

**STATEMENT
OF
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ACCOMPANIED BY
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SPECIAL TRUSTEE FOR AMERICAN INDIANS
BEFORE THE
SENATE COMMITTEE ON INDIAN AFFAIRS
ON THE
FISCAL YEAR 2008
PRESIDENT'S BUDGET REQUEST FOR INDIAN PROGRAMS**

February 15, 2007

Good morning, Mr. Chairman, Mr. Vice Chairman, and Members of the Committee. My name is James Cason. I am the Associate Deputy Secretary of the Department of the Interior (Department). I am accompanied today by Mr. Ross Swimmer, the Special Trustee for American Indians. We are here today to discuss the Department's fiscal year (FY) 2008 budget request for Indian programs.

The FY 2008 budget request for Indian Affairs is \$2.23 billion, which is \$1.0 million below the FY 2007 continuing resolution level and \$7.0 million above the 2007 President's request. The FY 2008 budget request is consistent with the President's emphasis on fiscal discipline while maintaining the Department's commitment to trust management reform and addressing emerging areas of concern for Tribes and Indian Affairs.

The FY 2008 budget request for the Office of the Special Trustee for American Indians (OST) totals \$196.2 million which is \$15.4 million above the FY 2007 continuing resolution, and \$48.4 million below the 2007 President's request.

Laying the foundation for the FY 2008 request are two Secretarial initiatives supporting safe Indian communities and improved Indian education. These initiatives represent a balanced infusion of resources into Indian Affairs' Law Enforcement and Education programs to address fundamental needs at the community level, while building a framework for accomplishing positive outcomes and results throughout Indian country.

SECRETARIAL INITIATIVES FOR AMERICAN INDIANS

SAFE INDIAN COMMUNITIES INITIATIVE

The Safe Indian Communities Initiative consists of increases totaling \$16.0 million to combat the methamphetamine crisis and resulting increase in violent crime besetting

Indian Country. The emergence of methamphetamine use has dramatically impacted Indian communities. Tribal leaders across the United States consider it the number one public safety problem on their reservations and their greatest drug threat. The explosion of methamphetamine use has amplified violent crime, including homicides, sex offenses, aggravated assaults, child abuse and neglect, and domestic violence.

The Safe Indian Communities Initiative focuses primarily on providing additional law enforcement and detention officers, specialized drug enforcement training for new and existing officers, and public awareness campaigns on the dangers of drugs. With the additional funding provided through this initiative, Indian Affairs anticipates a decrease in drug-related crime in targeted communities, greater crime deterrence through increased police actions, and fewer dangerous incidents reported at Bureau of Indian Affairs (BIA) detention facilities.

Criminal Investigations and Police Services - As part of the initiative, the request includes an increase of \$5.0 million to place more law enforcement agents in targeted communities in Indian Country and invest in equipment and training for the current force to more effectively combat crime. Funding will target communities based on a needs analysis that looks at the violent crime rate, service population, and current law enforcement staffing levels. The increase will support approximately 50 new tribal and BIA officers in FY 2008.

Detention Centers - The initiative also includes an increase of \$5.0 million to address staffing needs in newly constructed and existing detention facilities in Indian country. In FY 2004, the Office of the Inspector General (OIG) reported on material weaknesses in the Bureau's detention facilities program, including staffing levels at Bureau-funded detention centers. This funding will support an OIG recommendation to increase staffing levels at detention centers to safe and secure levels in line with the National Institute of Corrections guidelines. The additional funding will enable the recruitment of 91 new tribal and BIA detention officers.

Drug Enforcement - The initiative includes an increase of \$6.0 million to provide specialized drug enforcement training to existing officers. In FY 2006, the BIA had only eight certified drug enforcement officers to cover its entire service area. The additional funding in FY 2008 will provide drug enforcement training for 100 officers. As a result, more officers on patrol will have the knowledge and tools to break up drug trafficking, disrupt the activities and organization of crime groups, and seize illegal substances. These activities will contribute to the long-term BIA goals of increased drug seizures and reduced violent crime. Additionally, funds will be leveraged in support of methamphetamine public awareness campaigns to utilize and educate the Indian public on the dangers of the drug.

IMPROVING INDIAN EDUCATION INITIATIVE

The Bureau of Indian Education (BIE) elementary and secondary school system is comprised of 170 school and 14 dormitories located on 63 reservations in 23 states

serving almost 46,000 students. The Secretarial Improving Indian Education Initiative proposes increases totaling \$15.0 million to ensure Indian students graduating from the BIE-funded elementary and secondary school system possess the academic knowledge and skills necessary to successfully compete for employment at home and in a global economy. The Improving Indian Education Initiative is part of the BIE \$562.0 million request for elementary and secondary school operations that supports the President's commitment to leave no child behind.

The primary goal for elementary and secondary schools in the BIE school system is to achieve Adequate Yearly Progress (AYP) as required in the No Child Left Behind Act. Despite significant improvements in the BIE school system, only 30 percent of the schools are currently meeting AYP goals for student performance, teacher qualifications, attendance, and graduation rates. To improve this percentage, the Initiative includes increased funding to support targeted intensive educational assistance to BIE-funded schools not achieving AYP goals. The Initiative also proposes additional funding for education program management, student transportation, and information technology with the target of achieving AYP goals at 80 percent of BIE-funded schools by 2013 and 100 percent by 2014.

Education Program Enhancements - At the center of the Improving Indian Education Initiative is the addition of \$5.3 million to fund education program enhancements. Student performance at BIE-funded schools, while improving, remains lower than national averages. This new program provides education specialists to help with curriculum, tutoring, or specialized tools or other needs identified in school based analyses of student performance. The Bureau worked with Tribes and tribal school boards during FY 2005 to develop a Program Improvement and Accountability Plan (PIAP) that will strategically guide the continuous improvement of BIE education services. Funding included in the new Education Program Enhancements budget line will provide the resources and flexibility necessary to evaluate the effectiveness of BIE-funded schools and implement appropriate measures in a timely manner, as outlined in the PIAP.

Education Management - The FY 2008 budget includes an increase of \$3.6 million to support a skilled national team of educational, financial, and administrative managers for the BIE school system under a new organizational structure. The additional resources will enable the Bureau to establish positions for specialists dedicated to the administration and management of data, contracts, and school finances. The national team will free educators from administrative duties, allowing them to focus on teaching students and promoting academic achievement.

Student Transportation - The BIE budget includes an increase of \$4.3 million for student transportation costs. The rural school service populations served by BIE schools are often widely dispersed. During the current school year, vehicles serving BIE-funded schools will travel nearly 16 million miles, often over gravel or dirt roads. In addition to providing resources for fuel, the increase funds maintenance that improves the safety and

reliability of the bus fleet and ensures the transportation provided meets national and state transportation standards.

Education Information Technology - The BIE's ability to improve student performance and AYP hinges upon timely awareness of changes in performance. The Initiative includes an increase of \$1.85 million to fund the Native American Student Information System (NASIS). NASIS will capture and report real-time student achievement and school performance, providing a critical tool for improved tracking and management of BIE-funded schools.

FULFILLING TRUST RESPONSIBILITIES

Management of trust assets for Tribes and individual Indians has been a key component of the Indian Affairs mission for well over a century. In addition to managing its general trust responsibilities, the BIA is working closely with the OST to support the Secretary's ongoing efforts to reform the management of the fiduciary Indian trust for all Indian beneficiaries. This includes reengineering trust technology across the nation to modern systems that are used by many of the Nation's largest trust companies; implementing new business practices, policies and procedures to maximize efficiencies; focusing on trust training and education; and collecting and preserving Indian trust records across the Nation for use by future Indian generations.

UNIFIED TRUST BUDGET (UTB)

The Department has responsibility for the largest land trust in the world. Today, the Indian trust encompasses approximately 56 million acres of land. Of these acres, nearly 45 million are held in trust for Indian Tribes. On these lands, the Department manages over 100,000 leases for farming, grazing, and oil and gas production on behalf of individual Indians and Tribes. In addition, the Department manages approximately \$2.9 billion in existing balances in tribal funds and \$400 million in Individual Indian funds.

From 1996 through 2006, the Department invested \$3.4 billion in the management, reform, and improvement of Indian trust programs. As a result of these investments, trust business processes are re-engineered to provide efficient, consistent, integrated, and fiscally responsible service to beneficiaries. Trust programs are reorganized to better meet fiduciary trust responsibilities, provide greater accountability at every level, and operate with staff trained in the principles of fiduciary trust management.

In FY 2008, the Department proposes to invest \$489.9 million in the Unified Trust Budget (UTB) comprised of trust programs funded by BIA and OST, a net reduction of \$46.1 million below the FY 2007 request level. The UTB includes \$293.7 million for BIA trust asset management programs and \$196.2 million for OST activities.

BIA UTB Programs – Funding for trust programs in the BIA budget is integral to trust reform and the management of trust assets. The FY 2008 budget includes an increase of \$300,000 to provide three additional BIA field probate staff. BIA is currently on target to

complete the probate backlog in FY 2008. New staff positions will be critical in satisfying the on-going demand for probate services projected for FY 2008 and beyond.

The FY 2008 BIA budget proposes several reductions to trust programs including reductions of \$1.0 million to Forestry Projects, \$2.0 million for cadastral surveys, and \$1.0 million to Environmental Quality Projects. A reduction of \$750,000 to Land Records Improvement is proposed due to the rescheduling of the Departmental Land and Resource Management project. Information technology funding is reduced by \$155,000 reflecting a reduction of \$500,000 in savings resulting from information technology infrastructure consolidation activities within the Department and an increase of \$345,000 transferred from OST to BIA to support existing BIA positions in trust records management.

OST UTB Programs – OST manages over \$3.3 billion of funds held in over 1,450 trust accounts for more than 250 Indian Tribes, and over 300,000 open Individual Indian Money (IIM) accounts. The FY 2008 request will support ongoing activities to improve beneficiary services, continue implementation of the Fiduciary Trust Model (FTM), continue historical accounting activities, and reduce fractionated individual Indian trust land interests. The FY 2008 budget request for OST totals \$196.2 million which is \$15.4 million above the 2007 continuing resolution and \$48.4 million below the 2007 President's budget. Over 43 percent of OST's budget is pass-through funding that directly supports programs such as historical accounting, litigation support, the Office of Hearings and Appeals, and land consolidation. The remaining funds support OST's operating expenses.

Within the OST request there is \$60.0 million for the Office of Historical Trust Accounting (OHTA) an increase of \$3.6 million over 2007. This will provide \$40.0 million for IIM accounting and \$20.0 million for tribal accounting. In 2008, OHTA will complete the reconciliation of the remaining 5,000 judgment and per capita accounts and mail historical statements of accounts, reconcile 1,000 land-based IIM transactions, continue the imaging and coding of three million pages of trust documents, and continue data completeness validation at eight regions.

Also within the OST request there is \$10 million for the Indian Land Consolidation Office (ILCO), \$20.7 million below the 2007 continuing resolution and \$49.4 million below the 2007 President's budget. The FY 2008 budget request will allow ILCO to continue to focus on the most highly fractionated tracts located in five BIA regions. This strategy should decrease the average cost per interest, which would allow more interests to be acquired. ILCO will also work with Tribes to leverage purchases by the program with tribal purchases. During 2007 and 2008, the Administration and Congress will continue to evaluate other strategies to consolidate interests.

ADVANCING QUALITY COMMUNITIES

While accomplishing operational goals, Indian Affairs remains committed to keeping administrative costs low. Administrative costs account for only 8 percent of the funding

requested for the operation of Indian programs. In FY 2008 more than 9 of every 10 dollars will be provided to education, law enforcement, human services, trust services, and other on-the ground programs.

Economic Development – High unemployment rates on reservations are one of the greatest challenges facing Indian country. The Indian Guaranteed Loan Program continues to be an integral component of the Bureau’s efforts to expand economic development in Indian country. Through this program the Bureau provides loans to Tribes, Alaska Natives, and individual Indian-owned businesses. The budget request of \$6.3 million for the loan program continues the Bureau’s commitment to reduce unemployment on Indian reservations. The guaranteed loan program makes it possible for Indian economic enterprises on or near Indian reservations, which otherwise would not have been able to get loans, to obtain loans from private lenders. Funding will guarantee approximately \$85.5 million in loans.

Settlements – Pursuant to new settlements enacted in FY 2007, the FY 2008 budget proposes an increase of \$7.0 million to begin funding the \$23.5 million Federal share of the Puget Sound Regional Shellfish Settlement, a \$34.5 million agreement between the Federal government, Western Washington Treaty Tribes, the Puget Sound Commercial Shellfish Growers, and the State of Washington regarding the Tribes’ treaty rights to naturally occurring shellfish on the growers’ property. The State of Washington is responsible for the balance of \$11 million. The FY 2008 request also includes \$2.4 million to begin funding the Pueblo of Isleta Settlement which provides for payments to the Pueblo in the amount of \$7.2 million from appropriated funds, and \$32.8 million from the Judgment Fund to be used for the acquisition, improvement, restoration and rehabilitation of the Pueblo’s lands and natural resources.

The FY 2008 budget request includes \$16.2 million to continue payments to the Nez Perce/Snake River settlement. The Department’s responsibility under the settlement totals \$170.9 million proposed to be funded over seven years and includes funding in BIA, Fish and Wildlife Service, Bureau of Land Management, and Bureau of Reclamation programs. The BIA requirement totals \$95.8 million over seven years. The FY 2008 request represents the second year’s payments to the Nez Perce Water and Fisheries Fund, Nez Perce Tribe Habitat Accounts, and Nez Perce Domestic Water Supply Fund.

The FY 2008 settlements budget includes reductions totaling \$10.6 million due to completion of Federal financial responsibilities associated with the Quinault Indian Nation Boundary Settlement and the Cherokee, Choctaw, and Chickasaw Settlement.

Indian School Construction – The FY 2008 BIA budget funds Education construction at \$139.8 million, a reduction of \$18.4 million from 2007. The BIA continues to make progress in both new construction and facility repair at Indian schools. In 2001, 35 percent of the schools were in good or fair condition and 65 percent of the schools were in poor condition. Funding provided through FY 2007 reversed these percentages, reflecting a marked improvement in the condition of the schools. The FY 2008 school

construction budget continues to fund new projects and provides additional funding for facility improvement and repair projects.

The FY 2008 President's budget includes funding for replacement of the Circle of Life Survival School in Minnesota and Keams Canyon Elementary School in Arizona. In addition, the budget request will provide funding for two replacement facility projects at the Standing Rock Community School in North Dakota and the Riverside Indian School in Oklahoma.

The education Facilities Improvement and Repair program is funded at \$100.8 million, an increase of \$8.0 million above 2007. The additional funding will address facility needs at a greater number of schools. These dollars will fund five major facilities improvement and repair projects, annual maintenance needs, and minor repair projects to address health and safety concerns, compliance with code standards, and program deficiencies at existing education facilities.

PROGRAM REDUCTIONS AND ELIMINATIONS

Housing Improvement Program – The Indian Affairs FY 2008 budget proposes to eliminate \$23.4 million in funding that supports the Housing Improvement Program (HIP). This BIA program services about 375 Indian families per year, providing grants for repairs and renovations of existing homes for construction of houses for tribal members with sufficient land suitable for housing on or near a reservation. There is eligibility overlap between HIP and the Housing and Urban Development Native American Housing Assistance and Self-Determination Act programs.

Johnson-O'Malley Grants – The FY 2007 President's budget eliminated the primary funding component for the Johnson-O'Malley (JOM) Assistance Grants program. The FY 2008 request proposes corresponding reductions for JOM grants funding identified in Self-Governance compacts (\$6.7 million) and Consolidated Tribal Government Programs (\$1.0 million). Public school districts will continue to receive funding and are eligible for grants similar to JOM under Title VII of the Elementary and Secondary Education Act through the U.S. Department of Education. Title VII funding addresses the special academic and culturally relevant education needs of Indian children.

Scholarships – The BIE budget includes \$98.5 million for post-secondary schools which will support two BIE and 26 tribal colleges and universities as well as scholarships for Indian students. While post secondary education programs remain vital to Indian country, the FY 2008 BIE budget request includes a reduction of \$5.0 million to Scholarships and Adult Education to enable the BIE to focus resources on pursuing excellence in its primary mission to elementary and secondary educational programs in BIE-funded schools.

Natural Resources Management and Rights Protection – The Indian Affairs FY 2008 budget includes a reduction of \$1.5 million due to the completion of funding for removal of the Chiloquin Dam and associated remediation. The FY 2008 budget request also

includes reductions of \$1.8 million to Rights Protection Implementation, \$1.0 million to Water Rights Negotiations/Litigation, and \$1.0 million to Litigation Support/Attorney Fees. Proposed funding levels will allow BIA to support, although in some cases at lower rates, the exercise of off-reservation hunting, fishing and gathering rights by 49 Tribes located in the Pacific Northwest and Great Lakes regions and their five umbrella inter-tribal fish and wildlife organizations as well as Tribes involved in litigation, negotiation, or administrative proceedings to protect, defend, or establish their rights and protect Tribal trust resources

Contract Support – The FY 2008 budget includes a \$2.0 million reduction from the FY 2007 President’s request level for contract support funding. The proposed funding level will be sufficient to pay 100 percent of indirect contract support costs, and begin paying a portion of direct contract support costs. The proposed decrease is not expected to have a significant impact on tribal contractors.

CONCLUSION

Mr. Chairman, thank you for the opportunity to appear before you today. We will be happy to answer any questions you may have.