

TESTIMONY
OF
NEAL MCCALED
ASSISTANT SECRETARY - INDIAN AFFAIRS
ON
TRIBAL GOOD GOVERNANCE PRACTICES AND ECONOMIC DEVELOPMENT
BEFORE THE
COMMITTEE ON INDIAN AFFAIRS
U.S. SENATE

JULY 18, 2001

Good morning, Mr. Chairman and Members of the Committee. I want to thank you for the opportunity to appear before you today to speak about tribal government practices and how that influences economic development in Indian Country.

The development of stable and responsive tribal governments, with a sound strategy for and commitment to economic growth, is a prerequisite for prosperity and economic opportunity in Indian Country.

There are many contributing elements to economic success including access to market opportunities, access to capital, natural resources, human resources, governing institutions and tribal culture. There have been tribal successes where there was a lack of natural resources, minimally skilled human resources and even poor access to markets. These successes have been in spite of these economic liabilities and have been accomplished by determined tribal leadership building stable and effective sovereign governmental institutions.

The policies contained in the Self-Determination and Self-Governance Acts have been the seed bed of growth for sovereignty and the development of strong and effective tribal governments that are essential for sustainable economies.

Even now, tribes are asserting their self-governance influence through the Economic Development Subcommittee of the Bureau of Indian Affairs' (BIA) Tribal Budget Advisory Committee by developing strategies on how the BIA and other Federal agencies can be more effective in encouraging prosperity and economic parity for American Indian tribes within these United States.

Conversely, it requires a viable and vigorous economy to provide sovereign governments with the tax base to pay for the essential infrastructure and services required by their constituents and businesses.

With that in mind, I would like to talk briefly about some of the successful enterprises that exist in Indian Country and their vision in making things happen. One of the more notable examples is the Mississippi

Band of Choctaw Indians (MBCI). MBCI was federally recognized in 1945. By the late 1960's, tribal leaders were unimpressed with their improvement, despite over 15 years of effort by Federal employees sent to help them. MBCI remained the poorest Tribe in the poorest county in the poorest State. Tribal leaders took responsibility and initiated projects designed to create jobs for MBCI members. The first enterprise for the Tribe was Chahta Development, a construction company that built houses under a low-income housing program for a small profit while also training and employing tribal members in a building trades skill. From this modest beginning, the Tribe began tackling other ventures, in some cases seeking and obtaining Federal assistance through the Indian Finance Act. MBCI is now a major economic engine in northeast rural Mississippi, providing a total direct and indirect impact from MBCI and its affiliate companies of 12,112 jobs, \$173M in wages, \$16.7M in taxes and \$9.1M in rent payments. Currently, the Tribe is engaged in the development of its own natural gas fired electric generating plant. Williams Energy is conducting a feasibility study, and based on the results, construction could begin in 6-8 months.

Another success story is told by the Confederated Tribes of the Umatilla Indian Reservation, located in rural northeast Oregon. Their economy was based on natural resources, primarily fishing, grain and timber. Today, the Tribe has diversified into commercial developments such as a trailer court, a grain elevator, the Wildhorse Casino, a hotel, an RV park, a golf course, a solid waste transfer station and the Tamastlikt Cultural Institute. The Tribe is now the second largest employer (1,100) in Umatilla County, following only the State of Oregon. Their operating budget has increased from \$7,559,950 in January 1992 to \$94,157,875 in January 2001.

The Southern Ute Tribe, located in rural southwestern Colorado, provides another model of economic success. That Tribe has taken control of its own oil and gas production. In 1992, the Tribe established a tribal production corporation (Red Willow Cooperation), and in 1994 it acquired a majority interest in a gathering pipeline company (Red Cedar). In addition, the Tribe has expanded by investing in other oil and gas projects in the west, and is investing its energy fuels revenues into other commercial enterprises.

Using knowledge gained from managing and operating its own reservation companies, the Tribe has acquired production properties in Texas that produce 20M cubic feet of gas per day. It has invested in an offshore well in the Gulf of Mexico, and has entered into a partnership with the Ute Indian Tribe of the Unitah & Ouray Indian Reservation and the Dominion Oil Company to explore and develop conventional oil and gas from the former Naval Oil Shale Reserve #2. The Tribe is also evaluating the purchase of shopping malls and a drug store chain in Texas and Arizona.

The Tribe does not release financial information on their enterprises, but it's reported that the income to the Tribe is in excess of \$250M per year. The Wall Street rating houses of Fitch and Standards & Poor recently gave the Tribe a Triple A rating on the Tribe's development bonds.

The role of the Federal government should be to remove obstacles to economic development (especially those created by Federal rules and actions), create incentives, and provide technical, financial and other assistance to tribes, tribal members and public and private sector businesses willing to promote economic

activities in Indian Country.

The initial priority is for the Federal government to come together with tribes to develop a straightforward approach on how we all can work toward the integration of program services and coordinate activities in the pursuit of economic parity for Indian country. Congress has provided us the mandate and authority under the Indian Employment, Training and Related Services Demonstration Act of 1992 (Pub. Law 102-477), as amended; the Native American Business Development Trade Promotion and Tourism Act of 2000 (Pub. L. 106-464); and the Indian Tribal Regulatory Reform and Business Development Act (Pub. L. 106-477).

The goal of the Subcommittee, I mentioned earlier, is to develop a strategy to coordinate and integrate all available resources from the tribal, Federal, private and public sectors into one comprehensive approach that will develop businesses, enterprises, and tribal government services and provide meaningful living wage employment in Indian Country. The Subcommittee has identified 10 major tasks to be accomplished. Each of the tasks is to be examined by a sub-Subcommittee for past studies and recommendations, current working models, available resources, legislative and regulatory authorities, budget and resource coordination, and integration. These sub-Subcommittees are named for the general subject matter of their inquiries, as follows: (1) Tribal Business Development Corporations and Tribal Venture Capital Funds; (2) Taxation & Incentives; (3) Tribal Economic Development Models; (4) Indian Finance Act; (5) Tribal Courts; (6) Federal Set Aside Procurement; (7) Technical Assistance Centers; (8) Natural Resources & Energy Development; (9) Tribal Infrastructure; and (10) Employment Development.

The first working meeting of the subgroup is being held this week. The first action was to contact representatives from all Federal programs (HUD, SBA, ANA, Census, EPA, Energy, etc.) that provide economic development assistance or statistical information to tribes and invite them to participate in the effort. The Subcommittee is planning on providing its initial findings and recommendations to the full committee and the participating tribes in October.

BIA's Office of Economic Development is committed to economic development that enhances the lives of Indians and stabilizes the future of Indian tribes. In the more successful tribes and Indian business enterprises around the country, the BIA has observed some common elements. BIA has noted some common themes where Indian economic development is lacking, and through study and consultation with tribal leaders, believes that a few initiatives would significantly improve the current disparity between the few American Indian tribes and businesses that are doing well, and those that are not.

Ultimately, the relative economic success and vitality of any nation is a public - private effort that combines the resolve of the government policy makers and the imagination and appetite for risk of entrepreneurs to create a healthy environment for enterprise and respect for each others unique point of view. Government will always be focused on the "common good" while the entrepreneur has to be driven by an anticipation of profits as a reward for it's risk.

Thank you, again, for the opportunity to speak on a subject that is near and dear to my heart. I will be happy to answer any questions you may have.