S. HRG. 106–544

NOMINATION OF THOMAS N. SLONAKER

HEARING

BEFORE THE

COMMITTEE ON INDIAN AFFAIRS
UNITED STATES SENATE

ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

ON

NOMINATION OF THOMAS N. SLONAKER OF ARIZONA TO BE SPECIAL TRUSTEE FOR AMERICAN INDIANS

MARCH 22, 2000
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NOMINATION OF THOMAS N. SLONAKER OF ARIZONA TO BE THE SPECIAL TRUSTEE FOR AMERICAN INDIANS

WEDNESDAY, MARCH 22, 2000

U.S. SENATE,
COMMITTEE ON INDIAN AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 9:38 a.m. in room 485, Russell Senate Building, Hon. Ben Nighthorse Campbell (chairman of the committee) presiding.

Present: Senators Campbell and Inouye.

STATEMENT OF HON. BEN NIGHTHORSE CAMPBELL, U.S. SENATOR FROM COLORADO, CHAIRMAN COMMITTEE ON INDIAN AFFAIRS

The CHAIRMAN. The committee will now consider the nomination of Thomas N. Slonaker as the special trustee for American Indians.

I might point out that Senator Kyl, who wished to speak on this nomination, is running a little bit late, and that we do have a vote at 10 a.m., so we are going to go as far as we can on it, but we may have to adjourn for a little bit and reconvene.

This morning the committee considers the nomination of Thomas Slonaker to be the special trustee for American Indians.

In the course of my chairmanship, and, indeed, since I have been on this committee, I have to tell you I have never been as frustrated as I am with the Indian trust management problems. Along with many in Indian country and many here in Congress, when the 1994 Indian Trust Fund Management Reform Act was enacted, I, like many people, was hopeful that the United States was finally serious about its solemn obligation to American Indians.

As many here know, the tribes have been through numerous hearings, several bills, untold GAO reports, and now a class action litigation to achieve some degree of justice.

My frustration led me in February of 2000 to circulate to all the tribal leaders a draft bill to create a temporary but independent body to do what the Department has been unable to do. But I have to tell you very honestly I am not very confident the Department can clean up this mess, when we realize there may be as many as 100,000 missing documents that no one knows where they are. When we see the poor bookkeeping, the shoddy storage of filing some of the important documents in garbage bags, rat-infested gar-

bage bags, at that, in Albuquerque, I have very little confidence that the Department can clean it up.

But, with regard to this nominee, I am anxious to hear his views on what can and should be done at this point in time to remedy what we all acknowledge is a complex and serious situation. But I am also anxious to hear from Chief Tillman, chief of the Osage Nation of Oklahoma, who has been a very outspoken person on this issue. He will be speaking a little bit later, too.

I might also tell you that I will not be bringing this nominee up for a vote today, because originally when we talked about this my big concern was that tribes around the country have some input into this nomination, and so far we've gotten some feedback, but tribes still are not totally comfortable. they'd like a little more time to consider this, and so we are going to give them that opportunity.

With that, we'll proceed with—as Senator Kyl comes in, we'll go ahead and put him in.

Senator Inouye, did you have an opening statement before we proceed?

Senator INOUYE. I'm prepared to support the nominee.

The CHAIRMAN. Alright. We'll go ahead with Charles Tillman, vice chairman, Intertribal Monitoring Association from Albuquerque, New Mexico.

It's nice to see you here, sir.

STATEMENT OF CHARLES TILLMAN, VICE CHAIRMAN, INTERTRIBAL MONITORING ASSOCIATION, ALBUQUERQUE, NM AND CHIEF, OSAGE NATION OF OKLAHOMA, ACCOMPANIED BY DAVID HARRISON, CONSULTANT, INTERTRIBAL MONITORING ASSOCIATION

Mr. TILLMAN. Well, you've mentioned my name twice, so I guess everybody knows who I am.

The CHAIRMAN. Everybody here knows you have been here before this committee many times.

Mr. TILLMAN. Yes.

My name is Charles Tillman. I'm also principal chief of the Osage Nation, and I am vice chairman of the Intertribal Monitoring Association.

Senator we've submitted testimony to your committee.

The CHAIRMAN. Your complete testimony will be included in the hearing, Chief.

Mr. TILLMAN. So, without me reading that, I think that I'll just sit down back here and talk to you a little bit.

The CHAIRMAN. That's fine.

Mr. TILLMAN. I think that Thomas N. Slonaker is probably the best-qualified individual that I know of when I see of his qualifications on paper. I didn't know about Mr. Slonaker until last week, that he was going to be a nominee for the Office of Special Trustee for Native Americans across this country. I didn't know that.

I did have a chance to visit with him. I know Mr. Slonaker is probably well-qualified, like I have said before, but my concern is that he is taking a position as being this special trustee for a short period of time, but he also is going to serve on a committee and be a member of a committee, and I don't know how he will interact with the committee, as being the Office of Special Trustee and

those type of things. I don't know anything about it at this point in time.

As I said, we met with him. I had a nice visit with him. He seems to me like a very nice man and those type of things. But here, again, the importance of this position to Indian country is that he is going to oversee our money, and I've got some money in the account, myself, and I just don't want to turn that loose with anybody any more, because I check that account quite often now. You have to, as we have discussed before this committee.

So what I'm saying is that the Intertribal Monitoring Association would like to meet with Mr. Slonaker within a next short period of time, say the next 2 weeks, and would like to report back to you.

We represent 41 tribes, Mr. Chairman. We would like to ask that request to put before you. We'd like be meet with Mr. Slonaker formally and ask some of these questions, especially what I'm concerned about on this committee that he will serve on.

[Prepared statement of Mr. Tillman appears in appendix.]

Mr. TILLMAN. I have with me to my left David Harrison.

The CHAIRMAN. The committee is familiar with Mr. Harrison.

Mr. TILLMAN. He might want to make a statement.

Do you want to say anything, David?

He always wants to talk, Senator. Now he's got a chance to talk.

The CHAIRMAN. Go ahead, David.

Mr. HARRISON. Thank you, Chief.

Good morning, Mr. Chairman and Senator.

One of the things, I guess, that we would hope that the committee would explore with the nominee when you have him before you is his understanding of the authorities that he will have or not have in the Department and as a member of the Secretary's Steering Committee, and whether he thinks that he is going to be in charge of this reform effort or whether he is coming in as a committee member with a vote in the reform efforts.

And we'd also appreciate it, Mr. Chairman, if you would try to get an understanding from him as to what we can expect in the way of candor and forthrightness from him as he gets into this and begins to, as you point out, begins to get a better feel for just what he has got hold of here, and whether or not—for instance, we've known about losses from time to time from the system that we've had to find out about either by accident or through investigation, and whether or not we can expect forthrightness and candor with respect to the problems.

When there are losses, will they be reported? Will they be quantified and efforts made to make them whole? Or will they be buried, like they have been in the past? Those are the kinds of things that we hope the committee will satisfy itself with.

The CHAIRMAN. I understand. That's my concern, too.

I do have a few questions to ask you, Chief, but, before I do, I see that Senator Kyl has come in the room. I'm sure he has got a tight schedule, like we all have.

Senator Kyl, if you'd like to come up on the dias or sit down there, wherever you prefer, we will recognize you for your statement before we go on.

STATEMENT OF HON. JON KYL, U.S. SENATOR FROM ARIZONA

Senator KYL. Thank you very much, Mr. Chairman.

We do have a roll call vote at 10:00, and I know you want to get as much business done before then as possible, so I'll be very brief.

I am pleased to be here today to introduce Tom Slonaker to you. I met him very recently, and I'd like to explain the circumstances, because I think that it might allay some of the concerns that have been expressed. I know historically there have been so many problems that it is no wonder that there are questions that people whose finances are tied up with the fund are asking, and I think they are very legitimate questions.

Tom Slonaker came to me as a constituent, and I did not know him. He said, "I think that they may ask me to take this position, and I'd like to talk to you about it. What do you think about the issue and the position?" I said, "Boy, you're talking about getting into a really interesting deal here. Have you checked it out?" Well, he proceeded to explain to me very thoroughly how he had checked it out, and he said, "I didn't seek this job. I have not been active in politics. I didn't contribute to anybody's campaign. This came to me out of the blue."

I said, "What happened?" He said, "Well, there was a search firm that was looking for people that had financial investment fiduciary experience," and he said, "I've sure had that, and so they contacted me, and the more they talked about the job, the more intrigued I became."

I said, "Well, what would intrigue you about this job? This is a tough job." He said, "I've had a lot of very interesting banking jobs in the past. I am essentially retired now, and I'm looking for some way to contribute, and I believe that this challenge is a way that I can really make a contribution."

I said, "Well, if you fully understand it—" and I am convinced, by the way he described it to me, that he does fully understand the obligations and the extraordinary fiduciary responsibilities he would have here—I said, "Then we sure need a good person in that position."

As a result of the due diligence I did, I am very pleased to introduce him to you.

Let me just note a little bit about his background, so you know the kind of person you are talking about here.

He has been serving as a director on the Board of the Federal Farm Credit Funding Corporation and as a trustee of Allegheny College. He served as executive vice president and chief investment officer to First Interstate Bancorp, which is one of the big banks in Arizona. He was responsible there for the investment and management of all their fiduciary assets, totaling $27 billion.

He joined First Interstate as a senior vice president responsible for the bank's bond portfolio, and before that he served as senior vice president of the Federated Research Corporation, where he was responsible for the management of all U.S. Government security mutual funds, which grew during that time period to $36 billion.

He began his career with Mellon Bank in 1960, and when he left Mellon he was the senior vice president in charge of the bank's $12 billion portfolio and its capital markets activities.

He is a member of a number of associations, as you might imagine, and I'll be sure to include in the record his curriculum vitae. He is an MBA from Harvard Business School and is a graduate of Williams College.

I guess, Mr. Chairman, that the reason that I very much wanted to personally introduce him to the committee is not that I have known him a long time. He is a recent constituent of mine. However, it is so extraordinary that an individual, at really a time when he has the most to contribute to his government, is willing to use his considerable talents for good, without any preconceived agenda. We see that seldom in our positions, and I think it is something to be commended, and therefore I heartily recommend him to the committee and think you'll find, after you've had an opportunity to visit with him and to get to know his considerable experience, that any concerns that you might have will be allayed.

[Statement of Senator Kyl appears in appendix.]

The CHAIRMAN. Well, he will need every skill and a great deal of patience to be able to sort through that mess that has been decades in the making.

Senator KYL. Those are probably the two most important skills. You are absolutely right.

The CHAIRMAN. Thank you for your appearance. I appreciate it.

Senator KYL. Thank you.

The CHAIRMAN. Let me ask a couple of questions of Chief Tillman, if I might, Chief.

Mr. TILLMAN. Sure.

The CHAIRMAN. First of all, when did you plan on meeting? You mentioned that you would like to report back to the committee. Do you have a timeframe that you're going to do that in?

Mr. TILLMAN. We'll meet in Washington within the next 2 weeks.

The CHAIRMAN. Within the next couple of weeks?

Mr. TILLMAN. Yes.

The CHAIRMAN. Okay. Let me ask you about the process in 1995, when Paul Homan was nominated as Special Trustee. First of all, did the Administration at that time consult with your group or the tribes?

Mr. TILLMAN. Yes.

The CHAIRMAN. They did? And did the ITMA have a position on Mr. Homan's nomination?

Mr. TILLMAN. Yes; they did.

The CHAIRMAN. What was that position? Were you supportive?

Mr. TILLMAN. It was a favorable position.

The CHAIRMAN. Favorable position. But at this point, after you meet in a couple of weeks, you will be able to endorse that or tell us a little more clearly what your group feels about it?

Mr. TILLMAN. Yes.

The CHAIRMAN. Yes. Chief, you have been involved in the trust reform effort for a long, long time, long before I was. Given the Department's first status report to the judge, it is obvious that the trust reforms won't be concluded in 2000. I mean, this is something that is going to take an awful lot of time to straighten out.

What I am interested in really asking you is what do we need to do, starting today, to lay the foundation for trust reforms in the years ahead so that we don't end up with this mess again?

Mr. TILLMAN. That's a big question, Senator.

The CHAIRMAN. I realize it is.

Mr. TILLMAN. I have been, you know, interested and involved in this for, like you say, a number of years. What I think is, first, the Bureau should have a mission. It ought to have a goal. And they ought to understand what trust is. They do not understand, I do not think, what trust really is.

In my view, trust is where one person has a fiduciary responsibility over another person's property. Now they say, yes, we do have that, fiduciary responsibility, but only to a certain extent. That extent lies within the regulations.

But they do not understand, Senator, that the Secretary has the right to change those regulations if they are out of date. He can waive regulations. He has that power.

So then if he has that power, then the regulations need to be expanded or they need to be reduced, or whatever it needs to be, but that's what needs to be done. They need to have an understanding that this trust is very vital to Indian Country.

I refer to Grandma a lot, because she's the one that depends on it.

The CHAIRMAN. Yes.

Mr. TILLMAN. And she depends on me. And I'm not going to let Grandma down, so why should the United States of America let her down?

The CHAIRMAN. I understand that. When the Secretary reorganized the trust process, that's when the last trustee basically quit, as you probably know.

Mr. TILLMAN. Right. And another thing, Senator, is that they think that the statutes of limitations are implied here. They're not, Senator. Trust—I mean, if you go back to the savings and loan and those type of errors that were made back in the 1980's, and everything was corrected, and corrected quickly and promptly because the dominant society was not going to take anything less. But being a minority, I think that the Government has dragged their feet in many, many areas, and you know that and I know that. And why is that? Because they don't have a mission or goal. All they think is, "If we can keep the Native Americans in tow, then we'll always be here." And that's not the case.

Thank you.

The CHAIRMAN. We've certainly had problems since the 1980's, only in this case it is the 1880's not the 1980's. [Laughter.]

On February 8, I sent out some draft legislation to the tribes. Were you aware of that, by any chance, Chief?

Mr. TILLMAN. Yes, sir.

The CHAIRMAN. Have you had a chance to look at that yourself?

Mr. TILLMAN. Yes; I have.

The CHAIRMAN. What did you think of it?

Mr. TILLMAN. I think it's good. I really do. I think the legislation ought to have some language in there that would say that the statutes of limitations do not exist in this effort. I really do, because that's what the Government is going to come up with against Native Americans.

They're telling me this right now, that "Back in 1980 what we did—and even if it was wrong, well, that's all right. The only thing

that counts now is just 6 years ago, or 6 years and 2 months, and that's the only thing that counts." So I think your legislation, Senator—I would request that you would at least put in that statutes of limitations do not exist.

The CHAIRMAN. Yes; I thank you.

Senator Inouye, did you have some questions for Chief Tillman?

Senator INOUYE. No; I will be waiting for the report of Chief Tillman and the Association.

Mr. TILLMAN. Thank you.

The CHAIRMAN. With that, thank you very much for appearing, Chief. I appreciate it.

Mr. TILLMAN. Thank you.

The CHAIRMAN. It is nice to see you here in Washington.

Mr. TILLMAN. Thank you. It's good to see you all.

The CHAIRMAN. Thanks for all your help and suggestions on past issues, too, by the way.

Mr. TILLMAN. Thanks.

The CHAIRMAN. We have a few more minutes. Why don't we go ahead and start, if that's okay with you, Senator Inouye.

Senator INOUYE. Fine.

The CHAIRMAN. Why don't we go ahead and start with Mr. Slonaker, and we'll get through perhaps at least your testimony, and we may have to come back to ask some questions after the vote. We'll just see how far we can go.

Welcome before the committee, Mr. Slonaker.

If you have any written testimony, that will be included in the record without objection, and you may just speak as you feel.

STATEMENT OF THOMAS N. SLONAKER, NOMINEE TO BE SPECIAL TRUSTEE, OFFICE OF SPECIAL TRUSTEE FOR AMERICAN INDIANS, DEPARTMENT OF THE INTERIOR, WASHINGTON, DC

Mr. SLONAKER. Thank you, Senator.

I am Tom Slonaker. I am from Arizona. I appreciate Jon Kyl's opening remarks on my behalf, and the fact that he was willing to come and be here on my behalf.

I think Jon, however, has done me another favor, and that is that he has given to you my full resume, so I can skip a good bit of this right now.

I wanted, if I could take just 15 seconds, Mr. Chairman, to introduce my family which is here.

The CHAIRMAN. Please do.

Mr. SLONAKER. My wife, Nina, is in the black outfit; and my daughter-in-law, Marj, next to her; my son, Pete, behind her; and my daughter, Lynne Montgomery, is sitting here in front in the green. They are the team that is here supporting me.

The CHAIRMAN. Welcome.

Mr. SLONAKER. I have been retired for a couple of years. I was formerly the chief investment officer and executive vice president of the First Interstate Bancorp in Los Angeles, actually based in Phoenix, and I was found for the Department of the Interior, by an executive search firm.

I first heard about this job last fall and was rather amazed to find out all about Indian trust issues. And I have been asked by

many people, so I'll anticipate your question as to why I would do this.

Senator Kyl address d it in large part, but I think, frankly, this is a job that simply has to be done, and if I am the person that you all in the Senate, as well, of course, as the President and the Department of the Interior have decided is the person to do it, then I am ready to go at it.

I am very honored to have been selected and nominated by President Clinton.

I also, Mr. Chairman, want to thank you for expediting these hearings. I was nominated just last month, and I appreciate the opportunity to have these hearings as quickly as you have arranged them after that time period.

This is a unique management opportunity. It is an opportunity to do a great deal of good, but it is unique to somebody who has been in the management field in the sense that there are a great many people who will be accountable to me whose progress I have to monitor and who do not have a line reporting relationship to me.

I have had opportunities to do that very kind of management in the private sector, and I have no doubt that it is transferable to this world, as well.

I am very familiar with the systems which support trust asset management. I am very familiar, frankly, with the vendor who happened to have been selected, SEI, in the case of the Indian accounts, and pretty familiar with the software and the design of the system that is being used for what we have come to know as "TAAMS."

Systems and leadership are really the two most important ingredients here. On systems and leadership, both, this job has a great similarity to that of managing a large trust department that is spread across a great many States, just as my former employer, actually, used to be, because, with people executing their fiduciary responsibilities in remote locations and in branches spread across—in our case, they happened to be spread across 13 western States—the systems are critical and the leadership and the ability to lead those people is important. In many cases in remote locations they not only reported to me up the line, but they also reported to local product managers or CEO's of their local banks, which, of course, were owned by our holding company. So you can see the kind of matrix management that gets involved.

I also wanted to just tell you very briefly that I feel very heartened by the action that you have taken as recently as this morning on the fractionation bill, as it has come to be known. I think that is a major step forward if we can get that—if you all can get that put into the law.

I also want to tell you that I am very much aware of the *Cobel* v. *Babbitt* litigation, and in this job I understand quite fully it will be my responsibility to report on a regular basis, and as required, to the court.

So my major objectives, if you would see fit to report me out and the Senate would see fit to confirm me, are, first of all, to get to know the client better than I know the client right now, although I have had an opportunity to do some of that, and second to understand what the service to the client has to be.

This is a trust fiduciary relationship. It is very clear in my mind what this has to be. Perhaps we can talk about that later at your initiative.

I have had, as the Chief indicated earlier, an opportunity to meet with several members of his ITMA board last week, and that was a good exchange, I think. And I've also had a chance to be interviewed by one of the members of the Advisory Committee which was established by the 1994 law, as you will recall, during the interview process in Phoenix.

So, in summary, I am here. I think this needs a strong leadership act. I also think, quite candidly, that this is the kind of management job where one must lead, but it has to be a collegial effort, as well. That is something I've done before and that is something I think I can do again.

I appreciate your time.

I presume my full statement will be entered in the record.

The CHAIRMAN. Thank you, Mr. Slonaker.

[Prepared statement of Mr. Slonaker appears in appendix.]

The CHAIRMAN. I have to tell you I admire you. Without knowing you, I admire you. I admire anyone that is willing to be involved in public service. It is not an easy job. It is tough on the family and I appreciate your family being here with you.

When you get involved in the job that you are being nominated for, it is particularly difficult, because you've got decades of mismanagement to try to straighten up. You are going to be dealing with some people, in fact, that will be angry, and some that will be in denial, and some that will be anxious to blame each other, and all that will be part of the picture, too. In fact, it is a total morass.

You were a banker, so if I were to tell you as a banker or use this scenario—"I've got $2.4 billion. Six years ago I had that in your bank." And you tell me, as a banker, "Well, I know you've got it in the bank somewhere around here. We just can't find the paperwork. It's in the bank, so it's safe," you know, that doesn't do me any good, does it?

Mr. SLONAKER. No, sir.

The CHAIRMAN. It's only good to me if I can access the money. I've got a mortgage to pay and the car payments and the bills for the family and all that.

Well, that's what Indians find themselves in.

Mr. SLONAKER. Right.

The CHAIRMAN. They know the money is in there somewhere, but nobody can find it and they can't access it.

Mr. SLONAKER. Right.

The CHAIRMAN. That's what we've got to straighten up. And that won't be easy. You heard me mention a while ago there may be as many as 100,000 documents totally missing. Some are full of rat holes. I mean, there is bad bookkeeping, bad storage, bad everything that has gone on for years and years, and it is going to be extremely difficult.

One of the main concerns of me and most of the committee is that we often hear from tribes that we don't include them. We have a nation-to-nation relationship with them, but we make decisions around here without asking them how it is going to affect them,

and that is basically my concern with this job—that the tribes are involved in some discussions with you.

Let me just, as long as we have a little time before the bell comes to ring, let me start by asking you a couple of questions.

First, have you worked with tribes in your responsibilities in banking or fiscal management before?

Mr. SLONAKER. No, sir.

The CHAIRMAN. You are in for an experience.

Mr. SLONAKER. I'm looking forward to it.

The CHAIRMAN. Very often tribal groups have a very strong, close relationship, as you probably know.

Mr. SLONAKER. Yes.

The CHAIRMAN. Almost everybody is related to everybody within a tribal structure. Sometimes their decisions are made through the impact on extended families.

Mr. SLONAKER. Right.

The CHAIRMAN. And it is a different way of getting things done. That will be an interesting experience for you.

I wonder if we ought to go ahead and vote and then come back. Do you mind waiting for——

Mr. SLONAKER. I will be here as long as you want me.

The CHAIRMAN. Senator Inouye, if you'd like to go ahead and make a statement, when I come back I'll ask some questions.

Senator INOUYE. I thank you very much, Mr. Chairman.

I am deeply impressed by the extraordinary background that Mr. Slonaker presents to us, his experience in banking and investments. With that sort of reputation, I cannot imagine that Mr. Slonaker would risk that background and reputation by doing a lousy job. I feel confident that you'll do a good job.

Mr. SLONAKER. Thank you.

Senator INOUYE. I extend to you my condolences. [Laughter.]

The CHAIRMAN. With that, the committee will stand in recess for about 10 minutes while you think about that, Mr. Slonaker.

Mr. SLONAKER. Hopefully, I'll be here.

[Recess.]

The CHAIRMAN. The committee will come back to order.

Well, Mr. Slonaker, you've had a few minutes to think about this. Do you still want to do it? [Laughter.]

Mr. SLONAKER. I'm still here.

The CHAIRMAN. All right.

I might tell you first, too, that I am sure you are going to be confirmed. It is just a matter of dealing with the tribes first. But one of the problems the committee has had is that we sometimes are left out of the information loop, and because of that, when the tribes complain, guess who they come back and complain to? It's this committee, almost always it's this committee. And so I would ask you that you consider that when you are moving ahead—to make sure you keep us in the loop. It is very important to Senator Inouye and me, too, that we know what is going on with it.

Let me ask you a couple of questions that I had jotted down.

You will not be the first one in this position, as you know.

Mr. SLONAKER. Right.

The CHAIRMAN. There have been some problems in the past, and our last Special Trustee quit, as you know, too.

Mr. SLONAKER. Yes.

The CHAIRMAN. Have you received any assurances from the Secretary that you are going to be allowed the latitude you need to get the job done, because that was one of the problems we've faced in the past.

Mr. SLONAKER. Mr. Chairman, I have. I feel that I have the full confidence and backing of the Secretary.

The CHAIRMAN. It is going to take the full backing.

Mr. SLONAKER. Yes, sir; it will.

The CHAIRMAN. There is no question you are going to have to be assertive and there might be times when you disagree with the process over there, and if you have his full confidence, that is going to go a long way, I think, to help.

With regard to title two of the 1994 act dealing with private investments of funds by tribes, you state in your testimony, "At some point soon, we need to address that."

Now, Senator Murkowski and I did in 1999, as you probably know, when we introduced S. 739 to expedite the process. Of course, the BIA lobbied against it. In fact, there was a letter sent out. We're not sure who sent that out, but it was a strange letter.

You know, I happen to be an Indian on my Dad's side, and most of the people on the staff are Indian, too, and yet the letter went out to some of the tribes accusing the committee of being racist because we thought that this whole problem could be cleared up better by private agencies than it could within the Bureau. It was very strange to me.

Did you happen to see that or have any comments about that?

Mr. SLONAKER. I have not seen the bill, Mr. Chairman. My reason for bringing that subject up in my prepared testimony is that I think it is incumbent upon any trust function, any trust responsibility, really, anywhere, any pension responsibility, for that matter, to make sure that we're doing what can be done in terms of investment alternatives.

So I think it is an issue that needs to be examined. I'm not prepared to tell you how I would fall on those considerations right at this point.

The CHAIRMAN. Well, I have always had a lot more confidence, frankly, in private institutions managing money than I have with Government. We lose more dough than you can imagine. It disappears—rat holes, or it just disappears.

Mr. SLONAKER. Yes.

The CHAIRMAN. You probably know that, coming from the private world, particularly in your profession. You've probably heard it many times, that Government bureaucracies can really bungle things.

Mr. SLONAKER. Yes.

The CHAIRMAN. I mean, I think it is common knowledge in America, and, unfortunately, Indian people have been the recipients of that bungling many times over in the last decades.

You really believe that Government can straighten it up as good as a private institution could?

Mr. SLONAKER. In terms of the investments that are permitted?

The CHAIRMAN. Yes; and straightening up the whole trust—the mismanaged records that we have dealt with in the past.

Mr. SLONAKER. Let me deal with—there are two questions there.

On the investment alternatives, as I said, I think that is an issue that has to be examined pretty carefully. I think the Government can, with the proper investment policies—which I think would require Congressional approval, by the way—has an opportunity to improve the performance of the assets, but we'll have to get at that.

Then you asked, I think, Mr. Chairman, really a broader question as to whether—I think you were saying whether Government can clean up the whole situation. I've had a limited amount of time since I was nominated, but I have had a certain amount of time to review the high level implementation plan and a lot of other material and a lot of historical material. You should see my desk. It is piled high.

My own take at this particular point in time is that this train is well down the track. The track looks pretty clear ahead. It has to be led pretty effectively. There are, as I said before to you, a lot of people who I will depend on, if confirmed, to get this train further down the track.

I am very confident I can do that. That's a question basically of leadership and getting the job done.

The CHAIRMAN. I agree. I have to tell you that it has been our experience that, since 1997, this whole thing has sort of been a study in contrast. As you probably know, we have been told by the Bureau that "progress is being made," and yet the GAO, which is kind of the watchdog of everything around here, doesn't even know what they're talking about when they say that. We've heard that from the GAO.

Mr. SLONAKER. Yes.

The CHAIRMAN. When we have Federal judges say that progress is slow or nonexistent, that kind of flies in the face, too, of what we are being told by the Bureau. But, in any event, we can't even get a good, firm date that we can relay to the tribes about when they can expect some progress or having it cleared up. I mean, it has a timeframe, some time in the future between, perhaps, 2002 and 2004, or later.

You know, if your money was in the bank and your banker told you that, "You can get it out, you know, some time between 2002 and 2004," that's not satisfactory, is it?

Mr. SLONAKER. No, sir.

The CHAIRMAN. Well, it's not to the tribes, either.

Let me ask you also: Do you intend to accelerate the private investment by the tribes contained in the 1994 act?

Mr. SLONAKER. Mr. Chairman, I'm not sure I can comment on that at this point. I don't really feel comfortable with the issue.

The CHAIRMAN. Okay. All right. Well, I'm sure you will learn a lot.

Mr. SLONAKER. Yes, sir.

The CHAIRMAN. You will find that the committee is very supportive as long as the tribes are supportive. If you lose the confidence of the tribes or they feel that you're working at cross-ends with them, it is going to be not too comfortable, as you might guess, and then we have got to get involved with it, too.

Would you be opposed to the committee forming a task force to focus on this issue, by the way?

Mr. SLONAKER. On the issue of?

The CHAIRMAN. Of trust management. We've been thinking about doing that.

Mr. SLONAKER. In terms of privatization, to use my word?

The CHAIRMAN. Yes.

Mr. SLONAKER. This is——

The CHAIRMAN. That, and oversight, too. That is the responsibility of this committee, obviously, to have an oversight over this.

Mr. SLONAKER. Right. This relates to the bill, I believe, you have introduced?

The CHAIRMAN. Yes.

Mr. SLONAKER. First of all, obviously, I have no objection to that.

The CHAIRMAN. Yes.

Mr. SLONAKER. And I would be glad to work with you on that issue. My own—as I said, my own take on the situation right now, Mr. Chairman, is that, if you split off the trust funds accounting and all the related activities from the Department of the Interior, I have never seen, in my experience, a split like that done for the purpose of improving the management. I have seen it done for a lot of other purposes, as you have, too, for economic reasons or market-related reasons, but not for management reasons.

The reason for that is, I think, it really comes back to who is leading the effort, A, and B, if you try to split it apart, then you are taking an organization out of a bigger organization and you have to split some of the infrastructure, and that gets very difficult.

So I would like, if we can, to leave that as an open subject.

The CHAIRMAN. Okay.

Mr. SLONAKER. But I feel my mandate, if confirmed, is, as I said before, to move this train down the track.

The CHAIRMAN. Yes.

Mr. SLONAKER. And that's what I would like to do.

The CHAIRMAN. And you are presently retired from any other activity outside the family, so you can devote your full attention to this thing?

Mr. SLONAKER. Full attention, sir. I've already resigned from some boards to open up the time.

The CHAIRMAN. Okay. Well, the committee appreciates your being here. There may be some questions of other committee members that did not attend today that they may send to you in writing.

Mr. SLONAKER. Yes.

The CHAIRMAN. Our record will remain open 2 weeks for any additional comments that anybody in the audience may have.

I'll be looking forward to hearing from the ITMA, too, but I think that, basically, it is just a matter of getting a little better acquainted with them so they'll feel they are involved in the process, too.

But I do also want to tell you, when I say that we need to be kept in the loop, they certainly do, too.

Mr. SLONAKER. Yes; I look at you as my shareholders and at them as my clients.

The CHAIRMAN. That's a good way to look at it.

Thank you very much for appearing.

Mr. SLONAKER. Thank you for the opportunity.

The CHAIRMAN. With that, this committee is adjourned.

[Whereupon, at 10:28 a.m., the committee was adjourned, to reconvene at the call of the Chair.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

PREPARED STATEMENT OF CHARLES TILLMAN, VICE CHAIRMAN, INTERTRIBAL MONITORING ASSOCIATION, ALBUQUERQUE, NM AND CHIEF, OSAGE NATION OF OKLAHOMA.

Mr. Chairman and members of the Committee. Thank you for the opportunity to testify on the nomination of Thomas N. Slonaker to serve as the Special Trustee for American Indians, a Presidentially appointed position created by the 1994 Indian Trust Fund Management Reform Act. My name is Charles Tillman, Jr. I am the Principal Chief of the Osage Tribe of Oklahoma. I am here today in my capacity as Vice Chairman of the Intertribal Monitoring Association on Indian Trust Funds [ITMA]. ITMA is an intertribal organization composed of 40 tribes that have been advocating over the past 10 years for reform of the Indian trust management systems and for compensation to tribes for the moneys they have lost over the past 150 years as a result of the United States' failure to properly manage the Indian trust funds and assets.

As members of this Committee know, ITMA played a major role in the development of the Trust Fund Reform Act and the establishment of the Office of Special Trustee. Tribes and ITMA consider the position of Special Trustee to be one of the most critical in the effort to reform the management of Indian trust funds and assets, and therefore have a very strong interest in the person filling that position. The Special Trustee is one of the most unique positions in the Federal Government because that official has a very specific group to whom he has an obligation, not just as a public servant, but also as a trustee with the highest fiduciary duty.

He will not be managing just his Federal budget, but also billions of dollars that belong to us—the Indian tribes and people of this country. If there were ever a situation in which a nominee should meet with those he is to serve, this is the case. Mark Fox of the Three Affiliated Tribes and I had an opportunity for a short, impromptu meeting with Mr. Slonaker last week, and we understand that Ivan Makil, chairman of Salt River Pima-Maricopa, was included in an earlier meeting with him. Other than that, Mr. Chairman, I don't think Indian Country knows a thing in the world about this man. Never having met Mr. Slonaker, tribes have no way of knowing if he will bring to the job the attributes and attitudes that are critical if that position is going to accomplish the objectives that were set out for the Special Trustee in the Trust Fund Reform Act.

Consequently, there really isn't very much we can say about this nomination today. Mr. Slonaker was kind enough to express his regret that he had not been able to meet with more of his clients, and to express a willingness to meet with our Board of Directors in the very near future. With that in mind, we respectfully request of the Committee today that you agree to keep the record open on this nomination for a period of at least 2 weeks to permit Mr. Slonaker to meet with representatives of his account holders, and for them to report back to the Committee on their impressions and recommendations based on those meetings. This is not a very satisfactory way of dealing with a nomination like this, but we think it is important that consultation with tribes not be sacrificed just because the issue is im-

portant. That would be another way of saying that consultation is only important if the issue is not important. We hope the Committee will not encourage the executive branch in that method of dealing with us.

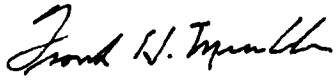
Based on our short conversation with him last week, we do not think it will happen, but it's just possible that tribes or their representatives will make observations or recommendations that would cause us all to re-think this nomination. And, of course, it's always possible that he mail decide he doesn't want the job after he talks to us.

In any event, we hope before the Committee takes action on this nomination, you will satisfy yourselves thoroughly that Mr. Slonaker understands what is expected of him with respect to candor with this Committee and with his account holders. As much as we get tired of having to say it, we have to advise you that we feel that he has already been given some bad advice by his advisers or handlers in the Department. Otherwise, we think he would have made an effort to know something about his clients before getting this far into the situation. By the same token, we got the distinct impression from him last week that he has a fundamentally different understanding of the nature of his fiduciary duties in this position than the government will permit him to hold for very long. We actually tend to agree with him 100 percent in what he had so say to us last week, but we would like to know something about how he Will react when he learns how the Justice Department feels about the nature of his duties.

We would like to know, and we think you would like to know, would he just clam up and feed us the party line? Will he stand up and tell us that he has been instructed to change his tune about the nature and extent of his duties? Will he advise this Committee about changes in the law he thinks are necessary? Will he be forthcoming about shortcomings in the programs he will be taking over? Is he really going to be in charge of this program at all? The way we read the revised High Level Implementation Plan, it looks like he is just going to be a member of a Committee overseeing the reform effort, and not even the chairman of the committee. Is he going to get"out-voted" on trust issues by his own committee? These are some of the things we would have liked to explore with him before this hearing. And we hope you will explore these matters, as well as give us an opportunity to explore them, before you act on this nomination.

There is no doubt, however, that there is an urgent need to fill this position with an individual who meets the requirements spelled out in the 1994 Act, and we are very grateful to the Committee for taking up this matter as expeditiously as you have. We just hope you will help us to ensure that the individual who takes this job will be given the authority he needs to do the job.

I'll be happy to answer any questions the Committee may have. Thank you again for the opportunity to appear here today on this vitally important matter.



Statement for the Record on the Slonaker Nomination

Chairman Campbell, I thank you for holding this hearing. It has certainly been a long time in coming.

The last Special Trustee, Paul Homan, resigned over a year ago. Mr. Homan quit in protest to Secretarial Order 3208 which stripped him of his rights and responsibilities by establishing the position of Principal Deputy Special Trustee.

I look forward to hearing how Mr. Slonaker intends to effectively do his job within the confines of this Secretarial Order.

I hope that Mr. Slonaker shares my commitment to ensuring that the Indian trust funds enjoy the same rights and protections as other trust funds throughout the United States.

It was this commitment that led me to introduce S. 739, the Amendment to the Indian Trust Fund management Reform Act of 1994.

The Bill, cosponsored by Chairman Campbell, grants Indian tribes the option of contracting with qualified financial institutions. Such investments would then benefit from the Prudent Investor rule.

I will be interested to hear Mr. Slonaker's response to the idea of contracting out the non-inherently federal tasks. Specifically, I would like to learn what responsibilities, if any, he would like to see contracted out.

I also introduced an amendment to the Interior Appropriations Bill. This amendment was cosponsored by the Chairman of this Committee, Senator Campbell, the Ranking Member of this Committee, Senator Inouye, and the Chairman of the Subcommittee on National Parks, Historic Preservation and Recreation, Senator Thomas.

This amendment suspended funding for the Trust Fund Computer system, called TAAMS, until the Secretary of the Interior certified that he followed It also required the GAO to independently assess the Secretary's certification.

We passed this amendment--which got hobbled in conference by the way--because after three years of joint committee hearings, we had real concerns

that this TAAMS computer system wasnot going to work.

I hate to be a Cassandra Mr. Chairman. I really wish that my warnings had not come true. But within six months of passing my amendment in the Senate, the National Journal's Congress Daily AM and the AP wire reported that the TAAMS computer system was not working right.

It had, and I quote, "run into such severe development problems there is no longer a timetable to have it up and running nationwide." That quote was from Congress Daily AM, and I am passing out copies of this article and the other one from the AP wire to my colleagues. I also ask that these articles be submitted into the record.

I think we're all agreed that this Trust Fund is a mess. I hope that Mr. Slonaker can provide the independent leadership needed to fix this. At least we've got a warm body who wants to do the job and that's more than we could say last year. I think that this is a good start and I look forward to hearing today's testimony.

Government admits big problems in fixing $500 million Indian trust system

By MATT KELLEY

Associated Press Writer

WASHINGTON (AP) - The Interior Department says it will take much longer than anticipated to come up with a computer system to properly manage a $500 million trust system for American Indians, meaning more financial uncertainty for many of the 300,000 account holders.

In a court-ordered report, the agency said a $60 million computer system to track account information has run into such severe development problems there no longer is a timetable to have it up and running nationwide.

Original plans had called for the Trust Asset and Accounting Management System, or TAAMS, to be available by the end of this year, and agency officials consistently have said the project was on schedule.

Rex Hackler, a spokesman for Bureau of Indian Affairs, did not return calls Thursday.

The report also said efforts to collect all of the records related to the accounts and check their accuracy have run into roadblocks and will not be finished until 2003, and attempts to draft policies and procedures for handling the trust system will not be done until 2004.

"We're left once again with the feeling of empty promises," Keith Harper, a Cherokee lawyer representing account holders, said Thursday.

The trust funds hold proceeds from leases for grazing, logging and oil drilling on Indian land. They were set up as part of a since-rejected federal policy to divide reservations into small plots held in trust for individual Indians.

A group of Indians sued the federal government in 1996, claiming the accounts have been mismanaged. Their lawyers say they plan to seek more than $10 billion to compensate for lost revenue.

Last December, U.S. District Judge Royce Lamberth gave the federal government "one last opportunity" to correct more than a century of mismanagement of the trust funds. He ordered periodic updates and the Interior Department issued the first report on Wednesday.

The agency previously has acknowledged its record-keeping is so poor it's unclear how much money should be in each trust account and that it does not have current addresses for more than 46,000 account holders. But it insisted efforts to correct the problem were on schedule.

Harper said the problems outlined in the agency report mean that account holders face "continued uncertainty about whether they're getting the right amount. They're going to continue to lose money with a broken system."

Final Stretch On EAA Negotiations May Be In Sight

■ THE PRINCIPAL CHAIRMEN involved in the fight over the reauthorization of the Export Administration Act Monday were engaged in what one source said could be the final stretch in a series of intensive negotiations on the bill.

The member-level bargaining session was the continuation of a four-hour meeting among the principals conducted last Friday.

Monday's meeting was said to include **Senate Banking Chairman Gramm, Senate Banking International Trade and Finance Subcommittee Chairman Michael Enzi**, R-Wyo., **Senate Armed Services Chairman Warner, Senate Governmental Affairs Chairman Thompson, Senate Intelligence Chairman Shelby** and a representative for **Senate Foreign Relations Chairman Helms**.

"Very substantive progress was made Friday, and they are trying to reach final agreement today," a Warner spokesman said Monday. "There's good reason for optimism."

The chairmen of panels with national security and intelligence jurisdiction have been arguing on behalf of a weightier role for the Defense Department in export control decisions.

If an agreement among the principals can be reached, sources agreed the measure could be brought to the floor as early as Wednesday. **Majority Leader Lott** late last week had indicated he would file Monday for a cloture vote on the bill, but declined to do so as the negotiations went forward.

Dodd, DeWine Call For Testing Drug Effects In Children

■ CONCERNED BY THE GROWING USE of psychiatric drugs by preschoolers, **Sens. Christopher Dodd**, D-Conn., and **Mike DeWine**, R-Ohio, are asking the FDA and NIH to step up efforts to get drug companies to test such drugs in young children.

"Forcing children to accept 'hand-me-down' medicines is dangerous and unacceptable," said Dodd in a statement last Friday.

The amount of stimulants and anti-depressants prescribed for young children doubled, and in some cases tripled, between 1991 and 1995, the *Journal of the American Medical Association* reported recently.

Yet, little is known about the long-term effects of these drugs on the cognitive, social and emotional development of these children, the legislators said in letters to the health agencies.

Dodd and DeWine introduced legislation in 1997 that later became part of an FDA reform bill and provided an incentive for additional exclusive marketing time to drug makers who study their products in children.

While some studies are being done on psychiatric drugs, none of them are being conducted on children under age seven, the senators said.

They are urging the agencies to work with each other and pharmaceutical companies to make pediatric testing of psychiatric drugs a priority.

Daschle Outlines Seniors Agenda

■ SENATE MINORITY LEADER DASCHLE laid out what he called an agenda for America's seniors Monday at an event in Maryland, along with **Democratic Conference Secretary Barbara Mikulski** of Maryland. Daschle said Democrats would continue to emphasize the "viability" of Social Security and Medicare, as well as creating a new Medicare prescription drug benefit.

He also said Democrats would work to clamp down on crimes against seniors, such as television and mail scams. In addition, Daschle said Democrats would push for pension reforms and increasing access to long-term care, and called for reauthorization of the Older Americans Act.

Interior Unsure When Indian Fund Computer System Will Work

■ THE INTERIOR DEPARTMENT says it will take much longer than anticipated to come up with a computer system to properly manage a $500 million trust system for American Indians, meaning more financial uncertainty for many of the 300,000 account holders, the *Associated Press* reported.

In the court-ordered report, the agency said a $60 million computer system to track account information has run into such severe development problems there is no longer a timetable to have it up and running nationwide. Original plans had called for the system to be available by the end of this year and agency officials consistently have said the project was on schedule.

"We're once again left with the feeling of empty promises," said Keith Harper, a Cherokee lawyer representing account holders.

Last year, Interior Secretary Babbitt pledged to clean up $3 billion in Indian trust funds after he and Treasury Secretary Rubin received contempt citations from a federal judge. They were cited for their delay in producing documents sought by Indian account holders who sued the government over its acknowledged mismanagement of the funds.

STATEMENT OF TOM SLONAKER
NOMINEE FOR THE POSITION OF
SPECIAL TRUSTEE FOR AMERICAN INDIANS
U.S. DEPARTMENT OF THE INTERIOR
BEFORE THE SENATE COMMITTEE ON INDIAN AFFAIRS
MARCH 22, 2000

Mr. Chairman and members of the Committee, I am Tom Slonaker. My wife and I are residents of Arizona. I am very pleased to appear before you, and very much appreciate your effort to provide for this hearing so soon after I received the President's nomination to be the Special Trustee for American Indians as established by the *American Indian Trust Fund Reform Act.*

I would also like to thank Senator Kyl for his very kind introduction.

I became aware of this opportunity when I was contacted by an executive search firm. I feel very honored that they contacted me and that I eventually earned the recommendation of the Department of Interior and the nomination by the President. It is yet another honor to appear here today.

In the short time since my nomination, I've been exposed to several general aspects of the Department's trust reform efforts. Obviously, it will take some time before I've properly analyzed the myriad of issues and initiatives involved in Indian Trust reform, and then to form solid views and opinions on these matters. However, today I would like to comment on what I've seen so far and also offer the Committee my credentials for its consideration.

As you know, the individual Indians and Indian Tribes are the beneficiaries of trust assets for which the U.S. Government has a fiduciary responsibility for recording, reporting and managing. Congress has designated the Secretary of the Interior as the primary trustee for these assets. The 1994 *American Indian Trust Fund Reform Act* established the position of a Special Trustee, reporting directly to the Secretary of the Interior, to oversee and direct all aspects of trust funds management reform within the Bureau of Indian Affairs (BIA), the Bureau of Land Management and the Minerals Management Service including the coordination of policies, practices, systems development, technical assistance, training and recruitment of Indians in the management of trust funds, and the regular reporting to the tribal and individual Indian account holders.

The 1994 Act specifically requires the appointment of an individual as Special Trustee who possesses the ability and experience in the general management of large entities along with a knowledge of trust fund management, management of financial institutions, and the investment of large sums of money.

I see the position of the Special Trustee as a very unique leadership and managerial challenge. It also represents a major responsibility to our clients, the American Indians, as well as to our

nation itself. For someone who has spent his entire career in the private sector, this is a surprise privilege for me and a chance for me to provide a very significant management service to both our Indian beneficiaries and to our country.

I won't reiterate the litany of the General Accounting Office, the Office of Inspector General, and Congressional reports that go back decades and cite historic and numerous problems with the accountability and management of Indian trust funds and assets. These problems are well-documented and well-known.

The Department has responded to these problems with a multi-year, multi-agency effort that is detailed, for the most part, in the updated High Level Implementation Plan (HLIP) and supplementary plans presented to the U.S. District Court for the District of Columbia on March 1, 2000. Together, these plans outline the scope of a reform effort that involves the coordination and attention of numerous federal departments and bureaus, as well as Indian Tribes and individual account holders.

First, these plans detail the new automated systems put in place to better manage trust funds and trust assets. The Trust Fund Accounting System, or TFAS, is a commercial, state-of-the-art system to track financial information such as account investments and disbursements. I am familiar with this system and its vendor, SEI. The Trust Asset and Accounting Management System, TAAMS, is also an automated system to track master lease, billing and accounts receivable, and land title functions. My experience is that all such systems, while they have become pretty standardized products, need to be adapted to the environment of the user, and that such systems also must interface well with other systems. These should not be insurmountable challenges for us.

The implementation of these new computer systems is complemented by a number of activities to improve the quality of trust fund information, as well as the underlying trust assets. Data cleanup activities within the Office of the Special Trustee and BIA are ongoing; improved land management activities, including a new process to perform timely land appraisals, have been put into place; and the Department is working to address the best means by which to respond to the backlog of probates. My experience is in managing such activities and fostering a team approach, while monitoring progress for the Secretary and Congress.

Work also is underway to ensure the continued progress and long-term success of these reform efforts. Toward this end, a multi-agency effort is underway to coordinate trust fund policies and procedures in order to ensure consistency in the implementation of Departmental trust functions. In addition, a new system for records management has been created, systems and non-systems training will be provided for all trust fund employees, and new internal control mechanisms have been put in place.

This whole effort is not unlike that which is required to deliver services to clients in a large bank trust department having numerous branch locations often in different states, something with which I'm familiar. With good leadership, a collegial effort and good systems, the effort will succeed.

While the HLIP represents the Department's blueprint for trust reform activities, it is by no means inclusive of all the Department's reform efforts. Today, the Committee is marking up S.1586, *the Indian Lands Consolidation Act Amendments of 2000.* As you know, the Department has been working closely with the Committee to find a solution to the continuing problem of fractionated lands, a practice that undermines the vitality of allottee-owned land and severely complicates the government's management of trust assets and resources. This legislation follows a successful pilot program in the Midwest Region, and I know that the Department looks forward to swift action by the Senate and House of Representatives.

Additionally, Title II of the 1994 Reform Act authorizes tribes to withdraw funds from the trusts. At some point soon we need to address that. I've also had considerable experience in the investment markets, and I suspect that we need to think soon, too, about the eligible investments for these trust accounts. The trusts need to have the appropriate investment opportunities available to them to ensure that we can offset the effect of inflation and grow the assets in a prudent manner.

Finally, I am aware of the on-going *Cobell v. Babbitt* litigation, and of the Department's responsibilities to the Court that have developed from this litigation. Specifically, I look forward to working with the Court to provide Quarterly Reports on actions taken to correct the areas in which the Court found the Department in breach of its trust responsibilities to individual Indians. I understand that initiatives and procedures have been developed to address these breaches, and, if confirmed, I would look forward to the responsibility of their oversight and coordination with current trust related functions.

I have spent 36 years involved with the management of investment assets, principally the investment of funds for large financial institutions and their institutional and individual clients and beneficiaries. During my career I became increasingly more involved with client relationships and interfacing with individual clients including beneficiaries. That aspect of my experience is important for the task of the Special Trustee.

I would characterize the decentralized nature of DOI's management of the Indian trust fund as a matrix management challenge in which groups of people, often in distant locations, are accountable to more than one line manager. I have spent much of my career managing people and organizations and responding to such a challenge. After the early years of my career, I have had large staffs to manage. In the latter years of my career my challenge was to consolidate and direct trust and investment processes which included groups of people, often in remote locations, who did not report to me, or who, if they did, were often accountable to other line managers as well. This type of experience matches well with the present challenges of the Special Trustee.

I point this out because I believe the important task at hand for the Special Trustee is to lead all of the relevant parts of the Department of the Interior in an effective and collegial effort to expedite the execution of the Department's High Level Implementation Plan. This Plan, as you know, is designed to deal with long term solutions to the accurate record keeping of Indian trust assets, and requires the establishment of a seamless interface of record keeping systems and the training of employees. Some parts of the Interior Department which are crucial to the successful management of the trust accounts do not report to the Special Trustee, and it is the Trustee's task, not only to monitor the process, but to spur a cooperative effort.

I believe my professional experience, which I'll outline below, amply prepares me for the role of Special Trustee. To summarize my background: After graduating from Williams College, I spent a year with Westinghouse Electric and then a brief period with the Army Reserves. Following that, I earned my MBA in 1960 at Harvard and then joined the Mellon Bank. When I left there in 1983, I was the senior vice president responsible for the Bank's own security portfolio amounting to about $12 billion, plus all of the Bank's capital markets activities. I then joined Federated Investors, a large manager of mutual funds for institutional clients. Those clients were primarily bank trust departments using our mutual funds and money funds in lieu of creating their own common and collective trust funds. I was a senior vice president there with investment responsibility for managing funds which grew during my tenure to about $36 billion.

I was then asked in 1993 to join the First Interstate Bancorp, one of the largest bank holding companies and a multi-state banking and trust organization located in many states of the Western United States. At First Interstate (now Wells Fargo), I became an executive vice president and chief investment officer with investment responsibility for approximately $27 billion of trust assets.

In recent years, I have been serving on numerous boards including that of the outside, independent director of the Federal Farm Credit Funding Corporation and a member the Farm Credit system-wide Audit Committee. Among non-profit boards, I am a trustee and chair of the investment committee of an eastern college and have been the treasurer and director of the Phoenix Center for the Performing Arts.

As to the role of the Special Trustee, the implementation of the Plan and the operations supporting the trusts must not only have leadership, but have accountability and integrity as well. Moreover, I believe it is important that the HLIP must be carefully implemented and rigorously and regularly reviewed for progress and improvements.

A trustee's obligation ultimately is to his or her clients. The clients are often, as in this case, beneficiaries whose assets must be protected and prudently invested by the trustee. An important obligation for the trustee is to understand the needs of the client as well as the legal obligations to the client. One important aspect of a trustee's duties, in my experience, is to get out and visit and dialogue with those clients. This is a part of the Special Trustee's job upon which I place a high priority and to which I look forward.

I had the opportunity to meet recently with several members of the board of the Intertribal Monitoring Association and its staff. This was an opportunity to learn of their concerns first hand and to get to know them better. During the search process, I also had an opportunity to spend time with a member of the Special Trustee's Advisory Board. If confirmed, I look forward to regular meetings so that I may gain the perspectives and expertise of the Advisory Board and the ITMA.

In closing, let me say that the leadership, independence, accountability, integrity, and energy of the Special Trustee are crucial. Above all, a trust fiduciary, such as the Special Trustee, recognizes the duty that he or she has to the ultimate customers, the beneficiaries, who in this case are the American Indians.

I look forward to the challenge before me, and I hope that the Senate will see fit to confirm me as the Special Trustee for American Indians. I look forward to working with this Committee if I am confirmed.

Thank you for your consideration, and thank you again for providing the opportunity for this hearing so quickly after my nomination.

I would be happy to respond to your questions.

Thomas N. Slonaker ("Tom")

Capabilities

+ **Creation and management of the administrative investment process for endowment, trust, pension or mutual funds**
+ **Consulting for mutual fund administration and marketing**
+ **Consulting for interest rate risk control processes in financial institutions**

Current Activities

Retired as EVP and chief investment officer of the First Interstate Bancorp in April, 1996, following the sale of the Company to Wells Fargo. Currently an independent director of the Federal Farm Credit Funding Corporation, member of the Federal Farm System Audit Committee, trustee and investment committee chair of Allegheny College, member of Rotary International, and treasurer and director of the City of Phoenix Center for the Performing Arts. Have also consulted on interest rate risk control and monitoring for financial organizations.

First Interstate Bancorp 1993 - 1996

1994 -1996 Executive Vice President and Chief Investment Officer for the Corporation reporting to the President and COO. Chairman of the investment policy committee and head of the Capital Management Group, a new business unit which assumed responsibility for consolidation and management of all third-party asset management activities for the Corporation across the Western U. S., including fiduciary, institutional, proprietary mutual funds, and pooled funds. Total managed assets were $27 billion. The Group was responsible for all client support and asset gathering, research, portfolio management, compliance, credit control, and investment style disciplines. Total staff managed was 174 in twelve locations.
Chairman of the mutual fund advisory company responsible for managing and servicing $5.5 billion of First Interstate mutual fund assets.

1993 - 1994 Senior Vice President, First Interstate Bancorp. Consolidated and managed the $16 billion fixed income investment portfolio on behalf of the Corporation's 13 subsidiary banks.
Simultaneously worked with McKinsey & Co. to design a new trust and private client services business unit with a focus on the asset management organizational design.

Federated Investors (Federated Research and advisory companies) 1983- 1993

1986-1993 Senior Vice President and Manager, US Government Funds Management Group, responsible for the staff managing $36 billion of institutional and retail mutual and money fund assets and for marketing support to institutional clients. Responsible for modeling and analysis of fixed income securities including option-related securities, as well as credit exposures.

1983-1986 Senior Vice President and Portfolio Manager. Created team that managed all US Government mutual and money funds, including mortgage-backed fund products. Created new funds and restructured older funds to match needs of institutional and retail clients. Provided major marketing support to large institutional and retail client base.

Mellon Bank, NA 1960 - 1983

1977-1983 Senior Vice President, Head of Portfolio and Funds Management. Directed all purchased funds, security portfolio and security dealer activities for the Bank and its affiliates. Member of the Bank's Senior Staff and the Asset/Liability Management Committee. Responsible for staff of 124.

1968-1977 Vice President of Portfolio and Funds Management (became manager in 1976) responsible for all security activities and purchased funds for the Bank.

1960-1968 Completed the Bank's management training program. Eventually assigned to Bank Investments. Became the Bank's portfolio manager in 1964, and Assistant Vice President in 1966. Prior to this, spent two years with the Bank's credit department, rising to senior analyst.

Qualifications

Completed Series 2, 3, 63, and 65.

Professional Associations

Current

Association for Investment Management and Research (AIMR)
Asset/Liability Management Association (co-founder)
Phoenix Society of Financial Analysts

Past Associations

US Treasury's Borrowing Advisory Committee (1977-83)
American Bankers Association, Bank Investment Division (former chairman)
Public Securities Association

Education

MBA, Harvard Business School
BA, Williams College