



Economic Development in Indian Country: A State Investment with Continued Returns

Month 2018

Since its inception in 2005, the Indian Country Economic Development (ICED) program has made a significant contribution towards improving the economic conditions on reservations in Montana. These investments continue to receive a return by creating and growing tribally-owned enterprises undertaken by tribal governments, as well as the private business sector on reservations. As a result, this helps create and retain local jobs and keeps dollars in circulation in rural economies.

Currently, ICED program funding is one-time-only, meaning it must be reapproved by the Montana Legislature every two years. This makes it difficult for funding recipients from Indian Country to formulate long-term economic development strategies and projects. The ICED program should be funded as an ongoing program in Montana's base budget.

State Investment Helps Business in Indian Country

The ICED program makes a robust impact toward improving the economic conditions in reservation communities. In 2017, the Montana Legislature approved \$1.6 million in funding for the program.¹ ICED provides funding for tribal government priority projects for reservation economic development activities, provides funding to start-ups and tribal member-owned businesses on or near reservations, and provides tribal entrepreneurs with training and technical assistance.²

Tribal governments regularly access ICED's **Tribal Business Planning Grants** to conduct feasibility studies on possible business ventures they may undertake on behalf of their tribal memberships. These grants are especially helpful in assisting tribal governments in furthering their economic development plans in ways that reflect local priorities, resources, and cultures.³

ICED also promotes private sector growth on reservations through a range of support that allows individual American Indian entrepreneurs to access assistance at every step of their business growth, from conception to expansion.

For example, the **Native American Business Advisors (NABA) Program** funds the services of business advisors through an existing local organization for each tribe in Montana to provide business counseling and technical assistance to American Indian entrepreneurs and businesses in tribal communities.⁴ This includes start-up assistance, marketing training, guidance for using local business resources, commercial loan application assistance, credit counseling services, referrals to other organizations, and application assistance to the **Indian Equity Fund (IEF) Small Business Grants**.⁵

IEF grants can be up to \$14,000 and assist individual small business owners with costs associated with start-up and expansion efforts.⁶ Between 2016-2017, IEF grants were awarded to 26 Indian-owned small businesses, supporting 45 jobs.⁷ Between 2007-2015, IEF grant recipients invested nearly 30 percent of their grant funds directly into reservation economies. IEF grantees spent about 75 percent of their funds on asset development, primarily toward capital equipment and renovations.⁸

Notably, 84 percent of IEF grant recipients remain in operation after five years.⁹ This success rate is opposite of the average U.S. business start-up rate, where 80 percent of new businesses fail.¹⁰ This demonstrates that investments into reservation-based businesses help bring much-needed products and services into severely underserved markets.

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IEF grantees and other successful Indian-owned businesses that are ready to expand can access critical gap financing from the **Native American Collateral Support (NACS) Program**. NACS provides collateral support security for lenders making loans to Indian-owned small businesses that lack sufficient collateral or equity but meet all other requirements for securing larger commercial business loans.¹¹

The ICED program's impact between 2016-2018 has been substantial and includes:

- Supporting **177** businesses with grant funds, directly, and through the NABA organizations;
- Providing **2,591** clients with assistance and training;
- Helping to create or retain **414** tribal jobs;¹²
- Awarding **77** Indian Equity Fund grants to small business entrepreneurs.¹³

Indian Country Economic Development Needs a Long-Term Commitment

Ultimately, the ICED program increases employment opportunities, helps increase the availability of products and services on reservations, and increases the commercial transactions within local communities, all of which keeps local dollars circulating in local economies. Whether they are tribally-owned or individually-owned, reservation-based businesses significantly contribute to a healthy local and statewide economy and deserve continued support.

Further, the Legislature should consider moving ICED program funding from a one-time-only appropriation into the base budget for the following reasons:

- Based budget funding provides the continuity of support needed to conduct sustainable economic development. Economic development works best when nourished over time; and
- Two-year funding time spans equate to short-term economic development projects. Moving ICED to base funding will lead to bigger outcomes over time by allowing Indian Country to plan for long-term economic projects.

¹ "Indian Country Economic Development (ICED) Program." Montana Department of Commerce. <http://marketmt.com/Portals/129/shared/ICP/docs/20182019ICEDGuidelines.pdf>.

² "Impact: Partnerships that Work." Montana Economic Developers Association. 2017. <http://www.medamembers.org/resources/business-resources/resource-library/p/item/4059/impact-brochure-final-for-2017-legis-session>.

³ "Partners in Building a Stronger Montana: 2016 State-Tribal Relations Report." Office of the Governor, State of Montana. https://tribalnations.mt.gov/Portals/34/TribalAffairs_AR_2016bWEB.pdf.

⁴ "Partners in Building a Stronger Montana: 2017 State-Tribal Relations Report." Office of the Governor, State of Montana. <https://tribalnations.mt.gov/Portals/34/2017Report-Webposting.pdf>.

⁵ "Native American Business Advisors (NABA)." Montana Office of Tourism and Business Development. <http://marketmt.com/ICP/ICED/NABA>.

⁶ "Indian Equity Fund (IEF) Small Business Grant." Montana Office of Tourism and Business Development. <http://marketmt.com/ICP/IEF>.

⁷ "Partners in Building a Stronger Montana: 2017 State-Tribal Relations Report." Office of the Governor, State of Montana. <https://tribalnations.mt.gov/Portals/34/2017Report-Webposting.pdf>.

⁸ “Partners in Building a Stronger Montana: 2016 State-Tribal Relations Report.” Office of the Governor, State of Montana. https://tribalnations.mt.gov/Portals/34/TribalAffairs_AR_2016bWEB.pdf.

⁹ Murdo, Pat. “Unemployment: Barriers in High-Poverty Areas Examined Under SJR 20.” Economic Affairs Interim Committee. September 2018. <https://leg.mt.gov/content/Committees/Interim/2017-2018/Economic-Affairs/Meetings/Sept-2018/SJR20-final-report-draft8-18-18.pdf>.

¹⁰ “Partners in Building a Stronger Montana: 2017 State-Tribal Relations Report.” Office of the Governor, State of Montana. <https://tribalnations.mt.gov/Portals/34/2017Report-Webposting.pdf>.

¹¹ “Native American Collateral Support Program.” Montana Office of Tourism and Business Development. <http://marketmt.com/nacs>.

¹² Sobrepeña, Heather. Montana Department of Commerce. “RE: ICED Data.” Message to Preston Parish, Montana Budget and Policy Center. October 19, 2018. E-mail. On file with author.

¹³ Murdo, Pat. “Unemployment: Barriers in High-Poverty Areas Examined Under SJR 20.” Economic Affairs Interim Committee. September 2018. <https://leg.mt.gov/content/Committees/Interim/2017-2018/Economic-Affairs/Meetings/Sept-2018/SJR20-final-report-draft8-18-18.pdf>.