

**STATEMENT of SENATOR GORDON H. SMITH**

**Finance Subcommittee on Long-Term Growth  
And Debt Reduction Hearing**

**“Encouraging Economic Self-Determination in Indian Country”**

**May 23, 2006**

- Good afternoon and thank you all for coming.
- We’re here today to discuss a vital issue for long-term economic development in Indian Country.
- Specifically, we will be examining the ability of Indian tribes to issue tax-exempt bonds for purposes of infrastructure development and long-term, self-sustaining economic growth.
- Since the late 1960s, the federal government has supported a policy of self-determination for Indian tribes. In theory, this has meant that Congress and the federal government have attempted to foster the development of tribal economies and support tribal self-government.

- Unfortunately, the reality is that the federal government has not always done a good job at promoting tribal self-determination.
- In part, the problem stems from treating tribal governments as “quasi-sovereign” entities—similar to state and local governments—without affording them the same ability to access capital markets.
- It has been suggested that tax-exempt bonding authority is the “bread and butter” of most state and local governments. Current law, however, limits tribes’ ability to issue tax-exempt bonds.
- The Indian Tribal Governmental Tax Status Act of 1982 provided Indian tribal governments with a tax status similar to State and local governments for certain purposes, including the issuance of tax-exempt bonds. However, bonds issued by tribal governments are subject to limitations not imposed on State and local government issuers.

- Tribal governments may not issue tax-exempt private activity bonds. Furthermore, they may issue tax-exempt governmental bonds – but only if substantially all of the proceeds are used for “essential governmental functions.”
- In doing so, this Act runs counter to our federal policy of self-determination.
- If tribes are hamstrung in their ability to develop their infrastructure and foster a robust economy, then a federal policy of self-determination is fruitless and hollow.
- Contrary to popular conceptions, most of the 562 Indian tribes in America do not have casinos. According to the National Indian Gaming Association, only 224 Indian tribes engage in Class II or Class III gaming.
- As they have for generations, many tribal members live in poverty.

- As reported by the Advisory Committee on Tax Exempts (ACT) in its 2004 report, “most Indian tribes have an economy that is on par with most third world countries.” In 2000, the American Indian population had a poverty rate of about 26 percent – in comparison to a poverty rate of about 12 percent for the general U.S. population.
- Indian tribal governments have struggled for years to develop the infrastructure necessary to attract businesses and employers to create employment opportunities.
- Instead, unemployment is endemic on reservations and under-employment rampant.
- Without new job growth and a self-sustaining revenue base, the goal of Indian reservations as “viable homelands” for American Indians will go unattained.
- I look forward to the testimony of today’s witness because it is an opportunity for reflection on our current tax system and perhaps

rethink our tax policy so that it better fosters the development of tribal economies.

- As President Ronald Reagan aptly noted: “The federal government’s responsibility should not be used to hinder tribes from taking advantage of economic development opportunities...A full economic recovery [for tribes] will unleash the potential strength of this private sector and ensure a vigorous economic climate for development which will benefit not only Indian people, but all other Americans as well.
- With that, I would like to introduce our panelists.