

Kirk Francis, Chief, Penobscot Indian Nation

Testimony Regarding FY 2014 Funding for IHS and BIA Programs (04/25/2013)

Good afternoon Chairman Simpson, Ranking Member Moran, Congresswoman Pingree and Members of the Subcommittee. My name is Kirk Francis, and I am the Chief of the Penobscot Indian Nation. Penobscot deeply appreciates the Committee's tremendous efforts to sustain funding for tribal programs in this difficult economy. Thank you for this opportunity to testify today about unmet needs in the areas of tribal health care, education, job placement training, and economic development.

INDIAN HEALTH SERVICES: The President's FY 2014 Budget Request for Indian Health Services (IHS) includes a \$124 million increase in budget authority above the FY 2012 enacted level, and a \$244 million increase in program level (reflecting insurance collections resulting from the Affordable Care Act). This budget increase is essential to address the unmet health care needs of Native Americans. Significant health disparities exist in Indian Country. Current age-adjusted death rates for all causes of death are estimated to be 1.2 times the rate of the U.S. population, tuberculosis rates are 8.5 times higher, chronic liver disease and cirrhosis are 4.2 times, diabetes are 2.9 times, and unintentional injuries are 2.5 times the rates of the U.S. population. In a recent 2010 health assessment conducted by the Penobscot Nation it was evident that our tribal members suffer from these and other health disparities. Compared to the Maine BRFSS, our health assessment indicated staggering health disparities for Penobscot tribal members, including, but not limited to, high rates of diabetes, high blood pressure, coronary heart disease, and asthma. The Penobscot Nation's Health Clinic's serves 3,400 tribal patients, however it is only funded at a level for 1,390 persons, or 59% rate *below* the user population need. The FY 2014 proposed budget increase includes several key initiatives that are vital to closing the gap of health disparities that exist, but far below the funding level needed adequately provide health care to Native Americans. Currently, it is projected that IHS expenditures per capita are \$2,643. By comparison, other federal health care per expenditures well exceed this amount: Medicare \$11,762, Veterans \$7,091, Federal Employee Health Benefits \$4,817, and Medicaid \$6,156. **We support the President's proposed increase for IHS, but ask for your support of the FY 2014 Indian Country Budget request of a \$500.7 million increase to the IHS to maintain current services and \$478.4 million increase for program services.**

BUREAU OF INDIAN AFFAIRS' SCHOLARSHIPS: Each year the Penobscot Nation receives increased requests for post-secondary education scholarships. However, our tribal government can only provide a minimal amount of support to our students. Currently, the Bureau of Indian Affairs (BIA) estimates the average scholarship award provided to students to be less than \$3,000 per student to a shrinking number of Indian student. At Penobscot Nation the maximum amount we can provide to our students is \$1,500.

A college education is a significant factor in the socioeconomic advancement of American Indian communities, particularly in relation to opportunities for jobs and increased earnings. An individual with a bachelor's degree or greater has the capacity to earn at least four times the annual income of a high school dropout and more than twice the annual income of high school graduate. In the last decade significant progress has been made in the higher education of American Indians and Alaska Natives despite the economic and cultural challenges that American Indians face. In a report entitled "Status and Trends in the Education of American

Indians and Alaska Natives” it was noted that between 1976-1977 (3,300 degrees awarded) and 2005-2006 (10,900 degrees awarded), the number of degrees awarded by colleges and universities to American Indians/Alaska Natives more than doubled. However, even with this notable success, American Indians still account for the lowest of all races in student enrollment, retention, and graduation rates. There are several factors contributing to these low rates. One such documented factor is the lack of educational funding for American Indians when compared to other U.S. populations. The National Center for Education Statistics reports that the average amount of financial assistance awarded from grants and loans for full-time, four-year undergraduate students is at least 5% lower than that awarded to all other races. Another contributing factor is the high poverty level of American Indians, which makes it impossible for students to rely on their families for financial support. It is estimated that 65% of all American Indian students are self-supporting, in comparison to the national average of 50%. Further, magnifying the need for educational financial assistance is the number of American Indian undergraduate students supporting dependent children. Statistics reveal that nearly 35% of American Indian undergraduate students have dependent children. Scholarship funding is not even close to the actual cost of rising tuition. Recent reports indicate that in the school year 2011-2012, average tuition and fees for public in-state four-year colleges rose to \$8,244, increasing the cost by 8.3% from the prior school year. The FY 2014 President’s Budget proposes BIA scholarship funding at a level of \$29.9 million with an average award of \$2,700 for 8,957 students. In relation to the FY 2010 enacted level this would amount to a decrease of approximately \$4.7 million and would cut the number of American Indian and Alaska Native students receiving BIA scholarship by 4%.

SCHOLARSHIPS (excludes AVT Appropriations)

	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009
Funding Levels (Enacted)	\$29,858	\$29,432	\$30,946	\$34,585	\$25,184
Estimated Number of Grants Awarded	8,957	8,830	9,284	9,315	7,838

Providing additional funding for BIA’s scholarship program is vital to fostering equity in higher educational for Indians and the future success of our economies. Access to quality higher education of American Indians is one step to moving this segment of American society from the lowest levels of poverty to the realization of self-sufficiency. **We support the President’s slight increase for Scholarship funding, but ask that the Subcommittee consider restoring BIA Scholarship funding to the FY 2010 levels of \$34.585 million to better address the significant unmet need and gap in American Indian higher education.**

BUREAU OF INDIAN AFFAIRS’ JOB PLACEMENT TRAINING: The unemployment rate for the Penobscot Nation is currently 16.1%, which is approximately 3½ times higher than the State of Maine’s rate of 4.6%. This high unemployment rate translates into 35.7% of our tribal members living below the poverty level. Again in comparison to the State’s rate of 12.8%, the Penobscot poverty rate is nearly 3 times higher. Over the last several years, the Penobscot Nation has focused on addressing the high unemployment rate in our community. We received a grant from the Administration for Native Americans to assist us with a Construction Workforce Development Initiative, which will assist approximately 40 members of our community to develop work preparedness skills and construction training. Although, we were fortunate to

receive this grant, we were challenged with providing a 20% match. Thankfully, we were able to leverage our BIA Job Placement Training funds to achieve the match requirement. The construction training initiative is just one of the many initiatives we would like to undertake to reduce high unemployment at Penobscot. In the future, we would like to undertake similar initiatives and provide training in high demand employment areas, such as the health profession, computer technology, accounting, etc. However, for us to provide this on-going training it is essential that adequate funds are available to offer these types of programs. The Penobscot Nation requests your support in advancing job placement training opportunities within Indian Country so that our tribal government can help our tribal members achieve a standard of living comparable to other U.S. citizens. **To address high unemployment throughout Indian Country, we urge you to increase funding for BIA’s Job Placement Training Program.**

BUREAU OF INDIAN AFFAIRS’ ECONOMIC DEVELOPMENT: The Penobscot Nation’s economic development strategy is not exclusive to providing sufficient education and training opportunities, but also to ensuring that jobs exist when citizens complete their education/training curriculums. The BIA Economic Development Program is an essential ingredient for accomplishing this strategy. BIA’s Economic Development Program supports a variety of critical components for economic growth and job creation activities, such as funding feasibility studies, providing assistance to accessing capital, and creating business plans. For the Penobscot Nation, as well as other tribes, to continue their endeavors to reduce high unemployment and poverty rate in our communities we must have access to adequate funding to pursue economic development activities to stimulate local job growth. Tribal Nations are faced with many barriers not prevalent in non-native communities, such as:

Legal and Administrative Barriers: Investors and businesses often require assurance to have access to federal or state courts for dispute resolution before conducting business with a tribe or tribal business. Often such assurances require a limited waiver of tribal sovereignty. Further the lack of commercial codes, zoning regulations, and tax policies presents barriers that can deter potential investors and business partners.

Lack of Investment Capital: Lack of access to capital, either in the form of debt or equity financing, makes it difficult to start new businesses or to expand existing ones.

Lack of Bonding: With the unique status of tribal land holdings and assets, it is often difficult for tribal businesses to attain the necessary bonding and other required insurance.

To overcome these challenges, it is paramount that funding for Economic Development be increased. The FY 2014 President’s budget request for Economic Development proposes a \$543,000 reduction. If this proposed cut is enacted, this Program’s total funding would be less than \$2 million, which equates to a 60% reduction from the FY 2008 enacted amount of \$4.5.

Program	Enacted 2013	Enacted 2012	Enacted 2011	Enacted 2010	Enacted 2009	Enacted 2008
Economic Development	\$2,366	\$2,342	\$2,271	\$2,241	\$3,493	\$4,531

INDIAN LOAN GUARANTY PROGRAM: It is essential that tribes have the financial resources to implement long-term economic development plans to conduct feasibility studies that are essential to business development. Further, the lack of investment capital is a major barrier

to economic development within Indian Country. Often, the BIA Loan Guaranty is the only financing resource available to tribes. In 2001, the Treasury Department reported that there is a *\$44 billion* investment gap between American Indian economies and the U.S. overall. The report also found that, despite the fact that 85% of financial institutions, on or near Indian lands, offer deposit accounts to American Indians, half of those institutions provide only ATMs and personal consumer loans.

Congress established the Indian Loan Guaranty Program through the Indian Financing Act of 1974 to help tribal government businesses and Native entrepreneurs obtain commercial loans on reasonable terms. This Program guarantees approximately \$13 for every \$1 appropriated. This Program is the single greatest federal resource used by tribes and Indian owner businesses to access investment capital and secure lender financing. Nearly all projects funded by the program create jobs in areas of high unemployment. Based upon past performance, each additional \$80 million that the program has offered to guarantee loans (*a \$6.1 million appropriation*) can be expected to generate 50 new businesses and create or sustain 1,500 jobs to benefit native communities. The FY 2014 budget proposes a reduction of \$2.1 million to the Loan Guaranty Program until the program undergoes an independent evaluation. Considering the devastating socioeconomic conditions of Indian Country we cannot afford to wait until the federal government completes yet another evaluation. Throughout the last several years, funding for the Loan Guaranty Program has steadily diminished as noted in the following table:

Program	Proposed 2014	Enacted 2012	Enacted 2011	Enacted 2010	Enacted 2009	Enacted 2008
Loan Guaranty	\$5,018	\$7,103	\$8,199	\$6,586	\$6,586	\$5,489

It is crucial that the Loan Guaranty Program be restored to *at least* the FY 2011 enacted level of \$8.2 million. Further, if the Administration does indeed go ahead with its plans for an independent evaluation we would request that the evaluation also entail a study on overcoming the tribes' inability to access surety bonding and insurance requirements necessary for business development on Indian lands, as well as an overall analysis of access to capital in Indian country. Further, we request that appropriate resources be included in future budget requests that address the bonding and insurance barriers that exist within Indian Country. These Programs are instrumental pathways to ensuring Native American poverty plights are conquered. **We oppose the proposed reduction of \$543,000 to the Economic Development Program and the reduction of \$2.1 million in the Loan Guaranty Program, and again request that the Indian Loan Guaranty Program be restored to the FY 2011 level of \$8.2 million.**

CONTRACT SUPPORT COSTS: The Penobscot Indian Nation opposes the Administration's proposal to unilaterally implement statutory caps on contract support costs (CSC). CSC funding is essential to the operation of contracted federal programs administered by the BIA and IHS under federally issued indirect cost rate agreements. No change of such a fundamental character should be implemented until there has been a thorough consultation and study of concept jointly undertaken by the BIA and IHS with the Penobscot Indian Nation and other interested federally recognized Indian tribes.