

## Chapter 11 Tribal Economies

### Introduction

Interior has a unique responsibility to American Indians and Alaska Natives, as provided by the US Constitution, treaties, Supreme Court decisions and Federal statutes. The U.S. has a fiduciary responsibility to 566 Federally recognized Indian tribes. These tribes are sovereign nations, operating on a government-to-government basis with the U.S. government. Interior's support for tribal governments represents an important mechanism to facilitate the government-to-government relationship, advance economic development, improve Indian education, and improve the safety of Indian communities.

The Office of the Assistant Secretary-Indian Affairs (AS-IA) includes two bureaus, the Bureau of Indian Affairs (BIA) and the Bureau of Indian Education (BIE). BIA and BIE provide services directly or through contracts, grants, or compacts to a service population of 1.7 million American Indians and Alaska Natives who are members of the Federally recognized Indian tribes.

The BIA's mission is to fulfill the Federal government's Indian trust responsibilities and to promote tribal self-governance. The BIE's mission is to provide quality educational opportunities in accordance with a tribe's needs for cultural and economic well-being. Through these missions, BIA and BIE contribute substantially to economic growth in tribal areas through advances in infrastructure, strategic planning, improved practices of governance, and the development of human capital. In addition, several other offices exist within AS-IA, including administrative offices (the Office of the Chief Financial Officer and the Office of Human Capital Management) and program-based offices: Federal Acknowledgement; Homeland Security and Emergency Management; Indian Energy and Economic Development (IEED); Indian Gaming; Regulatory Affairs and Collaborative Action; and Self-Governance. These offices all play an important role in promoting tribal economic development. The IEED engages with tribes in numerous activities that have direct and indirect impacts on the nation's GDP and employment. Many of these activities are managed directly by tribes through P.L. 93-638 tribal agreements, which support the policy of self-determination, enabling tribes to administer projects independently.

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Interior supports tribal governments by facilitating economic development, ensuring and improving safety in Indian communities, and advancing Indian education. The economic values associated with these activities are significant, though difficult to measure. A large part of Interior's efforts occur in the form of financial support to Tribal governments, for which contribution estimates are readily available.

- Value added: \$14.4B;
- Economic contribution: \$17.5B;
- Employment supported: 94,000.

## Outputs, Economic Contributions, and Economic Values

Economic information and statistics play an important role in economic development activities because such information can help inform program and policy development. During FY 2012, Indian Affairs made initial efforts to improve the economic statistics collected for American Indians and Alaska Natives in Federally recognized tribes. These efforts included establishing an interagency working group (the Secretary's Office, the White House Domestic Policy Council, the Bureau of Labor Statistics, the Bureau of the Census, and the Office of Management and Budget) and conducting preliminary discussions with the Bureau of the Census regarding existing data they collect on Indians. Consultations with tribal leaders were also conducted on the availability of data that tribes have and on the data collected by the Bureau of the Census. It is anticipated that improving the quality and quantity of statistics collected will be a long-term effort, involving a number of federal agencies. The general absence of official economic statistics on Indian Nations as part of the statistical measurement of the U.S. Economy creates challenges in quantifying, and recognizing, the contribution of Indian Nations to the economy.

Economic contributions were estimated for the following programs: energy, minerals, forestry, and irrigation, as well as grants to support tribal governments and loan guarantees to Indian-owned businesses. Sufficient information was not available to develop comprehensive estimates for GDP and employment contributions for all IA activities. Some of the activities for which estimates could not be developed include construction (schools, roads, and other facilities), job training, support for the development of mineral materials activities, and hydropower production.

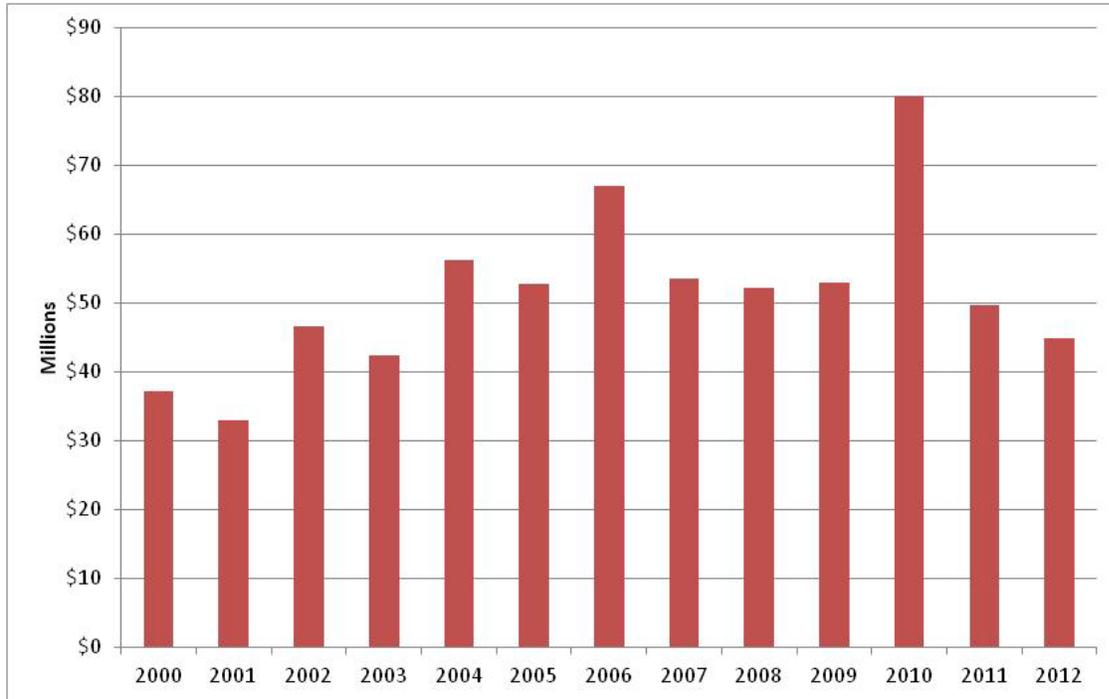
IA's efforts in FY 2012 contributed over \$14 billion in value added, \$18 billion in economic activity and support nearly 93,000 jobs, many of them on Indian lands. A summary is provided in Table 11-1. In particular:

- Oil, gas, and coal: These activities were associated with an estimated \$13 billion in value added, \$14 billion in output, and 67,500 jobs.
- Other minerals: a large part of the mineral production supported by IA comes from construction aggregate, including crushed rock, as well as sand and gravel, with BIA issuing business permits for sand and gravel production. Permit data is not readily available. However, analysis of mineral data from the Office of Natural Resources Revenue (ONRR) on "sand and gravel" operations where a lease was issued indicates that activities associated with those minerals provided \$140 million in value added, \$190 million in economic contributions, and supported 1,200 jobs.
- Irrigated agriculture: these activities were associated with an estimated \$0.5 billion in value added, \$1.1 billion in output, and 10,000 jobs.
- Timber: The value added and output value associated with timber on Native American lands are estimated at \$287 million and \$720 million, respectively. Employment supported is estimated at 4,000.

- **Guaranteed Loans:** Loan guarantee programs, while not involving direct expenditures, can create jobs and have economic impacts. The Indian Guaranteed Loan Program guarantees up to 90 percent of the amount of loans for Indian-owned enterprises. These enterprises contribute to the economies of federally recognized tribal reservations or service areas. In FY 2012, Interior guaranteed \$72.1 million in loans that were issued by banks for a variety of economic development activities. These are loans that the private sector otherwise would not have made. Loans guaranteed by the U.S. Government do not count against legal lending limits, thus this guaranty program may increase the total credit available. Those loan guarantees were estimated to contribute about \$45 million in value added economic activity and support about 700 jobs. These are jobs associated primarily with the production activities that were enabled by the loan project. For example, if the loan were made to establish a new clinic, these jobs would entail the construction jobs associated with building the clinic. Over time, these loans would be anticipated to stimulate additional economic activity. For example, if the loan were, again, to establish a new clinic, these jobs would be the estimated number of new jobs to staff the clinic once it is in operation. For FY 2012, it was estimated that this economic expansion would support an additional 490 jobs. Figure 11-1 shows estimated annual value added from investments supported by guaranteed loans.
- **Support for tribal government:** In FY 2012, this grant funding contributed about \$0.8 billion in value added, \$1.2 billion in economic output and supported about 10,000 jobs.

**Table 11-1. Indian Affairs: Value Added, Output and Employment Supported**

Activity	Estimated Value Added	Estimated Economic Output	Estimated Employment Supported
	\$ billions		number
Oil, gas, coal	12.6	14.3	67,517
Other minerals	0.14	0.19	1,204
Irrigated agriculture	0.5	1.1	9,758
Forestry	0.29	0.72	3,565
Loan guarantees	0.045	n/a	679
Support for tribal governments	0.8	1.2	10,058
<b>Total</b>	<b>14.4</b>	<b>17.6</b>	<b>93,476</b>



**Figure 11-1. Value Added from Investments Supported by Indian Affairs Guaranteed Loans**

Source: Based on Indian Affairs estimates.

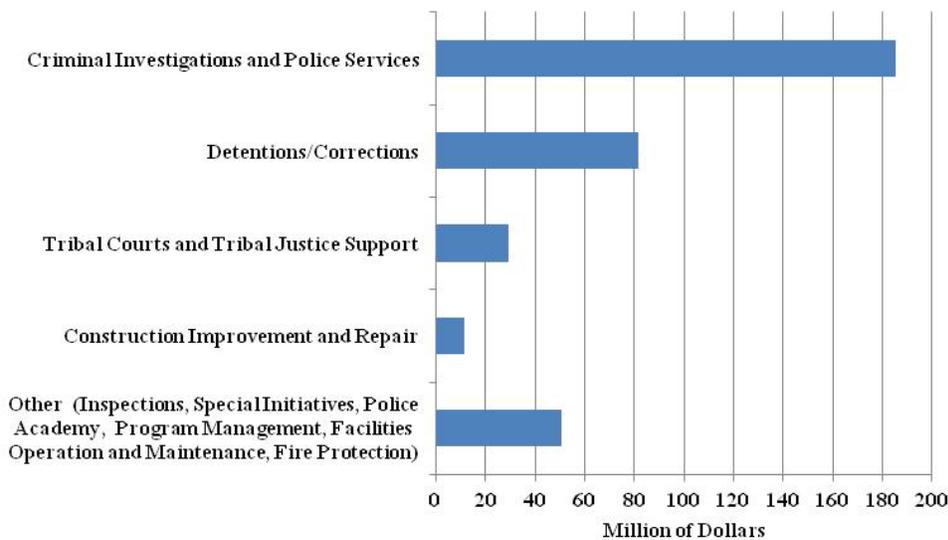
A number of other activities have important economic components. These are discussed briefly below.

- **Education.** The BIE serves approximately 41,000 students in 183 schools and dormitories located in 23 states. Most of the students come from remote communities characterized by poorly developed local economies, high rates of unemployment, and low incomes. Many of these communities exhibit above average rates of crime, high percentages of single-parent households, and below average literacy rates. Improvements in education and literacy in tribal communities is essential for improving community life, the promoting economic development, creating better employment opportunities, and increasing the standards of living. At the post-secondary level, BIE operates two colleges, administers grants for 27 tribally operated colleges, funds two tribal technical colleges, and provides tribal scholarships and adult education programs. In FY 2012, the costs of all of these operations totaled \$795 million, of which \$645 million were spent on elementary and secondary educational programs, \$129 million on post secondary programs, and \$22 million on education management. In addition, the Department of Education contributed more than \$200 million for elementary and secondary educational programs.

It is widely recognized that educational services offer substantial social and economic benefits. However, these benefits can be difficult to measure. For example, a recent study has found that college-educated workers in the United States over the past two decades have tended to earn incomes that are more than 70 percent higher than the incomes of high school graduates who

have had similar job experience.<sup>85</sup> This study also noted that higher education is linked to improved health and longevity, and civic involvement. These social benefits then translate into economic benefits in countless ways, including improved governance and economic growth.

- **Justice Services:** In FY 2012, Indian Affairs (IA) spent \$357.5 million on public safety and justice services, including the construction of new facilities. Figure 11-2 displays the distribution of these expenditures, in which about half (51.7 percent) was spent on criminal investigations and police services. Another 22.9 percent was spent on detention and correction services, 8.1 percent on tribal courts and tribal justice support, and 3.2 percent on construction improvement and repair. In addition, 14.1 percent was spent on other activities: inspections, special initiatives, the police academy, program management, facilities operation and maintenance, and fire protection. The economic benefits that derive from essential public services can include:
  - Protection of personal rights and property rights, and support of the health and safety of community residents;
  - Lower costs of medical services attributable to fewer incidences of violent crime, and reduced consumption of harmful controlled substances;
  - Human capital development and productive participation of more individuals in the labor force through the design and implementation of programs that encourage individuals, such as juvenile offenders, to become responsible citizens;
  - Economic development facilitated by enhanced safety and security provided to enterprises in the community and to their customers; and
  - Positive spillover effects to businesses that benefit from justice services, such as construction companies that build new facilities, businesses that provide goods and services to justice services employees, etc.



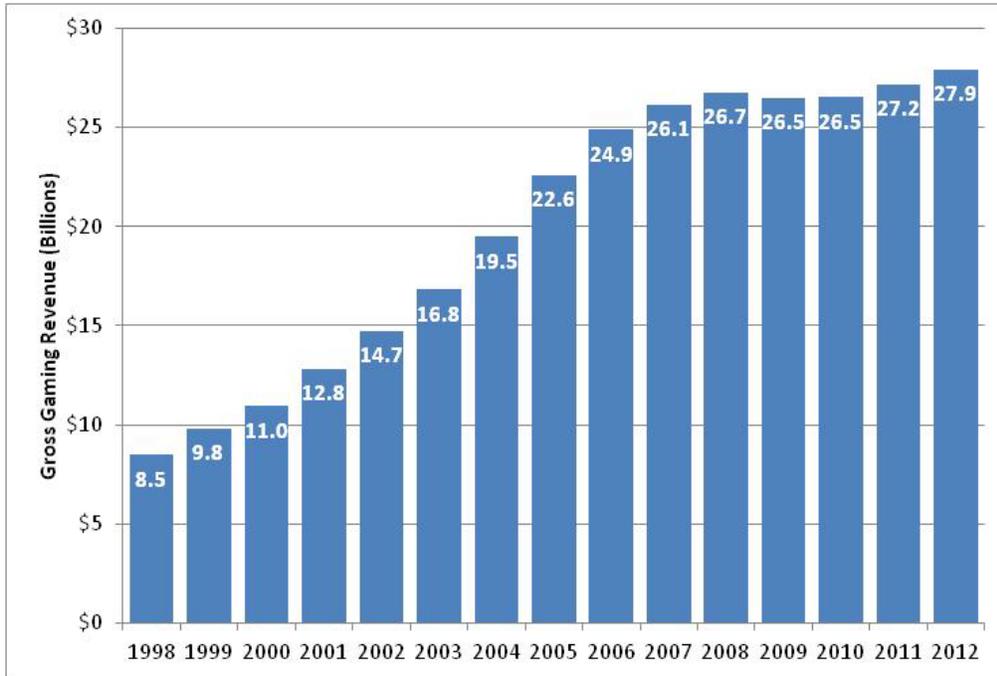
**Figure 11-2. Indian Affairs FY 2012 Expenditures on Public Safety and Justice Services**

Source: DOI.

<sup>85</sup> Hanushek, Eric. 2009. "The Economic Value of Education and Cognitive Skills," in the Handbook of Education Policy Research. Routledge, Pp: 39-56.

- **Indian Gaming:** The Indian gaming industry has been, by far, the largest source of revenue for Indian Nations. In 2011 (the last year for which data are available) revenues from Indian gaming exceeded \$27 billion. Over the last two decades Indian gaming has been generally recognized as a key source of economic growth for Indian Country. IA has played an instrumental role in enabling such growth to occur, through its approval decisions on land taken into trust for gaming operations, and its approval of decisions on compacts between Indian Nations and States which have enabled new gaming operations to be established in those States. Gaming operations have provided jobs and training to Indian people, and generated revenues that support medical and social assistance programs, scholarships for Indian students, and cultural facilities and events that promote awareness in Native American values and heritage. These benefits are not only seen within the tribes that have casinos, but in other tribes that have received philanthropic donations from those tribes that have had particularly successful gaming operations. Indian gaming has also promoted ancillary industries such as resort hotels and restaurants, and recreational facilities such as golf courses and entertainment centers, which have enjoyed the patronage of visitors to the casinos.

While Indian gaming has made its mark on the economic development of Indian Country, its role as the main driver for economic growth in Indian Country appears to have come to an end. As shown in Figure 11-3 Indian gaming revenue grew rapidly from 1998 to 2006, from \$8.50 billion to \$24.59 billion. However, it has grown little since then, to \$27.15 billion in 2011. Like most industries during the recent recession, gaming revenue declined in 2009, but unlike the rest of the economy it has barely risen thereafter. In fact, as shown in the figure, between 2009 and 2011 Indian gaming revenue as a share of the U.S. Gross Domestic Product declined from 0.19 percent to 0.18 percent—the same proportion it had in 2005. While Indian gaming may grow a bit more in the near future, or may tend to keep up with the renewed growth of the U.S. economy, its growth will be limited by three major factors: First, the number of consumers, or more precisely the proportion of the population that gambles, tends to be fairly fixed. Thus, once a population area becomes saturated with gaming facilities, any one gaming operation can only expand at the expense of the other operations in the area. Secondly, new technology in the gambling entertainment industry, especially Internet gaming, will offer competitive alternatives that might erode the customer base for Indian gaming. Finally, some states such as New York have been considering allowing the development of non-Indian casinos for the first time in their state, thereby penetrating and possibly eroding some of the markets for Indian gaming.



**Figure 11-3. Indian Gaming Revenue in Billions of Dollars (1998–2012; not adjusted for inflation)**

Source: National Indian Gaming Commission Website ([http://www.nigc.gov/Gaming\\_Revenue\\_Reports.aspx](http://www.nigc.gov/Gaming_Revenue_Reports.aspx)).