

**STATEMENT
OF
DR. ROBERT W. MIDDLETON
DIRECTOR, OFFICE OF INDIAN ENERGY AND ECONOMIC DEVELOPMENT
OFFICE OF THE ASSISTANT SECRETARY- INDIAN AFFAIRS
DEPARTMENT OF THE INTERIOR
BEFORE THE COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES
OVERSIGHT HEARING
ON
DIVERSIFYING NATIVE ECONOMIES**

September 19, 2007

Good morning, Mr. Chairman and Members of the Committee. My name is Bob Middleton, and I am the Director of the Office of Indian Energy and Economic Development (IEED) at the Department of the Interior (Department). I am pleased to be here today to deliver the Department's statement about diversifying Native economies.

Strengthening Indian Economies

Without viable economies, jobs, and fiscal stability, any initiatives to fight for safe Indian communities and to increase Indian student achievement will have an uphill battle. The efforts to enhance Indian education levels and graduation rates may be compromised if students are not given the hope of a stable job opportunity after graduation. A sustainable wage and the ability to allow individuals to support a family are vital to successful Indian communities.

It is also likely that any incentive for students to engage in a new education initiative will not be effective if students do not see the possibility of meaningful employment and a better life as an outcome. In addition, many of the troubles plaguing reservations, including the increases in drug and alcohol abuse, continuing domestic violence, and high unemployment rates are often derived from a lack of meaningful, fulfilling, and life-sustaining work opportunities in the local reservation communities.

IEED was created to develop and implement innovative programs that benefit Native American economies. These efforts focus on:

- improving Indian economic development,
- increasing tribal business knowledge,
- increasing jobs and the number of successful small and medium Indian-owned businesses,
- increasing capital investment, and
- providing technical assistance in developing energy and mineral resources.

National Economic Development Summit

In May 2007, the National Summit on Economic Development in Indian Country was held in Phoenix, Arizona. We worked in partnership with other Federal agencies and organizations including the National Congress of American Indians (NCAI), the Affiliated Tribes of Northwest Indians, the Alaska Federation of Natives, the United South and Eastern Tribes, and the Inter Tribal Council of Arizona. The participants provided information on what activities would provide the most economic stimulation for Indian businesses and identified the impediments in technical capabilities, training, capital investment, and infrastructure that are preventing the development of sustainable reservation economies.

The Summit was a huge success with over 500 registered attendees ranging from tribal leaders and individuals, to tribal governments, tribal organizations, federal agencies and private industry.

The Summit examined Native American economic development issues in three areas:

- (1) Access to capital and finance;
- (2) Improving physical and legal infrastructure; and
- (3) Fostering domestic and international business enterprises.

The Summit resulted in a list of economic development impediments identified by the participants and a corresponding list of recommended regulatory and legislative solutions. The information flowing from the Summit sessions was tremendous in volume and more ideas and perspectives are communicated to us daily that need to be incorporated into the list. Accordingly, we are working in conjunction with NCAI on a number of new tasks, including:

- A follow-on discussion about access to capital and finance was conducted on September 4-5, 2007, in Jersey City, New Jersey, sponsored by the Department in conjunction with NCAI and the Native American Finance Officers Association's (NAFOA). This "Wall Street" conference was presented to help tribal leaders and their finance professionals obtain a clarity of vision for the present and future, and continue to preserve and promote sovereignty through strong financial management.
- A follow-on discussion on tribal community comprehensive planning will be jointly hosted by the Department, NCAI, the University of New Mexico (UNM) and Arizona State University (ASU) on October 5-6, 2007, at the ASU campus in Tempe, Arizona. The conference will bring together tribal planners from Arizona and New Mexico, key policy stakeholders, and university planning faculty from the UNM School of Architecture and ASU School of Planning. The conference is considered an important step toward defining comprehensive planning and its role in tribal communities. The conference will be supported by a white paper on the topic.
- A follow-on discussion about tribal legal infrastructure will be jointly hosted by the Department, NCAI and ASU on November 29-30, 2007. Improving the tribal legal infrastructure is critical to creating a business friendly environment and sustaining

tribal development, including reform of tribal constitutions and establishing tribal commercial laws to create a business-friendly environment for sustainable tribal development.

Economic Development

IEED is continuing to build upon a successful start and expand programs that are improving the quality of life and communities for American Indians and Alaska Natives. We have taken the initial action to improve economic development by assisting in: (1) building the Indian Country physical and legal infrastructure vibrant economies require; (2) creating new jobs and expanding existing tribal and Indian-owned enterprises; (3) training existing tribal and native business executives; (4) increasing access to capital investments; and, (5) providing technical assistance to develop Indian Country's sizeable energy and mineral assets.

- ***Build a Strong Legal Infrastructure***

Indian Affairs is working towards a strong legal infrastructure to support economic growth. In 2006, we initiated a tribal commercial law project. We began by funding some of the tribes who had helped develop a model tribal secured transactions law in consultation with the Federal Reserve Bank's Helena, Montana Branch and the National Conference of Commissioners on Uniform State Laws (NCCUSL). To date, the Chippewa Cree Tribe, Crow Nation, the Umatilla Tribes and the Warm Springs Tribes have enacted various tribal commercial laws, including secured transactions law, in the belief that such laws will aid their reservation economies. To complement the enactment of commercial laws, we funded NCCUSL to develop a curriculum on commercial law to train tribal law administrators. We expect the curriculum to be used in future classes offered to the tribes.

- ***Increase Jobs and Businesses***

A great many of Indian Country's 56 million acres of land are abundant in commercially and strategically important minerals and other natural resources. In addition, IEED, through small grants, assisted remote villages in Alaska and the Pribiloff Islands in evaluating wind power to supplement expensive diesel fuel. We helped the Laguna Pueblo use local resources to generate power for a tribal electrical utility. In FY 2007, grants were provided to assist: (1) the Cherokee Nation of Oklahoma to develop a hydropower generating plant, (2) the St. Regis Mohawk Tribe to save money and provide cheaper energy to local businesses by developing a hydroelectric power plant, (3) the Passamaquoddy Tribe to take advantage of its coastal location by developing tidal energy, (4) the Coquille Indian Tribe to plan and build a woody biomass generating facility, and (5) the Jicarilla Apache Tribe and San Juan Pueblo to embark upon a joint venture to produce from timber resources fuel wood pellets and select lumber.

We have assisted tribes in formulating long-term, strategic plans to accelerate employment opportunities. In FY 2006-2007, funds were provided for economic

planning professionals to work with tribal leaders to identify tribal job creation and enterprise needs based on the unique circumstances of each reservation. Notably, the Ysleta Del Sur Pueblo used this funding to retain successful economic planners from the Winnebago Tribe of Nebraska and the Harvard Project on American Indian Economic Development to identify ways to diversify and resuscitate its moribund economy.

Under its Native American Business Development Institute (NABDI) conceived in FY 2006, IEED has developed partnerships with the Nation's elite business schools to assist tribal businesses in the preparation of business plans, the assessment of financial opportunities, and to enhance their skills in drafting proposals to obtain financing and loan guarantees from private lenders, foundations, and government entities. IEED and the teaching staff of these business schools coordinate with tribes in identifying specific economic development projects. These schools assign a high-performing Masters in Business Administration candidate or candidates, as part of their academic curriculum, to work directly with a tribe to prepare a business plan.

The NABDI helps tribes assess how to expand their role in a market or region, and increase their profitability. Some examples follow and are broken out by fiscal year:

FY 2006:

- Performed a wind energy study for the Inter-Tribal Council on Utility Policy in the Great Plains, and
- Developed a meat processing business plan for the Ft. Belknap Indian Community.

FY 2007:

- Helped the Jamestown S'Klallam Tribe analyze the potential of a business park, a security business, and a medical supply business;
- Assisted the Yakama Tribe in expanding employment opportunities in the tribe's timber production;
- Helped the Ft. Peck and Crow Tribes review the potential for new jobs in upland bird hunting;
- Assisted the Ysleta del Sur Pueblo in its desire to create new economic development uses for a dormant tribal wellness/recreation center; and
- Helped the Mescalero Apache Tribe review the potential for new employment opportunities through the installation of a glass-covered greenhouse heated by way of woody biomass.

We are also expanding the Buy-Indian Act efforts, including coordination with other federal agencies to encourage Federal Government-wide purchases of American Indian goods and services. This will increase Indian employment opportunities and revenues for Indian owned firms. Indian Affairs has used the Secretary's Buy-Indian Act authority to expand Departmental purchases of Indian goods and services. In FY 2007, a new performance measure was established to increase by 5 percent the FY 2006 total dollar value of \$13.6 million of Indian Affairs government charge card purchases from Buy-Indian vendors of office supplies, followed by a 1 percent increase annually in

subsequent fiscal years 2008-2011. IEED achieved the 5 percent goal for FY 2007 (\$675,000).

Since 1994, Indian Affairs has implemented Pub. L. 102-477 which allows tribes to integrate 10 Federal programs from the Department of Health and Human Services, Department of Labor, and Bureau of Indian Affairs (BIA) into one comprehensive resource for education, training, job placement, welfare reform, child care and related services. The program has been highly acclaimed by tribal leaders, the Congress and independent evaluations. The “477” program has received the highest PART score from the Office of Management and Budget of all American Indian programs in the Department. The “477” program is an effective tool for creating jobs, training and educating tribal members and assisting them in becoming self-sufficient, and promoting economic development. Tribes participating in “477” are more effective in moving people from welfare-to-work and reducing their dependence on public welfare due to the ability of tribes to provide comprehensive consolidated resources.

- ***Increase Business Knowledge in Tribal Communities***

To carry out its long-term goal of increasing business knowledge, we have pursued programs to train young Native Americans in entrepreneurship and tribal businessmen on how to avoid common competitive pitfalls, take advantage of federal procurement and Buy-Indian Act opportunities, and expand their businesses. Our goal is to equip hundreds more tribal entrepreneurs and those who aspire to be entrepreneurs with business knowledge that will enhance their prospects of success.

During this fiscal year, we have funded a one-year Entrepreneurial Education pilot project designed for students at five reservation high schools. The pilot project is a collaborative effort with the Bureau of Indian Education (BIE) and the National Foundation for Teaching Entrepreneurship (NFTE). NFTE has developed award-winning text books, teaching plans, and support materials along with a Certified Entrepreneurship Teacher Training Program.

In FY 2006-2007, we also partnered with the top-rated Tuck School of Business at Dartmouth College to provide a series of intensive training workshops for executives of Native American businesses that focus on developing and improving business management skills; establishing and running a business; maintaining accounting records; assessing performance; creating high-performing enterprises; and expanding existing operations. In fact, members of my staff are assisting with one of these workshops this week in Fort Yates, North Dakota near the Standing Rock Sioux reservation. These training sessions receive uniform praise from participants. We will also augment the number of business training sessions conducted by distinguished business school academics for American Indian businesses.

We are also working with tribes to expand business opportunities through the 8(a) program within the Small Business Administration (SBA). As part of the process, IEED is encouraging tribal leaders, where appropriate, to begin the process of applying for

tribal 8(a) status, and offering to connect the tribe with 8(a) experts if the tribe is interested in using a consultant to aid them in this process. We offer guidance to tribal businesses seeking Federal, Commercial and Tribal opportunities, and we help facilitate Mentor/Protégé relationships with the SBA, the Department of Defense or other appropriate Federal agencies during the 8(a) application process.

We are currently working with the BIA Procurement Division and the Division of Policy and Planning to explore policies that will increase the use of Tribal 8(a) businesses. In addition, IEED is also working with the General Services Administration to develop a tracking system of contracts awarded to Tribal 8(a)s and Alaska Native Corporations.

IEED continues to partner with SBA to present Regional Procurement Workshops to provide training on the 8(a) and other Small Business Programs which include the following highlights:

- a. The background of 8(a), the purpose of 8(a), how tribes can use 8(a) in business planning, the difference between individual 8(a) and tribal 8(a), and information about how to apply for tribal 8(a) status.
- b. One-on-one meetings with SBA staff and tribal economic planners during workshops for more in-depth discussions about individual tribe's 8(a) potential.
- c. Work with SBA and other appropriate Federal agencies to pursue sub-contracting opportunities both during the application process and once 8(a) status has been approved.
- d. Serve as liaison with the Department's Office of Small and Disadvantaged Business Utilization and other Federal agency small business programs to identify projects that will enhance tribal procurement opportunities including planning, policies, training, and development of outreach materials for procurement personnel.

- ***Increase Access to Capital Investment***

Part of our mission is to help tribal communities develop viable business enterprises and foster sustainable economic growth. Our Division of Capital Investment offers assistance predominantly through programs established under the Indian Financing Act of 1974, as amended. We seek parity in accessing capital and sustainable economic growth between Indian and non-Indian communities.

We operate the Loan Guaranty, Insurance, and Interest Subsidy Program, 25 U.S.C. § 1481 *et seq.* and 25 CFR Part 103 ("Program"). This Program offers private lenders Federal guarantees and insurance to cover the risk that a loan made to an American Indian-owned business will not be repaid in full or on time. By enhancing loan security in this manner, the Program enables lenders to make loans that they otherwise

would not make and the opportunity to offer loan terms substantially better than what they would offer absent the Program guaranty or insurance.

This Program leverages appropriated funds in a significant way. For example, in FY 2006, from the \$6.25 million appropriated for the Loan Guaranty, Insurance and Interest Subsidy Program, the Program was able to guarantee about \$108 million in loans to American Indian owned businesses and administer the program. In addition, we maintained a loss percentage of less than 2 percent.

We are currently writing regulations to implement changes to the Indian Financing Act from Title IV of the Native American Technical Corrections Act of 2006 (“Act”). We are using this opportunity to make other changes to the Loan Guaranty, Insurance, and Interest Subsidy Program regulations as well, both to reflect changes under the Act and to improve management of the loan guarantee program.

- ***Development of Energy and Mineral Assets***

Absent the gaming and timber industries, the development of energy and mineral resources provides the best economic development opportunities for many tribes. In FY 2006, alone, these resources generated \$579 million in royalty revenue paid to Indian individuals and tribes. We estimate that about 25 percent of Indian and tribal lands contain undeveloped energy and mineral resources. The Department’s goal is to help tribes gain access to these energy and non-energy mineral resources while ensuring the responsible use of lands that are developed.

In consultation with tribes, we provide ongoing assistance in the exploration and development of over 2 million acres of actively producing energy and mineral leases. This activity includes the collection of resource assessment data, feasibility studies, market analyses and other resource development initiatives, as well as overseeing leasehold agreements of oil, gas, coal and industrial mineral deposits located on Indian lands for the benefit of tribes and individual Indian owners. Through collection and analysis of exploration data we help tribes and individual Indian landowners with the assessment of their energy and mineral resources to determine the potential value of their lands for leasing purposes and assist in resource development planning. Information about land status and the activities that impact this status is a key component in effective decision-making.

We also provide timely information, economic analysis, recommendations, and support to tribes during the negotiation and approval phases of the Mineral Development Agreements as authorized under the Indian Mineral Development Act of 1982. We also provide monetary grants through our Energy and Mineral Development Program to allow tribes to evaluate energy and mineral resource potential through the acquisition of exploratory data and geo-technical data interpretation. Program funds also support the development of computer-based systems to make this information readily accessible to the Indian mineral owner. By providing this type of information to the Indian energy and mineral owner before negotiations with developers begin, we greatly enhance the ability

of the tribe to maximize income from the development of their resources. As a result, requests for assistance from tribes to determine their energy and mineral resources development potential continue to increase.

We sponsor national and regional conferences on energy and mineral development opportunities in Indian Country. This outreach program helps to stimulate industry interest in pursuing economic development opportunities for Alaska Natives and on Indian reservations. It provides a forum for tribes and Alaska Natives interested in considering energy and mineral proposals, publishes geotechnical data on mineral resources on American Indian trust lands, and discusses the positive effects of doing business on American Indian lands.

The successful development of energy and non-energy mineral resources creates many long-term career level jobs for American Indians and Alaska Natives, provides sustainable, supplemental funding streams for tribal government operations and improves the overall quality of life within reservation communities.

Conclusion

We will continue to partner with the tribes, other Federal agencies, and American Indian organizations to facilitate economic development opportunities in Indian Country. We will also seek ways to leverage our existing appropriations to maximize benefits to enhance and strengthen tribal economies and economic development opportunities. Thank you for holding this hearing on diversifying Native economies. I will be happy to answer any questions you may have.