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Roundtable Event
"Economic Empowerment for Native Communities: Harnessing Innovation and Self-Governance to Unlock Economic Potential"
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Chairman Himes, Ranking Member Steil, Congresswoman Moore, and members of the committee: Thank you for the opportunity to offer comments today on the barriers to economic development and opportunities for more equitable growth, particularly across Indian Country.

My name is Patrice Kunesh, director of Peȟíŋ Haha Consulting, a member of the US Treasury Department's Community Development Advisory Board, representing the interests of Indian Country at large, and a development officer at the Native American Rights Fund. In all of my work, my primary purpose is to help Native communities build more sustainable economic systems and thriving communities.

The ability of tribes to develop robust and sustainable economies depend on four factors and forces: (1) community health and well-being; (2) sufficient housing and the possibility of homeownership; (3) education, including the all-important early childhood education; and (4) entrepreneurial opportunities. The fifth is self-governance. Research has shown that the best social and economic outcomes result when tribes themselves pursue these objectives. Indeed, tribal self-determination is the only federal policy that has produced positive and sustainable results.

In my short time here today, I'd like to frame my remarks around three main barriers to sustained economic development: (1) persistent poverty and inadequate infrastructure; (2) a restrictive land tenure system and stifling regulations; and (3) limited access to credit and capital. These barriers and impediments are the sticky residue of generations of corrosive federal policies—removing and ameliorating them will go a long way to ensuring that Native people have real opportunities to reach their full potential.

First, reservation-based Native populations have persistently been among the poorest in the United States. Poverty conditions, exacerbated by overcrowded homes and poor access to healthcare, have created an acute vulnerability to Covid-19: Native people suffered the highest rates of infection (3.5x) & mortality (2.5x). [and Native children were orphaned by Covid at the highest rates (4.5x)]

Indian Country's public health emergency exposed its longstanding housing crisis. Covid spread like wildfire through many reservations because of severely over-crowded homes and houses without adequate sanitation. The CARES Act's "imminent threat" program provided several tribes funds to build a few more homes.

But Indian Country needs at least 200,000 more housing units. That estimate predates the 2020 Census, which shows an 87% increase in the total Native population, from 5.2 million to 9.7 million. About 60% of Native people live on or near their reservation homelands, where the demand for homeownership is quite high – about 75% of Native households have expressed strong desire to own their own home, rather than live in a BIA housing unit.

Improving housing conditions is really challenging; even the best efforts quickly become mired in complex legal and bureaucratic barriers. Worse yet, Native homebuyers are penalized with higher cost mortgages.

- For example: the HUD Section 184 Home Loan Guarantee is a very popular and much-needed program. But in recent years, ***93 percent of its loans*** have bypassed reservations – this means that administrative hurdles are too much even for the premier federal housing agency.
- The conventional mortgage market also is unfriendly to reservation lands. Native borrowers lucky enough to get a home loan are likely to pay significantly more for their mortgage, with rates ***nearly 2 percentage points higher*** than for non-Native borrowers outside the reservation. This means that the average Native American borrower would pay ***$110,000 more*** in interest for a 30-year mortgage.

Finally, barriers to building and financing homes and businesses in Indian Country are directly related to the trust status of tribal lands. Tribes have sovereign authority over 60 million acres of reservation lands, but they do not have control over the complex federal processes to **put those lands to good and productive use.** This is because Indian Country's property rights are notoriously complex and cumbersome, and still heavily regulated by the BIA.

Property systems impact economic development – and many economists argue that property rights are the most important pre-condition to economic development. When looking at Indian Country, they draw a straight line of blame from the complex reservation property systems to persistent poverty in many reservation communities.

Those impediments have deprived real people and real families – Native people and their families, including my own on the Standing Rock Reservation – from building secure assets. Those processes also have discouraged investments to create prosperity among our Native communities.

With this context in mind, allow me to offer some recommendations. The greatest areas of economic potential for reservation communities come from their land base. To truly realize that potential, Indian Country needs an efficient property system. This audacious goal includes 3 key elements:

1. Create a “modern” 21-century self-governance property system.

Trust land leasing is a crucial element of tribal sovereignty. Efficient transfer of title and record systems are imperative to economic development and encourage investments. BIA regulations and leasing rules severely inhibit transfers of trust lands for residential and business purposes. To attract outside investments and more affordable financing, tribes need more control over land use and the leasing process. Under the HEARTH Act (Helping Expedite Responsible Tribal Homeownership), tribes can steward land and development opportunities according to the community’s needs. Assuming this responsibility is quintessential self-determination, but it requires funding and resources to support tribal uptake.

2. Encourage creative credit tools. There *must* be an expansion of access to capital and credit in Indian Country**.**

As conventional lenders have retreated from Indian Country, Native Community Development Financial Institutions, or Native CDFIs, have become critical sources of capital for home loans. They intimately know the lending needs and capacity of their constituents. By tapping into their strengths and networks, and supporting them with re-lending authority, Native CDFIs can help deliver key federal loan programs for homes and businesses on tribal lands.

3. Promote entrepreneurship by resolving the double taxation threat.

The trust status of the land means tribal governments cannot secure revenue from traditional government sources, such as property tax. Entrepreneurs and aspiring businesses face the unique and investment-deterring risk of dual taxation from both state and tribal authorities. This puts tribal governments in a bind – tax revenues are needed for critical services, rebuilding land-based institutions, and infrastructure development.

In conclusion, the federal system of the past two centuries has severely limited tribes from fully realizing their economic and self-determined potential. Reforming that system will require reimaging a modern 21st century Indian Country property system that will create more equitable processes, enhance tribal self-governance, and foster vibrant Native economies.

Thank you for this opportunity. I look forward to answering your questions.