

Building Economically Sustainable Communities on Indian Reservations

BY REBECCA HAWK

For centuries, Native Americans engaged in successful commerce, often using bartering. But today the term “Indian business” may conjure up an image of luxury casinos and gaming riches. Since the enactment of the Indian Gaming Regulations Act (IGRA) in 1988 and the development of gaming on Indian reservations throughout the United States, a few attention-getting, resort-style casinos have been giving credence to that image. However, the idea that casinos—and the required business acumen to own and operate such high-stakes endeavors—have eliminated the economic woes prevalent throughout Indian Country during the last 200 years, is inconsistent with reality.¹



Linn and Marcie Goldsby, members of the Citizen Potawatomi Nation, are grateful to the Citizen Potawatomi Community Development Corporation for helping them finance their coffee-roasting, food, and catering business in Portland, Oregon. Photograph: Courtesy of CPCDC

Gambling's impact is more realistically summarized in a report from the Federal Reserve Bank of Minneapolis: "Casino wealth transformed a few small Indian communities, but most Indian Reservations remain islands of extreme poverty."² In fact, the 2000 national census statistics indicate that, proportionately, there are twice as many Native as non-native Americans living in poverty.³ This reality weighs on Native Americans who have a sense of history.

Margo Gray-Proctor is one. Gray-Proctor

in the United States operated casinos. The \$27 billion in total tribal gaming revenue (approximately 25 percent of all gaming revenue) is generated primarily by the top 10 percent of those casinos. The rest make little.⁴

The reasons for the disparity among tribal casinos are complex, but one is location. Most reservations are too remote to have adequate access to markets. Nevertheless, even if all the elements needed to create a successful gaming operation were available

successful gaming operations recognize the importance of diversifying economically and creating entrepreneurial opportunities. That's why several contacted Joseph Kalt, chair of Harvard University's Native American Program and professor of international economics at Harvard's Kennedy School of Government. He enlisted the efforts of seasoned midcareer master's candidates at the Kennedy School. Former Wall Street attorney Laurence Isaacson and this article's author crafted a framework to identify tools with which tribal governments could transition their economy from tribal-owned businesses to one that also promotes member-owned small businesses.

Moving to Entrepreneurship

We began our project in February 2010 by garnering the wisdom of tribal leaders who were actively engaged in developing member-owned businesses.⁷ We knew their insight on the cultural, historical, and economic issues interwoven in Indian Country would be critical as we made legal and business recommendations.

The leaders saw small businesses as important for preserving their culture, building capacity, increasing self-sufficiency, and retaining money within the community. Without small businesses on the reservation, they believed, money that was earned there could be spent elsewhere, hurting efforts to build strong communities for the future.

Next we looked at typical small businesses. Much of the demographic research identifies small business owners as risk-takers, well networked with suppliers of capital, goods, and services. Typically, business owners have received some formal education in running a business. In most cases, one parent had owned a business. But Indian dislocation coupled with policies that removed Indian children from reservations for several generations have stymied the creation of an entrepreneurial spirit built on traditional values. Moreover, tribal communities often place great emphasis on collective well-being, and sometimes striving for individual economic success seems to conflict. The challenge is to blend values so that an individual entrepreneur can be seen as contributing to the community's sustainable worth.

We then looked at successful tribal



Citizen Potawatomi Nation member Jamie Hubble and her husband, Mike Yoder, were able to buy LB Haley's Carpet in Oklahoma with assistance from the Citizen Potawatomi Community Development Corporation. Photograph: Courtesy of CPCDC

is a member of the Osage Nation, president of Horizon Engineering Services Company, and chairwoman of the National Center for American Indian Enterprise Development board. She reminds people that 1,000 years ago "tribes had broad systems of commerce, and we bartered with each other for food and goods. Our ancestors developed extensive trade and commerce routes so effective that the U.S. highway system was later built upon them."

Today tribes need varied, sustainable kinds of commerce, not just gaming.

Beyond the Resort Casino

According to the National Indian Gaming Commission, as of 2007, fewer than half of the 564 federally recognized tribes

to every tribe, would that be the wisest basis for building long-term economic stability?

Many tribal leaders and business advisers from Indian Country have cautioned against dependence on gaming. There are always risks in relying on one industry. Consider that in 2008, two tribal casino resorts in southern California, the Pechanga Casino (Riverside County's second largest employer) and the Morongo Casino, laid off 463 employees, blaming the economy.⁵ Then in late 2009, tribally owned Gulf Coast Casinos in Biloxi, Mississippi, reported a drop in revenue, with figures reminiscent of 2000, part of a setback for the whole industry.⁶ (See "Change in Total Gambling Employment.")

Even the leaders of tribes with highly

entrepreneurship programs. All study participants emphasized that small business development requires strong leaders who can communicate a vision for economic stability and can get buy-in from numerous community members—not just potential business owners.

Keys to Success

Certain factors were consistent among strong entrepreneurial programs. We were therefore able to identify four keys to success: political will, a clear legal framework, a focus on the long term, and access to capital.

Political Will

The tribal governments that have been most successful have shown political will by connecting small business development to helping individuals create financial security and reduce their dependence on federal or tribal resources. They show that the presence of small businesses means assets are distributed more evenly among community members.

Legal Framework

Business development on reservations is subject to state laws (on corporations, partnerships, and limited liability companies). But because tribes have sovereign status, they could establish certain tribal laws and commercial codes to govern small business ventures.

A helpful guide was developed by the Confederated Tribes of the Umatilla Indian Reservation (CTUIR) in Oregon. *The Master Plan for Reservation Small Business Economy* articulates, for example, the

necessity of “transparent business laws that provide clarity without needless hindering of business success.”

Focus on the Long Term

Short-term success must be weighed against long-term investment. One of the case studies we examined was the Community Development Corporation of the Citizen Potawatomi Tribe of Shawnee, Oklahoma (CPCDC). Through this CDC, the tribe provides hands-on learning opportunities for aspiring entrepreneurs with classes and mentoring programs that coach inexperienced business owners in financial planning, tax assistance, and ways to turn dreams into business plans. For tribes that do not develop their own programs, training is available from organizations such as the Native American Business Enterprise Center, which “provides professional business consulting services and technical assistance to Native Americans.”⁸

Access to Capital

A major prohibitive factor for any population struggling to climb out of poverty is lack of access to start-up capital. Many Native Americans are unbanked and missing out on the networks that provide access to entrepreneurial resources. Tribal leaders emphasize that better access to capital is critical. And the CPCDC would add that, when loans are provided within a mentoring and education program, there is a nearly 100 percent repayment rate.

If a Native American nation is not able or inclined to fund a capital program for community members, it may be possible to tap “The Native Initiatives Strategic Plan FY 2009-2014,” a program with the Department of the Treasury for the Community Development Financial Institutions Fund (CDFI Fund). That program consists of two main components: to provide financial assistance to expand Native CDFIs and their capacities; and to expand training programs that foster the development

of CDFIs. In December 2008, there were 50 certified Native CDFIs and another 60 preparing for certification. The amount granted under the fund since 2002 totals \$31 million.⁹

Programs creating thriving, successful business environments on reservations reinforce cultural values that hark back to historical Indian involvement with trade and commerce. And they build a framework to incorporate business-friendly laws and policies, mentoring, education, and shared access to capital. The successes so far suggest that small businesses can increase the self-sufficiency and stability of tribes.

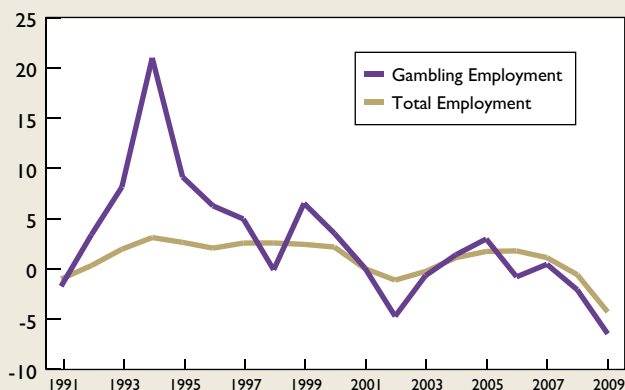
Rebecca Hawk, a descendant of the Iroquois Federation, holds a public administration master’s degree from Harvard University’s Kennedy School of Government. A small business owner for 16 years, she now works to build North American tribes’ capacity to participate in natural resource management and policy development.

Endnotes

- ¹ “Indian Country” refers to regions under jurisdiction of American Indian tribes, such as reservations and tribal trust land. It is both a legal term and a sociocultural description of Native American communities.
- ² Douglas Clement, “The Wealth (and Poverty) of Indian Nations,” *The Region*, March 2006, http://www.minneapolisfed.org/publications_papers/pub_display.cfm?id=1375.
- ³ See <http://www.census.gov>.
- ⁴ In 2007 there were 416 gaming operations (including bingo halls, track racing, casinos) owned by 213 tribes. See <http://www.nigc.gov>.
- ⁵ Victor Morales, “450-plus Indian casino jobs slashed,” *Indian Country Today*, November 25, 2008, <http://www.indiancountrytoday.com/national/southwest/34893674.html>.
- ⁶ Mary Perez, *The Sun Herald*, January 26, 2010, www.indiancountrytoday.com/archive/82705902.
- ⁷ The tribal entities that participated in the study include the Mashantucket Pequot Tribal Nation, HoChunk Inc., Citizen Potawatomi, Tulalip, ONABEN, and Confederated Tribes of the Umatilla Indian Reservation.
- ⁸ See the National Center for American Indian Enterprise Development, www.ncaied.org.
- ⁹ See “Financing Native Leaders for Tomorrow—Native Initiatives Strategic Plan FY 2009-2014,” http://www.cdfifund.gov/what_we_do.

Change in Total and Gambling Employment in the United States, 1991 to 2009

Percent change from prior year



Note: Annual averages, not seasonally adjusted
Source: U.S. Bureau of Labor Statistics.