

**Committee on Natural Resources  
Hearing on H.R. 3351  
Native American Challenge Demonstration Project of 2007  
Nov. 14, 2007**

**Introduction**

Chairman Rahall, Ranking Member Young, and Members of the Committee, I am honored to be here today representing the Department of Commerce. I am also pleased to be at the same hearing as Julie Kitka, President of the Alaska Federation of Natives. The Department of Commerce knows Ms. Kitka well, and we have come to greatly appreciate her passion, commitment, and new ideas regarding improving economic opportunity in Native American communities.

I appreciate the opportunity to discuss with the Committee the "Native American Challenge Demonstration Project Act of 2007." Although the Administration has not taken a position on the bill, in this tight fiscal environment, it is clear that spending constraint is one of the Administration's top priorities. However, the Department is pleased to offer our observations today, based on our experience working with Native American communities. Overall, the Department appreciates the bill's emphasis on planning to promote successful economic development, and the effort to incorporate performance benchmarks in order to better ensure results are achieved for areas where economic opportunity lags.

**Department of Commerce Experience with Native American Communities**

The Department of Commerce has promoted economic growth in Native American communities in the following ways:

**Minority Business Development Agency Funds Business Centers**

The Minority Business Development Agency (MBDA) funds eight Native American Business Enterprise Centers in Oklahoma, New Mexico, North Dakota, California, Washington, Minnesota, Arizona, and New Mexico, which provide technical assistance and procurement services to Native American businesses. Through this program, the MBDA focuses on helping with contracting and finance opportunities for Native American businesses and Alaska Native corporations.

**International Trade Administration Promotes Exports and Tourism**

The International Trade Administration's Commercial Service plays a key role in promoting Native American exports abroad. Since 2004, the Commercial Service has helped its growing base of Native American businesses to achieve approximately \$775,000 in export sales and international tourism in tribal lands. The Commercial Service has provided research on target markets for Native American artisan work, funded activities at international industry trade shows, and presented training seminars for Native American communities on marketing their native crafts and their lands as travel destinations. Also, the International Trade Administration's Office of Travel and Tourism Industries has tracked tourist visits to Native American communities since 1996. This information is helpful in identifying traveler characteristics and targeting markets for overseas travelers.

### **The Economic Development Administration Invests in Job Creation**

The Department of Commerce's Economic Development Administration (EDA) makes investments to promote economic development in Native American communities. Native American communities are eligible to compete for EDA investments, and can by statute receive up to one hundred per cent federal funding of their economic development initiatives.

Since 2001, the Economic Development Administration (EDA) has made 509 strategic investments to Native American communities and organizations for economic development, totaling over \$88 million; these investments are estimated to have created over 9,400 jobs for Native Americans, saved another 6,500 jobs, and leveraged over \$395 million in private sector investment.

Each year, EDA awards approximately 55 planning investments totaling \$2.6 million to Native American governments to help with the creation of comprehensive economic development strategies, and EDA expects to maintain this level of investment in 2008. By crafting economic development strategies that reflect local priorities, Native American governments position themselves to direct their resources to optimal use.

EDA has three policy priorities that guide its investment philosophy; we look for projects that promote:

- innovation and competitiveness,
- entrepreneurship, and
- regional collaboration.

These three cornerstones of EDA's approach have been successful in creating higher-skilled, higher-wage jobs, attracting private investment and preparing America's regions for success in the 21<sup>st</sup> century.

In selecting projects for investment, both for distressed Native American communities as well as other distressed areas, EDA relies on grassroots ideas. When economic development strategies are developed by local decision makers, the whole process works better.

As examples of EDA's investments in Native American and Indian communities, allow me to review two of EDA's more fruitful partnerships.

#### **Native Village of Kwinhagak**

In 2004, EDA made an investment in the Native Village of Kwinhagak near Bethel, Alaska. EDA invested \$1.2 million to extend the airport runway 800 feet to accommodate planes handling bigger payloads. This successful investment generated 189 jobs. The runway is strategically located to ship cargo to remote wilderness in southwest Alaska and to Anchorage, therefore this runway extension benefits a whole region, not just a locality.

## **The Umatilla Tribes of Oregon**

Just this year, the Confederated Tribes of the Umatilla Indian Reservation of Oregon prepared a master plan for the development of a business park with other partners in the region. The park is expected to generate \$10 million in private investment and its first tenant is a global management and technology services firm. Approximately 200 higher-skill, higher wage jobs will be created in the park, for which the Tribes helped to establish workforce development programs at a nearby university to train their members. This project has proven to be so successful that EDA awarded the Tribes a performance award, providing the Tribes with additional financial resources.

### **H.R. 3351**

The “Native American Challenge Demonstration Project Act of 2007” correctly identifies the fundamental need to begin any economic development with strategies designed to achieve sustainable growth and reduce poverty over a defined period.

The bill intends to mirror the framework established by the Millennium Challenge Act, which improves how the US provides foreign aid to under-developed countries. The Millennium Challenge Act establishes criteria to ensure that the countries are “development ready” to successfully take advantage of economic development resources.

If this demonstration project follows the Millennium Challenge Act model, it is critically important that Native American communities be able to show development readiness by the improvement of schools and education levels; elimination of regulatory barriers to business creation; and a reduction in violent crime. I also note that it is equally critical that these communities take steps to promote productivity, innovation and entrepreneurship, which underpin successful economic development in the 21<sup>st</sup> century. One of the most significant challenges facing Native American communities is creating an environment that is attractive to private sector investment. While government resources are important, without private sector investment economic growth and job creation will simply not occur.

In addition, the bill recognizes the critical need to measure actual results. Equally significant, it recognizes that accountability in the implementation of such projects is an important incentive for success; accordingly, it authorizes the Secretary to suspend or terminate assistance for poor performance, so resources can be redirected to more promising initiatives. I also appreciate the intent of the bill to simplify the complex maze of often confusing regulatory requirements that Native American areas face in accessing assistance from a myriad of federal programs.

However, while the Native American Challenge Compacts are an interesting concept, they also raise some important issues. The Compact grants in this bill are based on a process of pre-identifying eligible entities, which limits and segments the grantee population. Furthermore, the eligibility criteria for these demonstration grants are neither based on merit nor need, which hinders the overall competitive process. As there may be opposition to these elements, more thought should be placed on general eligibility criteria.

There is also concern over other agencies transferring development funds to the Department of Commerce. We would, of course, need to discuss such arrangements with our sister agencies.

We have been informed that the Justice Department has concerns about the definition of "eligible entity" in section 3 of the bill. As I understand the issue, to the extent that the bill could be viewed as authorizing the award of government assistance on the basis of racial or ethnic criteria, rather than tribal affiliation, grants would be subject to strict constitutional scrutiny. Since Congress has not recognized any group of Native Hawaiians as an Indian tribe and there is a substantial, unresolved question whether Congress may treat the native Hawaiians as it does the Indian tribes, I understand that Justice recommends that Native Hawaiian community organizations be deleted from the list of eligible entities.

### **Conclusion**

This demonstration bill, HR 3351, proposes to provide Native American communities with a multi-year strategic economic development plan developed by the community, and pushes the major decision-making to the local level. This is the crucial first step to a successful outcome, as is the provision of technical assistance to support capacity building, which a number of communities are likely to need.

We appreciate the intent of this bill to adapt the framework of the Millennium Challenge to Native American communities. While there are no Department of Commerce funds available for this program, we look forward to working with Chairman Rahall, Ranking Member Young and the Committee, to bring our experience in economic development to bear in helping Native American communities prosper. In addition, I urge the Committee and those interested in this bill to reach out to those implementing the Millennium Challenge in order to utilize their expertise in crafting criteria that address the development-ready aspect of the proposed legislation.

While the emphasis on performance and planning is impressive, more consideration should be given to broadening the eligibility of the grant program.

Mr. Chairman, Ranking Member Young, and Members of the Committee, thank you for your time and we look forward to being helpful as this bill moves through the Congress.