

TESTIMONY OF THE  
CONFEDERATED TRIBES OF THE UMATILLA INDIAN RESERVATION  
ON S. 2017 BEFORE THE SENATE COMMITTEE ON INDIAN AFFAIRS  
RUSSELL SENATE OFFICE BUILDING, ROOM 485  
APRIL 24, 2002

Good Morning Mr. Chairman, my name is Les Minthorn and I am the Treasurer of the Board of Trustees, the governing body of the Confederated Tribes of the Umatilla Indian Reservation (CTUIR). It is a privilege and a pleasure for me to appear before the Committee today to testify in favor of S. 2017, legislation that will permit more tribes and individual Indians to take advantage of the BIA guaranteed loan program, as the CTUIR did, to achieve financial independence.

The purpose of S. 2017 is to facilitate the sale of BIA guaranteed loans by the lending bank to the secondary market, along with transferring the guarantee of the United States to the purchaser of the loan. This will have the effect of permitting banks and other lending institutions participating in the BIA guaranteed loan program to make more such loans available to tribes and individual Indians. I will leave it to others with more experience in banking matters to address the mechanics of how S. 2017 facilitates the sale of such loans in the secondary market; I want to address the experience of the CTUIR with our BIA guaranteed loans as an indication of how the expansion of this loan program can benefit other tribes and individual Indians.

On July 18, 2001, Assistant Secretary Neal McCaleb testified before this Committee on tribal good governance practices as they relate to economic development. In the course of his testimony, Mr. McCaleb made the following statement about the CTUIR:

“Another success story is told by the Confederated Tribes of the Umatilla Indian Reservation located in rural northeast Oregon. Their original economy was based upon agricultural and natural resources, primarily fishing, grain, and timber.

Today the tribe has diversified into commercial developments such as a trailer court, a grain elevator, the Wildhorse Casino, a hotel, a RV park, a golf course, and a solid waste transfer station.

The tribe is now the second largest employer in Umatilla County, following only the State of Oregon. Their operating budget has increased from \$7.6 million to \$94.2 million in the last 9 years.”

We appreciate the recognition and kind words by Assistant Secretary McCaleb. Our government and our people have worked hard for the modest success we have achieved. The growth in our Tribal budget in the past decade is due to two factors: First, the CTUIR has taken full advantage of the

opportunity to contract for BIA and IHS programs under the Indian Self-Determination Act. Second, and much more importantly, the CTUIR has worked diligently to establish a diversified, self-sustaining Reservation economy. The BIA guaranteed loan program played a critical role in providing start-up financing for three Tribal enterprises that form the core of our economy.

Prior to 1994, the CTUIR budget was derived almost exclusively from federal grants and contracts. Only a handful of jobs outside of Tribal government were available for Tribal members and other Reservation residents. The CTUIR had little Tribal income that it could allocate pursuant to Tribal priorities and without the strings attached to federal funds. We knew that governmental jobs and programs were not enough to increase employment opportunities and to improve the financial future for our Tribe and its members. Economic development was necessary to achieve these goals.

The Umatilla Indian Reservation is bisected by Interstate 84-the major east/west highway from Portland to Boise. Because of our rural location, we knew our economy needed to take advantage of the freeway traffic. As far back as 1969, the CTUIR planned for the development of a destination resort at the base of the Blue Mountains offering a golf course, hotel, RV park, gas station and convenience store, and a Tribal museum. Those plans languished for 25 years because the CTUIR was unable to secure the necessary financing. But recently, with the assistance of the BIA guaranteed loan program, our dreams have become reality.

In November 1994, our small, temporary gaming facility opened, and in March, 1995, moved into our larger, permanent casino. To diversify our economic enterprises and to increase the amenities available to our casino patrons, we needed a hotel, RV park and golf course. Attracting financing for these enterprises posed a difficult challenge. The CTUIR had few resources and little income it could pledge to secure repayment for loans for these enterprises. The fact that the enterprises were to be located on trust lands and were to be constructed and operated by a Tribe with no experience in such enterprise development or operation made our quest for financing especially difficult. In fact, we were only able to attract financing because of the BIA guaranteed loan program authorized under the Indian Finance Act of 1974.

Working with the agency and regional BIA offices, we received a \$10 million loan guarantee. Pursuant to the loan guarantee, the United States guaranteed 90% of the loan and provided an interest rate subsidy to the Tribe to lower financing costs in the critical first three years of operations when our new enterprises were getting off the ground.

If any member of the Committee believes that a Tribe with a BIA loan guarantee has the ability to get a bank loan for any enterprise, regardless of its feasibility, and on sweetheart terms, I'm here to tell you your belief is mistaken. We worked with the First Security Bank of New Mexico on our loans and learned valuable lessons in the process leading to the negotiation and closing of the loan transactions. We conducted market feasibility studies for each financed enterprise, we were required to pledge the full faith credit of the CTUIR to secure repayment of the loans and had extensive negotiations on loan terms

addressing the construction and management of the financed enterprises. In other words, while the BIA loan guarantee made bank financing available, it didn't guarantee that we would get the loan. We were spared none of the rigors that other commercial borrowers are subjected to, which prepared the CTUIR for the realities of loan and bond transactions that followed.

While I was not a participant in these loan negotiations, present with me today is our Tribal Attorney, Dan Hester, who was. In addition, the attorney for the First Security Bank of New Mexico, Nancy Appleby, is also present at the hearing today. I'm certain that both Mr. Hester or Ms. Appleby could explain in excruciating detail the process and terms associated with the loans if the Committee has any interest in exploring these issues further.

The CTUIR BIA guaranteed loans closed in May (Hotel Loan) and December (Golf Course and RV Park Loan) of 1995. All three enterprises opened in 1996 and 1997. Later, the CTUIR financed and developed our Tribal museum and educational facility, known as the Tamastslikt Cultural Institute, and have acquired and renovated the Arrowhead Truck Stop/Gas Station/Convenience Store to add to the enterprises and amenities of the Wildhorse Resort and to diversify our economic base and employment opportunities. Currently, the Wildhorse Resort, TCI and Arrowhead employ about 500 persons. Unemployment rates among CTUIR and other enrolled Tribal members residing on the Umatilla Indian Reservation have been dramatically reduced—from 37% to 17%—since Wildhorse Resort opened. Many Tribal members who had gone away to be educated and stayed away to pursue employment opportunities that did not exist at home have returned to their Reservation homeland and to unprecedented job opportunities and salaries.

Even before the introduction of S. 2017, the CTUIR did its part to free-up BIA guaranteed loan resources. Taking advantage of our increased financial resources, our operating history of Wildhorse Resort enterprises, and an improved interest rate environment, the CTUIR issued taxable and tax-exempt bonds in 1999 to refinance the BIA guaranteed loans and other Tribal commercial loans. But I hasten to add that the loan guarantees were absolutely essential for the initial development of our projects. Bonds are difficult to obtain for projects that are just on the drawing board, and for which no operating history exists. It was loans, secured with the guaranteed backing of our trustee, that provided the critical initial financing for the Wildhorse projects that are a reality today.

The experience of the CTUIR with the BIA guaranteed loan program is a real success story. The BIA guaranteed loan program made loans available to our Tribe that would not have been available without the guarantee of the United States. The CTUIR has seen its economic base expand to meet the needs of its people and to acquire the resources and expertise to explore other economic development and financing opportunities as our capability and resources permit. We have used this expertise in our pursuit of other economic development projects such as our proposed Wanapa natural gas-fired power plant, the expansion of our casino which is now nearly complete, the development of a Reservation grocery store and the development and financing of housing to meet the needs of our growing and employed Tribal membership.

This Committee has been a staunch and persistent proponent of Indian tribal self-determination. The Indian Self-Determination Act of 1975, and its more recent amendments, have taken huge strides in that direction. However, tribes will not be fully self-sufficient and in control of their own destiny without economic development to employ their members and to provide tribal income to fund tribal programs. The BIA guaranteed loan program is an important tool available to tribes to develop their Reservation economies for these purposes. The experience of the CTUIR under the BIA guaranteed loan program is an indicator of the critical role such loans can play. It is based on this experience that the CTUIR offers its strongest support for S. 2017 so that an increase in the availability of BIA guaranteed loans can have the beneficial impact on other Indian Reservations as it has had on my Reservation.

Once again, Mr. Chairman, I very much appreciate the opportunity to testify before the Committee on this important bill. I would be pleased to answer any questions that you or members of the Committee may have of me.