



NATIONAL CONGRESS OF AMERICAN INDIANS

Analysis of the Sequester: Betraying the Trust Responsibility and Slowing Tribal Progress

February 27, 2013

If Congress does not replace or avert the sequester scheduled for March 1, 2013, forced spending cuts will undermine the trust, treaty, and statutory obligations to tribal governments that are funded in the federal budget. Not only would it sacrifice the federal trust responsibility to tribes, but it would thwart tribes' ability to promote economic growth or plan for the benefit of future generations. The Office of Management and Budget estimates the effective percentage reduction will be approximately nine percent for non-defense programs because the reduction will be implemented over the remaining seven months of the fiscal year (FY).

Sequester Impacts on Tribes

If the sequester goes into effect for FY 2013, tribal programs in the Department of the Interior which fund core governmental functions like human services, law enforcement, schools, economic development and natural resources stand to lose almost \$130 million. A potential sequester of the Indian Health Service (IHS) would decrease inpatient admissions by 3,000 and outpatient visits by as much as 804,000 in IHS and tribal hospitals and clinics. Additionally, IHS may lack resources to pay for staffing and operations of five health care facilities that tribes have built with their own resources, with a total investment of almost \$200 million. All other federal programs that serve the health of our nation's populations with the highest need, such as Social Security, Medicare, Medicaid, the Children's Health Insurance Program, and Veterans Administration, will be exempt from funding reductions. But not the Indian Health Service. IHS should be exempt as well.

Some key education programs serving Indian Country would feel the impact of sequestration immediately. Impact Aid serves approximately 113,170 Native students. Many school districts qualifying for Impact Aid receive a high percentage of their overall funding from federal sources and use the money during the current school year. Sequestration would eliminate about \$60 million for Impact Aid. Many of these schools are counting on those funds to meet the basic needs of students and to pay teacher salaries this spring, potentially forcing districts to make wrenching, mid-year adjustments. In New Mexico for example, the Gallup McKinley County Public Schools would lose about \$2 million of the funds from Impact Aid, which could affect as many as 6,700 students who live on tribal lands. Impact Aid funds make up 35 percent of that district's total budget. A majority of the top 25 districts nationally that are most reliant on federal funding are on or border Indian reservations.

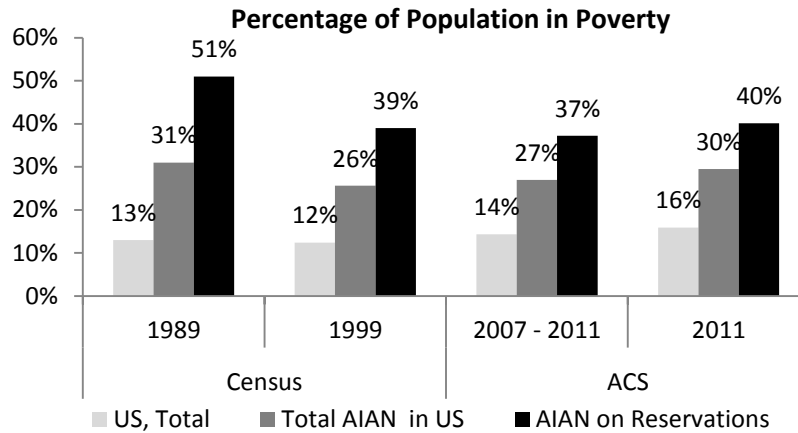
Indian Head Start stands to lose about \$12 million nationally and the Child Care & Development Block Grants for Tribes stands to lose close to \$2.4 million. See Table 1 for information about cuts to other programs serving tribes.

Sequester will Impede Recovery

In addition to facing the immediate prospect of diminished services as a result of sequestration, the more long-term impact may be that automatic cuts in Indian Country may affect tribes' ability to curb poverty in ways that have been effective over the past 20 years. From 1990 to 2007, tribes reduced the

percentage of tribal citizens in poverty on tribal lands by more than one-third. The poverty rate for all reservation American Indians and Alaska Natives (AIAN) in 1990 was 51 percent (see Figure 1). That rate dropped to 39 percent in 2000, and was recently lowest at 33 percent in the 2008 Census American Community Survey (ACS) estimate. However, the AIAN poverty rate on reservations increased to 40 percent in the 2011 ACS 1-year estimate (see figure 2). Additionally, poverty for American Indians and Alaska Natives nationally, on and off reservation lands, was 20 percentage points lower in 1990, 10 percentage points lower in 2000, and 10 percentage points lower in 2010 (see Figure 1).

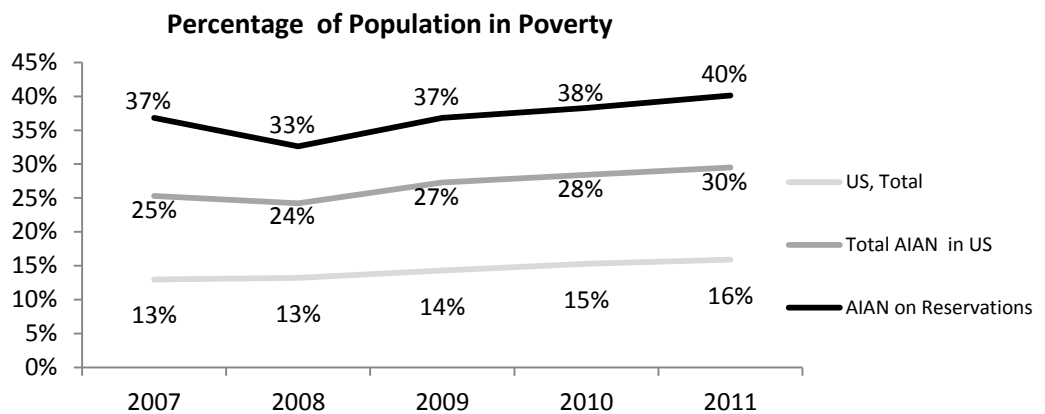
Figure 1



Source: U.S. Census Bureau, 1990, 2000, ACS 2007, 2008, 2009, 2010, 2011

Thus, tribes have dramatically decreased the gap between reservation and total AIAN poverty, but the recent recession slowed this narrowing of the gap (see Figure 2).

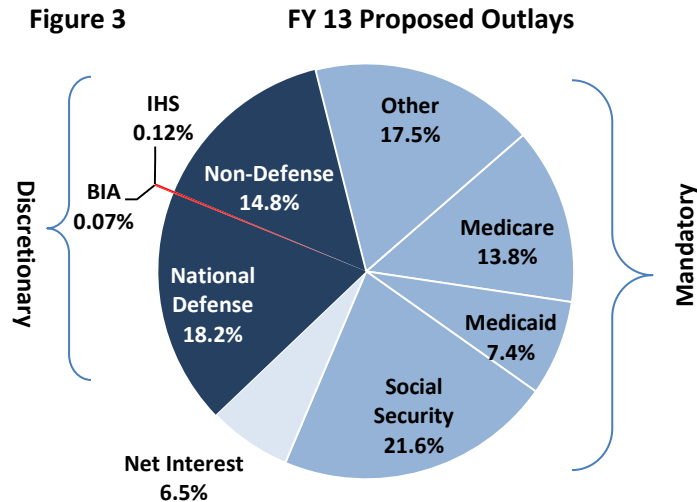
Figure 2



Source: U.S. Census Bureau, 1990, 2000, ACS 2007, 2008, 2009, 2010, 2011

Indian Programs in the Discretionary Budget

About one-third of spending is discretionary (funded through the annual appropriations bills) and 60 percent is entitlement spending, such as Social Security, Medicare, Medicaid, and SNAP (see Figure 3). Non-defense discretionary spending comprises 14.8 percent of the proposed outlays in FY 2013. A significant number of programs funding trust responsibilities are in the non-defense discretionary portion of the federal budget, and resolving the current fiscal conflict could considerably impact resources to tribal governmental services and programs for years to come. *The total budgets for the Bureau of Indian Affairs (.07 percent of proposed outlays) and Indian Health Service (.12 percent of federal spending) are highlighted in the figure for comparison.*



A majority of the budget funds Defense, Social Security, and health programs.

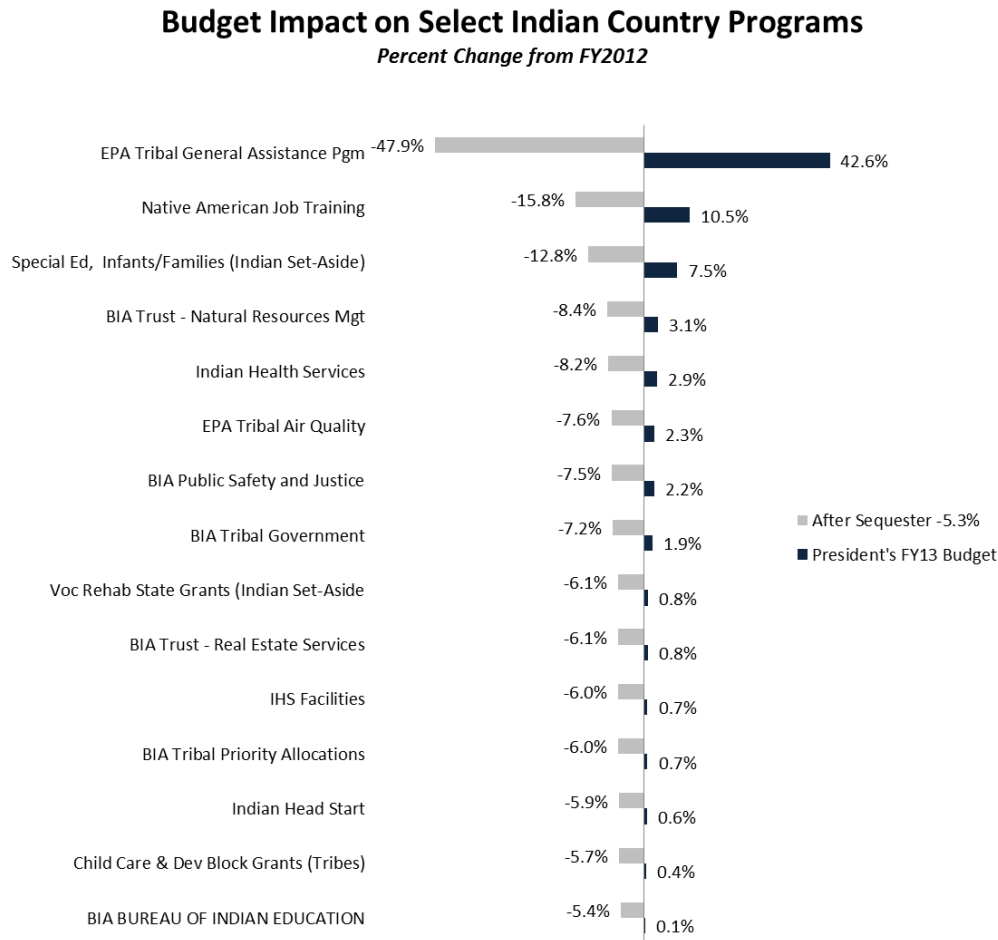
Federal agencies that provide important funding for Indian Country include:

- Department of the Interior: Bureau of Indian Affairs and Bureau of Indian Education (Interior appropriations bill)
- Department of Health and Human Services: Indian Health Service, Administration for Children and Families, (Interior appropriations bill)
- Department of Education (Labor, HHS, Education appropriations bill)
- Department of Justice: Office of Justice Programs, State and Local Law Enforcement, Office of Violence Against Women, Community Oriented Policing Services (Commerce, Justice, Science appropriations bill)
- Housing and Urban Development: Indian Housing Block Grant, Indian Community Development Block Grant (Transportation, Housing appropriations bill)

Impact of Sequester on Selected Indian Programs

Below are selected programs that serve Indian Country that stand to sustain some of the most significant cuts as a result of sequestration at 5.3 percent. Figure 4 compares the projected percent change under post-sequestration levels and the FY 2013 President's request to the FY 2012 level.

Figure 4



Data in Table 1 are drawn from federal agency budget documents. The reductions noted here are based on an annual 5.3 percent sequestration cut as estimated by the Office of Management and Budget. These reductions are estimates based on FY 2012 funding levels.

Table 1

(In millions of dollars)	FY 2010	FY2011	FY2012	FY2013 Pres. Budget	Funding after Sequester	5.3% Cut Amount
Bureau of Indian Affairs						
Operation of Indian Programs	2,336.00	2,329.80	2,367.70	2,379.40	2,242.2	125.5
Tribal Government	429.8	509.6	519.3	529.2	491.8	27.5
Human Services	137	136.6	136.4	135.2	129.2	7.2
Trust - Natural Resources Mgt	175.6	156.1	157.2	162.1	148.9	8.3

(In millions of dollars)	FY 2010	FY2011	FY2012	FY2013 Pres. Budget	Funding after Sequester	5.3% Cut Amount
Trust - Real Estate Services	152.5	145.8	126.8	127.8	120.1	6.7
Public Safety and Justice	328.9	334.1	346.2	353.9	327.9	18.3
Community & Economic Dev	44.9	36.9	34.8	34.3	33.0	1.8
Executive Dir/Admin Services	267.9	258.1	251.5	239.6	238.2	13.3
BUREAU OF INDIAN EDUCATION	799.4	752.7	795.5	796.1	753.3	42.2
Construction	225	209.6	123.6	105.9	117.0	6.6
Tribal Priority Allocations	829.3	884.2	891.1	897.4	843.9	47.2
Indian Health Service						
Indian Health Services	3,657.60	3,665.30	3,866.20	3,979.00	3,661.3	204.9
IHS Facilities	394.8	403.9	440.3	443.5	417.0	23.3
Department of Energy						
Tribal Energy Program	10	7	10	7	9.5	0.5
Housing						
Indian Housing Block Grant	700	650	650	650	615.6	34.5
Indian CDBG	65	65	60	60	56.8	3.2
Job Training and Employment						
Native American Job Training	52.8	52.7	47.6	52.6	45.1	2.5
YouthBuild	102.5	79.7	79.7	79.7	75.5	4.2
Administration on Aging						
Native American Nutrition and Supportive	27.7	27.7	27.6	27.6	26.1	1.5
Administration for Children and Families						
Child Care & Dev Block Grants (Tribes)	42.5	43.5	44.6	44.8	42.2	2.4
Native American Programs	48.8	48.7	48.6	48.6	46.0	2.6
Community Service Block Grants (Tribes)	5	4.9	5.1	0	4.8	0.3
LIHEAP, Formula Grants (Tribes)	50.1	51.2	38.4	31.3	36.4	2.0
Education						
Indian Student Education	127.3	127	130.8	130.8	123.9	6.9
Indian Head Start	207.5	214.9	224.6	225.9	212.7	11.9
Special Ed-Grants to States, Indian Set-Aside	92	92	92.9	92.9	88.0	4.9
Voc Rehab State Grants (Indian Set-Aside)	42.9	43.6	37.9	38.2	35.9	2.0
College- & Career-Ready Students (Title I, LEA Grants) Indian Set-Aside	100.7	101.5	98.9	98.9	93.7	5.2
Homeless Children/Youth Ed (Indian Set-Aside)	0.7	0.7	0.7	0.7	0.7	0.0
Special Ed, Infants/Families (Indian Set-Aside)	5.6	5.3	5.3	5.7	5.0	0.3
Career/Technical Ed (Indian Set-Aside)	14.5	14	14	12.8	13.3	0.7
Impact Aid	1,276.20	1,273.60	1,291.20	1,224.20	1,222.8	68.4
Strengthening tribally controlled colleges and universities	30.2	26.8	25.7	25.7	24.3	1.4
Strengthening AN/NH-serving institutions	15.1	13.4	12.9	12.9	12.2	0.7
Tribally controlled postsecondary & tech inst	8.2	8.1	8.1	8.1	7.7	0.4
Department of Justice						
DOJ Tribal COPS	40	40	35	20	33.1	1.9
DOJ Indian Assistance (Includes Construction, Courts, Alc/Subs Abuse)	50	50	38	81.4	36.0	2.0
DOJ Tribal Youth	25	25	10		9.5	0.5
Environmental Protection						
EPA Tribal General Assistance Pgm	62.9	67.7	67.6	96.4	64.0	3.6
EPA Tribal Air Quality	13.3	13.3	13.3	13.6	12.6	0.7

Other resources

Senate Committee on Appropriations, 2/14/13, Hearing on Impact of Sequestration, Testimony and Letters (see www.appropriations.senate.gov/ht-full.cfm?method=hearings.view&id=17d3dc99-c065-4bec-a7c8-cfd374bf41a3)

Center on Budget and Policy Priorities, 2/26/13, The Pending Automatic Budget Cuts: How the Two “Sequestrations” Would Work (see www.cbpp.org/cms/index.cfm?fa=view&id=3910)

National Congress of American Indians, FY 2014 Indian Country Budget Request (see www.ncai.org/resources/ncai-publications/indian-country-budget-request/fy2014/fy14-indian-country-budget-request)