

Testimony of

Russell Sossamon,
Chairman

NATIONAL AMERICAN INDIAN HOUSING COUNCIL



Before the
SENATE COMMITTEE ON INDIAN AFFAIRS

February 26, 2003

Chairman Campbell, Vice Chairman Inouye, and other distinguished members of the Committee, on behalf of the Members of the National American Indian Housing Council and its Board of Directors, thank you for this opportunity to address you today on the President's proposed budget for fiscal year 2004.

THE PRESIDENT'S BUDGET REQUEST:

As Chairman of the National American Indian Housing Council and Executive Director of the Choctaw Nation Housing Authority, I admit I was disappointed with the President's budget proposal for Indian housing in fiscal year 2004 because it **once more did not include any increases for Indian housing in spite of the desperate need**. I am cognizant of the situation we are currently experiencing at the federal level with respect to a return to deficit spending and responsibilities for foreign affairs and homeland security. Unfortunately, that doesn't help tribal members suffering in inadequate housing feel better about their situation. With this budget, Tribes are now embarking on the **fourth straight year of flat-lined funding** for their main source of housing assistance: the Indian Housing Block Grant. Other funding sources that tribes typically use for housing have also either been **flat-lined or cut in this budget**.

The Congress and Administration have many valid reasons why domestic spending must be kept in check this year, but they must not be mistaken in thinking that maintaining the same level of funding for tribes from year to year is protecting them. **Even in times of budget surpluses Indian housing was under-funded**. Inflation has risen steadily over the past four years, the cost of construction continues to increase, and the Indian population is growing. The threat of funding cuts continues to intensify for all domestic programs, and we are happy to have avoided that situation so far, but we do not believe we should be so grateful as to just accept what we are granted in the face of a brutal reality in Indian Country.

Earlier this week a letter was sent to the President and to the Office of Management and Budget, as well as to this Committee and other Congressional offices. The letter was from the National American Indian Housing Council and **was signed by many of our members who have concerns with federal housing assistance for Tribes as spelled out in this budget**. Throughout this hearing and your continued examination of the President's budget, we hope you will keep these concerns in mind.

FUNDING NEEDS FOR INDIAN HOUSING:

INDIAN HOUSING BLOCK GRANT

This Committee has been invaluable in its assistance to the Tribes since the beginning of the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA), passing difficult amendments packages and a reauthorization in the last three Congressional sessions which have improved the Act greatly. My message to you today is if there is not enough funding to put into the program much of that effort will remain unfulfilled.

NAIHC estimates that to meet the needs as presented to us now, not taking into account the rapid growth in the Indian population occurring, we need **at least \$1 billion per year in funding for the Indian Housing Block Grant**. The President has proposed \$646.6 million for fiscal year 2004. Although this is roughly the same amount that has been appropriated the last three years, it actually amounts to a cut, given inflation and increasing housing costs. The following table helps illustrate how funding for Indian housing has not kept pace with economic circumstances. Based strictly on inflation beginning with funding appropriated in FY 2001, the Indian Housing Block Grant should receive at least \$700 million in funding for FY 2004, an amount that would be a true flat-line of funding, not an increase.

	FY 2001	FY 2002	FY 2003	FY 2004 (proposed)
IHBG Appropriations	\$650	\$648.6	\$649	\$646.6
	2000	2001	2002	2003
Rate of Inflation *	3.4%	1.6%	2.4%	?
Rate of Housing Inflation **	4.3%	2.9%	2.4%	?
Increased Cost of New Construction***	5.0%	3.7%	5.7%	?

* Yearly inflation according to the Department of Labor's consumer price index.

** Yearly inflation of general housing costs according to the Department of Labor's consumer price index.

*** The National Association of Home Builders reports that the median cost of new homes has increased 34% over the last ten years. The increased cost over the past three years is shown.

Indian housing needs are many and varied. Basic infrastructure, low-rent housing, homeownership and housing counseling services are all crucial. The NAHASDA block grant allows tribes to determine their own needs and their own course of action. In this respect, NAHASDA is an excellent program and should be supported with adequate funding.

Indian housing is in more need of federal support than any other housing program in this country. The lack of significant private investment and the dire conditions faced in many communities mean that federal dollars make up a larger portion of the total housing resources than in other areas. This situation is improving as lenders and other groups discover the untapped potential of Indian Country, but enough barriers to private financing still exist to keep the federal government as the source of most assistance.

We believe \$1 billion a year for the IHBG would go far in improving housing conditions in Indian Country. It will not solve the Native housing crisis, but it would much better reflect the current need of at least 200,000 housing units in Indian Country. At the very least we would like to see \$700 million appropriated in FY 2004.

COMMUNITY DEVELOPMENT BLOCK GRANT

The Community Development Block Grant (CDBG) program is a crucial tool for the development of infrastructure and economic opportunities. The Indian set-aside under the program has been 1.5% of the total appropriation for several years. NAIHC believes that both to develop effective housing strategies and for the economic development needed to support homeownership and job creation, **this amount should be expanded to**

at least 3% of the total, or approximately \$150 million. Clearly, we must invest in infrastructure and job creation now if tribes are going to be successful in the long term. This money can do exactly that and eventually lead to stronger on-reservation economies.

RURAL HOUSING AND ECONOMIC DEVELOPMENT PROGRAM

We are disappointed to see that the Rural Housing and Economic Development program was again left out of the President's budget, even though it provides needed capacity assistance to rural, local and state organizations, including tribes. The RHED program provides capacity building assistance, funds for innovative activities, and seed support for new programs. Grants have supported micro-enterprise development, affordable housing construction, small business incubators, and staff development and computer software. In the first year alone, 749 organizations applied for funding, and only 91 grants could be awarded. The good news is that tribes generally receive about half of the grants awarded. There is a real need for this type of flexible funding. According to the National Rural Housing Coalition, this program has had numerous accomplishments since its implementation. Over the last two fiscal years, 3,943 jobs have been created and 8,253 individuals have been trained. In addition, 2,243 housing units have been constructed and 3,732 units rehabilitated. Last year, Congress restored funding for this important program, which was left out of the FY 2003 budget. **We ask you to support continued funding at the \$25 million level.**

BIA HOUSING IMPROVEMENT PROGRAM

The Housing Improvement Program (HIP) at the Bureau of Indian Affairs was the original housing program for tribes at BIA before the beginning of HUD assistance. Even after implementation of the NAHASDA block grant, however, the BIA HIP program continues to play an important role in tribal housing. Much of the housing stock in Indian Country is either aging or was cheaply built in the first place. Rehabilitation is therefore one of the most desperately needed services. Funding for HIP has hovered around \$20 million a year for several years. **Tribes would be well-served to see this fund increased to at least \$35 million a year to supplement other housing efforts.**

WATER AND SEWER INFRASTRUCTURE

Since 1982 the House report of the Interior appropriations bill has contained language precluding tribes from using Indian Health Service Sanitation Facilities Construction funds to service HUD-funded homes. This language no longer makes sense following the institution of NAHASDA in a new era of combined and leveraged funding. If a home contains even \$1 in HUD funds, it becomes a low priority for service by the Indian Health Service and only the pro-rated share of the home that is not HUD funded may be paid for by IHS, if the house is serviced at all. What this prohibition is doing is causing complicated accounting and engineering situations for tribes that are totally unnecessary. The Indian Health Service, through the Interior appropriations committees, feels HUD should fund its own infrastructure out of NAHASDA. If NAHASDA were funded at a level that could both build houses *and* infrastructure that might be a valid argument, but tribes are now having to choose whether to build houses *or* infrastructure with their NAHASDA funds because both are so expensive. Still, an increase in IHBG funding would solve only part of the problem. Tribes would still have to allocate their resources and account for the percentage of non-HUD homes in each project to accommodate this

Interior prohibition. It is true that this will cause an increase in requests for Indian Health Service funding, but the assistance is still going to the same recipient - the Tribe - so why put up road blocks to that assistance? It only makes sense that the tribe itself choose how best to combine funds that will work for each situation.

We support the removal of this prohibitive language, but that is only the technical aspect. The real need is to increase funding to begin to address the severe shortage of water and sewer infrastructure for Tribes. Census statistics from 1995 tell us that 20% of tribal households are without complete plumbing. NAIHC is conducting a research project on infrastructure that will be completed later this year and will give us even more precise information on the extent of this problem.

We are therefore very pleased that the President, with the assistance of Health and Human Services Secretary Tommy Thompson, recognized the desperate need for improved water and sewer infrastructure in Indian Country by requesting a \$20 million increase for Sanitation Facilities Construction in FY 2004. We applaud this effort as a step in the right direction, but believe the Interior bill's prohibitive language should also be removed to help break down barriers for developing decent, sanitary tribal homes.

I would urge this Committee to explore this issue to investigate all sources of infrastructure funding for tribes and determine what the best policy is.

Unfortunately Tribes seem to be caught up in an agency turf battle, when what is needed is interagency cooperation.

PERFORMANCE CONCERNS AND PERFORMANCE-BASED BUDGETING:

We understand that there is a desire within the Administration to fund domestic programs based on performance in an effort to allocate limited budget dollars where they will be used the best and are needed most. This is an admirable aspiration, but performance measurements must be fair and thorough in order to be used in national policy and budget decisions. We are currently hearing allegations that 45% percent of Indian housing funds appropriated since the beginning of NAHASDA remain unspent, irrespective of whether they are obligated or not - the implication being that there is no Indian housing need and funding cuts could be justified. Tribes have been presented no data to support this allegation and certainly refute the implication.

We are asking today for the Committee to support us in calling on HUD to do a complete and accurate accounting of Indian Housing Block Grant funds.

Information is being collected yearly in Indian Housing Plans and Annual Performance Reports, but a compilation of these figures has never been released, if a compilation has ever been done.

There are many factors not being taken into account in the government's assessment which affect this situation greatly. First of all, much of the unspent money is likely already obligated. Under NAHASDA, tribes must spend funds within 72 hours of drawing them down, so funds remain in the Treasury until the moment they are needed.

Furthermore, Tribes are allowed 24 months to obligate their funds under NAHASDA, allowing them to do careful planning. Second, Tribes' block grant allocations are often not available until many months after they are appropriated due to delay at HUD. For these reasons it is likely that nearly all unspent funding at the Treasury is from the last two grant years, which is within the parameters of the program. If not, we would like to know which tribes are having trouble spending funding so they can be assisted. NAIHC and HUD both receive federal funding to provide technical assistance and training to tribes for housing and could help tribes with low spend-out rates if they are identified.

TECHNICAL ASSISTANCE:

The President has proposed reducing technical assistance funding for the National American Indian Housing Council from a total of \$4.6 million in FY 2003 to \$2.2 million in FY 2004 by eliminating the \$2.2 million IHBG set-aside and reducing the Community Development Block Grant set-aside from \$2.4 million in FY 2003 to \$2.2 million in FY 2004. At the same time, the budget proposes to increase the IHBG set-aside for HUD's Working Capital Fund for Information Technology by \$2.1 million.

The IHBG is not an easy program to administer if you have no experience with it. For tribes with extremely limited funds and/or limited experience it can be daunting trying to access and effectively use the IHBG and other federal housing funds. For many years NAIHC has received HUD funding to provide technical assistance and training to all tribes, not just NAIHC members. Originally only a CDBG set-aside, the additional set-aside from the IHBG was added in FY 2000 since it appeared HUD's technical assistance money was being used mostly to augment insufficient allocation for salaries, expenses, and payments to consultants, while money for NAIHC is used exclusively for capacity building on the tribal level. In particular, small tribes across the country are in desperate need of on-site support and training. HUD is simply unable to address this need when their true job is to administer and do oversight for the program. Furthermore, often HUD will release guidance and notices for which they are unable to provide implementation assistance. This is where NAIHC steps in. We provided on-site technical assistance to over 150 tribes in 2002 alone, with approximately 1,300 people attending training courses held throughout the country, not to mention all the emails and phone calls that were made.

Despite all this good work, NAIHC's funding was cut in half in the President's budget. Does it make sense to threaten a reduction in funding based on capacity issues, but then cut the funding to help improve capacity? Tribal capacity will improve only when there is training and other assistance provided. To make this block grant program work efficiently, recipients must have access to assistance. **We are requesting full funding of \$4.8 million in FY 2004 for NAIHC technical assistance, which would ideally all come from CDBG so as not to compete with tribal housing allocations in the IHBG.**

CONCLUSION:

Mr. Chairman, we hope that you will be able to take action on two items concerning this budget, as I mentioned earlier. We would like to see some accountability at HUD for Indian housing funding, which could fit into a hearing generally on Indian funding and current barriers. We would also like to see the infrastructure issue investigated further. At the end of this testimony I have attached fact sheets for you to further illustrate the housing problems in Indian Country.

In closing, we understand there are always going to be prevailing issues that will tend to overshadow tribal needs in the budget, but we urge you to not forget the desperate situation Native Americans are enduring day after day. Consistent growth in the housing industry has been one of the brightest spots in our lagging economy. Don't allow Tribes to be left behind just when they are making headway in building sustainable tribal communities.

I would again like to thank all the members of this subcommittee, in particular Chairman Campbell and Vice Chairman Inouye, for their continuing support for the Tribes and for Indian housing programs. NAIHC looks forward to working with each of you in this session of Congress and I am happy to answer any questions you may have.

The National American Indian Housing Council is a 501(c)(3) organization representing tribes and tribal housing organizations nationwide. It operates a national technical assistance and training program as well as the Native American Housing Resource Center in Washington, DC through an appropriation from the Congress administered by HUD. NAIHC's offices are at 900 Second Street, NE, Suite 305, Washington, DC 20002; phone: (202) 789-1754, fax: (202) 789-1758; <http://naihc.indian.com>.