old struggle between the tribes and states.**

**Q.** What will the policy be on guaranteeing water rights for tribal governments in the western part of the U.S.?

**A.** I believe that the inherent water rights of the Indian tribes is a vital key to true and lasting economic development for Indian reservations. I agree that quantification of water rights must be achieved in the future, but quantification must not be to the detriment of the Indian tribes.

The best protection of Indian water rights is the perfection of those rights through beneficial usage of the water by the Indian people. This can be done with assistance to the tribes and their people for them to develop their energy, agricultural, and other tribal natural resources.

**Q.** What is the policy on upholding fishing rights on tribal lands?

**A.** As I stated earlier, I support the fulfillment of Indian treaty rights. Where the tribes by the terms of treaty have reserved the fishing rights I feel those rights should be protected. This is consistent with current federal Indian law as the U.S. Supreme Court has interpreted it.

**Q.** What is the policy on tribal court systems? Jurisdiction over non-Indians on Indian land? Taxation of persons living on Indian lands?

**A.** I would encourage and support the development of the tribal court system. Because of the geographical isolation of Indian reservations tribal courts are sometimes the only judicial forums available or hundreds of miles. It is my understanding that at the present time tribal court systems have no difficulties about their jurisdiction over civil cases involving both Indian and non-Indians. It is also my understanding that the U.S. Supreme Court concluded that tribal courts did not have jurisdiction over non-Indians in 1978 in a case on the Quamish reservation. I know that the issue of criminal justice jurisdiction over non-Indians by tribal courts is a source of high tension on both sides and deep frustration for tribal court and government officials because of the irresponsible action of some non-Indians in Indian communities. Indian communities must be protected against needless action and I would welcome advice on the matter from Indian governments.

**Q.** Will your Administration support Indian education through the Bureau of Indian Affairs rather than through the Department of Education?

**A.** I have been informed that Indian tribal leaders and education professionals have opposed the transfer of Indian education from the BIA to the new Department of Education for fear that the resulting reduction of the BIA budget would diminish that agency's trust protection as well; and that the feared absorption and loss of Indian education programs in the burgeoning bureaucracy of the new Department (of Education).

I have strongly opposed the Department of Education, and if elected I will propose its abolition. If that measure is adopted, the Indian education program would presumably be transferred back to BIA, or reorganized in such a way as to increase tribal responsibilities for the education of Indian children.

**Q.** Will federal agencies be directed to deal with tribes directly rather than through states or counties on welfare, nutrition programs, law enforcement assistance, etc.?

**A.** My Administration will honor the government-to-government relationship that exists according to law. Certainly, we'll be open to discussion on the best possible delivery systems for federal services to Indian people. However, we are aware of the magnitude of the problem of changing legislation that directs federal funding through state channels, and can make no promises until my Administration has had the opportunity to thoroughly review the situation.

**Q.** Since tribal governments own a large share of natural resources (including energy), what is your policy on permitting tribes autonomy in decision on development, lease management, etc.?

**A.** Tribal governments should have the right to determine the extent and the methods of developing the tribe's natural resources. Although the federal government has a trust responsibility for Indian natural resources, that responsibility should be directed to the protection of the resources from alienation and exploitation from the outside. It should not be used to hinder tribes from taking advantage of economic development opportunities.

Tribes are making great strides in planning and controlling development—particularly those members of the Council of Energy Resource Tribes. The American private sector possesses unlimited technology and management expertise which the tribes can call upon. My Administration would encourage fair and just partnerships among the tribal governments, the private sector, and the federal government in meeting the tribes' identified development needs.

**Q.** What is the plan to assist tribes in developing their own economic self-sufficiency?

**A.** Economic self-sufficiency will be a goal of the Reagan Administration, both in Indian affairs and in the nation at large. It would work to make available financial, technological and management assistance which will enable tribal enterprises to develop their own projects for self-sufficiency. This will result in the reduction of income dependency and an increase in productive employment—which are the desires of Indian people.

**Q.** What is the plan to encourage economic development of individual Indian small business enterprise?

**A.** Although the systematic development of tribal enterprise is extremely important, the development of individual or small business enterprise is crucial to sound economic development on the reservations.

Ample opportunities now exist in the areas of agriculture, services, and light industry development throughout the rural Indian communities. As is the case throughout America, however, many Indian businesses fail for lack of adequate management and financing capital availability. My Administration will work to assist all small businesses in obtaining capital, managerial assistance, governmental procurement contracts, and export opportunities.

**Q.** In selecting a Secretary of the Interior, will you consider an individual who is knowledgeable in the area of Indian Affairs, since the Bureau of Indian Affairs is under the Department of Interior and the Department could be most effective with this knowledge in handling Indian issues?

**A.** Until I am actually considering individuals to nominate for the position of Secretary of the Interior, it is difficult to make a yes or no response. Indian Affairs is an extremely important part of the Interior Department, but the Department has a broad range of important responsibilities. I would definitely consider an Indian for Secretary of the Interior, but it would have to be a person who has demonstrated knowledge of competence commensurate with the full range of departmental responsibilities.

**Q.** Will your Administration consult with tribes on issues and appointments to positions affecting Indians and tribal governments?

**A.** Yes. I have indicated that the traditional "government-to-government" relationship between the federal government and Indian governments should be continued. In my view that would include consulting with tribes and their leaders in the development of federal Indian policy, and about appointments to federal government positions affecting Indians and tribal governments. I feel that the problem of an insensitive, unresponsive paternalistic federal government has been most acute in the area of Indian policy. I believe that the people whose interests are intended to be served and whose lives are most affected should play a larger role in influencing federal policy and personnel, so that the federal government can become more sensitive and responsive.





# United States Department of the Interior

OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20240

MAY 20 1982

Dear Tribal Leader:

Since becoming Assistant Secretary - Indian Affairs, I have often expressed my concern about the excessive dependency of many Indian tribes on the Federal Government. I have also talked about the need to reverse this long-standing pattern which ultimately blocks the achievement of true Indian Self-Determination.

My thinking and talking about ways to bring about a greater degree of economic self-sufficiency in Indian country has led to the development of an Economic Development Strategy which I have been using as a guideline. This strategy includes both the \$10 million economic development initiative and the \$5 million special small tribes funding contained in the Bureau of Indian Affairs appropriations request for fiscal year 1983.

Previously, I had believed the strategy would be initially refined through hearings scheduled before the Senate Select Committee on Indian economic development matters. The postponement of testimony from this Department, however, has prompted me to not wait longer in sharing my thoughts on this matter with you. Therefore, you will find enclosed a copy of the Economic Development Strategy, along with portions of the Bureau's FY 1983 budget request containing justifications for the above mentioned initiatives.

In sharing these documents with you at this time, I want to make sure, first of all, that all of you have this information. Secondly, I want to move ahead with the refinement and implementation of at least several parts of the strategy. Guidelines and regulations must be developed in connection with the proposed new programs and final decisions must still be made on the legislative options. Therefore, it is particularly timely to ask for your thoughtful and constructive reactions and solicit your ideas on how to best proceed with it.

I realize the requested new funding is not large when compared with the nation-wide need. Further, it does not address the immediate, truly stressful problems of unemployment faced in many of your communities today. These initiatives should be seen, not as a panacea, but rather as a good beginning. At least, they look past the quick, superficial fixes, to which we have all too easily grown accustomed, toward lasting solutions aimed at the root of the problem.

Recently, I had the pleasure of being with many of you at the Indian economic development conference in Denver. Also, though I could not be present, I have heard very positive reports about the Indian testimony at the April 29 Senate Select Committee hearing on this issue. These events confirm more than ever my conviction that now is the time to give this critical matter the attention it deserves. I thank you for reviewing this strategy paper and look forward to receiving your thoughts and suggestions. I will be back in further touch with you concerning specific additional materials pertaining to the implementation of the new initiatives at an early date.

Sincerely,

/S/ Kenneth Smith

Assistant Secretary - Indian Affairs

Enclosures

Indian Affairs  
Economic Development Strategy

A. Primary Assumptions

The following assumptions underlie the ED strategy:

- There are no "quick fixes"; change in this area takes patience and persistence.
- Few successful ED projects are planned or managed by the Federal government; economic ventures are best regulated or run by the non-Federal sector with government assistance if needed to attract private investment under certain circumstances.
- Overall, Federal resources will diminish, not increase; BIA controls approximately one-third of available Federal appropriations for Indians.
- Available ED financing will be largely from the private sector.
- National and local private investment preferences and practices will control financing available for Indian development; high interest rates and other factors will make most governmental inducements alone insufficient to attract private investment unless the venture is otherwise attractive.
- Indian assets in land, water, minerals, oil and gas are increasingly valuable, given national and world needs for food, fiber and energy.
- Tribes will determine whether to seek development of their resources and the type of development to be sought; BIA should react to tribal proposals.
- Irrespective of what BIA does in ED, the Bureau must perform its dual mission of fulfilling the Federal trust responsibility and assisting tribes in strengthening their governments; most BIA expertise is in these areas and in being an advocate and facilitator for tribes.
- BIA's role as a prudent trustee means it must be a conservative participant in ED ventures.
- Any strategy aimed at the economic development of reservation communities must take into account the constraints caused by the limitations on using trust land as collateral.
- Other Federal agencies, States and the private sector are not consistently involved in Indian ED, feeling "that is BIA's job" supported by the tribal habit of dealing with BIA.

- Tribal governments can best contribute by lending governmental stability to reservations, ensuring that tribal enterprises are run as businesses, and encouraging the development of Indian private enterprises.

#### B. Need for Realistic Approach

Because of the constraints imposed by the trust status of Indian land, it is not realistic to expect Indian ED to occur in the same manner as non-Indian development or without involvement of the Federal trustee.

The A/S-IA strategy for ED should be achievable by BIA, given BIA's constraints. It should take into account fewer Federal resources and not promise what the Bureau cannot reasonably deliver. For efficiency's sake, there should be no duplication or overlap with existing programs in other Federal agencies. As a general proposition, the Federal government overall should not assume the role of local governments. In Indian affairs, tribes should fulfill the local government role.

As a matter of national policy, the Federal government should not substitute itself for or compete with the private sector, whether or not Indian reservations are involved. Without a clear showing of new capability, BIA should not promise that it can now produce innovation or management expertise in business or commercial affairs that neither we nor any other Federal agency have been able to demonstrate in the past.

On the other hand, BIA should not overlook its strengths in performing its basic missions. We should capitalize on the strengths of individual reservations and the potential of tribes as local governments for those reservations.

C. Basic ED Strategy: (1) BIA should perform its basic trust, government-to-government, and tribal advocacy missions; (2) BIA should use existing authority to assist tribes in developing their resources, should sharpen programs to stabilize and strengthen tribes as governments and should broaden and streamline BIA authority and processes to assist businesses on reservations; (3) other Federal agencies with ED-related programs should perform their role in respect to Indian tribes; (4) the private sector should be the major development force on Indian reservations as elsewhere; (5) Indian tribes should assume the local government role and, in addition, determine whether or not to seek development of tribal resources; and (6) BIA, as trustee, should respond to tribal proposals and should also facilitate tribal contact with other Federal agencies and the private sector.

#### D. BIA Mission and Economic Development:

As recently stated for Departmental MBO purposes:

"The Mission of the Assistant Secretary for Indian Affairs and the Bureau of Indian Affairs is to properly manage the special trust responsibility for the natural resources of Indian tribes and individual Indians and to represent the U.S. in the unique government-to-government relationship it has with Indian tribes as they move toward self-determination."

## 1. Trust Responsibility

BIA, as prudent trustee for Indian natural resources, has the duty to assist tribes in making trust property produce income consistent with tribal wishes. In this area, normal trust fiduciary standards apply; i.e., the government must be measured by the same standards applicable to private trustees. Obtaining reasonable return from trust property will have economic benefit for the reservations involved.

Section 104(a) of the Indian Self-Determination Act authorizes BIA grants to assist tribes in development of their resources.

The tribes and BIA are accustomed to dealing with each other in management of trust natural resources. BIA's expertise, experience and institutional practices are geared to dealing in the trust and natural resource area. The stage is set to mobilize more of the Bureau's efforts toward realizing economic development benefits from Indian natural resources.

The ED strategy should move more of BIA's efforts toward production of income from Indian natural resources, consistent with BIA's role as trustee and existing statutory authority.

In FY 1983, BIA is requesting \$10 million to use Section 104(a) authority for seed money grants to assist Indian enterprises to realize opportunities for development of Indian natural resources. None of the \$10 million will be used for BIA or tribal governmental administrative costs.

Grants are a necessary part of the economic development inducement program. Loans cannot in all cases provide necessary inducement because of the inhibiting impact of interest rates, so high that government loan assistance by itself is often not enough to make development sufficiently attractive; debts to the government have priority, which discourages some private creditors from participating in higher risk ventures; and, most importantly, the unique situation of trust lands and resources severely limits their use to secure financing.

The proposed Section 104(a) grants will be conditional and will be much more strictly managed and enforced than any previous BIA grants for economic development. Special regulations will be drafted establishing a process for resource development grants separate from other grants or contracts under the Indian Self-Determination Act. Section 104(a) grants are to provide no more than 25% of the projected capital of a proposed venture, with the balance to come from the grantee and non-Federal sources. Not more than 5% of the total will be used for feasibility studies and packaging of proposals.

Examples of other conditions are:

- Federal funds must be justified and used to attract non-Federal capital.
- The tribe and/or other eligible Indian organizations must demonstrate financial or other substantial commitment to the enterprise.
- Sound business management must be established for the enterprise with management of proprietary enterprises separate from the administrative structure of tribal government.
- A thorough reporting process will be required on expenditures.

On the failure of any condition, the grant amount should be repayable in full to the Federal government.

Criteria and priority systems for ranking and awarding grants will be published as regulations and will control all awards. Present thinking is that a board of program and financial analysts from within and outside the Department would review applications and recommend action to the Office of the Assistant Secretary - Indian Affairs. Records of Board proceedings will be kept.

To support the natural resource development effort, BIA should seek legislation where necessary to provide greater tribal and Federal flexibility in dealing with Indian natural resources, while protecting the trust status. BIA can seek, for example, authority for the Secretary to approve leases or other arrangements to market Indian water to off-reservation users where a tribe wishes to do so and has quantified its water rights. The method of leasing mineral rights should be examined to determine if other contractual arrangements could provide a better means of financing mineral development.

Within existing programs, current development proposals should be pursued. For instance, the highest priority forest or forest product proposals now available in BIA should be analysed and supported where warranted.

The new A/S-IA initiatives to improve BIA resource management practices and to accelerate and complete natural resource inventories are key basic elements of a natural resource development strategy. Upgrading Bureau capability to plan and carry out its trust activities in resource management must be a matter of continuing concern.

## 2. Government-to-Government Relationship

BIA has a direct responsibility for creation of and relations with Indian tribes. It provides financial assistance to Indian tribes. No other Federal agency is as directly concerned with the status of tribes as governments and the care and support of tribal governments.

Nevertheless, the instability of tribal government is widely cited as a reason for lack of reservation development. The prospect of unstable and even capricious governments which neglect basic services, have restrictive ordinances or intermeddle in business affairs for which they are not equipped would discourage private investment in any community, including Indian reservations. A stable government which provides a consistent legal framework (zoning, codes, etc.), adequate basic public services and an opportunity for business to obtain a reasonable return on investment will tend to attract investment to a community, including Indian reservations. State, local and Indian experiences support this view.

The ED strategy should include renewed emphasis on mobilizing Federal support to strengthen and stabilize tribes as the legitimate levels of American government which they are legally.

During FY 1982, BIA should assess and revise all of its programs for aid to tribal government, self-determination services and any other program aimed at strengthening governmental capacity to ensure that such efforts are aimed at the more critical gaps in upgrading tribal government.

In FY 1983, \$5 million is being requested to provide a previously unavailable baseline of governmental support for small tribes, a level of Indian government most often neglected. Based on FY 1982-83 experience in using available resources for larger tribes and FY 1983 experience with the small tribes program, BIA will work with the Cabinet Council Working Group on Indian Policy to analyze the current confused means of direct and indirect support for tribes from various Federal agencies and to develop a single Federal support program for tribes as institutions of government, or better coordination between existing programs at a minimum.

### 3. BIA as Facilitator

Although BIA does engage in reservation development (where a tribe wishes it) as Federal trustee and must seek reasonable return on tribal trust property, BIA can nevertheless have a sizable additional role as facilitator for other types of commercial or industrial development.

As discussed below, the Bureau should aggressively advocate the need for Indian services to be earmarked for Indians in other Federal agencies and as part of cooperating State development efforts. BIA should investigate improving the means of directing Indian inquiries to Federal, State and (increasingly) private sources. BIA should request national sources such as the Chamber of Commerce or the National Alliance of Businessmen for assistance in this inquiry.

Indian business successes occur regularly. The A/S-IA will mount a positive public affairs program along the lines of his 8/21/81 Portland Daily Journal of Commerce interview on profitable business opportunities on reservations.

Where a tribe wishes it and a State Development Office demonstrates an interest in reservation development, BIA will actively cooperate with the State agency.

BIA can play an important role in setting the stage at the national level for more rational Federal support of Indian economic development. Examples are:

- Promotion and support of legislation, such as the bill to establish enterprise zones on reservations which provides for tax credits and other tax incentives to invest on reservations, and the Indian tax status bill to permit tribes to issue tax-free bonds as municipal governments. BIA's technical assistance and loan guaranty and interest subsidy program can be mobilized for pilot projects to show that such national initiatives can work for the reservations.
- Taking the lead in coordinating or consolidating loan programs for Indian economic development. This could take the form of carving out existing authorities and ceilings to create a special development fund for Indians, or at a minimum by a coordination mechanism for existing loan programs.

Finally, BIA should revitalize its authority for development grants and loan guarantees and interest subsidies, but redesign these programs to incorporate the conditions and management policies developed for the tribal resource grant program under Section 104(a) of the Indian Self-Determination Act, as described above. BIA should request legislation amending the Indian Finance Act to allow annual obligations for loan guarantees and interest subsidies and to allow de-obligation of funds previously obligated for future years as a result of past guarantees and subsidies. The intent would be to recapture obligational authority without a budget increase. BIA should also request renewal of the Indian Business Development Program authority. The new IBDP grants, however, would be conditional "seed money" grants with increased emphasis on attracting non-Federal capital.

Again, the principles discussed above for tribal resource development grants should govern the revitalized Bureau loan and grant programs, and these principles should be expressed in strict (and pre-published) standards or criteria for making and administering loan and grant programs. Refinancing should also be based on strict business criteria, as should debt collection.

#### E. Role of other Federal programs

BIA should avoid duplicating services provided by other Federal agencies. As advocate for the tribes, however, BIA is in the position to explain to Federal agencies the services needed by Indian tribes, businesses and individuals. BIA should assure that federal services available to the citizenry and businesses generally should also be available to Indians.



A/S-IA should use the Cabinet Council and direct contact with agencies to ensure that activities are specifically earmarked for Indians. FmHA, for example, has loans to Indian tribes and tribal corporations for land acquisition, and these loans are valuable ED tools. FmHA also has, however, loans for farm operations, youth projects, farm disaster emergencies, economic emergencies, farm ownership, limited-resource farmers, soil and water conservation, recreation projects, special assistance to associations of farmers, rural housing, watershed and flood protection, resource conservation, community facilities, rural industrialization, and rural development planning and coordination.

Also at USDA are various REA financing, agricultural Marketing Service activities, ASCS resource conservation services, Federal crop insurance, Office of International Cooperation and Development activities (including technical assistance in international trade), the Agricultural Research staff, extension staff activities nationwide, widespread Forest Service activities, and Economic, Statistics and Cooperatives Service (including technical assistance to cooperatives).

Opportunities for earmarked or upgraded Indian business development or technical assistance programs can also be sought in agencies such as SBA, Commerce, DOL, and ACTION (VISTA and RSVP). Active A/S-IA advocacy to promote Indian development assistance in these agencies can be an important part of the ED strategy.

#### F. Role of the private sector

As the A/S-IA has repeatedly pointed out, the private sector is the source from which the great bulk of financing must come for Indian reservation development. Scarce BIA funds should provide seed money for non-federal funds. If an enterprise is to obtain needed outside funding, tribes may have to consider joint ventures or other outside private participation in proposed enterprises. BIA's participation should be to facilitate proposal formulation, to react to tribal proposals in the Federal trustee role and as program constraints dictate, and to participate financially only in the form of conditional incentive grants, guarantees or interest subsidies. Because of the trust nature of Indian land, BIA will also have to be involved in transactions which commit land and resources, including efforts to use land and resources to secure debts.

#### G. Role of the tribe

BIA will look to tribes to fulfill the role of local government and determine the type of reservation development (if any) to be sought. In addition, the decision on whether to pursue development of tribal resources should be made by the tribe. BIA will respond as indicated above.

BIA will look to the tribal government itself to distinguish between its governmental role and its business management. The tribe should provide an atmosphere of governmental stability that attracts outside investment. Proprietary management of reservation business ventures should

be separated from the governmental apparatus of the tribe. BIA will require a separate, stable business management of tribal enterprises in determining whether or not to commit Federal resources to the proposals. The Bureau should be in the position, through IBDP, and loan guarantees and subsidies, to deal with Indian private enterprises.

Next steps -- initial factors for implementation

An implementation plan for the overall strategy plan outlined above, should include several key elements. The Indian Affairs MBO schedule calls for a detailed implementation plan by November 30, after having received Secretarial guidance on the strategy paper. The MBO schedule requests Secretarial guidance by October 30.

Key elements for implementation planning are:

- Assure that \$10 million for Section 104(a) grants is in the FY 1983 budget.
- Develop legislative program.
  - new authorization for the Indian Business Development Fund and loan guaranty programs.
  - introduce and/or support Indian tax status bill.
  - support the Enterprise Zone initiative.
  - introduce bills to permit joint ventures with non-Indians and for flexibility in handling trust resources.
- Develop regulations and guidelines for Section 104(a) tribal resource development grants.
- Review and strengthen (put "teeth in") the IBDF and loan regulations.
- Upgrade organizational and management capability to implement strategy.
- Integrate economic development initiatives with natural resource inventories.

- Launch interagency effort, through White House group, to promote Indian access to existing programs in other agencies.
  
- Establish credit and finance board to act on grant applications.
  
- Assess potential of BIA clearinghouse for inquiries on development opportunities.
  
- Initiate contacts with State development offices.
  
- Implement public affairs program in support of ED program.
  
- Plan and implement program to strengthen tribal governments, using all existing BIA programs for FY 1982-83 and a "small tribes program" for FY 1983.
  
- Develop monitoring system to track progress of overall ED Plan.

Justification of Program and Performance

Activity: Indian Services  
Subactivity: Self Determination Services  
Element: Small Tribes Management Initiative

(Dollar Amounts in Thousands)

		1982			
		Appropriation	FY	FY	Inc. (+)
		Enacted to	1983	1983	or
		Date	Base	Estimate	Dec. (-)
Small Tribes Management Initiative	(\$)	---	---	5,000	+5,000
Total Requirements	(\$)	---	---	5,000	+5,000

Authorization: 25 U.S.C. 450 (The Indian Self-Determination and Education Assistance Act), 25 U.S.C. 13 (The Snyder Act of November 2, 1921).

Objective: To provide small tribes (1500 and less population) with core-management capability to insure that they can participate more equitable in a government-to-government relationship and function as stable and competent tribal governments.

Base Program: Since the Small Tribes Management Initiative is a new program proposed for FY 1983, there is no base program.

Increase for FY 1983: It is proposed to implement a Small Tribes Management Initiative program in FY 1983. It is intended that under this initiative eligible Tribes will be provided the opportunity to acquire and maintain needed core-management capability on an on-going basis. Core-management capability might consist of; administrative/business management, property management, bookkeeping and clerical functions. It is estimated that approximately 200 tribes are in need of this assistance.

Under the current situation, small tribes lack continuing, assured resources to deal effectively with basic management needs. This initiative is intended to aid small tribes to overcome basic but essential management problems critical to achievement of self-determination.

Eligibility for participation in the Small Tribes Management Initiative program will depend upon individual tribal population; individual tribal resources; a critical tribal management need as identified by audits and performance criteria; tribal geographic location factors; and such other pertinent factors that Tribes may use to identify essential needs. Additionally, for tribes of less than 400 persons, program funding would be generally limited to those which enter into consortia with other small Tribes in their geographic locale. It could be used to supplement indirect cost income to assure sound fiscal management, including employment of a "circuit rider", or private CPA firm which could provide technical assistance, including audit services to both the individual Tribes and consortium itself.

It is also intended that participation in the program would be limited to those Tribes which are willing to make the commitment both to exercising their rights to manage Federal programs under contracts and grants and also to achieve

include: an agreement to prepare a tribal management program with specific objectives; an agreement to staff the program with competent professional personnel on a merit basis; and an agreement that tribal political officers would not be appointed to program positions. Procedures will be established and guidelines issued to ensure that eligible Tribes commit themselves to meeting these requirements on an on-going basis. Bureau staff will monitor the program for compliance using existing P.L. 93-638 grants performance standards.

Participating Tribes would be expected to use P.L. 93-638 grants and indirect cost funding to meet their additional financial management needs to the greatest extent possible. For the eligible tribes, the supplemental funding would assure that the so-called critical mass, in terms of resources to support a sound tribal financial and program management system, would be met.

Through the continuation of this effort, it is intended that small tribes will attain and maintain a sound tribal administration; achieve and maintain the capability to operate contracted programs; and the capacity to maintain property and accounting records so as to meet all essential performance evaluation standards and financial audits.

Workload Data, estimated participation is:

	<u>Est. Number</u>	<u>Est. Ave. Cost</u>	<u>Estimated Total Cost</u>
Small Tribe Consortiums (Individual population of less than 400 persons)	15	\$80,000	\$1,200,000
Tribal Participants (Individual tribes having populations between 400 and 1,500)	80	\$47,500	<u>\$3,800,000</u>
			\$5,000,000

Object Class Distribution

Grants, Subsidies and Contributions..... \$+5,000,000

Justification of Program and Performance

Activity: Economic Development  
Subactivity: Business Enterprise Development  
Element: Economic Development Initiatives

(Dollar Amounts in Thousands)

	1982 Appropriation Enacted to Date	FY 1983 Base	FY 1983 Estimate	Inc. (+) or Dec. (-)
Economic Development Initiatives	---	---	10,000.	+10,000
Total Requirements (\$)	---	---	10,000	+10,000

Introduction: For a number of years a variety of responsible persons have been concerned about an over-dependence on the Federal Government by many Indian tribes. This dependence often covers all phases of local economic, social and governmental performance.

Indian reservations persistently experience high rates of unemployment, and jobs which have been created, too often depend of Federal dollars for their existence.

At the same time, many significant opportunities for the development of reservation natural resources have not been realized, with the result that badly needed jobs and income have not been produced in Indian communities.

For several years the Appropriations Committees have urged the Bureau to develop initiatives which would address the problem of excessive tribal dependence of Federal funding.

In view of the nation's economic and budgetary situation it has become even more imperative that tribes be given the opportunity to develop their natural resources as a way of providing jobs and income.

Various approaches have been explored to stimulate such development. The proposed initiative is a significant first step, which can be taken within existing funding authorities.

Authorization: 25 U.S.C. 13 (The Snyder Act) is the basic authority under which the Secretary provides services to Federally recognized tribes.

25 U.S.C. 450, Sec. 104a (The Indian Self-Determination Act of 1975) provides authority for grants to tribal governments for a wide variety of purposes, including the development of tribal resources.

25 U.S.C. 451 (Indian Financing Act of 1974) is the authority under which the Secretary provides capital on a reimbursable basis to develop and utilize Indian resources so that Indians will enjoy a standard of living comparable to non-Indian communities; and to provide capital through non-reimbursable grants to stimulate and increase Indian entrepreneurship and employment, and expand profit-making enterprises.

The proposed FY 1983 program will rely upon authority contained in the Self-Determination Act to make grants to aid in the improvement and development of tribal resources. However, the Department will seek reauthorization and legislative amendments for the Indian Financing Act that will attempt to correct existing deficiencies and will permit operation of an economic development program in FY 1984 which makes a full range of financial assistance options available, both for individual entrepreneurs and tribally sponsored ventures.

Objective: Provides conditional grants to Indian tribes for the purpose of: 1) initiating business development of natural resources; 2) encourage non-federal investment; and 3) promote sound business principles.

Base Program: Since the Economic Development Initiatives is a new program proposed for FY 1983, there is no base program.

Increase for FY 1983: This initiative in economic development is proposed in FY 1983 to facilitate Indian tribal and individual entrepreneurial initiatives, create jobs, and establish profit-making Indian-owned economic enterprises by (1) providing "seed money" for the purpose of attracting further investment from the private sector in reservation economic development, (2) reducing institutional, procedural, and regulatory obstacles and barriers, 3) taking the lead in coordinating and motivating Indian economic development programs throughout the Federal establishment, and 4) seeking and stimulating opportunities for reservation economic development involving individual entrepreneurs, tribal enterprises, and private sector, and the financial community.

The activity will be administered, monitored and evaluated by Bureau Central Office staff. (A Select committee composed of Bureau and Departmental staff will review proposals.) The committee will recommend action on each proposal to the Assistant Secretary. Management and technical assistance will be provided or contracted for where necessary expertise is lacking in an enterprise. Relevant data will be collected and evaluated in order to analyze and improve the formulation and management of new or continuing enterprises. Specific economic development activities to be financially assisted will be selected from the proposals generated by this program. In addition to economic feasibility, criteria for selection will include financial commitment of the proposer, the degree of leverage evidenced by non-federal capital, the financial responsibility and management capability of the enterprise, the amount of employment and income generated, and separation of business management from tribal government where the applicant is a tribe. The \$10 million will be used to make about 50 grants.

The role of Indian tribes in this program activity is to determine the nature of the economic development that is suitable for its reservation, to provide the basic services of local government such as health, fire protection, and zoning, and foster an atmosphere of governmental stability that promotes confidence and attracts private sector capital.

The Section 104(a) grant is to provide no more than 25% of the projected capital of a given proposal, with the balance to come from the grantee and non-federal sources. Higher-leveraged projects will be given preference. Not more than 5% of the total available will be used for feasibility studies and packaging of proposals.

Adherence to the criteria mentioned above will be conditions of each grant. Penalties will be incurred for non-compliance such as cancellation, rescission of unexpected funds, and refund of some or all of the grant award.

The Bureau will assess the potential success of each proposed enterprise by considering the attributes of the tribal government, the reservation, and the management system proposed. The office will also provide management and technical assistance to grantees where necessary to help ensure success and increase the business and management acumen of Indian entrepreneurs.

Object Class Distribution

Grants, subsidies, and contributions..... \$+10,000,000



PRINCIPLES FOR INDIAN ECONOMIC DEVELOPMENT

FEBRUARY 1982

The last several administrations have allocated to American Indians sizeable amounts of money for economic development without significant measurable result. These funds were distributed through several agencies and programs in support of social and economic objectives established by Congress. For the most part, these efforts have contributed to the continuing Indian dependency that over history discouraged Indian people from charting their own course, their own future, within the larger socio-economic setting of the United States.

It is the goal of my administration to identify and support programs that encourage American Indians to pursue their own cultural and personal values and to help shape, and share in the economic growth of our nation. The improved value of Indian natural resources has stimulated the potential of Indians to participate in the economic growth of our country.

We must, therefore, set a new course, one that recognizes the failure of past policy. For the first time we have substantial resources of our own - many of them - to affect a change of direction.

Here, then, are seven principles that I plan to follow in setting the policies of my administration:

1. The social contract that flows from the treaty

relationship guarantees forever the integrity of Indian resources - our skies, lands, waters, and minerals. (I want to emphasize this statement of the trust relationship to avoid any misunderstanding of my objectives and my program.)

2. Economic independence is the essential foundation for Indian self-determination.

3. Economic independence can be achieved only within the context of traditional American free enterprise.

4. Successful enterprise is the result of freedom of action that is not achievable with continuing Government involvement. Specific economic initiatives can best be identified and selected at Tribal and entrepreneurial levels, drawing from the same non-governmental resources that are available to any other entrepreneur. The safeguards to protect the wise investment of Indian capital are the same safeguards that our society establishes by law to protect all commercial enterprises.

5. Indian enterprise can flourish only in the political environment of stable, responsible tribal governments.

6. Mature tribal government can best be nurtured in an environment that is free from paternalism and a self-perpetuating bureaucracy.

7. The capital produced from Indian resources is necessary for Indian economic development and should be organized and managed in accordance with free market principles.

REMARKS OF KEN SMITH  
ASSISTANT SECRETARY FOR INDIAN AFFAIRS  
AT THE INDIAN ECONOMIC DEVELOPMENT SEMINAR  
DENVER, COLORADO  
MARCH 30, 1982

Good afternoon.

I am really very pleased to be here at this meeting. It brings together tribal leaders, bankers, lawyers, business leaders, investment people and others interested in economic development on Indian reservations.

The American Indian National Bank is to be congratulated for planning and sponsoring this seminar -- and for bringing together these kinds of people to share ideas on how we can all join in developing the economies on Indian reservations.

I think the exchange of information and sharing of experience here will be most useful to all of us -- and to the Indian community as a whole. I like what is happening at this seminar because it is positive and practical.

It is easy today for Indian leaders -- or almost anyone -- to agonize over difficult times, talk about inflation and high interest rates and cut backs in Federal programs. Let me assure you that I share your concerns about these problems, which are legitimate concerns, and for which the Nation as a whole must earnestly search for solutions.

But, while certain governmental actions in the social arena might be called for, I am particularly impressed with what is happening at this seminar because it is positive and practical.

This seminar is aimed at getting something done for Indian tribes -- now -- and through the use of resources which are for the most part already available.

This is a new beginning -- a time of change. I truly believe that with the minds of financial experts, planners and business leaders working with Indian leaders, that only some good can come of it.

This morning we heard Phillip Martin tell us what his Choctaw Tribe did to bring business and jobs and an improved economy to the Choctaw Reservation in Mississippi.

What they did there was not based on some special natural resource -- timber or oil -- which other tribes might not have.

The only resource that mattered was people.

They had people there in leadership roles who wouldn't lay down and die because someone said economic development on a reservation was difficult. They also had people in the tribe who were ready and willing to work -- and who backed and supported the tribal leaders.

The Choctaws also did not give up because they could not mortgage their tribal lands or because they did not have a big pot full of Federal money. They used intelligence and ingenuity to work out a unique way to finance their project -- and I understand you will learn more this afternoon about that approach.

The other sessions of this seminar promise to be equally interesting and useful.

I could continue talking about other aspects of this fine program -- but I want to move on to tell you a little bit about our economic development plans in the Bureau of Indian Affairs today.

There are people who think reservations are impossible areas for economic development.

They apparently think that Indians on reservations must forever live on Federal handouts.

I disagree with them.

We can be -- and must be -- optimistic about building economies on reservations -- but we also must be realistic.

Indian tribes and tribal leaders must not give in to discouragement or despair or they will try nothing and accomplish nothing.

Negative thinking produces negative results.

A positive outlook leads to action. You need to think success to achieve success.

Being hopeful and positive, however, is an entirely different thing from being foolish.

So Indian tribes and tribal leaders must be realists too. They have to look at the hard problems and the special difficulties of generating true economic development on reservations.

In the past, when government funding was abundant, some Indian tribes went for the quick fix. They put together proposals -- which they really didn't believe in and which didn't really deal with facts and reality -- but they looked good as proposals and they brought in Federal money and projects or enterprises that quickly failed.

Those failures -- and most of us here could name a series of them -- brought jobs temporarily and money temporarily.

But they hurt Indian tribes and people. They hurt our reputation. They hurt our self image. They stole our credibility with potential investors and business partners.

Those days of easy, uncritical Federal funding are gone -- and I do not think we should regret it.

We can forget quick fixes and economic bandaids. We must work together to achieve real development.

The Bureau of Indian Affairs economic development efforts now will be aimed at helping tribes to develop projects and enterprises that will be profitable and self-sustaining and consequently beneficial over the long term.

As most of you know, we have requested \$10 million dollars in 1983 to use as seed money to help tribes attract private funding for economic development ventures on their reservations.

When you consider the scope of our concerns -- almost 290 tribes -- \$10 million is not a large amount. Through leverage, we intend to make it work like \$100 million. But even this is not a large amount compared with the needs and the opportunities.

So, if Congress agrees, the Bureau will have some seed money available. But the tribes are going to have to do much more for themselves and through the private sector.

Our plan -- and our purpose -- is to help tribes in their efforts to develop profitable enterprises on their reservations.

Profit is the number one priority. And jobs are important too! Of course we all know the way to get the jobs and keep them is through a profitable operation. If the profitability is there, then the jobs will be there.

If we don't think a proposed project will be profitable over the long haul, we will not invest in it. It is that simple.

We can't afford to waste the limited funding we will have. We have to show results -- improvements in tribal economies -- so that Congress will recognize the importance of our program to help more Indian tribes reach economic independence." We have to pick and back winners.

This is not a program to make the rich richer. I want to stress this point. In fact, we may turn down some applicants for seed money funding -- because they have enough resources of their own.

I don't want to make any pre-judgments -- but I can see the possibility that my own Warm Springs tribes might not be considered a suitable applicant because they have substantial resources of their own which they can legitimately use for attracting private venture capital.

Some tribes have great natural resources, but lack stable tribal governments and are disorganized in their management of tribal affairs. They may not qualify because they are incapable of using the money well.

It is useless, and wasteful, to put money into economic ventures where the basic human infra-structure for successfully doing business is not there.

I have a report on my desk right now about a reservation that desperately needs economic development and which repeatedly has had projects fail and Federal funding for these projects lost, together with tribal funds. There is political chaos and instability in the government of the reservation. No economic development will succeed there until the governmental problems are solved.

On the other hand, I know -- as do most of you -- that there are reservations with little natural resources that have successful enterprises and are doing well in building economic self-sufficiency. One example, on the seminar program this afternoon, is the Fort Totten Reservation with its Devils Lake Manufacturing Corporation.

Having said all of this, what am I talking about when I talk about projects and economic development. Well, I never professed to have all the answers. But I do know that tribal leaders ought to be in constant dialogue with bankers and other financial experts discussing ways that both parties can make a profit in joining together.

It just seems to me that if you can convince a financial interest that with the proper financial backing you can make a profit in some venture then he is going to loan you the money.

What specific projects am I talking about? I don't know the answer to that as a government official, but you should. You have to think -- to plan -- to talk to each other -- and to ask anyone you know to help you come up with some innovative ideas on how you can help your tribe and your tribal members to survive.

So, when we look at proposals from tribes asking for some of the \$10 million, we are going to apply tough criteria in selecting tribes for the funding. We will have a board of experts from the financial markets review applications and make recommendations to us. The size of the proposed venture or the size of the tribe will not be a real factor in our determinations. If it's a smoke shop or a saw mill, a herd of cattle or a factory, the basic concern will be profitability and long-term economic benefit to the tribe.

Now, what is our time schedule on our new economic development program?

Draft regulations and other program detail will be developed by July 1, 1982.

There will be two cycles because we know the competition will be keen.

Applicants in our first cycle will be required to have their proposals in by December 31, 1982. Award grants will be made by April 30.

The second cycle will end two months later and awards will be made by June 30.

I think the most important factor in bringing about economic development on a reservation is a strong, stable tribal government. If you have that, you can hire the quality employees you need.

In order to help you do that I have another new initiative in our Fiscal 1983 plans.

In addition to those monies already going directly to tribes, we are asking for \$5 million to assist small tribes to acquire and maintain core-management capability to improve their opportunity to operate tribal and Federal programs more effectively. To demonstrate a commitment participants must agree to (1) prepare a tribal management program with specific, measurable objectives, (2) staff the program with competent personnel on a merit basis, and (3) understand that non-performance is cause for cancellation of the grant.

Core management support will be provided initially to approximately 80 small tribes (population 400 to 1,500) under grants averaging \$47,500; and to 15 consortia of small tribes (population less than 400), average grant \$80,000.

There must be stability and continuous tribal direction so that long-term goals can be achieved. There must be strong leadership to initiate and maintain responsibility and accountability. I am committed to these efforts.

We do not confuse the Bureau's economic development programs with its social programs. Economic development is not a type of welfare assistance. It is not designed solely to create jobs -- though jobs may flow from a good project. True economic development must produce profits. So we are concerned to help Indian enterprises and ventures that will be profitable and self-sustaining.

In our economic development efforts, we are not looking for a panacea to solve all problems on a reservation -- or even a program that will immediately benefit all reservations. We are willing to move forward one step at a time.

The \$10 million economic development program will have a narrow, limited scope. It will help tribes that are:

- Willing to risk some of their own capital.
- Willing to reinvest profits.
- Willing to separate business from tribal politics.
- Willing to meet the accounting standards and requirements of banks and prospective joint venture partners.

It will help tribes that have pulled together to create strong, stable tribal governments.

Tribes that can recruit and train and retain quality employees.

Tribes that are not changing economic directions and plans every two years. The changes in government through the political process -- which are legitimate, of course -- must not alter the management and economic development process.

I think we can help such tribes to establish successful ventures on their reservations.

Tribes that are positive in their outlook.

Tribes that face the realities and try to solve problems.

Thank you very much.

# # #



WILLIAM S. COHEN, M.D., CHAIRMAN  
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# United States Senate

SELECT COMMITTEE ON INDIAN AFFAIRS  
WASHINGTON, D.C. 20510

WITNESS LIST FOR APRIL 29, 1982

## OVERSIGHT HEARING

### INTRODUCTORY REMARKS

Alan R. Parker, Counsel, Karl A. Funke & Associates.

### National Congress of American Indians

Joe DeLaCruz, President  
Chairman, Quinault Indian Nation

Joe Baca, Chairman, NCAI Economic Development Committee  
Member Tewa and Santa Clara Pueblo Tribes

Robert McLaughlin, Committee Member and Special Assistant  
to the Chairman; Member Standing Rock  
Sioux Indian Tribe

Ted Bryant, Committee Member  
Member of Deloit, Haskins and Sells Accountants

### Council of Energy Resource Tribes

Harry Early, Chairman, CERT Economic Development Committee;  
Governor Laguna Pueblo

Ronald Gutierrez, Committee Member;  
Councilman, Spokane Indian Tribe

Caleb Shields, Committee Member,  
Councilman, Ft. Peck Indian Community

### National Tribal Chairman's Association

Phillip Martin, President  
Chief, Mississippi Choctaw Indian Tribe

Ernest Tiger, Economic Development Specialist,  
Mississippi Choctaw Indian Tribe

Charles Trimble, President  
Charles Trimble Co.,  
Member Oglala Sioux Indian Tribe

### American Indian National Bank

William Yallup, Member of AINB Board of Directors;  
Councilman, Yakima Nation

Conley Ricker, Chief Executive Officer, A.I.N.B.

Statement of Alan Parker  
Counsel, Karl Funke & Associates  
Before the Senate Select Committee on Indian Affairs  
Oversight hearing on Indian Economic Development

Mr. Chairman, members of the Select Committee on Indian Affairs, I wish to express my appreciation on behalf of the Indian tribes and organizations represented here today for your agreement to schedule this hearing on Indian economic development policies and issues.

It is my privilege to begin the testimony of Indian witness appearing before this committee by providing a brief overview of these economic conditions currently prevailing in Indian Country which have prompted the leaders of the major national Indian Organizations represented to request this hearing. The National Congress of American Indians, Council of Energy Resource Tribes and National Tribal Chairman's Association will be presenting testimony which summarizes a joint Indian position regarding long term, mid range and short term or immediate objectives and needs. Taken together, their statements address Indian tribal economic needs and goals on a comprehensive, coherent basis. Their recommendations for legislative, administrative and tribal initiatives constitute, in our view, a historic first in terms of the formulation of a realistic and achievable economic policy for Indian Affairs. This joint Indian testimony is based on the longstanding positions of Indian tribal leaders, as well as recommendations which have consistently been identified by the Congress, the GAO and leading experts in the field of Indian Economic Development and we are convinced that it effectively outlines the range of strategies and tasks needed to achieve real progress toward the goal of Indian economic self-sufficiency..

## Current Economic Conditions

There is really no room for debate over the fact that American Indians and Alaskan Natives experience poverty and unemployment along with the associated incidences of social pathologies, to an extent unequalled by any other group in America. These findings have been documented by every major task force and report on the subject and the U.S. Bureau of the Census. Despite occasional and isolated examples of economic progress, Indian reservation-resident per capita income, unemployment percentages and other relevant standard of living criteria show that the gap between the economic standard of Indian and non-Indian society has been increasing rather than decreasing in recent years. For example, in a recent report prepared in January 1982 by the Navajo Nation entitled "A Matter of Life", the official BIA unemployment rate for the reservation was estimated to be 75% and projected to exceed 80% by 1983. In 1979 the Bureau of Economic Analysis, U.S. Department of Commerce, estimated that rural Indian income per capita was \$3,246 compared to the U.S. average \$8,773. While the 1980 census data on such items is not yet available, there is little doubt that it will confirm the presence of extremely depressed economic conditions in Indian Country on a nationwide basis. In the face of these conditions of severe economic distress, it is clear that there are no rich or poor tribes, small or large tribes, the suffering and need is the same for all. These conditions have, of course, only been exacerbated by dramatic reductions in the level of federal assistance provided to Indian Tribes in FY '81 and 82. However, the attention focused on these problems has had the unintended but beneficial effect of shedding light on the underlying causes of depressed tribal economy.

That is, the level of dependency on federal program assistance which has developed in Indian Country has been demonstrated in stark terms as a result of these federal budget cuts, particularly in such areas as CETA, EDA and HUD. Indeed, as forcefully pointed out in the Navajo report, such federal programs have created and sustained the foundations for the economy on most reservations and the traumatic withdrawal of such assistance has not only undermined tribal efforts to create a viable private sector economy but also crippled their ability to provide essential government services. Because the level of non-federally subsidized industrial and commercial activity on the reservations has been minimal, there are no real employment alternatives to such federal programs and, in the face of such staggering levels of unemployment, the market for goods and services produced by the fledgling tribal private sector is itself depressed. Finally, the absence of a viable private sector on the reservation has greatly constrained the ability of Indian tribal governments to generate local tax revenues needed to support those essential government services and physical infrastructure construction necessary to attract private business and industry.

### (3) Fundamental Obstacles to Indian Economic Progress

In study after study commissioned by the Congress, the GAO, executive branch agencies and the tribes themselves, there is clear agreement regarding the fundamental obstacles to balanced economic growth in Indian Country: (1) the lack of access to development capital and sources of commercial credit for the Indian business enterprise development, the (2) lack of effective control over the development and management of Indian natural resources by the Indians themselves, and the (3) absence of an experienced cadre of Indian managers and technicians. The testimony of

the three Indian organizations will identify and recommend tasks and strategies which can and should be taken to overcome these obstacles. For now it is sufficient to point out that these interrelated problems can be effectively dwelt with through a systematic and multifaceted approach the substance of which constitutes the economic policy being recommended on a joint basis by the Indian leaders themselves.

#### Critique of past and present federal policies

"Too little and too late" accurately describes past and present federal efforts to stimulate and support Indian economic development. Lacking sufficient internal capital and effectively cut off from conventional sources of private financing, Indians have found themselves almost totally dependent upon the federal government as their primary source of capital for development. Since the 1950's, the federal government has provided capital in the form of categorical grants, subsidized loans, loan guarantees and interest subsidies. The record of the federal programs providing assistance to reservations has been mixed, and the impact of federal assistance has been diminished, according to several Congressional studies conducted over the past decade, because of a number of deficiencies in the administration of these programs. They include inadequate project review and monitoring, inadequate technical assistance, lack of effective coordination between agencies and funding. The failure of these efforts to achieve meaningful and tangible progress has served to discourage many tribes and their friends in the Congress. Despite this discouragement, the experience gained over the past decade has served to identify the steps that can be taken to overcome many of these deficiencies and shortcomings in the administration of federal economic development assistance programs. As the following testimony will point out, an essential and vital role for such federal assistance must be part of any rational and carefully formulated economic policy —

policy for Indian Affairs. Indeed, any attempt to build tribal economies which can, eventually, be truly self-sustaining, must be premised on continued assistance for physical infrastructure, development planning, investment incentives and development financing to name only a few elements.

### Indian Economic Development and the Trust Responsibility

WMB  
A sound economic policy for Indian Country can only be based on adherence to the U.S. Trust Responsibility which includes as its essential elements such legal protections for the Indian land and natural resources as preservation from sale or financial encumbrance, exemption from federal and state taxation, and freedom from state control and regulation. All too often, the trust status of Indian lands and resources is characterized as a negative influence on Indian economic development potential in the sense that the trust status is a constraint on using these assets as collateral and security for financing. However, such an argument not only ignores the fact that viable alternatives to such security interest protection mechanisms are well established, but also overlooks the positive aspects of the trust status in relation to economic development potential. For example, tribally owned business enterprises enjoy significant tax advantages and reservation based commercial activities may be eligible for federally and tribally sponsored incentives and protections which can serve to enhance their economic status. Thus, maintenance of the trust responsibility will serve to protect the tribal status of the reservation homelands and provide a distinctive Indian nature to the tribal economy itself. At the same time, it can be expected that the regulatory and bureaucratic nature of the federal trust agency will

diminish as tribes assert a greater level of control over the development and management of their own natural resources.

In closing, I would like to again express my thanks to you, Mr. Chairman, for your sincere interest in these matters which are of such vital importance to the Indian tribes and their people. The priority and urgency which is ascribed to these questions of Indian Economic Policy by the leaders of the major Indian Tribal organizations' is attested to by their unprecedented efforts to formulate <sup>the</sup> joint position to be presented to this committee. This concludes my statement.