



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

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Since its inception in 2005, the Indian Country Economic Development (ICED) program has made a significant contribution toward 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 the Montana Legislature must reapprove it every two years. This makes it difficult for funding recipients from Indian Country to formulate long-term economic development strategies and projects.

The novel coronavirus pandemic further makes the case for ongoing state investments. According to a September 2020 survey conducted by the Center for Indian Country Development at the Federal Reserve Bank of Minneapolis, 75 percent of participating tribal governments have reduced economic development services during the pandemic to prioritize other services.<sup>1</sup> According to an April 2020 survey of private-sector tribal businesses in a four-state region that includes Montana, 38 percent had closed by that point, with the outlook worsening with time.<sup>2</sup> After 15 years of one-time-only funding, now is the time for the Legislature to commit to the ICED program as a long-term economic development opportunity and to fund it 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 2019, the Legislature approved \$1.75 million in funding for the program for the biennium.<sup>3</sup> ICED provides tribal governments, organizations, and citizens with funding and technical assistance to carry out economic development activities.

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 citizens. These grants are especially helpful in assisting tribal governments in furthering their economic development plans in ways that reflect local priorities, resources, and cultures.<sup>4</sup> Each government is eligible to receive up to \$30,000 per year.<sup>5</sup>

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 tribal nation in Montana to provide business counseling and technical assistance to American Indian entrepreneurs and businesses in tribal communities.<sup>6</sup> This includes start-up assistance, marketing training, guidance for using 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**.<sup>7</sup>

IEF grants can be up to \$14,000 and assist individuals with costs associated with start-up and expansion efforts.<sup>8</sup> In 2020, 25 Indian-owned small businesses received IEF grants, supporting 62 jobs.<sup>9</sup> Based on a recent analysis of the program for years 2007 to 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 capital equipment and renovations.<sup>10</sup>

According to a 2018 report, 84 percent of IEF grant recipients remain in operation after five years,<sup>11</sup> whereas just 20 percent of small businesses nationally succeed.<sup>12</sup> This demonstrates that investments into reservation-based businesses help bring much-needed products and services into underserved markets.

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.<sup>13</sup>



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## 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.

The Legislature should move ICED from a one-time-only appropriation into the base budget because:

- 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 for long-term economic projects in Indian Country.

<sup>1</sup> Moreno, E. and Sobrepena, H., "[Tribal entities remain resilient as COVID-19 batters their finances](#)," Federal Reserve Bank of Minneapolis, Center for Indian Country Development, Nov. 10, 2020.

<sup>2</sup> Mountain | Plains Regional Native CDFI Coalition, "[The State of the Region: COVID-19 Initial Impacts on Native Businesses, Economies & Native CDFIs](#)," Apr. 24, 2020.

<sup>3</sup> Legislative Fiscal Division, "[2021 Biennium Fiscal Report, Section A](#)."

<sup>4</sup> Governor's Office of Indian Affairs, "[Partners in Building a Stronger Montana: 2016 State-Tribal Relations Report](#)."

<sup>5</sup> Department of Commerce, Office of Tourism and Business Development, "[Tribal Business Planning Grant](#)."

<sup>6</sup> Governor's Office of Indian Affairs, "[Partners in Building a Stronger Montana: 2017 State-Tribal Relations Report](#)."

<sup>7</sup> Department of Commerce, Office of Tourism and Business Development, "[Native American Business Advisors \(NABA\)](#)."

<sup>8</sup> Department of Commerce, Office of Tourism and Business Development, "[Indian Equity Fund \(IEF\) Small Business Grant](#)."

<sup>9</sup> Department of Commerce, "Updated ICED Report," MBPC information request, received on Dec. 4, 2020, on file with author.

<sup>10</sup> Governor's Office of Indian Affairs, "[Partners in Building a Stronger Montana: 2016 State-Tribal Relations Report](#)."

<sup>11</sup> Murdo, P., "[Unemployment: Barriers in High-Poverty Areas Examined Under SJR 20](#)," Economic Affairs Interim Committee, Sept. 2018.

<sup>12</sup> Governor's Office of Indian Affairs, "[Partners in Building a Stronger Montana: 2017 State-Tribal Relations Report](#)."

<sup>13</sup> Department of Commerce, Office of Tourism and Business Development, "[Business Financing Available in Indian Country](#)."