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ECONOMIC DEVELOPMENT OF INDIANS AND INDIAN ORGANIZATIONS

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HEARING

BEFORE THE

COMMITTEE ON INDIAN AFFAIRS

OF THE

COMMITTEE ON

INTERIOR AND INSULAR AFFAIRS

UNITED STATES SENATE

NINETY-SECOND CONGRESS

SECOND SESSION

ON

S. 2036

A BILL TO PROVIDE FOR FINANCING THE ECONOMIC DEVELOPMENT OF INDIANS AND INDIAN ORGANIZATIONS, AND FOR OTHER PURPOSES

S. 2237

A BILL TO ESTABLISH WITHIN THE DEPARTMENT OF THE INTERIOR THE INDIAN BUSINESS DEVELOPMENT PROGRAM TO STIMULATE INDIAN ENTREPRENEURSHIP AND EMPLOYMENT, AND FOR OTHER PURPOSES

AUGUST 1, 1972

Printed for the use of the
Committee on Interior and Insular Affairs



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(II)

CONTENTS

| | Page |
|------------------------------------|------|
| S. 2036----- | 3 |
| Department of Interior report----- | 2 |
| Explanation of S. 2036----- | 21 |
| S. 2237----- | 27 |
| Department of Interior report----- | 30 |
| Bureau of Indian Affairs----- | 33 |

STATEMENTS

| | |
|---|------------|
| Cook, Leon, president, National Congress of American Indians; accompanied by Franklin Ducheneaux, legislative consultant----- | 50 |
| Goodhouse, Lewis, tribal chairman, Devils Lake Sioux Tribe, Fort Totten, N. Dak.; accompanied by Theodore Jamerson, reservation superintendent----- | 62, 64 |
| James, Overton, governor, Chickasaw Nation; president, Inter-Tribal Council of the Five Civilized Tribes----- | 56 |
| Janis, Grace E., Oglala Sioux, Pine Ridge, S. Dak.; accompanied by Etta Young Man----- | 68 |
| Loesch, Harrison, Assistant Secretary of the Interior for Public Land Management----- | 36, 44, 49 |
| Pruner, Harold, member, Delaware Tribal Council----- | 64, 67 |

COMMUNICATIONS

| | |
|---|----|
| MacNabb, Alexander, Acting Commissioner, U.S. Department of the Interior: letter to Senator Jackson, dated August 11, 1972----- | 47 |
|---|----|

APPENDIX

STATEMENTS

| | |
|---|----|
| Dean, S. Bobo, Esq., on behalf of the Oglala Sioux Tribe----- | 69 |
| McCaleb, Neal A., Edmond, Okla----- | 71 |
| National Tribal Chairmen's Association, statement on: | |
| S. 2036----- | 69 |
| S. 2237----- | 71 |
| United Indian Tribes of Western Oklahoma and Kansas, Inc----- | 84 |
| Wilkinson, Cragun & Barker, law firm of----- | 73 |

COMMUNICATIONS

| | |
|---|----|
| Sahmaunt, Herschel, National Indian Education Association: telegram to Senator Jackson----- | 83 |
|---|----|

100
101
102
103
104
105
106
107
108
109
110
111
112
113
114
115
116
117
118
119
120
121
122
123
124
125
126
127
128
129
130
131
132
133
134
135
136
137
138
139
140
141
142
143
144
145
146
147
148
149
150
151
152
153
154
155
156
157
158
159
160
161
162
163
164
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168
169
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171
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181
182
183
184
185
186
187
188
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190
191
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ECONOMIC DEVELOPMENT OF INDIANS AND INDIAN ORGANIZATIONS

TUESDAY, AUGUST 1, 1972

U.S. SENATE.
SUBCOMMITTEE ON INDIAN AFFAIRS OF THE
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C.

The subcommittee met at 10 a.m., in room 3110, New Senate Office Building, pursuant to notice, Hon. Lee Metcalf presiding.

Present: Senators Metcalf (presiding), Burdick, and Fannin.

Also present: Forrest Gerard, professional staff member; Thomas Nelson, assistant minority counsel; and Rosemary Donnelley, staff member.

Senator METCALF. The subcommittee will be in order.

This is an open, public hearing to take testimony from administration and Indian witnesses on S. 2036, to provide for financing the economic development of Indians and Indian organizations; and S. 2237, to establish within the Department of the Interior the Indian business development program.

These measures were proposed by the administration and are addressed to the urgent credit needs of Indian reservations and Indian communities for economic development purposes.

The committee looks forward to a detailed explanation of the two bills by the administration witnesses, and we want to hear the views of the Indian people concerning the adequacy of these measures.

I was disappointed to learn that my fellow Montanan, Mr. William Youpee, chairman of the National Tribal Chairmen's Association, is unable to testify today. However, Mr. Youpee has submitted statements on S. 2036 and S. 2237, which I shall direct be inserted at an appropriate place in the hearing record.

At this point, I shall direct that the texts of the bills and departmental executive communications be made a part of the record.

(The documents follow:)

(1)



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

APR 13 1971

Dear Mr. President:

Enclosed is a bill, "To provide for financing and economic development of Indians and Indian organizations, and for other purposes."

We recommend that the proposal be referred to the appropriate committee for consideration, and that it be enacted.

The enclosed proposal is similar to the Financing Act submitted to the 91st Congress on July 21, 1970. An explanation of the provisions of the bill also is enclosed.

The Office of Management and Budget advises that the enactment of the proposed legislation would be in accord with the program of the President.

Sincerely yours,

~~Assistant~~ Secretary of the Interior

Hon. Spiro T. Agnew
President of the Senate
Washington, D.C. 20510

Enclosures

1 own resources; where they will enjoy a standard of living
2 from their own productive efforts comparable to that enjoyed
3 by non-Indians in neighboring communities; and where they
4 will have the opportunity to be integrated socially, politi-
5 cally, and economically into American life.

6

DEFINITIONS

7

SEC. 3. For the purpose of this Act, the term—

8

(a) "Secretary" means the Secretary of the
9 Interior.

10

(b) "Indian" means any Indian, Aleut, or Eskimo
11 having one-quarter or more degree of Indian, Aleut, or
12 Eskimo blood.

13

(c) "Tribe" means any tribe, band, community,
14 pueblo, or other group of Indians having an organization
15 acceptable to the Secretary.

16

(d) "Other organizations" means any non-Indian
17 individual, firm, corporation, partnership, or association.

18

TITLE I—INDIAN REVOLVING LOAN FUND

19

SEC. 101. In order to provide credit that is not avail-
20 able from private money markets, all funds that are now or
21 hereafter a part of the revolving fund authorized by the Act
22 of June 18, 1934 (48 Stat. 986), the Act of June 26, 1936
23 (49 Stat. 1968), and the Act of April 19, 1950 (64 Stat.
24 44), as amended and supplemented, including sums received
25 in settlement of debts of livestock pursuant to the Act of

1 May 24, 1950 (64 Stat. 190), and sums collected in repay-
2 ment of loans heretofore or hereafter made, and as interest or
3 other charges on loans, shall hereafter be administered as a
4 single revolving loan fund and shall be available for loans to
5 Indians having a form of organization that is satisfactory to
6 the Secretary and for loans to individual Indians who are
7 not members of or eligible for membership in an organization
8 that is making loans to its members as well as for admin-
9 istrative expenses incurred in connection therewith.

10 SEC. 102. Loans may be made for any purpose that
11 will promote the economic development of (a) the indi-
12 vidual Indian borrower, including loans for educational pur-
13 poses, and (b) the Indian organization and its members,
14 including loans by such organizations to other organiza-
15 tions and investments in other organizations regardless of
16 whether they are organizations of Indians.

17 SEC. 103. Loans may be made only when, in the judg-
18 ment of the Secretary, there is a reasonable prospect of re-
19 payment, and only to applicants who in the opinion of the
20 Secretary are unable to obtain financing from other sources
21 on reasonable terms and conditions. Before a loan may be
22 made from the revolving loan fund, Indian tribes shall be
23 required to use their own funds, those funds being funds
24 available to them from uncommitted or unprogramed funds
25 on deposit in the United States Treasury or elsewhere, or
26 funds accruing from income.

1 SEC. 104. Loans shall be for terms that do not exceed
2 thirty years and shall bear interest at (a) a rate determined
3 by the Secretary of the Treasury taking into consideration
4 the market yields on municipal bonds: *Provided*, That in
5 no event shall the rate be greater than the rate determined
6 by the Secretary of the Treasury taking into consideration
7 the current average yield on outstanding marketable obliga-
8 tions of the United States of comparable maturity, plus (b)
9 such additional charge, if any, toward covering other costs
10 of the program as the Secretary may determine to be con-
11 sistent with its purpose: *Provided*, That educational loans
12 may provide for interest to be deferred while the borrower
13 is in school or in the military service.

14 SEC. 105. The Secretary shall pay from the revolving
15 loan fund into miscellaneous receipts of the Treasury, at
16 the close of each fiscal year, interest on the amount of out-
17 standing loans of the revolving loan fund. The rate of such
18 interest shall be determined by the Secretary of the Treas-
19 ury, taking into consideration the current average yield
20 on outstanding marketable obligations of the United States of
21 comparable maturity. Interest payments may be deferred
22 with the approval of the Secretary of the Treasury, but any
23 interest payments so deferred shall themselves bear interest.

24 SEC. 106. The Secretary may cancel, adjust, compro-
25 mise, or reduce the amount of any loan or any portion

1 thereof heretofore or hereafter made from the revolving loan
2 fund established by this title and its predecessor constituent
3 funds which he determines to be uncollectable in whole or in
4 part, or which is collectable only at an unreasonable cost,
5 or when such action would, in his judgment, be in the best
6 interests of the United States. He may also adjust, com-
7 promise, subordinate, and modify the terms of any mortgage,
8 lease, assignment, contract, agreement, and other document
9 taken to secure such loans.

10 SEC. 107. The Secretary may sell, with the approval of
11 the Secretary of the Treasury, to any person or entity any
12 loan heretofore or hereafter made from the revolving loan
13 fund established by this title and its predecessor constituent
14 funds and may guarantee any loan thus sold, subject to the
15 same conditions, terms, and limitations of any loans guaran-
16 teed pursuant to title II of this Act. The receipts from any
17 such sale shall be deposited in the revolving loan fund and
18 be available for other loans from such fund.

19 SEC. 108. Title to any land purchased by a tribe or by
20 an individual Indian with loans made from the revolving loan
21 fund may be taken in trust unless the land is located outside
22 the boundaries of a reservation or a tribal consolidation area
23 approved by the Secretary. Title to any land purchased by a
24 tribe or an individual Indian that is outside the boundaries of
25 the reservation or approved consolidation area may be taken

1 in trust if the purchaser was the owner of trust or restricted
2 interests in the land before the purchase, otherwise title shall
3 be taken in the name of the purchasers without any restric-
4 tion on alienation, control or use. Title to any personal prop-
5 erty purchased with a loan from the revolving loan fund
6 shall be taken in the name of the purchaser.

7 SEC. 109. Title to property purchased with a loan from
8 the revolving loan fund shall be pledged or mortgaged to the
9 lender as security for the unpaid indebtedness to the lender,
10 in such manner and upon such terms as may be prescribed by
11 the Secretary: *Provided*, That this requirement may be
12 waived or modified if the Secretary determines that the re-
13 payment of the loan is otherwise reasonably assured. Land
14 purchased with a loan, title to which is taken in trust and
15 pledged or mortgaged as security, shall be subject to fore-
16 closure and sale, free of such trust or restrictions, in accord-
17 ance with the laws of the State in which the land is located.

18 SEC. 110. Any organization receiving a loan from the
19 revolving loan fund shall be required to assign to the United
20 States as security for the loan all securities acquired in con-
21 nection with the loans made to its members from such funds
22 unless the Secretary determines that the repayment of the
23 loan to the United States is otherwise reasonably assured.

24 SEC. 111. A loan from the revolving loan fund that
25 becomes delinquent and the interest thereon, may be col-

1 lected by the Secretary from per capita payments or other
2 distributions of tribal assets due the delinquent borrower,
3 without prejudice to the right to foreclose on the securities for
4 the loan. If, during the period of repayment of any loan made
5 under this section, a tribe is awarded a money judgment
6 against the United States, and if the payment of any install-
7 ment on a loan is in default, the installment (s) in default
8 or the balance of the loan, in the discretion of the Secretary,
9 shall be collected from the appropriation to satisfy the judg-
10 ment insofar as the amount of the appropriation will cover the
11 same.

12 SEC. 112. There is authorized to be appropriated, to
13 provide capital and to restore any impairment of capital, for
14 the revolving loan fund \$50,000,000 exclusive of prior au-
15 thorizations and appropriations, or such other amount as may
16 be provided in appropriation Acts.

17 SEC. 113. The Secretary shall promulgate rules and
18 regulations to carry out the provisions of this title.

19 TITLE II—LOAN GUARANTY AND INSURANCE

20 SEC. 201. In order to provide access to private money
21 sources that otherwise would not be available, the Secretary
22 is authorized (a) to guarantee not to exceed 90 per centum
23 of the unpaid principal and interest due on any loan made to
24 any organization of Indians having a form or organization
25 satisfactory to the Secretary, and to individual Indians who

1 are not members of or eligible for membership in an organi-
2 zation that is making loans to its members; and (b) in lieu
3 of such guaranty, to insure loans under an agreement ap-
4 proved by the Secretary whereby the lender will be reim-
5 bursed for losses in an amount not to exceed 15 per centum
6 of the aggregate of such loans made by it, but not to exceed
7 90 per centum of the loss on any one loan.

8 .SEC. 202. The Secretary may, to the extent he deems
9 consistent with the purposes of the program, fix such pre-
10 mium charges for the insurance and guarantee of loans as
11 are in his judgment adequate to cover expenses and probable
12 losses, and deposit receipts from such charges in the Indian
13 Loan Guaranty and Insurance Fund established pursuant to
14 section 217 (a) of this title.

15 SEC. 203. Loans guaranteed or insured pursuant to this
16 title shall bear interest (exclusive of premium charges for
17 insurance, and service charges, if any) at rates not to exceed
18 such per centum per annum on the principal obligation out-
19 standing as the Secretary determines to be reasonable taking
20 into consideration the range of interest rates prevailing in
21 the private market for similar loans and the risks assumed by
22 the United States.

23 SEC. 204. The application for a loan to be guaranteed
24 hereunder shall be submitted to the Secretary for prior ap-
25 proval. Upon approval, the Secretary will issue a certificate

1 as evidence of the guaranty. Such certificate shall be issued
2 only when, in the judgment of the Secretary, there is a rea-
3 sonable prospect of repayment. No loan to an individual
4 Indian may be guaranteed or insured which would cause
5 the total unpaid principal indebtedness to exceed \$100,000.
6 No loan in excess of \$100,000, or such lower amount as the
7 Secretary may determine to be appropriate, shall be insured
8 unless prior approval of the loan is obtained from the Secre-
9 tary.

10 SEC. 205. Any loan guaranteed hereunder, including
11 the security given therefor, may be sold or assigned by the
12 lender to any financial institution subject to examination and
13 supervision by an agency of the United States or of any
14 State or the District of Columbia.

15 SEC. 206. Loans made by any agency or instrumentality
16 of the Federal Government, or by an organization of Indians
17 from funds borrowed from the United States, and loans the
18 interest on which is not included in gross income for the
19 purposes of Chapter 1 of the Internal Revenue Code of 1954,
20 shall not be eligible for guaranty or insurance hereunder.

21 SEC. 207. Any loans insured hereunder shall be restricted
22 to those made by a financial institution subject to examina-
23 tion and supervision by an agency of the United States, a
24 State, or the District of Columbia, and to loans made by In-

1 dian organizations from their own funds to other tribes or
2 organizations of Indians.

3 SEC. 208. Loans guaranteed hereunder may be made by
4 any lender satisfactory to the Secretary, except as provided
5 in section 206. The liability under the guaranty shall de-
6 crease or increase pro rata with any decrease or increase in
7 the unpaid portion of the obligation.

8 SEC. 209. Any loan made by any national bank or Fed-
9 eral savings and loan association, or by any bank, trust com-
10 pany, building and loan association or insurance company
11 authorized to do business in the District of Columbia, at least
12 20 per centum of which is guaranteed hereunder, may be
13 made without regard to the limitations and restrictions of
14 any other Federal statute with respect to (a) ratio of
15 amount of loan to the value of the property; (b) maturity
16 of loans; (c) requirement of mortgage or other security;
17 (d) priority of lien; or (e) percentage of assets which may
18 be invested in real estate loans.

19 SEC. 210. The maturity of any loan guaranteed or in-
20 sured hereunder shall not exceed thirty years.

21 SEC. 211. In the event of a default of a loan guaranteed
22 hereunder, the holder of the guaranty certificate may im-
23 mediately notify the Secretary in writing of such default
24 and the Secretary shall thereupon pay to such holder the
25 pro rata portion of the amount guaranteed and shall be sub-

1 rogated to the rights of the holder of the guaranty, and
2 receive an assignment of the obligation and security. The
3 Secretary may cancel the uncollectable portion of any obli-
4 gation to which he has an assignment or a subrogated right
5 under this section. Nothing in this section shall be construed
6 to preclude any forbearance for the benefit of the borrower
7 as may be agreed upon by the parties to the loan and ap-
8 proved by the Secretary. The Secretary may establish the
9 date, not later than the date of judgment and decree of
10 foreclosure or sale, upon which accrual of interest or charges
11 shall cease.

12 SEC. 212. When a lender suffers a loss on a loan insured
13 hereunder, including accrued interest, a claim therefor shall
14 be submitted to the Secretary. If the Secretary finds that
15 the loss has been suffered, he will reimburse the lender there-
16 for, and the amount payable to the lender for a loss on any
17 one loan shall not exceed 90 per centum of such loss:
18 *Provided*, That no reimbursement may be made for losses in
19 excess of 15 per centum of the aggregate of insured loans
20 made by the lender: *Provided further*, That before any re-
21 imbursement is made, all reasonable collection efforts shall
22 have been exhausted by the lender, and the security for the
23 loan shall have been liquidated to the extent feasible, and the
24 proceeds applied on the debt. Upon reimbursement, in whole
25 or in part, to the lender, the note or judgment evidencing

1 the debt shall be assigned to the United States, and the
2 lender shall have no further claim against the borrower or
3 the United States. The Secretary shall then take such fur-
4 ther collection action as may be warranted, or may cancel
5 the uncollectable portion of any debt assigned pursuant
6 hereto. The Secretary may establish a date upon which
7 accrual of interest or charges shall cease.

8 SEC. 213. Whenever the Secretary finds that any lender
9 or holder of a guaranty certificate fails to maintain adequate
10 accounting records, or to demonstrate proper ability to serv-
11 ice adequately loans guaranteed or insured, or to exercise
12 proper credit judgment, or has willfully or negligently en-
13 gaged in practices otherwise detrimental to the interests of
14 a borrower or of the United States, he may refuse, either
15 temporarily or permanently, to guarantee or insure any
16 further loans made by such lender or holder, and may bar
17 such lender or holder from acquiring additional loans guaran-
18 teed or insured hereunder: *Provided*, That the Secretary
19 shall not refuse to pay a valid guaranty or insurance claim
20 on loans previously made in good faith.

21 SEC. 214. Any evidence of guaranty or insurance issued
22 by the Secretary shall be conclusive evidence of the eligi-
23 bility of the loan for guaranty or insurance under the provi-
24 sions of this Act and the amount of such guaranty or insur-
25 ance: *Provided*, That nothing in this section shall preclude

1 the Secretary from establishing, as against the original lender,
2 defenses based on fraud or material misrepresentation or bar
3 him from establishing, by regulations in force at the date of
4 such issuance or disbursement, whichever is the earlier, partial
5 defenses to the amount payable on the guaranty or insurance.

6 SEC. 215. Title to any land purchased by a tribe or by an
7 individual Indian with loans guaranteed or insured pursuant
8 to this title may be taken in trust, unless the land is located
9 outside the boundaries of a reservation or a tribal consolida-
10 tion area approved by the Secretary. Title to any land pur-
11 chased by a tribe or an individual Indian that is outside the
12 boundaries of the reservation or approved consolidation area
13 may be taken in trust if the purchaser was the owner of trust
14 or restricted interests in the land before the purchase, other-
15 wise title shall be taken in the name of the purchaser without
16 any restriction on alienation, control, or use. Title to any per-
17 sonal property purchased with loans guaranteed or insured
18 hereunder shall be taken in the name of the purchaser. Land
19 purchased with a loan, title to which is taken in trust and
20 pledged or mortgaged as security, shall be subject to fore-
21 closure and sale, free of such trust or restrictions, in accord-
22 ance with the laws of the State in which the land is located.

23 SEC. 216. The financial transactions of the Secretary
24 incident to or arising out of the guarantee or insurance of
25 loans, and the acquisition, management, and disposition of

1 property, real, personal, or mixed, incident to such activities,
2 shall be final and conclusive upon all officers of the Govern-
3 ment. With respect to matters arising out of the guaranty or
4 insurance program authorized by this title, and notwithstand-
5 ing the provisions of any other laws, the Secretary may—

6 (a) sue and be sued in his official capacity in any
7 court of competent jurisdiction;

8 (b) subject to the specific limitations in this title,
9 consent to the modification, with respect to the rate of
10 interest, time of payment on principal or interest or any
11 portion thereof, security, or any other provisions of any
12 note, contract, mortgage, or other instrument securing
13 a loan which has been guaranteed or insured hereunder;

14 (c) pay, or compromise, any claim on, or arising
15 because of any loan guaranty or insurance;

16 (d) pay, compromise, waive, or release any right,
17 title, claim, lien, or demand, however acquired, includ-
18 ing any equity or right of redemption;

19 (e) purchase at any sale, public or private, upon
20 such terms and for such prices as he determines to be
21 reasonable, and take title to property, real, personal, or
22 mixed; and similarly sell, at public or private sale,
23 exchange, assign, convey, or otherwise dispose of such
24 property; and

25 (f) complete, administer, operate, obtain, and pay

1 for insurance on, and maintain, renovate, repair, modern-
2 ize, lease, or otherwise deal with any property acquired
3 or held pursuant to the guaranty or insurance program
4 authorized by this title.

5 SEC. 217. (a) There is hereby created an Indian Loan
6 Guaranty and Insurance Fund (hereinafter referred to as
7 the "fund") which shall be available to the Secretary as a
8 revolving fund without fiscal year limitation for carrying
9 out the provisions of this title. There are authorized to be
10 appropriated to the Secretary such sums as may be necessary
11 for the purpose of the fund.

12 (b) The Secretary may use the fund for the purpose
13 of fulfilling the obligations with respect to loans guaranteed
14 or insured under this title, but the aggregate of such loans
15 which are insured or guaranteed by the Secretary shall be
16 limited to \$200,000,000 as authorized in appropriation Acts.

17 (c) All funds, claims, notes, mortgages, contracts, and
18 property acquired by the Secretary under this section, and
19 all collections and proceeds therefrom, shall constitute assets
20 of the fund; and all liabilities and obligations of such assets
21 shall be liabilities and obligations of the fund. Guaranteed
22 or insured loans acquired with the fund may be collected
23 in accordance with their terms or may be sold by the Secre-
24 tary with or without guaranty or insurance thereof. The
25 Secretary is authorized to make agreements with respect to

1 servicing loans held, guaranteed or insured by him under
2 this title and purchasing such guaranteed or insured loans
3 on such terms and conditions as he may prescribe.

4 (d) If at any time the moneys in the fund are not
5 sufficient to enable the Secretary to discharge his responsi-
6 bility under any insurance or guaranty contract, the Secretary
7 is authorized to issue notes to the Secretary of the Treasury
8 in such amounts as may be necessary to discharge such
9 responsibilities but only in such amounts as may be specified
10 from time to time in appropriation Acts. Such notes shall be
11 in such form and denominations and have such maturities
12 and be subject to such terms and conditions as may be pre-
13 scribed by the Secretary with the approval of the Secretary
14 of the Treasury. The notes issued by the Secretary to the
15 Secretary of the Treasury shall constitute obligations of the
16 fund. The Secretary of the Treasury is authorized and di-
17 rected to purchase any obligations issued pursuant to this
18 subsection, as now or hereafter in force, and for such purpose
19 as the Secretary of the Treasury is authorized to use as a
20 public debt transaction the proceeds of the sale of any securi-
21 ties hereafter issued under the Second Liberty Bond Act, as
22 now or hereafter in force, and the purposes for which securi-
23 ties may be issued under the Second Liberty Bond Act, as
24 now or hereafter in force, are extended to include such pur-
25 chases. Each purchase of obligations by the Secretary of the

1 Treasury under this subsection shall be upon such terms and
2 conditions as to yield a return at a rate determined by the
3 Secretary of the Treasury, taking into consideration the cur-
4 rent average yield on outstanding marketable obligations of
5 the United States of comparable maturity. The Secretary of
6 the Treasury may, at any time, sell, upon such terms and con-
7 ditions and at such price or prices as he shall determine, any
8 of the obligations acquired by him under this subsection. All
9 redemptions, purchases, and sales by the Secretary of the
10 Treasury of such obligations under this subsection shall be
11 treated as public debt transactions of the United States.

12 (e) The Secretary may also utilize the fund to pay
13 taxes, insurance, prior liens, expenses necessary to make fis-
14 cal adjustments in connection with the application and trans-
15 mittal of collections, and other expenses and advances to
16 protect the Secretary for loans which are guaranteed or
17 insured under this title or held by the Secretary, to acquire
18 such security property at foreclosure sale or otherwise and
19 to pay administrative expenses.

20 SEC. 218. The Secretary shall promulgate rules and
21 regulations to carry out the provisions of this title.

22 TITLE III.—INTEREST SUBSIDIES AND

23 ADMINISTRATIVE EXPENSES

24 SEC. 301. The Secretary is authorized to pay to the
25 revolving fund established by section 101 interest subsidies

1 in amounts which shall be equal to the difference between
2 the amounts of interest paid to the Secretary of the Treas-
3 ury pursuant to section 105 and the amounts of interest
4 earned on direct loans pursuant to section 104.

5 SEC. 302. The Secretary is authorized under such rules
6 and regulations as he may prescribe to pay as an interest
7 subsidy on loans which are guaranteed or insured under the
8 provisions of title II of this Act amounts which are neces-
9 sary to reduce the rate payable by the borrower to the rate
10 determined under section 104 of this Act.

11 SEC. 303. There is authorized to be appropriated to the
12 Secretary such sums as may be needed (a) to carry out the
13 provisions of sections 301 and 302, such sums to remain
14 available until expended, and (b) for administrative expenses
15 under this Act.

Explanation of a bill to provide for financing the economic development of Indians and Indian organizations to be cited as the "INDIAN FINANCING ACT OF 1971"

TITLE I

Section 101 makes the total revolving fund equally available to all Indians and Indian organizations, and resolves doubts as to the statutory authority to make loans to certain Indians and Indian organizations from part of the fund.

The revolving fund for loans was authorized by four main Acts: (a) the Indian Reorganization Act of June 18, 1934 (48 Stat. 986), as amended and supplemented; (b) the Oklahoma Welfare Act of June 26, 1936 (49 Stat. 1968); (c) the Navajo-Hopi Rehabilitation Act of April 19, 1950 (64 Stat. 44); and the Act of November 4, 1963 (77 Stat. 301), as amended, authorizing loans for expert assistance in connection with the preparation and trial of claims pending before the Indian Claims Commission. The Act of May 24, 1950 (64 Stat. 190), authorized the deposit in the revolving fund of moneys received in settlement of debts of livestock and from the sale of livestock. The livestock originated mainly in drouth relief purchases by the Department of Agriculture in 1934, and which were turned over to the Bureau of Indian Affairs to establish foundation herds for Indians. The livestock were loaned on a "repayment in kind" basis. The Act of June 28, 1941 (55 Stat. 316), provided that interest collections on loans be credited to the revolving fund.

Funds authorized by the IRA, supplemented by funds from livestock settlements, are the only moneys in the revolving loan fund available to Indian and Indian organizations for loans generally. Funds authorized by the OWA are available for loans in the State of Oklahoma, exclusive of Osage County. Funds authorized by the Navajo-Hopi Rehabilitation Act are available only for loans to the Navajo and Hopi Tribes and their members. Funds authorized for loans for expert assistance may not be used for loans for any other purposes, and no change is contemplated in this authorization.

The authorizations and appropriations are summarized as follows:

| | Authorized | Total appropriated | Authorizations unappropriated |
|-------------------------------------|--------------|--------------------|-------------------------------|
| Indian Reorganization Act..... | \$20,000,000 | \$19,999,600 | \$400 |
| Oklahoma Welfare Act..... | 2,000,000 | 2,000,000 | |
| Navajo-Hopi Rehabilitation Act..... | 5,000,000 | 1,800,000 | 3,200,000 |
| Expert assistance..... | 1,800,000 | 1,800,000 | |
| Total..... | 28,800,000 | 25,599,600 | 3,200,400 |

Funds made available for loans through the Bureau of Indian Affairs never have been adequate. A survey conducted by the Civil Works Administration in 1935 estimated the Indian credit needs at \$65 million. The IRA and OWA authorized original amounts totaling \$12 million. Inadequate as this amount was, it took from 1934 until 1951 to obtain appropriations of the original authorizations. Not only have the appropriations been inadequate to meet Indian financing needs, but even the meagre appropriations made did not remain available for loans. Nearly \$4.1 million was spent for administrative expenses between 1936 and 1961 under Congressional authorizations. Of the amount appropriated, only \$21.5 million was available for loans. The following summarizes transactions from the revolving loan fund:

| | |
|---|--------------|
| Appropriated to June 30, 1969..... | \$25,599,600 |
| Less amount expended for administrative expenses..... | 4,073,940 |
| Appropriations available for loans..... | 21,525,660 |
| Plus— | |
| Interest collections..... | 6,642,423 |
| Livestock settlements..... | 2,783,109 |
| Total..... | 9,425,532 |
| Total available for loans..... | 30,951,192 |
| Less— | |
| Total amount loaned..... | 66,678,111 |
| Total amount paid..... | 38,853,694 |
| | 27,824,417 |
| Cash balance June 30, 1969..... | 3,126,775 |

The cash balance was available for loans as follows :

| | |
|------------------------|-------------|
| General fund..... | \$1,088,446 |
| Oklahoma..... | 143,338 |
| Navajo-Hopi..... | 794,551 |
| Expert assistance..... | 1,100,440 |
| Total..... | 3,126,775 |

The repayment record through June 30, 1969, follows :

| | |
|--------------------------|--------------|
| Payments due..... | \$47,671,723 |
| Payments made..... | 38,853,694 |
| Payments in transit..... | 3,613 |
| Payments extended..... | 1,687,412 |
| Amount cancelled..... | 2,596,843 |
| Payments delinquent..... | 4,530,161 |

The fund had a surplus at the close of the fiscal year, calculated as follows :

| | |
|---------------------------|-------------|
| Interest earned..... | \$8,090,261 |
| Less: | |
| Cancellations: | |
| Principal..... | 2,596,843 |
| Interest..... | 570,248 |
| Allowance for losses..... | 2,305,665 |
| Total..... | 5,472,756 |
| Surplus..... | 2,617,505 |

This section also authorizes the use of these funds to pay for the administrative expenses incurred under this title.

Section 102 provides that loans may be made for any purposes that will promote Indian economic development, including loans for educational purposes. It also provides that loans may be made to Indian organizations to permit them to make loans to other organizations and to make investments in other organizations, regardless of whether the borrowing organizations are organizations of Indians. It is sometimes necessary and desirable for tribes to make loans to private organizations in order to encourage such organizations to establish industries in localities where their operations will provide wage income for the Indians and promote their economic development. In other cases it may be necessary and desirable for tribes to invest in industries being established on or near reservations, i.e. equity participation.

Section 103 makes policies which have long been followed on loans from the revolving loan fund a matter of law, i.e., loans may be approved only when there is a reasonable prospect of repayment; only to applicants unable to obtain financing from other sources on reasonable terms and conditions, i.e., tribes unable to obtain necessary financing from customary sources including financing under title II of the bill; and tribes with funds of their own available. Such tribes are required to use their own moneys before a loan from the revolving loan fund may be approved. At June 30, 1969, loans from the revolving fund for loans totaled \$25.3 million or 6.6 percent of total Indian financing. Tribal funds in use totaled \$105.1 million or 27.4 percent of the total. This is indicative of the importance of tribal funds in Indian financing. Estimated financing by customary lenders totaled \$252.6 million or 66 percent of the total.

Section 104 places a maximum maturity of 30 years on loans. It also provides that loans shall bear interest at rates determined by the Secretary of the Treasury. It also authorizes the Secretary to add such additional charges as he determines to be consistent with the purpose of the program. Loans for educational purposes may bear no interest while the borrower is in school or in the military service.

Section 105 requires the Secretary to pay into the Treasury at the close of each fiscal year, interest on the amount of outstanding loans at the end of each fiscal year. The interest rate on payments to the Treasury are to be determined by the Secretary of the Treasury. Interest payments may be deferred with the approval of the Secretary of the Treasury, but any interest payments so deferred also bear interest. This payment provision is a new require-

ment in that the Department of the Interior is not now required to pay interest to Treasury on funds presently contained in existing Indian revolving loan fund accounts.

Section 106 authorizes the Secretary to cancel, compromise, adjust or reduce the amount of any loan or any portion thereof, and to modify the terms of securing documents given for loans made from the revolving loan fund. This authority is essential for the efficient administration of the revolving loan fund. The existing authority of the Secretary pursuant to the Act of July 1, 1932 (47 Stat. 564), to " * * adjust or eliminate reimbursable charges of the Government of the United States existing as debts against individual Indians or tribes of Indians in such a way as shall be equitable and just in consideration of all the circumstances under which such charges were made * * * " is inadequate. There is no authority to deal with the debts of some Indian organizations, which are neither "individual Indians or Tribes of Indians". Some organizations presently in existence are of a type that were not contemplated in 1932, i.e., incorporated cooperative and credit associations. The Secretary of Agriculture has authority under subtitle D of the Agricultural Act of 1961 (75 Stat. 312), to adjust loans by the Farmers Home Administration. The provisions of section 105 would give the Secretary of the Interior similar authority in connection with loans from the revolving loan fund.

Section 107 authorizes the Secretary, with the approval of the Secretary of the Treasury, to sell loans made from the revolving fund, and to guarantee the loans which are sold pursuant to the provisions of title II. This approval authority is not intended to allow Treasury to interfere with the day-to-day operation of the program but is intended as a method of allowing Treasury to coordinate the marketing of the obligations generated by this Fund along with other obligations marketed by the Federal Government. Receipts from sales are to be deposited in the revolving fund and be available for further loans. This provision should help to maintain the revolving fund without additional appropriations.

Section 108 provides that the United States may take title to certain land in trust for the tribe or individual Indian purchasing it with a loan from the revolving loan fund. However, title to personal property purchased with such funds must be taken in the name of the purchaser.

Section 109 requires that property purchased with loans from the revolving fund be pledged as security for loans, unless the Secretary determines that the repayment of the loan is otherwise reasonably assured. It also provides that trust land purchased with and given as security for a loan shall be subject to foreclosure and sale in accordance with the laws of the State in which the land is located.

Section 110 requires that an organization receiving a loan from the revolving loan fund assign the securities it acquires with the loan to the United States as security for the loan, unless the Secretary determines that the repayment of the loan is otherwise reasonably assured. This section is applicable to loans by the United States to Indian organizations to enable them to relend money to their members.

Section 111 authorizes the Secretary to collect delinquent loans from per capita payments or other distributions of tribal assets. If a tribe is awarded a money judgment against the United States, and is indebted for a loan, any installment of which is in default, the Secretary may, at his discretion, collect the delinquent installment or the balance of the loan from the appropriation to satisfy the judgment insofar as it will cover the delinquency.

Section 112 authorizes an additional appropriation of \$50 million for the revolving fund or such other amount as may be provided in appropriation acts. Present authorizations for the revolving loan fund (exclusive of the \$1,800,000 authorization for loans for expert assistance in connection with the preparation and trial of claims pending before the Indian Claims Commission, which is not being consolidated with the other authorizations) total \$27 million. The additional authorization will make the total authorization \$77 million.

Section 113 provides for the promulgation of regulations by the Secretary to carry out the provisions of the Act.

TITLE II

Section 201 states the purpose of the bill, i.e., to provide access to money sources not otherwise available to Indians, Eskimos, and Aleuts (referred to in the bill as "Indians").

The total estimated financing of Indians has increased during the past five years as follows:

[Dollar amounts in millions]

| | 1965 | | 1969 | |
|---------------------------|---------|---------|---------|---------|
| | Amount | Percent | Amount | Percent |
| Financing— | | | | |
| By customary lenders..... | \$157.3 | 67.3 | \$252.6 | 66.0 |
| With tribal funds..... | 52.7 | 22.5 | 105.1 | 27.4 |
| With revolving funds..... | 23.7 | 10.2 | 25.3 | 6.6 |
| Total..... | 233.7 | 100.0 | 383.0 | 100.0 |

Although impressive, the total is far from adequate to meet the need. Estimates of Indian financing requirements total more than \$1 billion. Indian economic development is handicapped by lack of adequate and dependable sources of financing.

The chief source of Indian financing is the same institutions that supply financing to other citizens and their organizations, both governmental and private. The major part of the increase shown above is in connection with the financing of individual Indians. Tribal and group financing from conventional sources are largely undeveloped.

The second main source of financing is the Indians' own money, i.e., tribal funds.

The third main source is the revolving fund for loans discussed under title I of the bill.

At the time of enactment of the IRA, few Indians were able to obtain financing from conventional sources. Many who were started in productive enterprises with loans from the revolving fund gradually progressed to the point where conventional lenders could be interested in financing them. Information on conventional financing was obtained for the first time in 1951, and showed a total volume of slightly over \$20 million. The growth to \$252.6 million would not have been possible if the revolving fund had not been available to get many Indians started in productive enterprises.

In spite of cancellations of \$2.6 million to June 30, 1969, and the establishment of an allowance for losses of \$2.3 million, the revolving fund had a surplus of \$2.6 million.

Title II of the proposed bill provides incentives to private lenders to increase financing of Indians. The bill is not the entire answer to Indian financing, as some requirements will remain that cannot be taken care of by private lenders even with loan guaranty or insurance incentives. The revolving fund for loans will continue to be needed to meet such needs. However, many of the financing requirements of Indians can be met under the loan guaranty and insurance provisions.

Section 201 authorizes the Secretary of the Interior to guarantee not to exceed 90 percent of any loan made to an Indian organization or to an individual Indian of one-quarter or more degree of Indian blood. In lieu of such guaranty it authorizes the Secretary to insure loans under an agreement whereby the lender will be reimbursed for loans up to 15 percent of the aggregate of loans made by it to an Indian organization or an individual Indian, but not to exceed 90 percent of the loss on any one loan.

The guaranty provision will apply on a loan by loan basis. It is anticipated that this authority will be utilized in financing the larger tribal enterprises and industries. The insurance provisions will apply to the aggregate of loans made by a particular lender, and will probably be used in financing individual Indians and small tribal enterprises and industries.

Section 202 authorizes the Secretary, to the extent he deems consistent with the purposes of the program, to fix such premium charges on guaranteed and insured loans as are, in his judgment, adequate to cover expenses and possible losses, and to deposit the receipts in the Indian Loan Guaranty and Insurance Fund established by section 217 of the bill.

Section 203 provides that guaranteed and insured loans shall bear interest at rates determined by the Secretary to be reasonable taking into consideration the interest rates prevailing in the private market for similar loans and the risk assumed by the United States.

Section 215 provides that the United States may take title to certain land in trust for the tribe or individual Indian purchasing it with guaranteed or insured loan funds. However, title to personal property purchased with such funds must be taken in the name of the purchaser. It also provides that trust land purchased with and given as security for a guaranteed or insured loan shall be subject to foreclosure and sale in accordance with the laws of the State in which the land is located.

Section 216 provides certain authorities to enable the Secretary effectively to administer the provisions of the bill. These authorities are similar to those of the Administrator of the Veterans Administration authorized by section 509 of the Servicemen's Readjustment Act (38 U.S.C. 1820(a)-(c)). These authorities will permit the Secretary to readjust interest rates, time of payments, etc., in order to carry out the purposes of loan guaranty and insurance.

Section 217 authorizes the establishment of an "Indian Loan Guaranty and Insurance Fund" for loan guaranty and insurance operations and for the purchase of loans guaranteed or insured. A limitation of \$200,000,000 is placed on the amount of guaranteed and insured loans by the Secretary, that may be outstanding at any one time.

This section also defines as to what shall constitute the assets and liabilities of such a fund. Subsection (c) authorizes the Secretary to make agreements with respect for servicing insured or guaranteed loans and for the purchase of such loans. Subsection (d) authorizes the Secretary to borrow money from the Treasury to meet obligations of the fund. Subsection (e) authorizes the Secretary to make disbursements from the fund to protect the United States interest as may be necessary and to pay administrative expenses.

Section 218 provides for the promulgation of regulations by the Secretary to carry out the provisions of the Act.

TITLE III

Section 301 authorizes the Secretary to pay to the revolving fund established by section 101 a subsidy to reimburse the fund to an amount equal to the difference between the interest paid the Secretary of the Treasury pursuant to section 105 and the interest earned on loans pursuant to section 104.

Section 302 authorizes the Secretary to provide a subsidy to the borrower to meet interest payments on loans insured or guaranteed under title II of the Act. The subsidy shall not exceed the difference between the prevailing private rates for loans having comparable maturities and the rate payable by borrowers pursuant to section 104 of the Act. This section also provides for promulgation of regulations by the Secretary to carry out the provisions of the Act.

Section 303 authorizes the appropriation of funds, in annual budgets, as may be needed to carry out the provisions of sections 301 and 302. It also authorizes appropriations, in annual budget requests, to meet the administrative expenses under the Act.

Section 204 requires prior approval of loans to be guaranteed, and the issuance of a certificate of guaranty. It also places a ceiling of \$100,000 on loans to individuals which may be guaranteed or insured. This amount is consistent with loans by the Farmers Home Administration pursuant to the Agricultural Act of 1961 (75 Stat. 308). Insured loans to Indian organizations in excess of \$100,000, or such lower amount as the Secretary may determine to be appropriate, require Secretarial approval.

Section 205 permits lenders to sell or assign guaranteed loans they may have made. This provision should provide a lender with authority which may be needed in the event its financial condition should change after a guaranteed loan is made. Purchasers and assignees are restricted to financial institutions subject to examination and supervision by an Agency of the United States, or of any State or the District of Columbia.

Section 206 provides that loans by agencies or instrumentalities of the Federal Government shall not be eligible for guaranty and insurance. Otherwise, there could be situations where the Government was guaranteeing or insuring its own loans. Loans made by Indian organizations from funds borrowed from the United States also are not eligible for loan guaranty or insurance. It would not be proper for the Government to guarantee or insure loans made by an Indian organization from funds which the organization had borrowed from the United States. Loans by an Indian organization from its own funds to other tribes or organizations of Indians would be eligible for guaranty or insurance. It also provides that obligations, the interest on which is non-taxable, shall not be eligible for either guaranty or insurance.

Section 207 restricts the insurance provisions to loans made by an institution subject to examination and supervision by an Agency of the United States, a State or the District of Columbia, and to loans made by Indian organizations from their own funds to other tribes or organizations of Indians. The insurance provisions of the bill would not apply to loans to Indians by individuals.

Section 208 permits the guarantee of loans by any lender satisfactory to the Secretary, except as provided in section 206. This would include loans by individuals. It also provides for the liability under a guaranty to decrease or to increase pro rata with any increase or decrease in the amount of the unpaid portion of the obligation.

Section 209 permits certain financial institutions to utilize the guaranty provisions without regard to present legal restrictions.

Section 210 provides that the maturity of any guaranteed or insured loan may not exceed 30 years.

Section 211 provides that in the event of default on a guaranteed loan the lender will notify the Secretary in writing and receive payment of the pro rata portion of the amount guaranteed. The Secretary would be subrogated to the rights of the holder of the guaranty to the extent of the amount paid thereon, and receive an assignment of the obligation and security. The Secretary would then take such further collection action as might be warranted. The procedures in this section also permit forbearance for the benefit of a borrower, and permit establishment of a date upon which further interest charges on a loan shall cease. Provision also is made or the Secretary to cancel the uncollectible portion of any obligation to which he has an assignment or subjugated right.

Section 212 provides procedures to be followed in the event lenders suffer losses on insured loans. Before a lender is reimbursed under the insurance provision, all reasonable collection efforts must have been exhausted, the security must have been liquidated, and the proceeds must have been applied on the debt. Upon reimbursement, the lender is required to assign the debt to the United States. The lender then has no further claim against either the borrower or the United States. The Secretary would then take such further collection action as might be warranted, or would cancel the uncollectible portion of the debt.

Section 213 authorizes the Secretary to take appropriate action should a lender or holder of a guaranty certificate fail to operate in accordance with accepted credit principles. The Secretary may, in his discretion, refuse to guarantee or insure further loans by such lender or guaranty certificate holder.

Section 214 includes provisions necessary for the effective administration of the act. Any guaranty certificate issued pursuant to section 204, of any loan insured pursuant to an agreement with a lender approved in accordance with section 201, shall be conclusive evidence that the loan was eligible for guaranty or insurance. The Secretary may, however, establish defenses based on fraud or material misrepresentation, and defenses as to the amount payable on the guaranty or insurance based on regulations.

92^D CONGRESS
1ST SESSION

S. 2237

IN THE SENATE OF THE UNITED STATES

JULY 12, 1971

Mr. JACKSON (for himself and Mr. ALLOTT) (by request) introduced the following bill; which was read twice and referred to the Committee on Interior and Insular Affairs

A BILL

To establish within the Department of the Interior the Indian Business Development Program to stimulate Indian entrepreneurship and employment, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Indian Business Develop-
4 ment Program Act".

5 SEC. 2. There is established within the Department of
6 the Interior the Indian Business Development Program
7 whose purpose is to stimulate and increase Indian entre-
8 preneurship and employment by providing equity capital
9 through nonreimbursable grants made by the Secretary of

II

1 the Interior to Indians and Indian tribes to establish and
2 expand profit-making Indian-owned economic enterprises on
3 or near reservations.

4 SEC. 3. For purposes of this Act, the term—

5 (a) “Indian” means any person who is a member of
6 any Indian tribe, band, pueblo, group, or community of
7 Indians or Alaska Natives which is recognized by the Fed-
8 eral Government as eligible for services from the Bureau of
9 Indian Affairs.

10 (b) “Indian tribe” means any tribe, band, pueblo,
11 group, or community of Indians or Alaska Natives which is
12 recognized by the Federal Government as eligible for services
13 from the Bureau of Indian Affairs.

14 (c) “Reservation” includes Indian reservations, public
15 domain land occupied by Indians, former Indian reservations
16 in Oklahoma, and land occupied by Alaska Native
17 communities.

18 (d) “Economic enterprise” means any Indian-owned
19 as defined by the Secretary of the Interior, commercial,
20 industrial, or business activity established or organized for
21 the purpose of profit.

22 SEC. 4. No grant in excess of \$50,000, or such lower
23 amount as the Secretary may determine to be appropriate,
24 may be made to an Indian or Indian tribe, band, group,
25 pueblo, or community recognized by the Federal Government

1 as eligible for services for the Bureau of Indian Affairs. A
2 grant may be made only to an applicant who, in the opinion
3 of the Secretary, is unable to obtain adequate financing for
4 its economic enterprise from other sources, including its own
5 financial resources, except that no grant may be made to an
6 applicant who is unable to obtain at least 60 per centum of
7 the necessary funds for the economic enterprise from other
8 sources.

9 SEC. 5. There is authorized to be appropriated such
10 sums as may be necessary for the purposes of this Act.

11 SEC. 6. The Secretary of the Interior is authorized to
12 prescribe such rules and regulations as may be necessary to
13 carry out the purposes of this Act.



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

APR 28 1971

Dear Mr. President:

Enclosed is a proposed bill "To establish within the Department of the Interior the Indian Business Development Program to stimulate Indian entrepreneurship and employment, and for other purposes."

We recommend that the proposed bill be referred to the appropriate committee for consideration and that it be enacted.

This proposed bill provides for legislative sanctioning of the Indian Business Development Program that was created by the Bureau of Indian Affairs to give significant encouragement to Indian-owned small business enterprises on or near reservation communities. The purpose of the Program is to provide financial grants for Indian small businesses.

The proposed bill has six sections, the first section is the Citation Section which cites the proposed bill as the "Indian Business Development Program Act".

Section 2 establishes, within the Department of the Interior, the Indian Business Development Program and sets out its purpose.

Section 3 contains definitions pertinent to the Act.

Section 4 limits any grant to a maximum of \$50,000 and sets out conditions upon which the grant may be made.

Section 5 authorizes appropriations for the Program over a period of six years and sets a total amount of \$75 million.

Section 6 authorizes appropriations for the purposes of this Act.

This legislation would give legislative authority to a program that has been carried on within the Bureau of Indian Affairs since August of this past year. The Indian Business Development Program was created by the Bureau of Indian Affairs and is administered by the Bureau. It was created with a \$3.4 million appropriation for fiscal year 1971. The funds were appropriated for fiscal 1971 as tribal development funds and have been used for such development through the Indian Business Development Program.

The Program was designed to, and will provide grants to Indian tribal members and Indian tribes in need of cash that they can obtain nowhere else to open or expand business enterprises. Its most important feature will be its expeditious response to an Indian's initiative to improve his business standing either through expansion of a current business or by the financing of a new business.

The grants have and will continue to provide cash for Indians having insufficient equity to qualify them for small business loans from either public or private sources. The grants have been and will continue to be used to supplement business grants-in-aid from Government agencies or foundations, and to supplement business loans to arrive at the 100 percent financing need for a business venture. Most Indians have found it difficult to take advantage of the 90 percent loan guarantee programs of the Small Business Administration because most private lenders have required a 100 percent guarantee for Indian loans. The Indian Business Development Program grants have been and will be used to make up the difference for this and similar types of financing.

Grants have not been made from this Program jointly or in connection with loans from the Indian revolving funds but require a grant recipient to provide proof to the Bureau of Indian Affairs that he has obtained at least 60 percent of the cost of his business venture from outside sources. We have been able to use the resources of these outside financial institutions to make investigations of the soundness of the business ventures thereby reducing our administrative costs and allowing us to devote the entire Program to the making of grants.

In establishing the Indian Business Development Program, the Bureau of Indian Affairs outlined the basic criteria for grants under the Program and it is our intention to follow this criteria. The criteria are:

1. Ownership of the business by an Indian individual or group of Indians;
2. Location of the business on or near a reservation or Alaska Native village; and
3. Profit-making or self-sustaining business or having the potential of being profit-making or self-sustaining within the total cost of expanding or establishing such business.

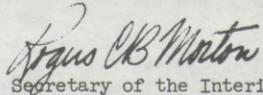
In addition to the criteria set out above, the employment of Indians, one of the most underemployed groups in our country, was one of the principal purposes of the Program. We are also interested in developing profitable businesses, the profits from which would be used by Indians in funding expansion of Indian business and the development of still more Indian jobs.

In operating the grant program under the existing Program, 82% of the money has been allocated on an agency-by-agency basis with population being the principal criteria. The remaining 18% has been retained by the Commissioner of Indian Affairs for discretionary use in making grants.

In the five months that this Program has been in operation, indications of the potential of this type of Program in creating jobs and business opportunities for the Indian people has been clearly shown. Thus far, these grants offer the possibility of assisting in the formation of over 250 new Indian-owned businesses, as well as probable expansion of 150 existing businesses. It is estimated that over \$16.2 million will have been generated in funds from other financial sources as a result of the grants made under this Program. The attached table, which provides a tentative run-down of our experience after the second quarter of operation, indicates the potential success of this Program. Examples of the potential displayed in the attached chart, which also shows the Indian enthusiasm for the Program, is the approximately 777 applications filed requesting grants in the amount of \$10,850,000, which is more than triple the amount of money allocated for this Program.

The Office of Management and Budget has advised that there is no objection to the presentation of this proposed legislation from the standpoint of the Administration's program.

Sincerely yours,


Secretary of the Interior

Hon. Spiro T. Agnew
President of the Senate
Washington, D.C. 20510

Enclosures



United States Department of the Interior

BUREAU OF INDIAN AFFAIRS
WASHINGTON, D.C. 20242

IN REPLY REFER TO:

AUG 10 1972

Honorable Henry M. Jackson
Chairman, Committee on Interior and
Insular Affairs
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

It is our understanding that the Senate Committee on Interior and Insular Affairs will this week review S.2237, a bill to establish within the Department of the Interior the Indian Business Development Program to stimulate Indian entrepreneurship and employment, and for other purposes. A hearing on this bill was held by your committee on August 1, 1972.

Questions have been raised on the advisability of combining this program, as proposed by S.2237, with the program proposed by S.2036, the Indian Financing Act. The primary difference between the two pieces of legislation is that S.2237 proposes the authorization of a program to generate the creation of new Indian-owned and operated businesses through equity grants or "seed money" while S.2036 involves the existing loan program of the Bureau of Indian Affairs. S.2036 would authorize an increase in the amount of the revolving loan fund and provide insurance on loans obtained from customary non-governmental lenders.

Assistant Secretary of the Interior Harrison Loesch in his testimony to the Senate Interior Committee on S.2036 stated that the Department of the Interior recommends a separation of the two programs but also recommends that the loan insurance provisions of S.2036 be applicable to business loans made by Indians under the Indian Business Development Program as proposed by S.2237.

Following are reasons why S.2237 should be approved to allow the Indian Business Development Program to operate independently of the loan program proposed by S.2036.

1. The Indian Business Development Program (IBDP) was designed to stimulate Indians to become engaged in business. Its record of 237 new business starts and the expansion of 142 others in the one year of its operation demonstrates that a new concept was needed. Indian borrowers had been rejected by customary lenders both private and governmental. The Bureau's revolving credit fund had not met the needs of the individuals seeking to enter business because its focus was on resource based (primarily agricultural) developments, and on tribal enterprises. The thrust of the Indian Business Development Program can be preserved only by maintaining it as an independent program. A combination with the revolving loan program will rapidly bring it to a halt.
2. A fundamental concept of the Indian Business Development Program, which was dramatically demonstrated by the FY 1971 program, is to bring the individual Indian into America's competitive economic system; and to create Indian businessmen of self-reliance, responsibility, and of competitive spirit. The IBDP stimulates action and allows the individual to seek financing from among government agencies, and financial institutions. It compels initiative and the spirit of negotiation. This would now be defeated by requiring the prospective Indian businessman to apply to the Bureau's revolving loan fund for a possible combination loan and grant. The proposal to combine the IBDP with the revolving loan fund forces the prospective Indian businessman to bring his decisions and options to the Bureau of Indian Affairs for its review and disposition. This is but the continuation of a long standing practice that has served to discourage Indians from entering business. An independently functioning Indian Business Development Program, including the loan guarantee provisions of S.2036 as recommended by Assistant Secretary Loesch, can continue the highly successful effort to bring Indians into the business world which was started by the program in FY 1971.
3. It is generally considered unwise to combine a grant program and a loan program because of the matter of leverage. The management of an independently operated open market grant program can obtain the generation of greater sums in loans than when grants and loans

are combined in a single program. The Indian Business Development Program has enormous leverage in generating loan capital, and secondarily in generating jobs and employment income. The FY 1971 experience indicates that the sum appropriated for grants generated loans in an amount 500 percent greater than the grants made. The \$3.4 million in grants brought about an estimated 2,860 permanent Indian jobs with an annual estimated payroll of \$11.8 million. The cost to the program for each permanent job was only \$1,200. This in itself is a record and emphasizes the leverage of an independently operated Indian Business Development Program.

4. Were the two programs combined as proposed, the BIA would become involved with so-called repayment capacity studies directed to determining the amount of a loan to be approved and the amount to be written off as not being repayable. This would saddle onto the badly needed business development program a lengthy, time-consuming, and cumbersome repayment study procedure for each applicant very similar to the repayment studies made by the Bureau of Reclamation for irrigation projects. It is to be noted, however, that for reclamation projects a single study establishes repayment capacity for large numbers of farms having similar farming enterprises. The same procedure is too burdensome when applied to each individual business applicant. Furthermore, it is too slow, too costly and fails completely to evaluate business risks. Again the program as operated in FY 1971 has well-demonstrated what can be done when the burden of financial evaluation is not concentrated solely in the hands of a single government agency.

If we can be of further assistance on this matter, please let us know.

Sincerely yours,

Alexander S. MacNabb

Commissioner

Senator METCALF. Our first witness this morning is Assistant Secretary of the Interior for Public Land Management, the Honorable Harrison Loesch, an old friend before the committee, and we welcome you back again this morning, Mr. Secretary.

STATEMENT OF HON. HARRISON LOESCH, ASSISTANT SECRETARY OF THE INTERIOR FOR PUBLIC LAND MANAGEMENT

Mr. LOESCH. Thank you, Mr. Chairman. I am very glad to be back. I am sorry, but I didn't hear which of these two bills you are going to take up first, Mr. Chairman. I missed that part.

Senator METCALF. Let's take up S. 2036 first, and then S. 2237, and you may testify on both of them while you are here.

Mr. LOESCH. May I ask, Mr. Chairman, if my statement can be made part of the record, and I will highlight it, unless you prefer that I read the entire statement.

Senator METCALF. We would be very delighted to have the statement incorporated in the record at this point, and we will be pleased to have a summary.

Mr. LOESCH. S. 2036 is a part of the administration's policy to improve the economic condition of our American Indians on and near the reservations, and in Indian country, such as in Oklahoma and Alaskan groups.

The proposal itself is really in two major parts, one of which would consolidate the Bureau of Indian Affairs' revolving loan fund, making it equally available to all.

At the present time there are two or three or four or five separate divisions of that that don't make a whole lot of sense.

The proposal would retain statutory policies which we have customarily followed in using the present revolving loan fund. That is to say that the loans will only be made when there is a reasonable chance of repayment, and only to tribes or organizations which have no other way to obtain the needed funds.

The bill is quite complicated, highlighting the other provisions. It expands and modifies the authority of the Secretary to cancel or adjust loans. It authorizes the United States to take title of land in trust when that land has been purchased by tribes with money from the revolving loan fund. It authorizes extra money, \$50 million that is to say, for that loan fund, which, by the way, would bring the total of the fund to a figure slightly in excess of \$77 million.

It provides incentives by way of guarantee of insurance to private lenders to increase the financing of the Indians. It authorizes the tribes again to take land in trust—or the United States to take it in trust for the tribes, with moneys provided by the insurance and guarantee provisions of the bill, and it establishes a total amount of authorized loans of \$200 million, which can be guaranteed and insured under the program.

We think that the increase, the use of the guarantee and insurance provisions will provide a way into the private money market which we can approach now, and that will, without large costs to the Government—although, of course, there will be some—provide the kind of capital investment that the federally recognized tribes must have.

Today, the BIA revolving loan fund has been greatly used and highly successful, in spite of the fact that we have never had anywhere near enough money to take care of the demand.

As I said a moment ago, the total amount of the loan fund at this time is \$27 million and a bit. We have loaned out of that through last year \$72.2 million. During the last year we lent \$3.3 million, and we collected \$2.2 million. Losses have totalled, at the same time that we have lent the \$72 million, losses have totalled \$2.6 million, and we are presently having delinquencies of which a large percentage will probably be collected, but some of those delinquencies will probably become losses of \$1.8 million.

It is a good record, especially considering the large percentage of loans through the fund which would not in the ordinary sense be bankable loans.

The function of the revolving fund is to get the money back so that it can be lent again for developmental purposes, but in that kind of exercise you are bound to have to take higher risks, and consequently have higher losses than you would in the strictly commercial proposition.

We think that the percentages that I have stated are very, very good, considering what the risks have been.

I think that one of the things that is helping now in connection with the loan losses and delinquencies is that the Bureau is much more capable of providing technical assistance and advice to Indian-run businesses than it used to be.

Of course, the Indians are encouraged to use their own money to the extent that it is available. Again using the June 30, 1971, date, the Indians were using funds of their own totaling over \$117 million, which in conjunction—that is to say, with loans from the revolving loan fund and so on.

The increase in the revolving fund authorization and authority to guarantee and insure these loans is vital to generate financing to meet the needs of the Indian people, and the bill, of course, provides that capability. I must say here, perhaps, I am anticipating a question, that I do not believe and I do not think the Bureau believes that the demand can be fully met with \$200 million authorization, but the loan guarantee and insurance proposition is a new one, and we feel that the \$200 million limit is appropriate until we find out how it works.

We do estimate the total demand in Indian country to be in excess of a billion dollars.

Senator METCALF. How much was that?

Mr. LOESCH. We could probably lend, or there could be used, an investment in loans either guaranteed or insured up to \$1 billion in the Indian country for projects which perhaps are not at this point in time fully planned, but which the tribes would like to pursue. Now, that is not a hard figure, Mr. Chairman. It is our guess of things that we know about.

We are greatly undercapitalized in the revolving loan fund itself. The figures in my statement indicate that we have commitments at this time, unadvanced commitments as of May 19, of \$13.6 million, and I think we only have about \$1.9 million in available cash to meet that \$13.6 million demand, and, of course, there are a great many

applications for assistance from the revolving loan fund that simply aren't made, because the tribes are well aware that it is too far down the road before we will have the money available to take care of it.

I think, Mr. Chairman, that that about completes my highlighting my statement.

I will be happy to answer questions about the bill.

Senator METCALF. We may lose Senator Fannin at any moment, because he is on the Finance Committee marking up the revenue sharing bill, so I am going to call on him first.

Senator FANNIN. Thank you, Mr. Chairman.

Mr. Secretary, I am very much in favor of working out problems on financing enterprises for Indian people. We are vitally concerned about the unbearable unemployment on the reservations; I believe it is now 10 times the national average.

One question I would like to ask you. Do you feel that a department such as the Department of Commerce and other departments are cooperating with us to the fullest extent to keep manufacturing, especially small manufacturing which is especially suitable on many reservations, from going abroad?

I have been so disappointed that we haven't done more in that respect.

Will this legislation encourage retention and location of industry on the reservation?

Mr. LOESCH. Yes; it will, indeed, it will. I should say, however, Senator Fannin, that the liaison and cooperation between our department through the Bureau of Indian Affairs, and the other agencies which are involved in investments on reservations has, I think, improved a great deal in the last few years.

We used to have, for example, a good deal of dislocation between the odd programs on housing starts and the Public Health Service, or the Indian Health Service, which had authority on sewer and water. That kind of dislocation has been largely obviated now so that the projects go along without undue delay on either side.

EDA has taken a big hand in promotion of economic opportunities on the reservations. OEO has to an extent. And by and large, I think we are using to good advantage all the available Federal programs in this regard, but they simply are not enough at this point.

Senator FANNIN. Mr. Secretary, I realize OEO and EDA and all of the agencies of that nature have cooperated and have worked with the Indian people, but where we have fallen down is that we have not provided the processes in order that Indian companies can, as I understand it, bid and compete with the different companies that are depending on overseas supplies.

Mr. LOESCH. Let me give you a good illustration of that, Senator Fannin, if I may.

I am fortunate enough to have just come back from a rather extensive trip to Alaska, in which I looked at both the land problems we have up there and the Indian problems we have.

In Constable, which is a small town on the west side of Alaska, rather far north, they have a fish processing situation there. It is a cooperative with the Eskimos, but they are not realizing the benefits they should at all, because they don't have the real processing plant.

They have got the initial step, and what they do, the co-op buys the fish from the individual fishermen and resells the fish and the roe, which is a rather valuable product, without further processing. The result is that out of a gross value of approximately—well, over a million dollars a year of the products that come out of there, our own people, the Kotzebue people, realize somewhere in the neighborhood of \$300,000 to \$400,000, and all the rest of the added value for the processing is realized by the Japanese, who are buying the fish from the co-op and processing it on a mother ship that lies offshore at Kotzebue, and shipping it to Japan, and there is no reason in the world why those people, who are competent, if they had the funds to do that, there isn't a reason in the world why we couldn't have a viable, economic processing plant right there at Kotzebue that would do the necessary canning, smoking, whatever, the processing, and ship the product right into the U.S. market.

Senator FANNIN. Well, Mr. Secretary, I certainly agree with you, and I have heard something, not as detailed as you have given it, but I can refer in my own State of Arizona where some of our large manufacturers that need certain component parts, metal stampings happen to be one of the items, and we tried to get a plan on one of the reservations, but because of the tremendous costs of these machines for the stamping process, we were unable to do so.

So, when we are talking about the amount of money that is going to be needed, I notice you currently estimate that the needs of the Indian people would be in excess of \$1 billion. Well, that is far in excess of what we are talking about on this bill, is it not?

Mr. LOESCH. Oh, yes, indeed. We are really, in essence, Senator Fannin, on this bill, talking about \$250 million, \$200 million in one title and \$50 million in another.

Senator FANNIN. If we are going to be able to do what is necessary to hold these jobs in this country, I think we are going to have to look at higher figures than that. I think we are going to have to take into consideration the reason why we are losing these plants to the foreign countries and why this component-part work is going offshore.

I hope that we can, and in considering this legislation, take that into consideration.

Now, one item that I mentioned. The Department has objected to taking land, and we opposed some of the bills which take more lands into trust. If it might give some of the inhabitants of reservations a chance, why has that been the policy?

Mr. LOESCH. Senator, I am sorry.

Senator FANNIN. I would like you to explain the provision for taking land in trust. Recently the Department has opposed some bills which take more lands in trust if it might give the inhabitants reservation status.

Mr. LOESCH. Yes. I suspect that you are talking about the Apache Band, for one. It is difficult to formulate a logical plan or policy on when and when not you should take lands into trust.

Now, in some areas, or some cases, where a band has been intimately connected or even living on a particular reservation and then doesn't like it and moves off, some of the—well, the administration has just simply really not been in favor of setting up new reservations. That is about the size of it.

Now, I might say in that regard that we have other considerations at this time, and the policy has not yet been fully determined. The question of recreating, terminating reservations, which is another facet of the same problem, but I can't really give you, Senator, without relating it to particular cases, a full rundown on the whys and wherefores.

Senator FANNIN. No, I wasn't after a full rundown, but I assume that the administration has taken the position that when they talk about self-determination, that they are taking the position that the tribes must make these decisions themselves, that they must make the recommendations as far as the one you mentioned, the termination. They do not contemplate the termination.

Mr. LOESCH. We are quite, quite to the contrary, of course. But the question of self-determination without termination is presently being expanded into the question of what is the policy with regard to the taking back into the trust status tribes like the Menominees, which have been terminated.

Senator FANNIN. I understand I was just trying to evaluate that from the standpoint of a tribe with a viable economy being able to build economic ventures that would produce revenue.

Now, you have some tribes that are large enough that should be able to get into most any size venture that would offer them an opportunity for competing in the world market, and I think that is what we are talking about. We are giving so many of the other countries of the world an incentive, really, to produce for our markets. We have lower tariffs, we have special privileges, and they have barriers against us.

I think we have to start thinking more of our own people, and that is why I say that there is much that can be done on the reservations, but it is going to take a great deal more money, a great deal more work, in planning and programing, and I hope that will be done. Thank you, Mr. Chairman.

Senator METCALF. Thank you, Senator.

The Senator from North Dakota.

Senator BURDICK. Mr. Loesch, I didn't hear the first part of your testimony, but you can be sure I will be reading it.

Turning now to the bill, on the top of page 8, I want to get your view on what it means.

It says: "Loans guarantees are authorized to be made to individual Indians who are not members of or eligible for membership in an organization that is making loans to its members." Now, what do you construe that to mean? Bottom of page 7, top of page 8.

Mr. LOESCH. Senator Burdick, the purpose of that provision is to take into account the fact that some tribes have revolving loan programs of their own, in which they loan to their individual members.

If the tribe itself has a revolving loan program, what we would envision would be to support that viable program and allow the tribe to judge the validity of the proposed loan to its individual members.

Senator BURDICK. But this says, if the members are not eligible for membership, or nonmembers.

Mr. LOESCH. Well, if a particular tribe has a revolving loan fund of its own, then it would be making loans out of that fund to its members. If an Indian who is eligible for that kind of support from the tribe

came to us for a loan, we probably wouldn't make it. I mean, under this provision we probably would not make it.

Instead, we would support the loan to the tribe of more funds for its own revolving loan fund so that it, in turn, could make the loan.

Senator BURDICK. That is right, but I am trying to get a situation where a loan is made to an individual who is not a member of the tribe, or never would be a member of the tribe. What situations are there? That is what the language says, "are not members of or eligible for membership in an organization that is making loans to its members" of the general tribe. What kind of a situation would that be?

Mr. LOESCH. Well, that would be a situation in a tribe that does not have such a revolving loan fund, and very few of them do.

For instance, let's just take the Utes. It is a very progressive tribe, but it doesn't have a revolving loan fund. Now, if one of its own members, individuals, had a business proposition that the Bureau felt was viable, that individual would be eligible for a loan from this revolving fund.

By the same token, so would the tribe if it had such a proposition.

Senator BURDICK. Is this applied to an individual Indian who is living off the reservation in one of the cities?

Mr. LOESCH. Yes, if a member of a federally recognized group. This would take care of Oklahoma country, Alaskan Natives situations where we don't have reservations. Any federally recognized Indian would be eligible.

Senator BURDICK. Mr. Chairman, that is all I have.

Mr. SWALLOW. I am Charles Swallow, Chief of Credit and Finance, Bureau of Indian Affairs.

In regard to Senator Burdick's question, we have had cases particularly up in the Dakotas where I worked at the agency where we might have had an Indian from, say, the Ocala Sioux Tribe who happened to be married to an enrolled member of the Standing Rock Sioux Tribe, and their credit program prohibited them from making a loan to him because he was considered the head of the household. So, therefore, although he is an enrolled member of the tribe, he wasn't an enrolled member of this particular tribe so therefore we felt maybe we could correct this situation. It is occurring frequently, and we thought maybe this would be another avenue to relieve that situation.

Senator BURDICK. OK.

Senator METCALF. Thank you very much.

I am just curious about the need for this legislation, Mr. Secretary. We have a revolving fund program underway with \$27 million. What about loan guarantee and insurance programs?

Mr. LOESCH. We have no loan guarantee or insurance, loan insurance program at all, sir. The revolving loan fund is very, very useful and has been, but it just simply isn't anywhere near big enough to take care of the demand.

Senator METCALF. I am not talking about the authorization. I am talking about language of a bill. It would seem to me that if we just appropriated additional money or authorized more money in your revolving fund program, your present system could get underway. Now, tell us why we need to pass this legislation?

Mr. LOESCH. Of course, the bill in the two titles does increase the funding of the revolving loan fund, but one of the efforts that we are making here is to give access by the Indian community to private funding to the regular or ordinary private money market.

Now, there are two reasons, it seems to me, for doing that. In the first place, it seems very useful to me to get the ordinary commercial operators in the money market used to doing business with the Indians and Indian tribes and Indian organizations in any acceptable way.

Second, if we open that door, we are not using near as much of the taxpayer's dollar, or tying up the taxpayer's dollar, as we would if we let it all entirely on a revolving loan fund basis.

We anticipated that if fully used—that is, if we insured and guaranteed the entire \$200 million authorized by this bill—it would cost the Federal Government somewhere in the neighborhood of \$15 million. While if we had \$250 million in the revolving loan fund, and had the whole thing out on loan, in the first place we would have a regular ratio that would tie up for a long time, because more and more the better investments in Indian country are the long-term investments. It would tie up a lot of taxpayers' money which we don't anticipate will be tied up with the guarantee and insurance fees.

Senator METCALF. Will you give me a breakdown of the \$15 million that you say it will cost the Government to maintain \$200 million in a loan guarantee fund? What are those costs?

Mr. LOESCH. Well, in the first place, I am not a great expert, Mr. Chairman, on money matters, but I can—one of the costs to Government in this particular bill is the subsidy on the interest rate. The bill provides for a subsidy from whatever the regular commercial rate is, down to the rate on tax free municipal bonds, or cost to the Government—

Senator METCALF. That isn't going to cost the Government anything. Section 105 provides for an annual payment of interest to the Treasury on the amount of the outstanding loan made by the fund. Now, that is an interest subsidy, as I understand it, but it doesn't cost the Government anything; does it?

Mr. LOESCH. Oh, yes, sir.

Senator METCALF. How does it cost the Government?

Mr. LOESCH. It costs the Government because the loans, don't forget, are not being made from the Treasury, from the Government. The purpose of the loan guarantee and insurance title of the bill is to provide for a regular commercial entry by the Indians.

Senator METCALF. I understand. Now, this is standard operating procedure. When we want to help somebody get an education, we want to build houses, when we want to help somebody improve their health situation, when we want to help some people that are poor, we always pay a little subsidy to a banker; don't we? That is standard procedure as far as the Government is concerned. We just knock off one-half of 1 percent to the banks or the loan companies, so we are doing exactly the same thing here, except we are saying that you have to reimburse the Treasury as to the amount of money that the Treasury would have had to pay for that money in the money market.

Mr. LOESCH. Yes, in effect we are.

Senator METCALF. Then how does it cost the Treasury any money, unless there is going to be \$15 million worth of loss out of \$200 million worth of loans guaranteed?

Mr. LOESCH. Well, let me go back a little, Senator Metcalf. In discussing the interest subject, what we did originally a couple of years ago or more when we were preparing this legislation, what we really wanted to do at that time was to authorize the tribes to issue tax-free bonds just the way municipalities and counties do and so on. This ran counter to administration policy, Treasury policy, which desires to limit that authority, rather than expand it.

So, in order to resolve that problem, it was agreed in the administration that the Federal Government would pay the difference, the subsidy that was the difference between the interest cost on tax-free bonds, or the cost of interest to the Government, whichever was low, and the current cost of interest in the open market, which we are trying to open the market to the tribes.

Now, in trying to come up with an estimate of how much this would cost the Government, Treasury came up with the figure that the usual difference—this can vary a little bit, depending on the way they come and the price of money and so on—but the usual difference between the cost of interest to the Government and the cost of interest on the open market is from $1\frac{1}{2}$ to 2 percent.

Now, if you applied those figures to the \$200 million, you have got somewhere between \$3 and \$4 million a year that will cost the Government in subsidy.

Now, I don't look on that as bad. I am supporting this bill all the way. I think it is what we have to have and need very badly, but it is no use blinking our eye to the fact that it will cost the Government a sum, approximately \$3 to \$4 million as near as we can figure, per year, and that this will have to be appropriated by the Congress in connection with title II of the bill, the loan guarantee and insurance title.

Now, that part, that cost of between \$3 and \$4 million, is a portion of the total costs that will cost the Government to administer the whole thing.

The other costs come in the personnel, the salaries, supplies, the usual overhead, that the Bureau will be faced with.

Senator METCALF. Now, in your main testimony and in your discussion with Senator Fannin, you said that the real need was an estimated \$1 billion.

Can you give me a little comparison and a breakdown of the estimated \$1 billion, and how much of that in the first categories you are going to take care of in this inadequate \$200 million?

Mr. LOESCH. Well, Senator Metcalf, I should perhaps say for openers on this that the \$1 billion estimate is by no means a firm figure, but it is as near as we can come to figuring out what the tribes could economically use if we had absolutely no budgetary considerations or restrictions.

This is broken down basically into about five categories: Industrial development and group commercial enterprises we figured could run as much as \$240 million; recreation development, tourists resorts, ski areas on reservations, that kind of thing, somewhere in the neighborhood of \$70 million; utility systems, transportation, all kinds of community and civic facilities, and other sources of governmental, outside the community, for which tax exempt bonds are customarily issued, we think about \$140 million; then there are some smaller ones, financing of group arts and crafts, a small amount; loans to indi-

viduals, which we have broken down into about a half dozen categories such as land, agricultural, nonagricultural, housing, small business, education, and other, would amount to a total of somewhere in the neighborhood of a half billion dollars; and tribal land purchases is the last significant item for about \$105 million.

If you add up all of those things, which are things that we think might be done, some of them, no doubt—some of the projects would no doubt on our full investigation be determined not to be practical, some of them—on the other hand, they might be replaced by others that are, so that the figure is just the best we can come up with. It adds up to slightly over a billion dollars.

Now, I don't think in the present budgetary situation that we could have a hope of committing that much money anywhere, even if we could get it. I don't think that the Bureau and the tribes would have the capability of using all that money immediately.

We felt also that since the Bureau at this point in time, while it has good experience in credit and financing and has, in my opinion, done a really good job on the revolving loan fund, we have had no experience with the revolving loan guarantee and insurance thing. We have got to set up the program if the bill is passed, and I think for openers \$200 million is a satisfactory figure. If we find that that is committed forthwith and the demand is of the proportions that we so estimated, why, in effect, we will be back next year or the year after or some time to raise the authorization.

Senator METCALF. Thank you very much for your most helpful testimony, Mr. Secretary.

(The complete statement of Mr. Loesch follows:)

STATEMENT OF HARRISON LOESCH, ASSISTANT SECRETARY OF THE INTERIOR FOR PUBLIC LAND MANAGEMENT, ON S. 2036

The Department of the Interior recommends enactment of S. 2036. In his Indian Message of July 8, 1970, President Nixon summarized the serious economic problems that beset American Indians.

"Economic deprivation is among the most serious of Indian problems. Unemployment among Indians is ten times the national average; the unemployment rate runs as high as 80 percent on some of the poorest reservations. Eighty percent of reservation Indians have an income which falls below the poverty line; the average annual income for such families is only \$1,500. As I said in September of 1968, it is critically important that the Federal Government support and encourage efforts which help Indians develop their own economic infrastructure. To that end, I am proposing the 'Indian Financing Act of 1970'."

We consider S. 2036 a follow-up proposal to that message, to be a crucial measure in the nation's attempts to remedy Indian deprivation. This proposal would, first, consolidate the Bureau of Indian Affairs authority to make loans from its revolving fund and would make the fund equally available to all Indians and Indian organizations. The proposal would enact into law various policies that have long been followed in making loans from the revolving fund; e.g., loans would be made only when there is a reasonable prospect of repayment and only to tribes or organizations which have no other way to obtain the needed funds.

S. 2036 is highly intricate, and I will only attempt to highlight a few of its other provisions. The bill—

Expands and modifies the authority of the Secretary of the Interior to cancel or adjust amounts of loans;

Authorizes the United States to take title to certain land in trust for tribes or individuals purchasing such land with a loan from the revolving loan fund;

Authorizes an additional appropriation of \$50 million for the revolving loan fund;

Provides incentives to private lenders to increase financing of Indians by way of guaranteeing or insuring loans made to Indians and Indian organizations;

Authorizes the United States to take title to certain land in trust for tribes or individuals purchasing such land with insured or guaranteed loan funds; and

Establishes an "Indian Loan Guaranty and Insurance Fund" with a limitation of \$200,000,000 on the amount of loans to be guaranteed and insured.

The increased Federal loans and the stimulation of non-Federal credit through loan insurance and guarantees, as authorized in the Act, would provide tremendous alternatives to direct Federal expenditure. These alternatives would open up opportunities for economic, community and educational development for Indians and would greatly advance the goal of Indian self-determination.

We believe that to date operation of the BIA revolving loan fund has been very successful in spite of the limited capitalization of the fund. Through June 30, 1971, \$72.2 million has been loaned from the fund. Of this amount loaned, \$27.6 was outstanding in loans. During the past fiscal year \$3.3 million was loaned and collections of \$2.2 million (principal and interest) were received. Losses on loans through June 30, 1971, totaled \$2.6 million, less than 4 percent of the amount loaned. Loan delinquencies were \$1.8 million which is slightly over 6 percent of the amount outstanding. This record speaks well for the Indian people. Many of these loans would not be considered bankable by banking standards because the borrowers either do not have the necessary collateral to secure loans or have little or no equity with their enterprises and lack the experience and know how in business management and operations. Also Indians lack of authority to pledge property to be acquired has been a serious handicap in efforts to obtain financing.

Indians are encouraged to use their own money to the extent available. At June 30, 1971, Indians were using funds of their own totaling \$117.7 million. This money is often supplemented with loans from the United States to make loans to members of the tribal organizations and cooperatives and to finance tribal businesses. However, the increase in the revolving fund authorization and the authority to guarantee and insure loans are vital in generating financing to meet the needs of Indian people. The administration proposal can provide this needed capital.

The increasing needs of the Indian people are currently estimated to be in excess of \$1 billion. Unadvanced commitments on approved loans totaled \$13.6 million at May 19, 1972. Applications authorized amounted to \$16.4 million. The aggregate of these items is \$30.0 million against available cash of \$1.9 million. To meet this need, the revolving fund is short \$28.0 million.

In order to meet these needs and projected future requirements, we strongly recommend enactment of S. 2036, the Administration proposal.

This concludes my statement.

Senator METCALF. Would you like to testify on the other bill, 2237, before you leave?

Mr. LOESCH. Yes, sir; I would. I would most especially, Mr. Chairman, because this bill is one that is very, very dear to my heart.

In 1969, we had the idea of creating a comparatively small fund—by the way, I am now accompanied by Mr. John Abramson, of the Bureau, who was in charge of the program that I will tell you about.

Senator METCALF. We are glad to have you with us again, Mr. Abramson.

Mr. LOESCH. In 1969, as I say, we had this idea of creating a fund which, in effect, would be sort of last-gasp money, which would be, where appropriate, quickly available to close the transaction where the individual Indian or the tribe just wasn't able to borrow enough, or finance sufficiently to get off the ground, and there is more than one reason for this.

For example, a debt equity structure which was 100-percent debt might make the difference between a viable and a nonviable enterprise. We consequently, after planning it as best we could—and I

may say that at that time we had no idea that this wasn't within the general authorization of the Secretary of the Interior to attend the Indian programs, and the Appropriations Committee agreed—we commenced this program in fiscal 1971 with a sum of \$3.4 million that was provided to us by the Congress.

We thought that the experience, that it was on a rather crash basis, it turned out to be a 1-year effort at that time, was outstandingly successful.

I should ask you again, Mr. Chairman, if I could have my statement made a part of the record, because I am simply talking here about it.

Senator METCALF. Yes, please do.

Mr. LOESCH. The money that we used in this program in 1971 created 237 new Indian-owned small businesses, and assisted in the expansion of 142 others. We have got followup on this, and we can document the amount of jobs and the price of each job that this fund created, and I daresay that it is the cheapest job creation program that the Government ever was involved in.

I have just been totally sold on the thing myself. I am personally very much involved in this bill. I was destroyed when I found that there was an argument between the Authorization Committee and the Appropriation Committee that resulted in discontinuance of the program, and, of course, the administration immediately took steps to request that it be legislatively authorized.

I think the striking features of how we did it—and I am not here to say, by the way, that we didn't make a few mistakes. We did. We are liable to in any new thing. But on the whole, I think that the experience was greatly successful, and the thing that interested me about it was that our average loan was somewhere in the average of \$9,000, and this means then when an Indian employee—this is one of my favorite illustrations—an Indian employee of a roofing contractor in Kansas, when his employer died or went out of business or something, this man was able, by the assistance of local bank loans and a small grant from the Indian business development fund, to start his own contracting business, and it is very successful, and he now has four or five Indian employees. He was always well regarded locally, but he just didn't have the money to get into the business. When the opportunity arose, we were fortuitously able to take advantage of the loan fund which was in existence at the time the opportunity arose—I don't mean loan fund, the development fund.

I look on that as a typical example of the kind of progress we were able to make on it, and I strongly urge the committee to give its support to the bill.

Senator METCALF. Senator Burdick?

Senator BURDICK. No questions.

Mr. LOESCH. I should make clear that I have said "loan fund," but there is no loan feature in this. This is straight-out grant. It is limited to grants after all other available funding has been found, by way of loan or otherwise.

Senator BURDICK. I have one question, Mr. Secretary.

On page 3 of the bill, it says "except that no grant may be made to an applicant who is unable to obtain at least 60 per centum of the

necessary funds for the economic enterprise from other sources." Does that mean it is possible to grant money of less than \$50,000 to take care of the balance of 40 percent?

Mr. LOESCH. Yes, sir; it does.

Senator BURDICK. Limited only by the \$50,000, and, of course, the judgment and discretion?

Mr. LOESCH. True. The total limitation is \$50,000, but there is a secondary limitation that can't be more than 40 percent of the total funding of the enterprise.

Senator BURDICK. That is all.

Senator METCALF. The only problem here then, as I understand it, is that you launched this program in good faith, and all at once you found out that as far as the Appropriations Committee was concerned that you didn't have the authorization?

Mr. LOESCH. Yes, sir; essentially, although I think it was the Authorizing Committee that said that we didn't have the authorization.

I have just been reminded that 54 percent of the loans that we made were for the sum of \$5,000 or less.

Senator METCALF. Of the grants.

Mr. LOESCH. Of the grants. I keep saying loans. Of the grants, they were \$5,000 or less, and this indicates to me that this was primarily for the benefit of the small entrepreneur, the guy that wanted to start a gas station, the guy that wanted to start a mechanic shop, and of course the big problem on the Indian reservation is that their money doesn't turn over in the Indian community the way it does in the non-Indian community. They get to use the money once and it leaks off into the non-Indian community and is lost forever so far as the reservation is concerned.

If we can get a lot of groceries, and pharmacies, and filling stations and things started by individual Indians on a reservation, that money will turn over and over and we will just pull up the Indian economy very greatly, and that is the purpose of this bill.

Senator METCALF. Senator Burdick?

Senator BURDICK. You indicated that \$600,000 of the original \$3.4 million appropriation for the Indian business development program was administered by the BIA headquarters office. Could you provide the committee with a list of the grants made from that portion of the fund?

Mr. LOESCH. We would be glad to. I think we probably have it available right here.

Senator METCALF. You provide it for the record, and it will be incorporated in the record, at this point.

(The information requested follows:)

U.S. DEPARTMENT OF THE INTERIOR,
BUREAU OF INDIAN AFFAIRS,
Washington, D.C., August 11, 1972.

Hon. HENRY M. JACKSON,
Chairman, Committee on Interior and Insular Affairs,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: At the August 1, 1972 hearings on S. 2237, the Indian Business Development Program, Senator Burdick of your committee requested a list of applications approved for grants paid out from the Commissioner's fund. Enclosed is the listing he requested.

It will be noted that a total of \$861,137 was expended for projects. The Commissioner's allocation was originally in the amount of \$600,000. The additional \$261,137 was money returned from agency offices which did not use their allocations. These funds were used to finance projects in other agencies where needs were greater.

If we may assist you further on this matter, please let us know.

Sincerely yours,

ALEXANDER MACNABB,
Acting Commissioner.

Enclosure.

INDIAN BUSINESS DEVELOPMENT FUND

LIST OF APPLICATIONS APPROVED FOR GRANTS PAID OUT FROM THE COMMISSIONER'S FUND, JUNE 30, 1971

| Name and location | Kind of business | IBDF funding | Other capital general | |
|---|--|-----------------|------------------------|-----------|
| | | | Source | Amount |
| ABERDEEN | | | | |
| Means Construction Co., S. Dak. | McLaughlin, Plumbing and heating contractor. | \$4,800 | Bank | \$7,200 |
| Metal Finishing Co., Rapid City, S. Dak. | Pine Ridge Reservation | 11,000 | SBA | 25,000 |
| Pine Ridge Reservation Development Co., Pine Ridge, S. Dak. | Manufacturing moccasins | 45,000 | SBA and bank | 105,000 |
| Sioux Nation Industries Reservation, S. Dak. | Pine Ridge Leather garment manufacturer | 15,000 | SBA | 40,000 |
| Joseph Dudley, Sioux Pipestone Works, Box Elder, S. Dak. | Jewelry-novelty manufacture | 3,000 | Credit union | 5,000 |
| Yankton Sioux Tribe, Wagner, S. Dak. | Meat processing | 60,000 | SBA, EDA, and private. | 1,280,000 |
| Antell, Maurice, Fort Yates, N. Dak. | Laundromat | 27,000 | SBA | 43,000 |
| Total | | 165,800 | | 1,505,200 |
| ALBUQUERQUE | | | | |
| Mescalero Store & Laundry, Mescalero Reservation, N. Mex. | Store and laundry | 20,000 | EDA, tribe | 241,900 |
| Totem Pole, Albuquerque, N. Mex. | Haberdashery | 20,000 | SBA | 55,000 |
| Eight N. Pueblos Construction Co., Santa Fe, N. Mex. | Manufacturing building materials | 15,000 | Bank, OEO | 40,000 |
| Eight N. Pueblos Ent., Inc., Santa Fe, N. Mex. | Home construction | 50,000 | Bank | 115,000 |
| Forrest Turner, Albuquerque, N. Mex. | Truck transportation | 10,000 | SBA | 26,000 |
| Ute Mtn. Pottery, Towac, Colo. | Pottery and ceramic ware | 4,950 | SBA | 25,000 |
| Total | | 119,950 | | 502,900 |
| ANADARKO | | | | |
| Rayburne Washee, Haysville, Kans. | Coin laundry and dry cleaning | 4,700 | Vendor | 34,000 |
| Dana A. Knight, Ponca, Okla. | Ranching | 12,000 | | 0 |
| Total | | 16,700 | | 34,000 |
| BILLINGS | | | | |
| Baldy Butte, Recreation, Rocky Boys Reservation, Mont. | Tourist lodge | 75,000 | EDA | 435,000 |
| Crow Motel Complex, Crow Reservation, Mont. | Motel | 40,000 | EDA, tribe | 1,096,000 |
| Total | | 115,000 | | 1,531,000 |
| AREAS UNDER THE JURISDICTION OF CENTRAL OFFICE | | | | |
| Osceola Enterprise, Hollywood, Fla. | Office building and services | 4,200 | Private | 15,000 |
| James Billie, Hollywood, Fla. | Landscaping and gardening | 2,000 | Bank private | 1,000 |
| Lucille Watt, Salamanca, N.Y. | Hair dresser | 2,000 | SBA and private | 5,000 |
| Gary Patterson, Tuscarora Reservation, N.Y. | Grape farm | 10,000 | FHA | 15,000 |
| Andrew Cook, Onondaga Reservation, N.Y. | Sand and gravel | 6,400 | SBA and private | 43,100 |
| Total | | 24,600 | | 79,100 |
| JUNEAU | | | | |
| John Oktolik, Point Hope, Alaska | Dry goods and hardware | 10,000 | SBA | 15,000 |

INDIAN BUSINESS DEVELOPMENT FUND—Continued

LIST OF APPLICATIONS APPROVED FOR GRANTS PAID OUT FROM THE COMMISSIONER'S FUND, JUNE 30, 1971—Con.

| Name and location | Kind of business | IBDF funding | Other capital general | |
|--|-------------------------------|-----------------|-----------------------------|-----------|
| | | | Source | Amount |
| MINNEAPOLIS | | | | |
| Sargeant Freight Lines, Bemidji, Minn. | Trucking freight | 5,800 | SBA | 20,200 |
| Jones Restaurant, Cass Lake, Minn. | Food service | 3,000 | SBA | 17,000 |
| Wah-Zee-Jah Co-op., Wittenberg, Wis. | Arts and crafts | 35,000 | SBA | 5,000 |
| Oneidas of Wisconsin, Green Bay, Wis. | Community development corp. | 3,000 | SBA and bank | 108,000 |
| Standing Stone Corp., Green Bay, Wis. | Musical instrument and repair | 7,000 | SBA | 40,000 |
| Red Lake Chippewa Fence Co., Red Lake, Minn. | Manufacture cedar products | 30,000 | SBA and EDA | 263,000 |
| Total | | 83,800 | | 453,200 |
| MUSKOGEE | | | | |
| Creek Nation Crafts, Chocotah, Okla. | Pottery manufacture | 18,000 | SBA | 58,000 |
| NAVAJO | | | | |
| Chancellor Damon, Navajo Reservation, N. Mex. | Truck transportation | 18,000 | Bank | 27,000 |
| Eastern Navajo Industries, Gallup, N. Mex. | Modular homes manufacture | 75,000 | Bank and private | 412,500 |
| Total | | 93,000 | | 439,500 |
| PHOENIX | | | | |
| Wa-Pai-Shone, Schurz, Nev. | Arts and crafts products | 2,000 | Private | 2,300 |
| Gila River Indian Enterprises, Gila River, Ariz. | Canvas products | 50,000 | SBA and OEO | 401,000 |
| Gila River Materials Corp., Gila River, Ariz. | Concrete products | 33,400 | SBA | 300,000 |
| Ballentine's Western Wear, Phoenix, Ariz. | Retail Western wear | 10,000 | SBA | 25,000 |
| Reno Sparks Indian Colony, Reno, Nev. | Office construction | 30,000 | Bank and tribe | 45,000 |
| American Table Mfg. Co., Salt River Reservation, Ariz. | Table manufacturing | 10,000 | SBA | 25,000 |
| Total | | 135,400 | | 798,300 |
| PORTLAND | | | | |
| Lummi Aquaculture, Lummi Reservation, Wash. | Seafood culture | 25,000 | EDA, OEO, MDTA, and private | 2,714,000 |
| Tanewasha Burger Inn, Warm Springs, Oreg. | Food service | 6,887 | SBA and tribe | 43,000 |
| Rita Castilleja, Yakima, Wash. | Restaurant | 15,000 | SBA and private | 68,000 |
| Total | | 46,887 | | 2,825,000 |
| SACRAMENTO | | | | |
| Jackson Trucking Co., Hoopa, Calif. | Log hauling | 32,000 | Private | 48,000 |
| Grand total | | 861,137 | | 8,289,200 |

Senator METCALF. I think that that completes your testimony, Mr. Secretary, and we are delighted to have you here, and we are pleased to have your explanation of the bills.

I will see what the Indian community has to say.

Mr. LOESCH. Thank you, Mr. Chairman.

(The complete statement of Mr. Loesch on S. 2237 follows:)

STATEMENT OF HARRISON LOESCH, ASSISTANT SECRETARY OF THE INTERIOR FOR PUBLIC LAND MANAGEMENT, ON S. 2237

The Department recommends enactment of this bill.

This proposal would provide a legislative sanction of the Indian Business Development Program that was created by the Bureau of Indian Affairs in 1971. With a budget of \$3.4 million, this program has served to make grants to Indian individuals, tribes, and associations, which are to establish profit-making Indian-owned businesses which will provide employment for Indians.

In addition to formalizing this program, the bill would limit any grant to a maximum of \$50,000. A grant could be made only to an applicant which in the opinion of the Secretary of Interior is unable to attain adequate financing for its economic enterprises from other sources including its own financial resources, except that no grant could be made to an applicant who is unable to attain at least 60 percent of the necessary funds for the economic enterprise from other sources.

We consider the Indian Business Development Program to have been a notable success during Fiscal 71. All of the \$3.4 million made available to the program during that year was used for grants. The sum of \$2.8 million was allocated to 80 Agency offices. The allocation to each Agency was based on the ratio of the number of eligible persons in the jurisdictional range of the Agency to the total national eligible Indian population. However, a maximum of allocation of \$50,000 was established for any one Agency. The sum of \$600,000 was retained in the Central office for distribution to eligible applicants living elsewhere than within the range of their tribal membership and for distribution at the discretion of the Commissioner.

A total of 780 applications were submitted and the total value of the requested funds amounted to \$10.8 million, nearly three times as much as the \$3.4 million available.

The money disbursed helped establish 237 new Indian-owned small businesses and assisted in the expansion of 142 businesses. These businesses will provide an estimated 2,860 Indian jobs with an annual payroll of around \$11.8 million.

New enterprises started and those expanded, include a wide range of business activities. A total of 56 are involved in some aspects of manufacturing; 36 in contract construction; 30 in agricultural production and services; 25 in food stores; 20 in food services; 17 in laundromats and dry cleaning; 7 in apparel and accessories; 5 in fisheries; 4 in furniture and home furnishings; among a variety of others.

Primary financing for all these enterprises came from customary private and public lending sources and without these the program would not have been possible. The program generated \$16.4 million in loans, an amount 500 percent greater than the appropriation received. Fifty-nine percent, or \$9.7 million of the total loan money came from private commercial lenders while 41 percent or \$6.7 million came from government agencies. Commercial lenders were predominantly local banks and vendors of machinery and equipment. Most government loans came from the Small Business Administration.

The average sum of IBDF money per man-year of employment (or permanent job) amounts to \$1,200 while the average additional capital generated as loans from other sources for each man-year of employment amounts to \$5,700. The combined average cost of creating each permanent job was \$6,900.

We are very proud of the fact that as of March 31, 1972, of the 237 new businesses established under this program only 14 had failed. This means a failure percentage of only 3.7 and a loss of funds percentage of 3. While it is unfortunate that there were any failures at all, we believe that this record is remarkable, especially in view of the fact that the businesses supported by this program are quite small.

This concludes my statement.

Senator METALF. Our next witness will be Mr. Leon Cook, president, and Franklin Ducheneaux, legislative consultant, of the National Congress of American Indians.

We are pleased to have you with us this morning. Do you want to testify separately on S. 2036 first, and then S. 2237?

Mr. Cook. Yes, thank you, Mr. Chairman.

STATEMENT OF LEON COOK, PRESIDENT, NATIONAL CONGRESS OF AMERICAN INDIANS; ACCOMPANIED BY FRANKLIN DUCHENEUX, LEGISLATIVE CONSULTANT

Mr. Cook. My name is Leon Cook president of the National Congress of American Indians. Accompanying me is Mr. Franklin Ducheneaux, legislative consultant for NCAI.

We appreciate very much the opportunity afforded us to express our position on the pending legislation.

Title I of Senate 2036 combines the four existing Indian revolving loan funds into one fund, and it changes and expands and codifies administrative regulations governing the current revolving loan program, and increases the authorized appropriations by \$50 million.

Title II creates and defines an Indian loan guaranty and insurance fund in order to provide Indians with greater access to the private money markets.

Title III authorizes the Secretary of the Interior to pay interest subsidies to both the revolving loan fund and on loans made under the loan guaranty and insurance fund.

NCAI strongly favors and urges enactment of legislation designed to accomplish the ends of these bills. Development of the economy of the Indian community is a must; and, if it is to become a reality, credit must be available and at a cost such that guaranteed failure is not a constant companion of Indian development.

This legislation is, at least, a tacit recognition by the United States that development of the Indian community economy is in the best interests of the United States, and that comparatively cheap credit is a necessity for this to happen.

Indian tribes across the country have waited many years for an increase in the revolving loan fund, and for legislation opening the private money markets to themselves and their members.

Development opportunities have been lost, many times to non-Indian developers, because of a lack of capital.

While both NCAI and some Indian tribes have some reservations about certain aspects of the proposed legislation, there is universal Indian support for this kind of expansion of credit.

We do have some recommendations for changes and some comments on the bill.

1. On page 2, lines 3-5, delete the phrase, "and where they will have the opportunity to be integrated socially, politically, and economically into the American life."

First, we surely wish our people to have this opportunity if they wish it, but this language raises and will raise in the minds of our people the old fear of termination.

Second, though most non-Indians will not give it credence, we Indians believe that our Indian way of life is the American way of life.

2. Section 102(b) taken with section 3(d) indicates the likely result of loans being made by Indian tribes from revolving loan funds to non-Indian organizations. We have no absolute objection to this, but the purpose of the direct Federal loan program is to provide badly needed and sadly lacking development capital for Indians, not non-Indians. If such loans are to be made, they should be made only in special cases and in cases clearly beneficial to the tribal members as a whole.

3. We note with approval that the requirement of section 103 that Indian tribes must use their own funds before getting a loan from the revolving loan fund is qualified by the proviso that this is not necessary if such funds are already committed and programmed. Indian tribes have many, many demands on any funds which become available to them and still have many unmet needs.

4. We feel that the interest rate structure for both title I and title II are too involved and complex, unnecessarily so. The current regulation in 25 CFR 91.6 setting interest rates on revolving loan funds at not less than 2 percent nor more than 5.5 percent per annum has served rather well.

In addition, it seems rather ridiculous to recognize the need to insure Indians comparatively cheap credit by interest subsidies and then to burden them down with premium charges, administrative costs, and other costs such as to almost guarantee default.

5. Section 109 and section 215 provide for the mortgage by the tribe of lands purchased with loans made under titles I and II, and taken in trust. Even though this does not confer mortgage authority with respect to existing tribal land, many tribes have opposed this provision. Many BIA officials have stated that an assignment of income from trust lands is often a better and more easily administered security than a mortgage on that land. We wonder why this route could not be followed with this legislation.

6. Section 111 provides that the United States can satisfy a default on a loan by an Indian tribe from money judgments awarded that tribe against the United States. Many tribes have objected to this provision on the basis that the sins of the tribe should not be visited upon the members who may have per capita expectations from such judgment award.

Mr. Chairman, we have one final comment.

If this legislation making new sources of credit available to Indians is to be as restrictive, both as to eligibility and as to cost, as existing private money markets, we do not need it. Indians, for a variety of reasons, are for the most part poor credit risks. This legislation is supposed to be designed to meet that problem and must meet it. Indians, for a variety of reasons, cannot meet the going rate of interests charged in the private money markets. This legislation is supposed to be designed to meet this problem and must meet it. If it does not, it will be an exercise in futility and a hoax upon Indian expectations.

Mr. Chairman, we urge the committee to give serious consideration to our comments and recommendations. With appropriate changes, we can give our wholehearted support to passage of S. 2036.

This completes my statement. Thank you very much.

Senator METCALF. Thank you very much.

Senator Burdick?

Senator BURDICK. No. I think it is a fine statement. I am sure the committee will give consideration to your recommendations.

Senator METCALF. I concur. I am pleased that you have analyzed the bill and made specific suggestions for the consideration of the committee.

Now, as to your last part, it would seem to me that the whole purpose of this legislation, as has been the purpose of a great deal of other legislation, to help credit in other areas of the community, is to provide credit where it isn't available, and, of course, members of this committee are well aware that the Indian community and Indian individuals have more difficulty obtaining credit than almost anybody else.

But as we have done in the Farmers Home Administration and the Federal Housing Act and so forth, sometimes it is a matter of admin-

istration, and some of these people administering this analogous legislation in other areas have just felt that they are bound by the same credit requirements as a bank, and don't exercise the tolerance and the latitude that we expect in this legislation, and so we will write it into the report, if this bill is passed, and we will make whatever congressional suggestions, but it comes down to a matter of administration.

But I am glad that you brought that up, because time after time, whether it is to help a farmer or to help the college student, the person who is in charge probably comes up from one of the local banks and says, well, where is your collateral and where is your security, and well, we just can't give you this kind of loan, when it is intended to be supplementary to that sort of a program.

Thank you very much.

Now, would you move on to 2237.

Mr. Cook. I will skip the introduction and simply get down to our statement.

S. 2237 authorizes funds to be appropriated to establish an Indian business development program which would be used to make nonreimbursable grants to promote the development of profitmaking, Indian-owned economic enterprises on or near Indian reservations. The limited experience Indians have had with this kind of program in recent years has resulted in an enthusiastic reception. NCAI wholeheartedly supports enactment of the bill.

Every year, millions and millions of dollars are pumped into the Indian reservations from Federal, State, and tribal sources. In some cases, private industrial development contributes to this dollar volume. Yet, little, if any, of this money stays on the reservation to enrich the Indian community. It flows immediately into the surrounding non-Indian communities and enriches these communities. Why? Because there are few, if any, Indian-owned small businesses on or near these reservations.

There are all too few Indian-run barbershops, beauty shops, gas stations, cafes, bowling alleys, bars, laundromats, et cetera, in which the payrolls derived from the funding dollars can be spent. As a consequence, the economic Indian community never develops.

The existing opportunities offered by the Small Business Administration, the Office of Minority Business Enterprise, and through private money markets are a cruel joke on the potential Indian entrepreneur who doesn't have the startup capital necessary to qualify for this assistance. This fund will give the Indian entrepreneur the handup he needs to insure the Indian development of Indian resources.

We strongly urge enactment of this bill.

Thank you again for the opportunity to present our position.

Senator METCALF. Thank you very much.

Senator Burdick?

Senator BURDICK. Again, we are happy for your support.

You think this "up to 40 percent" grant money will be available—

Mr. Cook. I like that provision. I am not quite so certain I agree with the \$50,000 maximum per grantee, but originally when we postulated the legislation, we had asked for a \$100,000 maximum per grant. I might expand on the statement you made previously about the lack of access to money in developing small business in relation to the

development credit program. This is especially true of our Indian individuals and groups who are interested in going into private business.

Really, the basic intent of the grant program was simply to complement the Indian request when they were going to private lending sources, because, for the most part, Indians have had a lack of capital and a lack of collateral, particularly, and a lack of the kinds of security that private lending institutions were looking to, and backing off from and providing loans to individuals. That has also been the most detrimental factor in prohibiting Indians from going into business on the reservation in borrowing money from local banks and local institutions in and around the reservations.

Senator METCALF. This is an open-end authorization. There is no limit on the amount of authorization?

Mr. COOK. At this point in time, yes.

Senator METCALF. It is open-end?

Mr. LOESCH. Yes, sir.

Senator METCALF. If there is a limit to the amount of money, such as the \$3.4 million that was previously discussed, it would seem that in order to have as much benefit as possible, some restriction such as \$50,000 should be imposed on one individual grant. If more funds were to be made available, I would be inclined to agree that the grant program should be amplified.

Mr. COOK. I would try to relate the grant request to some similar existing legislation programs, particularly that available through FHA. They have theirs limited to \$100,000, and we thought that that would be comparable in this program.

Originally, when the legislation was postulated, again, we anticipated \$4.9 million this last fiscal year, and because of the lack of any legislation we weren't able to get any money at all.

I would recommend in lieu of having the approximately \$5 million this year to be possible to be made, we would like to see the thing started at approximately \$10 million for the first program with the necessary authorization.

Senator METCALF. Mr. Secretary, my attention has been called to the transmittal letter of the Department of Interior, and its analysis of the proposed bill, and it says "Section V authorizes the appropriations for the program over a period of 6 years," and sets a total amount of \$75 million, and yet when the bill was introduced by Senator Jackson and Senator Allott, in the customary courtesy, it said there is authorized to be appropriated such sums as may be necessary.

Mr. LOESCH. Mr. Chairman, this was changed. You are absolutely right, of course, and I don't recall the particular reason why the last minute change in the bill occurred, but it certainly did. We had originally planned—we had hoped that we would have \$10 million, as Mr. Cook just said, for the first year of the program, and had hopes, budgetary constraints taken into account during the period of time, that we would have been granted \$75 million in the end; since we had to weigh the priority of this program against the priority of other programs in the bureau we just left it open ended and figured that we would do our dickering with the appropriations committees and the OMB each year.

I may say that when we first put this program into effect, we had anticipated trying it out with \$5 million even. We were required in

the usual shakeup, it went down to \$3.4 million, because otherwise we were taking money out of some of our resource developments, such as timber programs, range programs, and that sort of thing, for the benefit of this particular program, and you reach a point where that is not productive, is all I am saying.

Anyway, the departmental letter should be amended.

Senator METCALF. However, you are thinking about \$10 million a year to start, and maybe at the end of 6 years increasing it so that the overall amount in that period could be about \$75 million?

Mr. LOESCH. Yes, sir.

Senator METCALF. And that is about what you were thinking, too, isn't it, about \$10 million to start; and if possible, increase the appropriation from year to year?

Mr. COOK. Yes. We had originally anticipated \$10 million, progressively increasing and expanding the program from the \$3.4 to \$5 to \$10 to \$15 million, and then consistently at that level. We thought it would kind of level off.

Senator METCALF. I am asking these questions, as you all know, because when we get into executive session someone always wants to set a limit on an open ended authorization, and I am trying to determine the position of all of our witnesses on this question.

Mr. LOESCH. If I could make an observation, Mr. Chairman, the bureau originally, on these rather ambitious ideas which, as I say, in the usual budgetary process were sort of progressively reduced. I didn't think that that was a bad idea for openers. I thought that \$5 million was an appropriate figure, and I think experience showed that that was probably correct, because in the year that we operated the program, it was a rather crash program, even with \$3.4 million, and as a result, since it was a departure and there was great pressure on the agency people on the reservations to get the applications in and so on in that process, since it was rather speedy, we did make some mistakes. No use trying to deny it. Not very many, percentage-wise, but we made some errors that I don't think we would make again.

And I feel that if we could start off, now that we have had that \$3.4 million experience, if we could start off at the beginning of the fiscal year with this program at \$10 million in an orderly way, or even at \$5 million, if necessary, in an orderly way, increasing it, as Mr. Cook says, to about the \$15 million level for as long as the program continues, it would be a very good way to do it.

Senator METCALF. Thank you. That is very helpful.

Mr. COOK. It might be a little bit of an idea of the progress of the program, as Mr. Loesch indicated, it was really kind of a crash program initially, but nevertheless while we had gone through approximately 370 new and expanded enterprises, we had more than double that number of applications in the very short period of time, so that it was our conviction that expanding it to approximately half again as much money the second year that we would be fairly comfortable in moving into and administering the program fairly effectively.

Senator METCALF. I want to ask a question. In the event that both of these bills are passed, could you get a 60 percent loan from the development fund, for example, and then a 40 percent grant from the Indian business development program?

Mr. LOESCH. Conceivably, yes, Mr. Chairman. I would say that it would be the policy of the bureau not to make a grant in conjunction with a loan from the revolving fund, but it would not be inconsistent for the bureau to make a grant in connection with a guaranteed or insured loan from the other fund.

Senator METCALF. I understand and I acquiesce. In the one case it would be 100 percent from the bureau, whereas in the second case it would be going to ordinary funding in the money market and then supplementing it with the grant, which is a contemplation of this legislation.

Mr. LOESCH. Yes, sir.

Senator METCALF. Do you have something to add, Mr. Ducheneaux, on either of the bills?

Mr. DUCHENEAUX. No, sir, Mr. Chairman.

Senator METCALF. Thank you very much for a most impressive presentation.

Mr. COOK. Thank you.

Senator METCALF. Our next witness is Mr. Overton James, president of the Inter-Tribal Council of the Five Civilized Tribes.

Mr. James, we are delighted to have you here this morning. You start off with 2036 as the others have.

STATEMENT OF OVERTON JAMES, GOVERNOR, CHICKASAW NATION; PRESIDENT, INTER-TRIBAL COUNCIL OF THE FIVE CIVILIZED TRIBES

Mr. JAMES. Thank you, Mr. Chairman and honorable members of the subcommittee.

I am happy and privileged to have the opportunity to appear and express the views of the Five Civilized Tribes on this Senate Bill 2036.

I also want to express our thanks to Senator Bellmon who made it possible for us to be here.

I am Overton James, Governor of the Chickasaw Nation, and president of the Inter-Tribal Council of the Five Civilized Tribes.

In reviewing the various acts creating the revolving credit fund, I have found that the Indian Reorganization Act of June 18, 1934, authorized \$10 million. Then the act of September 15, 1961, increased that authorization by \$10 million, making it \$20 million.

The Navajo-Hopi Rehabilitation Act of April 19, 1950 appropriated \$5 million for the use of those two tribes, and section 6 of the Oklahoma Welfare Act of 1936 authorized the appropriation of \$2 million for loans to Oklahoma Indians.

Section 3 of the Oklahoma Act also provided that any charger may give the right to participate in the revolving fund and to exercise all of the rights of other tribes organized under the Indian Reorganization Act.

The preliminary 1970 census count of American Indians shows that Oklahoma has a greater Indian population than any other State, 97,731.

The Muskogee Area of the Bureau of Indian Affairs, which has jurisdiction of the Five Civilized Tribes has approximately two-thirds or approximately 61,000 of the Indians of Oklahoma.

Although section 7 of the Oklahoma Act provides that Oklahoma Indians shall be allocated a fair share of the funds appropriated pursuant to the Indian Reorganization Act, the Indians in the Muskogee area have never had loans advanced from these funds. They have only made loans from funds made available by the Oklahoma Welfare Act.

Of the \$2 million authorized under the Oklahoma Welfare Act, \$612,774 has been used for administrative expense. The balance has been committed to Indian organizations and individual Indian loans. Only approximately \$30,000 remains in the Oklahoma fund available for loans.

For several years Indians have been unable to obtain needed financing from the Bureau's credit fund because it was depleted. In fact, there are \$302,500 in unallotted commitments and \$738,515 in applications authorized which makes an aggregate shortage of over \$1 million.

Since the inception of the Bureau's loan program through the revolving credit fund, 1,664 loans in the aggregate amount of \$4,082,010 have been made to the Indians in the Muskogee area from the Oklahoma Welfare Funds, which have been loaned, collected, and reloaned several times. The Cherokee Tribe has been more fortunate in that \$450,000 of the Cherokee tribal money has been used for loans to Cherokees. The Cherokees have made 94 loans from this fund.

The Choctaw Tribe of Oklahoma was made ineligible for loans from the revolving fund established by the Oklahoma Welfare Act because of the act of August 25, 1959, which was subsequently repealed by the act of August 24, 1970.

Although the Choctaws of Oklahoma, which consist of 10,849 people, were ineligible for loans from the revolving fund for 11 years, only two loans in the amount of \$12,400 have been made to Choctaws through U.S. direct loans from the revolving fund since they again became eligible to participate in the program.

The Choctaws of Oklahoma had great hopes that their economic conditions could improve when they again became eligible for loans through the revolving fund in 1970. Their expectations have not materialized since no funds are available to them through the Bureau's credit fund.

There is within the Muskogee area an Indian labor force of 22,542 of which 4,155 or 18 percent is unemployed. The average per capita income of Indians who reside in the Muskogee area is \$956. The average Indian per capita income tends to be considerably lower in areas of higher Indian concentration, as for example, the average per capita income for Indians residing in the Tahlequah Agency is \$618, and the Okmulgee Agency is \$699.

Although many Indians are able to obtain justified financing needed to promote their economic development from the same institutions, both private and governmental, serving other citizens, there are many other deserving Indians who are unable to obtain justified financing because of lack of security for loans, undeveloped managerial skill, education, and some discrimination.

Enclosed is a copy of the estimated financing needs of Indians residing in the Muskogee area. The estimate reflects that there is a need of \$176,964,100 to meet the total financial needs of the Indians in the Muskogee area.

(The document follows:)

EXHIBIT I

Estimated financing needs

| | |
|---|---------------|
| Muskogee area----- | \$176,964,100 |
| Ardmore agency----- | 20,213,900 |
| Loans to individuals----- | 18,203,900 |
| Agriculture: | |
| Beef and dairy production----- | 3,069,700 |
| Poultry production----- | 1,498,000 |
| Swine production----- | 162,000 |
| Truck and row crops----- | 31,000 |
| Land purchases----- | 6,193,200 |
| Housing: | |
| New----- | 6,300,000 |
| Repairs----- | 158,000 |
| Small business----- | 700,000 |
| Education----- | 92,000 |
| Outdoor recreation, bait farms----- | 10,000 |
| Industrial development----- | 2,000,000 |
| Sulphur, carpet, apparel----- | 1,000,000 |
| Tishomingo, electronics, plastics----- | 500,000 |
| Madill, boat, fishing----- | 500,000 |
| Okmulgee Agency----- | 25,954,400 |
| Loans to individuals----- | 20,394,400 |
| Agriculture: | |
| Beef and dairy production----- | 2,260,900 |
| Poultry production----- | 1,152,000 |
| Swine production----- | 108,000 |
| Truck and row crops----- | 62,000 |
| Land purchases----- | 5,806,500 |
| Housing: | |
| New----- | 8,662,500 |
| Repairs----- | 569,400 |
| Industrial development----- | 5,500,000 |
| Okmulgee; apparel, pumps, glass containers----- | 1,000,000 |
| Henryetta; apparel, glass----- | 1,000,000 |
| Muskogee; metals, apparel, textiles, glass, steel mill----- | 1,000,000 |
| Okemah; plastics, electronics----- | 500,000 |
| Eufaula; apparel, furniture, electronics----- | 1,000,000 |
| Checotah; plastics, furniture----- | 500,000 |
| Weleetka; textile mill, electronics, plastic----- | 500,000 |
| Arts and crafts----- | 60,000 |
| Osage Agency----- | 7,422,400 |
| Loans to individuals----- | 4,832,400 |
| Agriculture: | |
| Beef and dairy production----- | 697,100 |
| Poultry production----- | 192,000 |
| Land purchases----- | 1,314,500 |
| Housing: | |
| New----- | 2,100,000 |
| Repairs----- | 116,800 |
| Small business----- | 360,000 |
| Education----- | 52,000 |

| | |
|--|------------|
| Arts and crafts----- | 60,000 |
| Outdoor recreation, catfish farm----- | 30,000 |
| Industrial development----- | 2,500,000 |
| Hominy, pumps, metal fabrication----- | 500,000 |
| Barnsdall, pumps, metal fabrication----- | 1,000,000 |
| Fairfax, pumps, metal fabrication----- | 1,000,000 |
| Miami Agency----- | 28,807,200 |
| Loans to individuals----- | 21,294,200 |
| Agriculture: | |
| Beef and dairy production----- | 3,510,700 |
| Poultry production----- | 1,690,000 |
| Swine production----- | 162,000 |
| Land purchases----- | 7,943,500 |
| Housing: | |
| New----- | 5,880,000 |
| Repairs----- | 881,900 |
| Small business----- | 1,130,000 |
| Education----- | 96,100 |
| Outdoor recreation----- | 13,000 |
| Bait farms----- | 10,000 |
| Swimming pool----- | 3,000 |
| Industrial development----- | 7,500,000 |
| Quapaw; boat, electronics----- | 500,000 |
| Wyandotte; apparel, electronics, boat----- | 500,000 |
| Fairland; apparel, electronics, boat----- | 500,000 |
| Afton; boat, apparel----- | 500,000 |
| Vinita; apparel----- | 500,000 |
| Nowata; boat, plastic, electronics----- | 500,000 |
| Salina; apparel, fishing, boat----- | 500,000 |
| Locust Grove; apparel, fishing, boat----- | 500,000 |
| Chouteau; apparel, fishing, boat----- | 500,000 |
| Kenwood; electronics, boat, pottery----- | 1,000,000 |
| Jay; boat, electronics, fishing----- | 1,000,000 |
| Claremore; metal fabrication, fishing, boat----- | 500,000 |
| Chelsea; apparel, fishing, boat----- | 500,000 |
| Tahlequah Agency----- | 39,754,700 |
| Loans to individuals----- | 33,964,700 |
| Agriculture: | |
| Beef and dairy production----- | 3,436,700 |
| Poultry production----- | 4,564,000 |
| Swine production----- | 763,000 |
| Truck and row crops----- | 252,000 |
| Land purchases----- | 12,256,900 |
| Housing: | |
| New----- | 9,450,000 |
| Repairs----- | 1,398,700 |
| Small business----- | 1,660,000 |
| Education----- | 183,400 |
| Outdoor recreation----- | 230,000 |
| Bait farms----- | 10,000 |
| Float trip----- | 5,000 |
| Dude ranch----- | 182,000 |
| Catfish farm----- | 30,000 |
| Swimming----- | 3,000 |

| | |
|--|------------|
| Arts and crafts..... | 60,000 |
| Industrial development..... | 5,500,000 |
| Wagoner; electronics, plastics, metal fabrication..... | 1,000,000 |
| Hulbert; apparel, electronics..... | 500,000 |
| Tahlequah; electronics, textile..... | 1,000,000 |
| Westville; furniture, apparel..... | 1,000,000 |
| Stilwell; textile mill, furniture..... | 1,000,000 |
| Sallisaw; apparel, furniture..... | 1,000,000 |
| Talihina Agency..... | 32,642,200 |
| Loans to individuals..... | 28,582,200 |
| Agriculture: | |
| Beef and dairy production..... | 3,210,200 |
| Poultry production..... | 3,488,000 |
| Swine production..... | 501,000 |
| Land purchases..... | 7,363,400 |
| Housing: | |
| New..... | 12,180,000 |
| Repairs..... | 642,400 |
| Small business..... | 1,090,000 |
| Education..... | 107,200 |
| Industrial development..... | 4,000,000 |
| Antlers; apparel, electronics, plastics..... | 1,000,000 |
| Idabel; electronics, wood products, furniture..... | 1,000,000 |
| Broken Bow; electronics, wood products, furniture..... | 1,000,000 |
| Hugo; electronics, plastics, furniture..... | 1,000,000 |
| Arts and crafts..... | 60,000 |
| Wewoka Agency..... | 24,297,900 |
| Loans to individuals..... | 20,668,900 |
| Agriculture: | |
| Beef and dairy production..... | 3,618,100 |
| Poultry production..... | 1,768,000 |
| Swine production..... | 216,000 |
| Truck and row crops..... | 93,000 |
| Land purchases..... | 7,024,200 |
| Housing: | |
| New..... | 6,562,500 |
| Repairs..... | 330,000 |
| Small business..... | 940,000 |
| Education..... | 117,100 |
| Industrial development..... | 3,500,000 |
| Seminole; metal fabrication, pumps, electronics..... | 500,000 |
| Wewoka; metal fabrication, pumps, electronics..... | 1,000,000 |
| Konowa; electronics, plastics..... | 500,000 |
| Wetumka; apparel, plastics, electronics..... | 500,000 |
| Holdenville; containers, plastics..... | 1,000,000 |
| Arts and crafts..... | 54,000 |
| Tribal office building; Seminole..... | 75,000 |

Mr. JAMES. S. 2036 provides measures which would help improve the social and economic conditions of Indians if enacted into law and adequately funded to carry out the provisions of the act. The Five Civilized Tribes of Oklahoma strongly recommend favorable consideration of this bill.

Senator METCALF. Thank you very much.

This is 18 percent. It is 8.1 percent in the statement.

Mr. JAMES. It should be 18 percent.

Senator METCALF. The mechanical calculation came out at 18.

Mr. JAMES. I would like to say that the Five Civilized Tribes would also recommend favorable consideration on Senate bill 2237.

Senator METCALF. Your other material will be incorporated in the record at the conclusion of your remarks.

I gather, then, that the Muskogee Indians could use almost all the money that is provided for in this legislation right down there in that area.

Mr. JAMES. That is true, and I am sure that this same situation is in other Indian States also, but I do feel that in the State of Oklahoma, because of the fact that we do not have reservations, many times I don't think we get our full share of funds, and of course we have more Indians than any other State, and we have as many poor Indians as any other State. But the simple fact that we do not live on reservations seems to cause the thinking of governmental agencies to sway and say, "Well, Oklahoma Indians don't need any help down there."

Senator METCALF. Well, having worked with Bob Kerr, and Bellmon, and Ed Edmondson, and so forth, I am telling you that you have some people that are arguing pretty loudly for the Oklahoma Indians to participate in some of these funds.

I certainly appreciate your attendance and participation here, because both Senator Burdick and I come from areas which have substantial Indian population, the reservation Indians, and we are glad to have comments and advice and counsel from this Oklahoma area where you have so many Indians.

Thank you very much.

Senator Burdick?

Senator BURDICK. Thank you for your contribution.

Senator METCALF. Thank you.

Mr. JAMES. Thank you.

Senator METCALF. Now we have Mr. Lewis Goodhouse, of the Devils Lake Sioux.

Mr. Goodhouse.

Senator BURDICK. Mr. Chairman, it is my pleasure this morning to introduce Mr. Goodhouse to the committee.

Mr. Goodhouse is chairman of the Devils Lake Sioux Tribe, located near Devils Lake, N. Dak., and has been a leader of his people for many, many years, and stands in high regard with his people.

Mr. Goodhouse is a knowledgeable man, and I am sure will bring a lot of information to this committee. He will be accompanied by Mr. Theodore Jamerson, who is superintendent of the reservation.

I want you to note particularly that Mr. Jamerson also is Indian, and that this is one of the few reservations that they are using Indian people, not only in the administration end of it, but as far as possible in all aspects.

So, it is a great pleasure to welcome both of them to this committee.

Senator METCALF. The committee is honored to have you here, Mr. Goodhouse and Mr. Jamerson.

Mr. GOODHOUSE. Thank you, Senator.

Senator METCALF. Go right ahead.

STATEMENT OF LEWIS GOODHOUSE, TRIBAL CHAIRMAN, DEVILS LAKE SIOUX TRIBE, FORT TOTTEN, N. DAK.; ACCOMPANIED BY THEODORE JAMERSON, RESERVATION SUPERINTENDENT

Mr. GOODHOUSE. Mr. Chairman and distinguished members of the committee, my name is Lewis Goodhouse, tribal chairman of the Devils Lake Sioux Tribe at Fort Totten, N. Dak., and I am also chairman of the United Tribes of North Dakota, representing the total Indian population of North Dakota.

It is indeed a pleasure to appear before this committee and support the views and expressions of all the Indian organizations that are in accord with the wishes of the first Americans.

Members of Congress, the Indians of North Dakota are very fortunate today to have two outstanding Members of Congress representing them in Congress, the Honorable Quentin N. Burdick and the Honorable Milton R. Young, who have been the activists for the Indian cause.

Members of Congress, to this day our Indian tribes possess those powers which have not been curtailed by legislation or surrendered through treaty. These inherent powers of a sovereignty have never been extinguished.

Each of us, therefore, in our dealings with a tribal government must recognize that tribal governing bodies do not function with powers delegated to them by the Congress, but rather powers of self-government of a tribe, many of which may be specified in a tribal constitution and are extensions of sovereign tribal powers.

In the long history of these United States in Indian affairs, the past, up to the time of the new Indian Bureau in 1969, the past is a blot on our national conscience. However, today the Indians are concerned and aware of the changing times. We need your emotional and financial support, gentlemen, to achieve our goals.

Since the inception of several Federal programs in the past few years, the Indian tribes have proven if given an opportunity they can move ahead in a positive direction and assume more and more responsibility, which is the ultimate goal of our Members of Congress.

We urge you to give full support to S. 2237, the Indian Business Development Act, and S. 2036, the Indian Financing Act of 1971.

Members of Congress, the Indians of North Dakota extend their appreciation and thanks for this opportunity.

Thank you.

Senator METCALF. Thank you very much, Mr. Goodhouse.

Mr. JAMERSON, do you have anything to add before I call on Senator Burdick?

Mr. JAMERSON. Being a former tribal chairman, tribal councilman, and now a Federal employee, I wanted to add that never before have the Indian tribes moved ahead in a positive direction as with the new Commissioner. He has requested and asked the tribes to assume more and more responsibility.

In the Aberdeen area in the past few years, where the tribes have been allowed to take over the Indian contracts with the Government, it has jumped from \$1 million in 3 years up to around \$14 million, which means that the Indian tribes are assuming responsibility in resolving their own problems, and they are also carrying on businesses by contracting with the Federal Government.

I wanted to emphasize that point, the inherent powers, which is truly the aim of Commissioner Bruce.

Thank you very much.

Senator METCALF. Senator Burdick?

Senator BURDICK. I just wanted to point out, Mr. Chairman and members of the committee, that not only does Mr. Goodhouse represent the Devils Lake Sioux Tribe, he is also chairman of the United Indian Tribes of North Dakota, where all reservations are united, and this is an expression not only from his tribe, but for the four reservations in North Dakota.

Mr. Goodhouse, there is no question but what the credit is provided in these bills, not only the loans but also the grants in the second bill would be of help to getting economic help.

Do you have anything to say about the amounts of money needed? I noticed that Oklahoma came here and advised us they could probably use it all. Do you have any estimate now of how much money you could use in North Dakota, or haven't you arrived at that yet?

Mr. GOODHOUSE. I have no figures.

Senator BURDICK. If you happen to have any, Mr. Goodhouse, would you supply them to the committee, send them to me?

Mr. JAMERSON. Mr. Chairman, he touched on the point of the United Tribes of North Dakota Development Corp., which was organized back in 1963 to do battle with the State of North Dakota on adverse legislation such as the jurisdiction, which led to the amendment of Public Law 280, allowing the Indians—the United Tribes of North Dakota have worked together and developed a corporation and have taken over a Federal facility which was a former Job Corps, and now are operating successfully, and are saving the Federal Government over a half million dollars a year in welfare funds.

Previously where people were on welfare, the United Tribes of North Dakota Development Corp. has taken Indian families, children, mothers, and fathers, and are training them and putting them into the mainstream of work. Therefore, it is saving the HEW people over a half million dollars in our placements and employment.

Thank you.

Senator BURDICK. Mr. Chairman, Mr. Jamerson is the best example I can give you of Indians taking care of their own affairs. He has just given you an example of how we are running the Development Corp. near Bismarck today, and his presence here indicates just how much and how far the Indians have gone in recent days and months in taking care of their own affairs, and I think it is a very good sign for the future.

Senator METCALF. I want to concur, Senator Burdick. You have made a most impressive record in North Dakota in launching some of these programs under very difficult auspices. In North Dakota, as in Montana, it was exceptionally difficult for Indians to obtain credit and it seemed to me that any additional opportunity is one of the things that we need.

I see that you have some additional material that you want to supply for the record, so would you put it in at this time. Go right ahead, Mr. Goodhouse.

Mr. GOODHOUSE. I want to put our tribe's need, \$36 million, estimated.

Senator BURDICK. And if it is your wish to supplement that by any breakdown, you can supply it to the committee, or give it to me later on.

Senator METCALF. Perhaps you could break it down by tribes, and the various tribal areas, because I am hopeful that Mr. Youpee will supply that for me. He is chairman of the National Tribal Chairmen's Association, also one of our leaders in Montana, and will supply this for our various tribal organizations in the State of Montana. So, you can do that, and it will be incorporated in the record as soon as you get it, Senator Burdick.

Your supporting statement, on S. 2237 will also be included in the record at this point.

(The supporting statement follows:)

STATEMENT OF LEWIS GOODHOUSE, TRIBAL CHAIRMAN, DEVILS LAKE SIOUX TRIBE AND UNITED TRIBES OF NORTH DAKOTA, SUPPORTING S. 2237

The Devils Lake Sioux Tribe is in need of this program possibly more than most reservations in the United States.

The unemployment rate on this reservation is generally above 80%.

There are only two Indian-owned and operated businesses on the reservation. These businesses are a Laundromat and a Septic Tank Pumping Service.

This reservation has very few non-Indian businesses on the reservation. It is necessary for a resident of the reservation to travel fifteen miles to have a tire repaired.

Our people need Indian-owned and operated grocery stores, drug stores, barber shops, car dealers and a bank to mention a few. We need all the same services that are available in any other community.

Our people are somewhat reluctant to go off the reservation, as in the past they have been taken advantage of too many times as they do not understand the white man's way of dealing and thus many times are sold "junk" at first rate prices.

The Indian Business Development fund is a means for more of our Indian people to go into business and provide service to their fellow tribesmen.

When this program was introduced, it was completely new and our people did not understand it. The time limitation was much too short.

I would also recommend that the program be refunded with the time limiting factor removed. This is very important as the majority of our people are at a poverty level and have a difficult time in obtaining the 60% loan funds to go with the 40% grant.

I would also recommend that funds be made available wherein the loan portion of the business can be obtained from the same agency. For the Indian people, it is difficult to complete the necessary forms for the grant funds, let alone starting on a long set of forms to obtain the loan funds.

Due to the Garrison Diversion Project, our reservation is located in an area with the greatest recreation potential of any area in the United States. We need this I.B.D.F. fund money to take advantage of this great recreational potential before we are left out again.

Senator METCALF. Thank you very much for a very helpful statement.

Mr. GOODHOUSE. Thank you.

Senator METCALF. Our next witness is Mr. Harold Pruner, who is representing the Delaware Tribal Council.

Mr. Pruner, we are pleased to have you with us.

STATEMENT OF HAROLD PRUNER, MEMBER, DELAWARE TRIBAL COUNCIL

Mr. PRUNER. Thank you very much. I appreciate the opportunity to make some comments to the committee, and in view of the lateness of the hour, I will keep my comments short, and I shall restrict them only to one area of Senate bill 2036.

I would like to say, however, that I am in favor of S. 2237 as well, and I think you have had some very significant input from representatives of the Indian community.

I am a member of the Delaware Tribal Council, the absentee Delawares of western Oklahoma, and have been the claims representative for the tribe for the past 10 years, and I have some concern and think that the committee should look at the potential conflict of the provision of S. 2036 as it relates to the committee's concern with regard to claims, distribution of judgment awards from claims.

Other than having been the claims representative for our tribe, I am now working on a national program in which we have what is known as an Indian-to-Indian technical advisory service, in which members of various Indian tribes go meet with other tribes to help settle claims, and help them to make judgments as to the alternatives they can choose in distributing funds.

As you know, over \$400 million has already been distributed, and another half million is expected to be awarded out of the remaining judgment awards that should come in the extended life of the Indian Claims Commission.

But referring to that particular section of the bill, section 103 under title I of S. 2036, the second sentence of that section states that :

Before a loan may be made from the revolving loan fund, the Indian tribe shall be required to use their own funds, those funds being funds available to them from uncommitted or unprogrammed funds on deposit in the United States Treasury or elsewhere, or funds accruing from income.

I think the intent of that probably is good. I think the effect would be that any tribe—and I think a good portion of the program is going to be administered to tribes who are coming into funds of their own and addressing themselves to the best utilization of those funds which they have to do to get the distribution legislation passed, to get control of the funds. But in this instance where a judgment award is made to a tribe, and they then chose to make a 100 percent per capita distribution of that judgment fund to the tribal members, they would then have no tribal funds in their tribal treasury nor on deposit with the U.S. Treasury and therefore come under the loan program.

So, I think one of the bad effects of this provision would be that it might encourage tribes to program on a per capita basis all of the funds so that they could get the benefit of the loan program.

I would suggest, as an amendment or as a change in the bill, to get around this adverse effect, and I might suggest some wording, and I apologize in advance for not having a prepared statement, but I will make that available to the committee after my testimony—I would suggest that this section be changed to read that when it is deemed advisable and beneficial by the Secretary of the Interior to provide supplemental funds in a loan program, the Secretary may match the funds designated for loans by Indian tribes from their own funds.

The Delaware Tribe just went through it here the week before last on the distribution of our \$9.2 million judgment, and certainly we have heard from this committee and it is of significant interest to our tribal leaders that we do want to program more funds and start doing for ourselves some of these programs that the Government provides. But in this instance I think it would be creating the proper partnership be-

tween the Government and the Indian tribes where the Indian tribe has its own funds and is willing to set up a loan program, or other programs that they at least be matched in that program and still be eligible for the loans as provided in S. 2036.

Senator METCALF. Senator Burdick?

Senator BURDICK. No questions. Thank you for your contribution.

Senator METCALF. I thank you, too, Mr. Pruner.

I am one of those opposed to complete per capita distribution of judgment funds, and would like to encourage tribal groups receiving judgments to maintain some of these funds for program purposes. The suggestion you have made might possibly encourage tribes to keep some money for development funds to be utilized for matching purposes, rather than disbursing all of their judgment awards on a per capita basis.

Mr. PRUNER. I might mention additionally on that, certainly the tribes—and I am dealing with a number of them around the country, one the Flathead Tribe in your own State, Senator Metcalf, and it has highly concerned the tribes that through depredations or wrongs that have been done in the past, in the settlement of the claim in many instances a generation or century or century and a half after the wrong was done, that these funds—the availability of those funds to the tribes is then used by governmental agencies, not particularly Federal Government only, but State governments as well, as to withdrawing funds.

In the case of Flathead, there was a proposal made to discontinue scholarships to members of the Flathead Tribe who were in college on a scholarship program, and weren't going to make the next payment on that scholarship program because the tribe, as you know, has settled two claims totaling \$26 million.

I think it is appropriate for tribes to address themselves to using these funds for their own betterment, and under programs they supervise by themselves, but we shouldn't pull the rug out of from under them with regard to governmental programs they are already involved in.

Senator METCALF. Yes. Well, I am certainly aware of some of the problems that have been created in various reservations.

Actually, we have made Indian tribes—at least organized tribes—quasi-municipal corporations to participate in almost the same manner as school districts or counties, or others, in various Federal programs, and the only place that they can get the money that they need for the matching is sometimes from their claims funds.

That is, a tribe which has the lowest per capita income in a State with a meager tax base has no other alternative to raise money except through its judgment funds.

We have this problem on the Assiniboine Reservation in Montana. The State wanted to charge off their per capita against welfare. Of course, that means that the poor people don't have any benefit from the Indian claims at all, because they had to draw welfare.

Well, these are problems which the committee is aware of, but I am pleased that you have raised these questions and have suggested answers to them.

Mr. PRUNER. I appreciate that.

Our effort, which is a follow-up to a seminar which was attended by representatives of about 100 different tribes, has been to go to tribes

that asked our help in this area, and certainly a provision in the bill like this could hurt our own efforts to encourage other tribes to program funds, as many of the tribes have done. If they lose their benefit in the program, then the tribes can get it.

Senator METCALF. Thank you very much.

(Subsequent to the hearing, the committee received a supplemental statement by Mr. Pruner which follows:)

SUPPLEMENTAL STATEMENT OF HAROLD PRUNER, MEMBER OF DELAWARE INDIAN TRIBAL COUNCIL AND CLAIMS REPRESENTATIVE FOR THE TRIBE

Mr. Chairman: Thank you for the opportunity to testify to this Committee on the Indian Financing Act, S. 2036. Although I have no specific recommendations on the Indian Business Development Program Act S. 2237 which is also being considered by this Committee today, I would like to comment that I favor the passage of this bill and I agree with the previous testimony given by Mr. Leon Cook, President of NCAI and Overton James, President of the Inter-Tribal Council of the Five Civilized Tribes. I will address myself to a specific section of the Indian Financing Act which I believe needs to be amended, since this section of the bill appears to be in conflict with Congress' policy to encourage Indian tribes to program at least a portion of their judgement awards resulting from claims settlements. First, let me establish my background and involvement in the area of Indian claims.

I have been the claims representative for the Absentee Delaware Tribe of Western Oklahoma for the past ten years, and through a national Indian-to-Indian technical advisory program, which I have organized, I deal with a number of Indian tribes on their claims problems and particularly their considerations on the distribution of judgement awards. The thrust of this advisory service, which is extended free to all tribes that request it, is to encourage tribes receiving judgement awards to program these funds and to help them take advantage of the governmental assistance programs available through various governmental agencies.

As S. 2036 is presently written, the second sentence of Title 1, Section 103, Page 3, reads as follows:

Before a loan may be made from the revolving loan fund, Indian tribes shall be required to use their own funds, those funds being funds available to them from uncommitted or unprogrammed funds on deposit in the United States Treasury or elsewhere, or funds accruing from income.

I believe this section of the bill as written, will influence Indian tribes to make total per capita distributions of their judgment funds instead of programming these awards. I don't think this was the intent of the bill but I believe this will be the effect. Indian tribes can and will distribute all of their judgment funds to the tribal members on a per capita basis, to avoid having any funds uncommitted or unprogrammed and since they would have no funds in their treasury they would be eligible to apply for loans under the Indian Financing Act. Whereas, if they program a portion of their judgment funds for loans they may become ineligible for loans under this Act.

To prevent influencing tribes from making a total per capita distribution, I suggest the following wording which should be substituted for the second sentence of Title 1, Section 103, Page 3:

When it is deemed advisable and beneficial by the Secretary to provide supplemental funds in a loan program, the Secretary may match the funds designated for loans by Indian tribes from their own funds.

This substitution will provide an incentive for Indian tribes to program some of their funds into a loan program to get matching government funds, and will give all tribes a chance to participate in this much needed loan program. Having the government match Indian tribes in such a program would produce the kind of joint effort that is needed between Indian tribes and the government and would provide a double-barreled effect from the implementation of such a jointly supported loan program. I urge passage of S. 2036 as amended by suggestions made by the Indian representatives who have testified.

Senator METCALF. I have two more witnesses, Mrs. Grace Janis and Mrs. Etta Young Man, both of the Oglala Sioux at Pine Ridge, South

Dakota. They sent up a note that they want to make a few remarks for the record. Are they here? If they want to submit a statement for the record and any of you know them, we will be glad to receive it. They are coming.

I didn't recognize you in the back. We are delighted to have you before the committee and look forward to your statement.

STATEMENT OF GRACE E. JANIS, OGLALA SIOUX, PINE RIDGE, S. DAK.; ACCOMPANIED BY ETTA YOUNG MAN

Mrs. JANIS. Mr. Chairman and members of the committee, Mrs. Young Man is our tribal councilwoman, and at the last moment our treasurer couldn't come, so I came, and I don't have much to say. But I would like to say that we are thankful that you have given us this time to ask for money for the tribe, and I want to have Mrs. Young Man make her remarks because she has been on the credit board for a number of years and she knows more about our revolving credit.

Senator METCALF. Thank you very much.

Mrs. Young Man.

Mrs. YOUNG MAN. Honorable members, I am Mrs. Young Man, a representative of the Oglala Sioux Tribe.

Sitting back there listening to the other statements of the other tribes—we have our statement written by our attorney—

Senator BURDICK. Will you bring the microphone closer, please?

Mrs. YOUNG MAN. We have our statement written by our attorney which was handed to Mr. Gerard.

Senator METCALF. It has been submitted and it will be put in the record.

Mrs. YOUNG MAN. I just want to make a very small comment on the NCAI chairman with the amendments on the bills, and I think the Oglala Tribe would go on record to back the amendments up that were made.

Furthermore, the recommendations that they have made and the money part, we do need money, because working with the credit department many times we have to send our members to a bank to borrow money for repairing their homes, erecting new homes, and water development, and due to this we need more funds in our revolving credit department, and so I pray at this time that you will give us the opportunity for more appropriations in our credit department, and so I thank you, and I wish that for us here that something can be done for our tribe.

Senator BURDICK. Thank you very much.

Senator METCALF. Thank you for a most helpful statement.

Thank you for coming.

This will conclude the hearing.

I want to thank all of the witnesses who have traveled great distances to testify on S. 2036 and S. 2237 today.

The subcommittee will be in recess.

(Whereupon, at 12 noon, the subcommittee was recessed, subject to the call of the Chair.)

APPENDIX

(Under authority previously granted, the following statements and communication were ordered printed:)

STATEMENT OF S. BOBO DEAN, ESQ. ON BEHALF OF THE OGLALA SIOUX TRIBE

On behalf of the Oglala Sioux Tribe of the Pine Ridge Reservation I wish to support the enactment of S. 2036 and S. 2237. It has long been recognized that Indian reservations are areas where unemployment and other indicators of poverty reach levels comparable to those in the under-developed countries of the World. The economic development of Indian reservations is a goal to which the Congress committed itself when it approved the Wheeler-Howard Act thirty-eight years ago. Under that Act the Congress made provision for long-term loans to Indian tribes for economic development purposes. However, the economic development needs of Indian reservations long ago exhausted the credit program previously authorized by the Congress.

At present the Bureau of Indian Affairs must wait until it receives payments on old loans before it can make loans which have been fully approved in all other respects. For example, the Bureau has approved a loan from the Oglala Sioux Tribe of \$230,000 for land purchases. However, the loan cannot be made because there are no funds available. Nationally, there are \$10,72,000 worth of such commitments to Indian tribes outstanding for which no funds are available.

An expanding economy, substantial inflation, and a growing desire among Indians to increase their self-sufficiency if given the opportunity, have all greatly increased the pressure on the Bureau's revolving credit program.

Employment of the revolving loan fund is one mechanism by which to make loans available. The loan guaranty provisions, by making loans to Indians more attractive to private sources, is another. The United States has undertaken similar loan guaranty programs to assist under-developed lands overseas. It is long past time that the Congress authorized the loan guaranty as a means to assist Indian people to realize the potential of the under-developed Indian reservations in our own country. We urge the Committee to approve S. 2036.

There is one aspect of S. 2036 on which, on behalf of the Oglala Sioux Tribe, I request that clarifying language be included in the Committee's Report. It should be made plain that the language permitting mortgaging of lands acquired with loan proceeds in Section 109 and Section 215 is not intended to imply that the Bureau should require mortgages where other adequate security, such as an assignment of revenue, can be obtained. This point is especially significant for a tribe, like the Oglala Sioux, which lacks the authority to mortgage tribal land under its Constitution. Such tribes would, of course, be barred from participation in the program if the requirement for a mortgage is mandatory.

We also ask the Committee to approve S. 2237. The grants made under similar legislation have been used to establish a large number of small, family-owned enterprises.

Funds appropriated under this bill would be especially helpful since the recipients would not be burdened with heavy interest payments during the critical formative period of their enterprises.

STATEMENT OF NATIONAL TRIBAL CHAIRMEN'S ASSOCIATION ON S. 2036

Mr. Chairman and members of the committee, it is a pleasure to appear before you and present the views of the executive committee of the National Tribal Chairmen's Association on S. 2036, the Indian Financing Act of 1971.

The executive committee of the National Tribal Chairmen's Association strongly supports the purposes and concept of this bill.

This bill meets an overwhelming need of the Indian people, the need for a source of capital to be used by tribes or individuals in connection with their business enterprises.

Most Indians have been frustrated in their efforts to develop businesses because of their inability to obtain financing for those businesses. Until such time as Indians can avail themselves of capital for business enterprises, we believe you will continue to find Indians dependent on others for their places to buy goods and services, and will, as a result, send their money away from Indian communities instead of keeping it in the community where it will multiply and be used for economic advancement by Indian people. We believe this bill offers our Indian people a chance to obtain some of the capital needed for their economic development.

While we endorse the purposes and concept of S. 2036, the Indian Financing Act of 1971, which was recommended by President Nixon in his Indian message of July 8, 1970, we do recommend some amendments to the bill which we believe will enhance its usefulness to Indians.

S. 2036, provides a total of \$250 million in new funds for use by Indian tribes and individuals for business and economic development. The funds provided are broken into two categories, \$50 million in new funds for a new combined Indian revolving loan fund, and \$200 million for loan insurances and guarantees.

This new badly needed capital will raise the total funds in the Indian revolving loan fund to \$77 million. These new funds are not, in our opinion, adequate. We, therefore, recommend that the funds for the revolving loan fund be increased to \$200 million. This can be accomplished by increasing the authorized amount in section 112 from \$50,000,000 to \$200,000,000. This fourfold increase in the authorized amount will meet the pending applications for loans from the revolving loan fund.

The second change we recommend in the bill is the deletion of the requirement in section 105 that the Secretary of the Interior pay interest on the amount of outstanding loans made by the revolving loan fund. This provision for the payment of interest on the revolving loan fund is a new provision. There is no interest paid now by the Department of the Interior on funds appropriated by Congress for the revolving loan fund. The excess of income over loss now earned by the revolving loan fund is paid into the revolving loan fund to cover losses and increase the fund.

Further, the funds appropriated by the Congress for the revolving loan fund are turned over to the Interior Department for use in the program and it does not represent a continuing use of Treasury funds as is the case in the funds that would be made available for the loan guarantee and insurance program authorized by title II of S. 2036, where we see the justification for the requirement for the payment of interest and offer no objection.

We see no reasons to change the policy now being followed in the operation of the revolving loan fund. We believe Indians can be justly proud of their repayment record in connection with the revolving loan fund and that this record speaks for itself by the fact that more than \$2.5 million has been added to the now existing revolving loan funds by the excess of earned interest over loss incurred by the program.

The present program of using earned interest to cover losses and to increase the fund can be continued by deleting section 105 from the bill, an amendment we strongly recommend.

We also recommend that section 108 be amended to delete the provision requiring that the title of property of individual Indians or tribes purchased with revolving loan fund monies outside of the boundaries of a reservation be taken in fee and insert language in the section 108 giving the Secretary of the Interior discretion to take the title in trust if he deems it advisable and the Indian individual or tribe requests it.

Title II of S. 2936 creates a new program of loan guarantees and loan insurance. This new program will assist Indian tribes and individuals by providing them with a new source of capital and by creating incentives or private lenders to make capital available to Indian tribes and individuals for economic development purposes.

We believe one of the strong points of Title II is the provisions that brings Indians and financial institutions together for the carrying out of the program.

This cooperation can only bring a greater intrarelationship that will be beneficial to the Indian and the financial institutions.

Thank you for this opportunity to present our views on S. 2036.

STATEMENT OF NATIONAL TRIBAL CHAIRMEN'S ASSOCIATION ON S. 2237

Mr. Chairman and members of the committee, it is a pleasure to appear before you and present the views of the executive committee of the National Tribal Chairmen's Association on S. 2237, the Indian Business Development Program Act.

The executive committee of the National Tribal Chairmen's Association strongly supports the purposes and concept of S. 2237.

This bill, as is the case with S. 2936, meets an overwhelming need of the Indian people, the need for a source of capital to be used by tribes or individuals in connection with their business enterprises.

One of the very serious problems faced by Indians in connection with the formation of new businesses or the expansions of existing businesses is the fact that they normally do not have sufficient capital to adequately finance their plans. This lack of capital leads to one of two conditions, either the Indian is frustrated in his efforts to obtain capital, or he finds that he is so under capitalized that the business fails because the interest payments are so high that the owner cannot meet the interest cost and still have an adequate living for himself and his family. This situation, which exists in many small businesses, can be alleviated with the infusion of capital from an outside source, such as a family in many instances, but this is not possible in the case of most Indians because their families are, for the most part, living on minimal income and have no capital reserve.

The Indian business development program was developed in the Bureau of Indian Affairs to furnish, through a grant, the infusion of capital needed to get the Indian businessman the little bit of cushion he needs to support him in the beginning or expansion of his business.

This legislation authorizes this grant program carried on by the Bureau of Indian Affairs in fiscal year 1971 with a \$3.4 appropriation as an experiment. This program made grants to Indian tribes and individuals to open or expand Indian business enterprises. We believe that this inventive program originated by the Bureau of Indian Affairs has proved its success by the number of successful enterprises that were started with its funds. We acknowledge that there were some failures as there are with any new program, but the successes have overshadowed them.

We hope the committee will approve the program without putting too many restrictions on the program. We believe the limitations provided here in the bill will help clarify the program and reduce the problems that were encountered in the experimental part of this program. We, further, believe the experience gained in the operation of the program's earlier phase will help the Bureau when it reintroduces the program so that they operate it without many of the problems that crept into the earlier program.

We think that this grant program has proven that it does provide the basis for the starting of badly Indian businesses, a start that can be obtained nowhere else. We strongly urge its continuance.

Thank you for this opportunity to present our views on S. 2237 that will provide badly needed capital for the Indian people.

STATEMENT OF NEAL A. McCaleb, Edmond, Okla.

The "Indian Business Development Program Act" is an essential element in the economic and social emergence of American Indians. Its provisions to "establish within the Department of the Interior an Indian Business Development Program whose purpose is to stimulate and increase employment by providing equity capital to non-reimbursable grants" will certainly launch Indian owned businesses to serve established markets on a financially sound basis.

There is ample, statistical data and an abundance of graphic examples to demonstrate that the vast majority of American Indians and native Alaskans do not enjoy the same level of prosperity and economic security as their fellow Amer-

icans. Many Indian Tribes and individuals who have excellent land resources, proven production capability, and technical expertise have been unable to effectively launch Indian owned businesses for lack of initial capital. The unique relationship of the American Indian to the federal government and particularly the trust status of his real estate which limits the possibilities of borrowing equity capital for business development against the value of real estate held in a trust status has closed important avenues of financing which have been utilized by the non-Indian in securing capital for starting small businesses.

This act will make it possible for the effective implementation of other existing federal programs designed to encourage Indian business development. For example, the Bureau of Indian Affairs is currently making every effort to utilize provisions of the "Buy-Indian Act" to buy the products of Indian industry. However, the lack of Indian owned industry which can comply with the requirements of the "Buy-Indian Act" has very seriously limited its effectiveness. This is a very sound concept of using government purchases to encourage the development of the Indian business and fuller participation in the economic opportunities of this great nation.

There are substantial markets for the potential products of Indian owned industry within Indian communities alone to adequately support a wide variety of Indian production and service activities. I firmly believe that the ultimate goal of special legislation regarding Indian affairs should be to create a social, educational, and economic climate in which the American Indian can become highly productive, self-sustaining and a full participating member in the prosperity of this country. This bill is a very positive and important stride in that direction.

The "Indian Business Development Program Act" has received wide and enthusiastic endorsement of Indian Tribal groups in the state of Oklahoma. It has been endorsed by the "Unified Western Tribes of Oklahoma and Kansas", comprising 22 Indian tribes and by the "Five Tribe Council of the Chickasaw, Choctaw, Cherokee, Seminole and Creek Nations. A large number of individual tribal councils have passed specific resolutions endorsing the bill and encouraging its passage in Congress and rapid implementation by the Department of Interior. These endorsements and support by Indian leadership indicates that they are very sensitive and aware of the need to involve Indians in an ownership position in their own businesses making them self-sustaining and productive members of our national community. I, therefore, strongly urge expeditious and positive support of this committee necessary for the enactment of this legislation.

STATEMENT OF
THE LAW FIRM WILKINSON, CRAGUN & BARKER
ON S. 2036 and S. 2237

August 3, 1972

We, the law firm of Wilkinson, Cragun & Barker, are pleased to submit this statement of views on S. 2036 and S. 2237 on behalf of the four American Indian tribes for which we are general counsel. These tribes are the Arapahoe Tribe of Indians of the Wind River Reservation, Wyoming, the Confederated Salish and Kootenai Tribes of the Flathead Reservation, Montana, the Three Affiliated Tribes of the Fort Berthold Reservation, North Dakota, and the Quinault Tribe of Indians of the Quinault Reservation, Washington. We are special counsel to the Hoopa Valley Tribe of California, and also general counsel for the National Congress of American Indians and the Northwest Alaska Native Association.

S. 2237 - Establishment of an Indian
Business Development Program

S. 2237 would give legislative authority for the Indian Business Development Program which was created by the Bureau of Indian Affairs under a \$3.4 million appropriation for fiscal year 1971. As it operated then, the program assisted in the economic development of Indian reservations by providing grants to Indian tribal members and Indian tribes in need of cash but unable to obtain the funds from other sources to open or expand business enterprises.

The Indian Business Development Program operated successfully and was of great assistance to some tribes and individual Indians in meeting cash requirements to start new businesses. The Bureau of Indian Affairs later determined, however, that it lacked the specific legislative authority to maintain the program and so discontinued it at the end of fiscal year 1971.

One specific provision in the proposed bill that deserves comment is that, under Section 4, no grant in excess of \$50,000, or whatever lower amount the Secretary of the Interior deems appropriate, may be made to an Indian tribe. Under the previous B. I. A. program, grants in excess of \$50,000 have been made to Indian tribes, and we question the need for and the wisdom of the restrictive

\$50,000 limitation. We believe that under any such program the administrator should be given more flexibility than this unnecessarily low limitation would allow.

We strongly support S. 2237, with the amendment we have suggested.

S. 2036
Financing the Economic Development of
Indians and Indian Organizations

The declared policy of the proposed act is:

" . . . to provide capital on a re-imbursable basis to help develop and utilize Indian resources, both physical and human, to a point where the Indians will fully exercise responsibility for the utilization and management of their own resources; where they will enjoy a standard of living from their own productive efforts comparable to that enjoyed by non-Indians in neighboring communities; and where they will have the opportunity to be integrated socially, politically, and economically into American life."

Basically we strongly support the principle of this proposed legislation, provided several provisions of the bill are amended. If these amendments are made the bill would be of great benefit to individual Indians, Indian tribes, and other Indian organizations in opening up important new sources of credit.

The bill is divided into three major categories:

- A. The Indian Revolving Loan Fund (Title I);
- B. Loan Guarantee and Insurance (Title II); and
- C. Interest Subsidies and Administrative Expenses (Title III).

Title I, the Indian Revolving Loan Fund, combines the four existing revolving funds into one fund and in addition makes the fund equally available to all Indians and Indian organizations. The bill also adds an authorization of \$50 million to be placed into the fund.

As drafted, loans may be made for any purpose that would promote Indian economic development, including loans for educational purposes. Loans may also be made to Indian organizations so that they may in turn loan money to other organizations and/or make investments in other organizations (with no requirement that the borrowing organizations be Indian organizations). This permits tribes to loan money to private organizations to encourage them to establish industries in locations near Indian reservations.

Under Section 103 of the bill, loans are to be made only when in the judgment of the Secretary of the Interior there is a reasonable prospect of repayment and only when he believes the applicant would not be able to obtain other reasonable financing. Tribes would have to

deplete their own funds before being eligible for loans from the fund. While the apparent purpose of giving poorer tribes preference is commendable, we believe that requiring relatively better-off tribes to destitute themselves and rigidly codifying these criteria may well prove to be shortsighted and unwise.

Interest rates charged on any loan made pursuant to the bill are to be determined by the Secretary of the Treasury (Sections 104 and 105). We believe that the proper authority to set interest rates is the Secretary of the Interior, not the Secretary of the Treasury, because the interest rates set should take into account the unique position of the Indian and the policy of this bill, set forth in Section 2, in addition to the normal criterion for interest rates, the demand for money. The Secretary of the Interior, who is more cognizant of the needs of the Indian community, should have the authority to set the interest rates on these loans, rather than the Secretary of the Treasury.

Under Section 109 of the bill, title to property purchased with a loan from the fund shall be pledged or mortgaged to the fund as security (on terms to be prescribed by the Secretary). We do not believe the mortgaging of

Indian property is necessary or wise. It is true that these provisions are no more stringent than those required by commercial lending institutions of non-Indian borrowers and that no tribe is required to mortgage trust property. However, the very nature of this bill recognizes that Indians are in an inferior economic position. The purpose of the bill is to alleviate this situation by making private and government financing more readily available. In view of this, it does not seem reasonable to contemplate that loans to Indians under the provisions of this bill be collateralized with tribal trust property or the threat of attachment of tribal judgment funds. In many cases tribal constitutions forbid the mortgaging of trust property, and indeed one of the primary goals of the United States as trustee for the Indians has been to protect Indian ownership of this property. With this in mind, it seems somewhat inconsistent that the bill should require that the Indians meet such stringent security requirements, and the requirement that trust property be pledged as security for any loan should be deleted.

A second objection is that the bill provides that not only may the land be mortgaged, but unlike all other trust property it may be foreclosed pursuant to the law of

the state in which the property is located. We believe that both the mortgage and the foreclosure provisions should be removed. In the alternative, if these provisions remain in the bill, it is mandatory that any foreclosure proceedings be brought in federal court. The bill does not now provide where such action should be brought but states only that foreclosure proceedings will be brought pursuant to state law.

We also object to Section 111 of the bill, which provides that per capita payments and judgment recoveries of Indians or Indian organizations may be attached to satisfy any default in payment. Judgments accrue from past wrongs and are separate from the question of whether or not a loan, based on the feasibility of a given project, is in default. Thus, judgment funds should not be used to guarantee loans under this title.

Under Title II, Loan Guaranty and Insurance, S. 2036 gives the Secretary a fund (authorized at \$200 million) with which to guarantee or insure loans from private lenders to Indians or Indian organizations. This is a different approach to the attempt to induce private lenders to increase financing and credit programs now available to Indians and Indian organizations. There are two methods proposed in the bill to accomplish this end. First, under the guaranty method, the

loans will generally be of substantial amounts and must be applied for by directly approaching the Secretary. If he finds the necessary criteria present, the lending institution may then make the loan and the government will guarantee it up to 90%. When a loan is so guaranteed, either the loan or the security given may be sold or assigned to a financial institution, subject to examination and supervision by an agency of either the United States, a state, or the District of Columbia (Title II, Section 205).

Second, under the loan method, the Secretary may insure loans of an approved lender up to 90% on any one loan (but in no event in excess of 15% of the aggregate of such loans made by that particular institution). The loans under this section generally would be smaller (in excess of \$100,000 only with the approval of the Secretary) and would be made by institutions previously certified by him (thus not requiring direct application to the Secretary). This title also provides that title to landstaken with loans insured or guaranteed may be taken in trust and that they may be mortgaged and foreclosed according to the law of the state in which the land is located.

For the reasons outlined above, we object to this provision for mortgaging land and urge its removal.

We believe Section 301 of Title III should also be amended. It authorizes the Secretary to pay to the revolving fund, established under Section 101, interest subsidies in amounts equal to the difference between the interest paid to the Secretary of the Treasury under Section 105 and the amount of interest earned on a direct loan pursuant to Section 104. We believe the provision, in Section 105, that the Secretary pay into the miscellaneous receipts account in the Treasury interest on loans outstanding from the revolving fund, should be amended to provide that these amounts be deposited to the credit of the fund. This would prohibit the depletion of the fund. If the amendment were made to Section 105, then Section 301 of Title III would be unnecessary. We urge this change.

Section 302 authorizes the payment of an interest subsidy on loans guaranteed or insured under Title II in an amount necessary to reduce the rate payable by the borrower (Indian or Indian organization) to the rate determined under Section 104. We believe this section is important, especially if the bill is amended to provide that the Secretary of the Interior set the interest rates under Section 104. In that case the interest rate set under Section 104 would take into account the unique position of the Indian and the policy behind the bill. It might be lower than the rate charged by private

lending institutions. This subsidy would then make up the difference and be beneficial to the Indian borrower.

We also strongly believe that the total authorization of \$250 million (\$50 million for revolving loan fund and \$200 million for the guaranty and insurance fund) is insufficient. This amount should be increased to an amount which would more reasonably be likely to accomplish the objectives of the bill. The Johnson Administration proposed a similar bill in which it recommended a \$500 million authorization, and we believe that even that amount would not be sufficient to carry out the bill's policies.

Finally, we call to your attention the possible suggestion that it might be beneficial to the Indians for Congress to move forward with the loan guaranty and insurance section of the bill, leaving the more controversial revolving loan fund provision for later action. By separating the bill, Congress may focus its attention merely on one innovative suggestion and may not be as hesitant to approach it.



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PMS SENATOR HENRY JACKSON

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WASHINGTON, D. C. 20510
INTERIOR COMMITTEE

THE NATIONAL INDIAN EDUCATION ASSOCIATION STRONGLY SUPPORTS
PASSAGE OF BILL S2237 INDIAN BUSINESS DEVELOPMENT PROGRAMS ACT. WE
FEEL THAT THIS ACT WILL ENABLE MANY INDIAN PERSONS TO ENTER
BUSINESS WHO PRESENTLY CAN NOT RAISE INITIAL CAPITOL AND
THAT PASSAGE OF THIS BILL WILL BE ONE STEP TOWARD GREATER
INVOLVEMENT OF INDIAN PEOPLES.

HERSCHEL SAHMAUNT NATIONAL INDIAN EDUCATION ASSOCIATION.

STATEMENT OF THE UNITED INDIAN TRIBES OF WESTERN OKLAHOMA AND
KANSAS, INC. ON S. 2036

Mr. Chairman and members of the committee, the board of directors, consisting of all elected Tribal chairmen of our 23 tribes, have gone on record to strongly support "The Indian Finance Act of 1972."

There is an overwhelming need for a reliable and adequate source of capital for Indian people to support any efforts or endeavors that Indians desire which will improve their social and economic conditions. We ask only to have a fair chance for financing that is available to non-Indians. The programs of other Federal agencies do not near meet the need of Indian capital requirements. Such programs are designed for the normal social and governmental structure and therefore Indians are, for the most part, technically disqualified by field staff for most Federal programs, based on our status and different organizational structure. Indian tribes and tribal councils are a product of Congress, nevertheless, prior legislation enacted has been interpreted technically in such manner that only a small percentage of the program impact is ever realized for Indians.

The private financial sources are not openly available to a majority of the Indian people. This condition is also because of the above-mentioned status of Indians. Much Indian land cannot be used as collateral due to the trust heirship problem. A means to eliminate some of the heirship problems would be a sound and available source of financing with built-in authority to purchase such tracts of land.

We must have our own financial source with the same features available to other state and federal lending sources but specifically for Indians. This is needed in volume if Indians are expected to resolve their own abject poverty conditions. We accept the challenge, however, you must provide the means.

The Western Oklahoma and Kansas Indians are expressly interested in Title II of the Act which provides loan guarantees and loan insurance. This feature could conceivably make a commercial bank or banks in every Indian community of our area available to Indian people. This would be a milestone in our area and in our history. The chance to provide this opportunity to Indian people, which is supposedly open to the public, rests in your hands.

It is our opinion that the volume under discussion is inadequate. If Indians are ever to develop their raw lands which are isolated tracts and take advantage of their human and natural resources compatible to their neighbors, a huge volume of funding is necessary. The Tribes do not have the usual revenue sources of other governmental bodies. The economic base is not there and must be fully developed before it can be levied upon. We are yet infants in this respect with only a century and a half to our record. It behooves the congress to extend a billion dollar program to initiate self-perpetuating conditions. The present rate of Indian funding is a slam to tax payers as it is under-funding that creates a deplorable Indian program and a fruitless drain on the federal budget.

The subject legislation is not considered a give away program from our view point. It seeks a viable financial source on a continuous basis as opposed to the annual dole of congress. This legislation is much needed and highly desired although only a small contribution to the total capital needs of Indians.

The 23 Tribes of Oklahoma and Kansas highly recommends your favorable action on bill S. 2036.

Thank you.

July 28, 1973.

NEWTON LAMAR.