

FY2005 APPROPRIATIONS

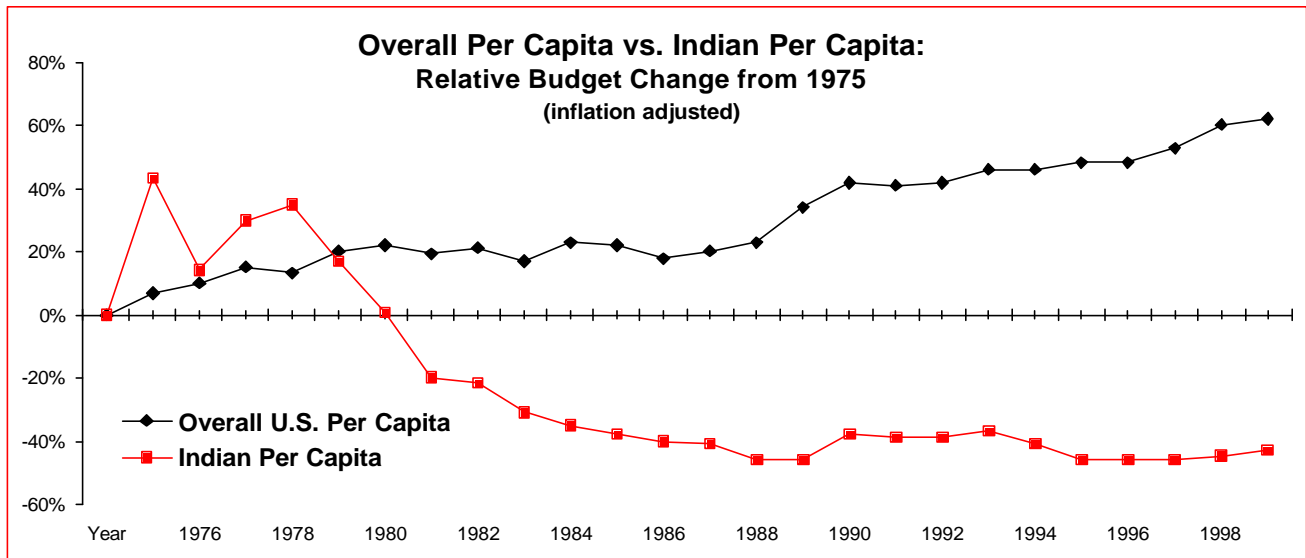
INDIAN COUNTRY AND THE FEDERAL BUDGET

INTRODUCTION

As we enter the first months of 2004, officials in the Administration are finalizing the details of the President's proposed fiscal year 2005 budget that will advance the priorities the President has set for all executive agencies. Yet one critical priority has gone ignored too long in the budget process: the government's solemn promise to American Indians and Alaska Natives to uphold its trust responsibility.

The federal trust responsibility is the legal commitment made by the U.S. government to Indian tribes when Indian lands were ceded to the United States. This commitment is codified in treaties, federal law, executive orders, judicial opinions, and international doctrine. It can be divided into three general obligations: protection of Indian trust lands; protection of tribal self-governance; and provision of basic social, medical, and educational services for tribal members. These promises notwithstanding, the U.S. government has consistently failed to follow through with appropriations to match these fundamental obligations.

In July 2003, the U.S. Commission on Civil Rights reported that the persistent underfunding of Federal trust commitments to tribes constitutes "a quiet crisis." In a comprehensive analysis of unmet needs in Indian Country, the study documented disproportionately lower funding for critical Indian services--including law enforcement, health care, and education--than for all other populations. In the last 25 years, federal spending per capita for Indians has steadily declined as compared to spending for the U.S. population at large. Starkly identified in a 1999 Congressional Research Service study (see figure below), this trend demonstrates a troubling failure by the federal government to uphold its trust responsibilities with adequate appropriations.



Source: Congressional Research Service - Library of Congress, March 2, 1999, "Indian-Related Federal Spending Trends, FY1975-FY2000"

The needs in Indian Country are substantial and the federal trust responsibility to address these needs is clear. As Congress considers FY2005 funding for Indian programs throughout the federal budget, NCAI strongly recommends a serious commitment across the board to reverse this trend by making funding choices of the magnitude necessary to turn the tide against need in Indian Country. Such a shift in federal funding trends, coupled with continued efforts to strengthen tribal governments and clarify the government-to-government relationship, could make the difference in bringing about the truly stable, diversified, and healthy economies in Indian Country that are the foundation of strong communities.



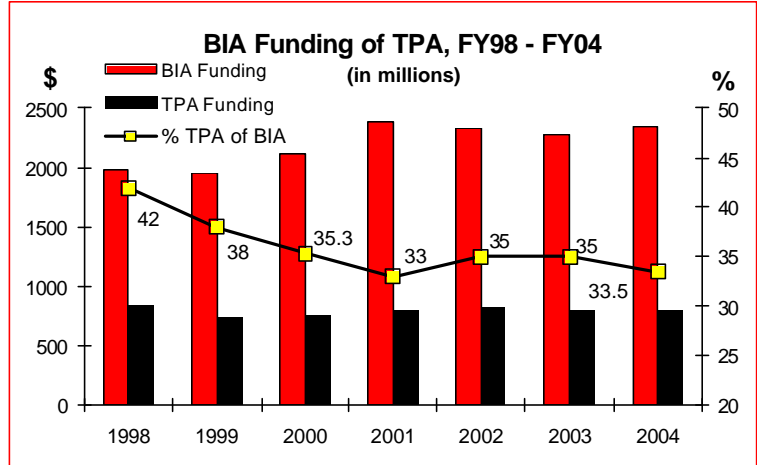


BUREAU OF INDIAN AFFAIRS (BIA) AND OTHER INTERIOR DEPARTMENT PROGRAMS

On November 10, 2003, the President signed PL 108-108, the Dept. of Interior and Related Agencies Appropriations Act. Several key areas of the BIA budget remain acutely underfunded in the FY 2004 funding levels, including Tribal Priority Allocations and education.

TRIBAL PRIORITY ALLOCATIONS (TPA)

The Tribal Priority Allocation line item is one of the most important funding items for tribal governments. Since tribes have flexibility to use TPA funds to meet the unique needs of their individual communities, they are the main resource for tribes to exercise their powers of self-governance. Although FY2004 TPA funding increased slightly by \$2.7 million over the FY2003 level, the percentage of BIA funds provided to TPA has steadily dwindled since 1998.



Source: OMB, Budget of the US Government, FY 2000-2004, DOI, BIA

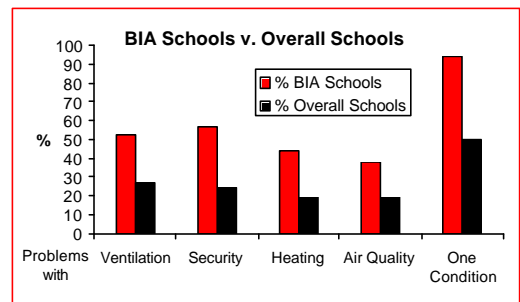
Between FY1998 and FY2003, TPA spending power has decreased by \$36.5 million or 4.4 percent. NCAI recommended a minimum increase of \$25 million for FY2004 in TPA funding for inflationary adjustments, \$22.3 million over the enacted level for FY2004. Tribal leaders recommend a 5 percent increase in TPA for FY2005, an approximate increase of \$35 million over the FY2004 enacted level.

Among TPA education programs, FY2004 funding for Indian students via Johnson O'Malley scholarships dropped by \$143,000 from FY2003 enacted levels, cutting an important program in which funding per student was 65.4% less than during the early 1970s. Tribal leaders recommend a \$15 million increase in TPA scholarships for the coming year.

2004 marks the seventh straight year that \$3000 will be allocated per student at BIA schools-- less than half the amount per student that public schools will spend. Likewise, student transportation continues to receive inadequate funding. The Office of Indian Education Programs (OIEP) calculates that FY2003 funding for transportation was over \$20 million short of tribally operated schools' needs, yet student transportation received a mere \$1 million increase for FY2004. NCAI recommends that funds for education transportation be increased by \$20 million in FY2005.

EDUCATION CONSTRUCTION

FY2004 enacted levels rose \$2.9 million to fund Education Construction at \$296.7 million. However, the deferred maintenance backlog of BIA schools was last estimated at \$507 million, and is increasing at an annual rate of \$56.5 million due to inflation and continued deterioration. Funding shortfalls in facilities maintenance to BIA schools contributes to their perennially poorer physical condition than schools nationally. BIA school maintenance funding rose \$2 million in FY2004 to \$57.4 million. Nevertheless, under a congressionally-mandated needs-based formula, minimal funding provided would require \$70 million, \$12.6 million more than the FY2004 funding.



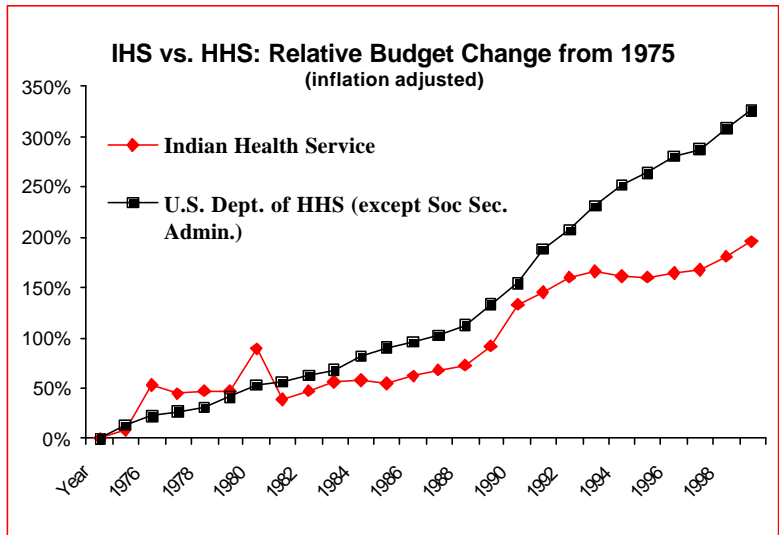
US GAO, "School Facilities: Reported Condition and Costs to Repair Schools Funded by BIA," 12/97, pp. 6-7



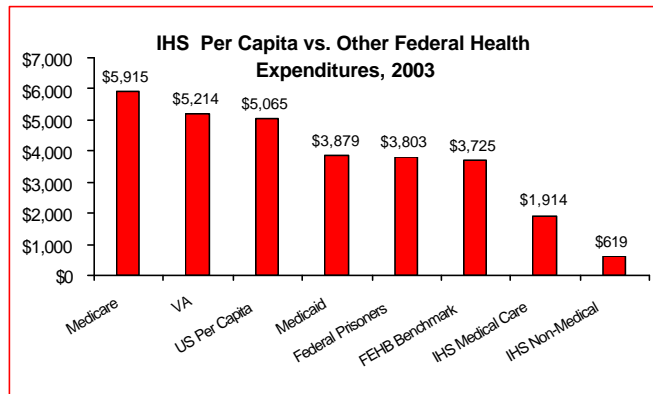
INDIAN HEALTH SERVICE AND OTHER HEALTH AND HUMAN SERVICES PROGRAMS

In 2004, the Dept. of Interior and Related Agencies Appropriations Act, funding for the Indian Health Service (IHS) totaled \$2.94 billion. The FY2004 funding level marks a rise of \$49 million over the FY2003 request. The increase was much needed, as the overall growth in population and rapidly increasing costs have resulted in expanded unmet needs in Indian Country.

The HHS discretionary budget has increased at a faster rate than the total IHS budget since 1975 (see figure at right). Between 1998 and 2003, the service population of IHS has increased at least 11.5 percent. Moreover, industry experts estimate that medical costs have grown 10 to 12 percent annually.



Of the \$2.94 billion level for IHS, \$2.54 billion funds direct health services, a \$69.5 million increase over FY2003, and \$393.7 million funds facilities, an increase of \$20 million.



Source: U.S. DHHS, IHS, Office of Management Support, Div. of Financial Management, March 2003

Despite increases, IHS' real spending per American Indian has fallen over time, after adjusting for inflation and population growth. IHS spends roughly \$1900 per person per year on comprehensive health services, far below expenditures per person by public and private health insurance plans, and 50 percent of that spent of federal prisoners. Even when including IHS non-medical expenditures per person, IHS spends less on its service users than the government spends on any other group receiving public health care.

About a quarter of IHS' budget for Clinical Services is dedicated to contracted care. The amount required to meet the needs of the Contract Health Service program in Indian Country is estimated to be \$1 billion. But Contract Health Services were funded at \$481 million for FY2004, less than half the amount needed to run the program. Under such conditions, funds are only available to treat life threatening illnesses—medical care in Indian country is literally life or limb service. **The Tribal Self-Governance Advisory Committee recommends increasing Contract Health Services by \$120 million.**

FY2004 enacted amounts for Health Facilities maintenance and improvement has decreased slightly to \$49.2 million. As of 2001, a \$900 million backlog in unmet needs had accumulated for health facilities, hampering Indian access to care. Additionally, in FY2002, the IHS estimated needing \$900 million for Sanitation Services to address much needed projects, yet received only \$93.8 million. The FY2004 enacted level is \$93.6 million, which falls more than \$20 million below the Administration's request, and extremely short of the amount necessary to meet the most critical sanitation needs in Indian Country. **NCAI Resolution #ABQ-03-055 supports the tribal Indian Health Service request of increasing the annual funding allocation for Regional Treatment Centers from \$18 million to \$26.4 million.**



INDIAN HEALTH SERVICE BUDGET RECOMMENDATIONS

The Tribal Self-Governance Advisory Committee (TSGAC) identified several budget priorities for FY2005 to improve health care and service delivery to beneficiaries.

- To allow the Tribal Self-Governance Office to resume its organizational capacity, \$5.5 million should be restored to the Office, which received level funding for FY2004.
- The TSGAC recommends a \$460 million increase for IHS to maintain existing health care services in the face of mandatory cost increases, inflation, and population growth.
- The TSGAC recommends a \$37 million increase for Alcohol and Substance Abuse.
- Also recommended is a \$100 million increase for full funding of Contract Support Cost needs identified by Tribes. **NCAI Resolution #ABQ-03-46 calls upon the President to request full funding of all contract support requirements and ask Congress to fully budget and to fully appropriate tribal contract support costs.**

OTHER KEY FUNDING AREAS IN FY2005

JUSTICE

Although there were overall increases in Department of Justice funding for Indians between 1998 and 2003, the U.S. Commission on Civil Rights documents a downward trend. The amount of total funding for Indian programs decreased by 14 percent between 2002 and 2003, and such Office of Tribal Justice Program funding decreased by 43 percent. Budget requests for 2004 furthered that trend. **A 50% increase in funding for tribal law enforcement is necessary to provide for basic public safety in Indian Country. Tribal Courts should be funded at least \$15 million per year which would enable them to continue to operate and enhance their tribal justice facilities.**

HOUSING AND URBAN DEVELOPMENT

The Native American Housing Block Grant program is the largest direct source of federal funding for Native American housing at roughly \$645 million annually. The program received \$644.8 million in 2003 which was \$3.8 million less than it had received in each of the previous years, representing a continuing downward trend in spending. The current level of funding needed for housing in Native American communities is at least \$1.1 billion. **The Native American set-aside for the Community Development Block Grant program, statutorily mandated to be a minimum of 1 percent of the total Community Development Block Grant, should be increased to at least 3 percent or \$144 million.**

TRANSPORTATION

Indian Reservation Roads are among the worst maintained roads in the country. An estimated \$20 billion construction backlog for the national Indian Reservation Roads program has continued to serve as a detriment to tribal social and economic diversity, tribal jurisdiction and ultimately tribal sovereignty. The Transportation Equity Act for the 21st Century of 1998 (TEA-21) implemented some changes needed to empower tribes to administer their own transportation programs, but that vision must be continued and expanded in the next authorization of transportation funding. Senator Bingaman of New Mexico has drafted an amendment, Senate Bill 1589, that proposes to raise the FY2004 IRR program appropriation to \$333 million with 100% obligation authority, a funding level consistent with the Administration's FY2004 IRR funding recommendation in its draft of reauthorization. **NCAI Resolution #ABQ-03-004 supports the Bingaman amendment to restore full funding to the IRR program and remove the detrimental Obligation Limitation. We seek full funding for authorized levels in transportation authorization, and ask that all Indian transportation programs be fully funded so tribes may utilize the resources to serve the needs of their citizens.**