



August 2022

# TRIBAL ECONOMIC DEVELOPMENT

## Action Is Needed to Better Understand the Extent of Federal Support

# GAO Highlights

Highlights of [GAO-22-105215](#), a report to congressional committees

## Why GAO Did This Study

Historically, tribal communities have experienced higher rates of unemployment and poverty than nontribal communities. Tribal economic development may help address these challenges and also provides benefits to tribes and surrounding areas. The federal government administers programs to facilitate this development.

The Indian Community Economic Enhancement Act of 2020 includes a provision that GAO conduct a study on Indian economic development. This report examines economic development programs available to tribal entities and the extent of fragmentation, overlap, and duplication among these programs; analyzes available data on obligations to tribal entities for these programs; and describes selected tax incentives available to tribes and related data, among other objectives. GAO reviewed program information, analyzed obligations data, and interviewed tribal entities, agency officials, and Native Community Development Financial Institutions.

## What GAO Recommends

GAO is making five recommendations, including that Commerce maintain information on economic development programs available to tribal entities across the federal government and that SBA and USDA establish plans to periodically analyze and report the amount of economic development assistance provided to tribal entities. Commerce, SBA, and USDA agreed with our recommendations.

View [GAO-22-105215](#). For more information, contact William B. Shear at (202) 512-8678 or [shearw@gao.gov](mailto:shearw@gao.gov) or Anna Maria Ortiz at (202) 512-3841 or [ortiza@gao.gov](mailto:ortiza@gao.gov).

August 2022

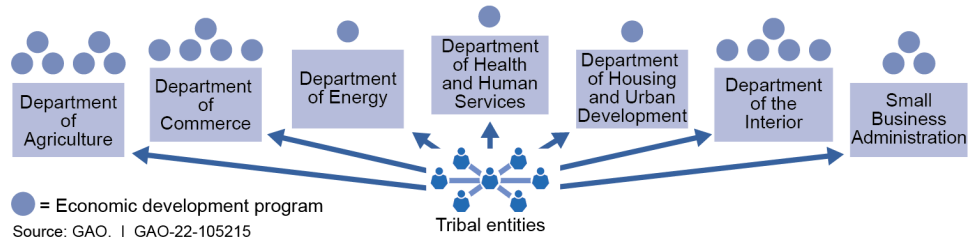
## TRIBAL ECONOMIC DEVELOPMENT

### Action Is Needed to Better Understand the Extent of Federal Support

## What GAO Found

Federal efforts to support economic development among tribal entities (such as tribal governments and businesses) show evidence of fragmentation and some overlap. Programs are fragmented across seven agencies: the U.S. Departments of Agriculture (USDA), Commerce, Energy, Health and Human Services, Housing and Urban Development, and the Interior, and the Small Business Administration (SBA). Tribal organizations GAO spoke with said many tribes have limited capacity to identify and access programs and may not be aware of the federal assistance available. The Secretary of Commerce is required by law to assist tribes and other eligible entities with identifying and taking advantage of business development opportunities; however, the department does not maintain information on federal economic development programs across agencies available to tribal entities. Without information on available programs, tribal entities may not access programs that could provide valuable benefits to tribal communities. GAO did not find evidence of duplication.

**Fragmentation among Economic Development Programs Available to Tribal Entities, Fiscal Year 2021**



GAO identified eight programs that are specifically for tribal entities and provided over \$930 million in grants and loan guarantees in fiscal years 2017–2021. An additional 14 programs have a wider range of eligible recipients, such as small businesses or local governments, as well as tribal entities. The total amount of assistance provided by these 14 programs to tribal entities is unknown because two agencies—SBA’s Office of Capital Access and USDA’s Farm Service Agency—do not analyze data to estimate obligations provided to tribal entities. Estimating and reporting the amount of program obligations provided to tribal communities would allow federal agencies and decision makers, such as Congress, to better understand the reach of these programs and identify areas where tribal entities may need additional support.

GAO identified several tax incentives that can contribute to economic development in tribal communities. However, data to evaluate whether tribal entities use these incentives are limited. In the absence of more specific data, location data can be used to estimate the extent to which some tax incentives have reached tribal communities. For example, using location data for the New Markets Tax Credit, GAO estimated that from 2004 through 2019, tribal communities (defined as individuals and businesses on or near reservations, trust land, or Oklahoma Tribal and Alaska Native Village Statistical Areas) received between \$734 million and \$891 million of investment (1.3 to 1.6 percent of the total dollars invested via the credit).

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## Abbreviations

CDFI	community development financial institution
Commerce	Department of Commerce
Energy	Department of Energy
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
Interior	Department of the Interior
IRC	Internal Revenue Code
IRS	Internal Revenue Service
MBDA	Minority Business Development Agency
NMTC	New Markets Tax Credit
SBA	Small Business Administration
SBIC	Small Business Investment Company
Treasury	Department of the Treasury
USDA	Department of Agriculture

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August 30, 2022

The Honorable Brian Schatz  
Chairman  
The Honorable Lisa Murkowski  
Vice Chairman  
Committee on Indian Affairs  
United States Senate

The Honorable Raúl M. Grijalva  
Chair  
The Honorable Bruce Westerman  
Ranking Member  
Committee on Natural Resources  
House of Representatives

Historically, tribal communities have experienced higher rates of unemployment and poverty than nontribal communities.<sup>1</sup> Tribal economic development—for example, through the creation of businesses and employment in tribal communities—offers an opportunity to address these long-standing challenges. In particular, tribal economic development can provide a vital source of income that tribal governments can use to self-fund various government services. It can also provide broader regional benefits in nontribal communities through the provision of employment opportunities, spending supported by tribal economies, and, where applicable, tax revenue. However, lack of access to capital, limited local infrastructure, and other unique challenges in tribal communities have created barriers.

In January 2021, a presidential memorandum announced that it was a priority of the administration to make commitment to fulfilling federal trust

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<sup>1</sup>See, for example, Miriam Jorgensen and Randall K.Q. Akee, *Access to Capital and Credit in Native Communities: A Data Review* (Tucson, Ariz.: Native Nations Institute, 2017); Valentina Dimitrova-Grajzl et al., “Community Development Financial Institutions and Individuals’ Credit Risk in Indian Country,” *Journal of Economic Issues*, vol. 56, no. 1 (Sept. 2020): 184–208; and Office of the Comptroller of the Currency, *Commercial Lending in Indian Country: Potential Opportunities in a Growing Market* (Washington, D.C.: Feb. 2016). For the purposes of this report, “tribal communities” refers to individuals and businesses located or conducting economic activities on or near reservations, trust land, Oklahoma Tribal Statistical Areas, and Alaska Native Village Statistical Areas, including those that may not be tribal entities.

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and treaty responsibilities to tribal nations a cornerstone of federal Indian policy. The memorandum noted that honoring these commitments is particularly vital now, as the U.S. faces crises related to health, the economy, racial justice, and climate change—all of which it said disproportionately harm Native Americans.<sup>2</sup> Additionally, Members of Congress have recently underscored the importance of supporting the success of tribal and American Indian and Alaska Native–owned businesses because these entities facilitate community development and create jobs.

The Indian Community Economic Enhancement Act of 2020 includes a provision for us to conduct a study on Indian economic development.<sup>3</sup> This report (1) examines economic development programs available to tribal entities and the extent to which fragmentation, overlap, and duplication exist among these programs; (2) analyzes the available data on obligations to tribal entities for these programs; (3) describes the role that community development financial institutions (CDFIs) play in facilitating tribal economic development; and (4) describes selected tax incentives available for tribal economic development and the availability of data on their use. For the purposes of this report, tribal entities include tribal governments, tribally owned nonprofits, tribally owned businesses, and businesses owned by individual tribal members. We excluded Native Hawaiian entities and Alaska Native Corporations from the scope of this report because the provision in the Indian Community Economic Enhancement Act of 2020 for us to conduct a study on Indian economic development did not explicitly include them. We also excluded new programs created by and supplemental appropriations for existing programs in the CARES Act, American Rescue Plan Act of 2021, or other COVID-19 relief laws.<sup>4</sup>

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<sup>2</sup>Presidential Memorandum, *Tribal Consultation and Strengthening Nation-to-Nation Relationships*, 86 Fed. Reg. 7491 (Jan. 29, 2021).

<sup>3</sup>Pub. L. No. 116-261, § 3(d)(2), 134 Stat. 3306, 3308-3310 (codified at 25 U.S.C. § 4306a(c)).

<sup>4</sup>CARES Act, Pub. L. No. 116-136, 134 Stat. 281 (2020); American Rescue Plan Act of 2021, Pub. L. No. 117-2, 135 Stat. 4. In addition to these laws, COVID-19 relief laws consist of four other laws providing comprehensive relief across federal agencies and programs that Treasury uses to report COVID-19 spending. These four laws are; Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, div. M and N, 134 Stat. 1182 (2020); Paycheck Protection Program and Health Care Enhancement Act, Pub. L. No. 116-139, 134 Stat. 620 (2020); Families First Coronavirus Response Act, Pub. L. No. 116-127, 134 Stat. 178 (2020); and the Coronavirus Preparedness and Response

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Under current law, many federal agencies provide assistance to tribal entities for economic development. Our review included such programs, which we refer to as tribal economic development programs, at eight agencies: the Departments of Agriculture (USDA), Commerce, Energy, Health and Human Services (HHS), Housing and Urban Development (HUD), the Interior, and the Treasury and the Small Business Administration (SBA). For more information on how we defined tribal economic development programs at these agencies, see appendix I.

To address our first and second objectives, we reviewed program documentation, relevant statutes and regulations, our prior work, and agency websites to identify programs most relevant to tribal economic development as of fiscal year 2021, including information on program objectives and eligible recipients and activities.<sup>5</sup> We compared this information against our fragmentation, overlap, and duplication framework to identify any potential areas of fragmentation, overlap, and duplication.<sup>6</sup> For agencies within our scope, we identified any tribal-specific offices and reviewed their mission statements. We also analyzed available data on program obligations to eligible tribal entities. We interviewed agency officials to learn more about how agencies collect and analyze these data to determine program access. To determine the reliability of the data, we reviewed information about data systems, including how data were collected, maintained, and corrected if errors were identified. We determined the data were sufficiently reliable for our purposes of reporting on program obligations.

To address our third objective, we analyzed available Treasury data on Native CDFI characteristics. According to Treasury policy, Native CDFIs are defined as private financial institutions with community development as their primary mission that direct at least 50 percent of their activities to tribal communities.<sup>7</sup> We also reviewed literature and interviewed

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Supplemental Appropriations Act, 2020, Pub. L. No. 116-123, 134 Stat. 146. We also excluded obligations made from supplemental appropriations related to emergency and disaster relief, such as the Department of Housing and Urban Development's Imminent Threat grants.

<sup>5</sup>GAO, *Entrepreneurial Assistance: Opportunities Exist to Improve Programs' Collaboration, Data-Tracking, and Performance Management*, GAO-12-819 (Washington, D.C.: Aug. 23, 2012).

<sup>6</sup>GAO, *Fragmentation, Overlap, and Duplication: An Evaluation and Management Guide*, GAO-15-49SP (Washington, D.C.: Apr. 14, 2015).

<sup>7</sup>See <https://www.cdfifund.gov/programs-training/programs/native-initiatives>.



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representatives from a nongeneralizable sample of six Native CDFIs and agency officials to identify the role Native CDFIs play in tribal economic development. To determine the reliability of the data, we reviewed documentation on the systems and processes used to collect and manage the data, interviewed Treasury CDFI Fund officials, and electronically tested the data. We determined Treasury's Native CDFI data were sufficiently reliable for our purposes of reporting on the total number, size, and location of Native CDFIs, as well as program award data.

To address our fourth objective, we identified available data on the use of selected tax incentives by tribal entities and limitations to collecting additional data. We also reviewed literature and Internal Revenue Service (IRS) guidance and interviewed IRS officials and tribal entities about uses and limitations of the selected tax incentives. Appendix I describes our objectives, scope, and methodology in more detail.

For all of the objectives, we interviewed representatives from several tribal organizations, including two tribal economic development corporations, six Native CDFIs, and seven other tribal umbrella organizations. We also interviewed researchers from the University of Arizona Native Nations Institute, the Harvard Project on American Indian Economic Development, and the Federal Reserve Bank of Minneapolis's Center for Indian Country Development, and several economists at various academic institutions who are also affiliated with the Federal Reserve Bank of Minneapolis.

We conducted this performance audit from May 2021 to August 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

### Federally Recognized Tribes

#### American Indian and Alaska Native Population

American Indians and Alaska Natives are individuals who self-identify their race as such. These individuals may or may not be tribal members.

According to 2020 Census estimates, the population of self-identified American Indians and Alaska Natives, including those of more than one race, was 9.7 million (roughly 2.9 percent of the U.S. population). However, this is likely an undercount.

In March 2022, the Census Bureau released a statement regarding estimates of undercounting and overcounting in the 2020 Census, known as coverage error. These results showed statistically significant undercounts for American Indians and Alaska Natives, alone or in combination, as well as for other populations. Further, the estimate of populations of American Indians or Alaska Natives, alone or in combination, living on reservations was the most undercounted of any demographic group.

Source: GAO. | GAO-22-105215

As of July 2022, the federal government recognized 574 Indian tribes as distinct, independent political entities whose inherent sovereignty predates the U.S. but has been limited in certain circumstances by treaty and federal law. Federal recognition of tribes permanently establishes a government-to-government relationship between the tribe and federal government. Tribes can vary greatly in terms of their culture, language, population size, land base, location, and economic status.

Tribal members are individuals who are enrolled in a federally recognized tribe. Criteria for enrollment in a federally recognized tribe are generally determined by each tribe and differ from tribe to tribe.<sup>8</sup> According to the Bureau of Indian Affairs, in 2021 the total number of enrolled members of the 574 federally recognized tribes was approximately 2.5 million.

The U.S. has undertaken a unique trust responsibility to protect and support tribes and their members through treaties, statutes, and historical relations with tribes.<sup>9</sup> This responsibility is founded in part on specific commitments made through written treaties and agreements securing peace, in exchange for which Indians surrendered claims to vast tracts of land.

### Tribal Economic Development

Tribal economic development is the creation of businesses and employment in tribal communities and the creation of businesses and employment by tribes and their members beyond reservation boundaries. Economic development is particularly important for tribal governments, which have many of the same responsibilities as state and local governments. However, unlike state and local governments, tribal governments typically do not have access to traditional tax bases, which means they must overwhelmingly rely on revenues earned through their ownership of businesses as a fundamental source of financial support for the programs and services they provide to their communities.

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<sup>8</sup>Tribes have inherent authority to determine requirements for membership; however, some tribes' enrollment is subject to requirements in federal law or treaty.

<sup>9</sup>Through treaties, statutes, and historical relations with Indian tribes, the United States has undertaken a unique trust responsibility to protect and support Indian tribes and Indians. 25 U.S.C. § 5601(3).

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Many tribes have developed successful economies and businesses across a variety of industries, including gaming, government contracting, hospitality, tourism, agriculture, and energy. Tribes and their members may own businesses that are located within or outside of tribal communities, and these businesses provide benefits to tribal communities as well as to the U.S. as a whole. For example, one study of Oklahoma's economy estimated that tribal activity supported over 113,000 jobs and \$5.4 billion in wages and other benefits for the state.<sup>10</sup>

Nevertheless, economic development in tribal communities has historically faced a number of challenges, including lack of infrastructure (e.g., roads, broadband, and electric and water/wastewater infrastructure) and lenders' and investors' lack of understanding of tribal governments or legal systems.<sup>11</sup> Additionally, the federal government holds about 46 million acres of land in trust for tribes and more than 10 million acres of land in trust for individual Indians, which can present challenges for economic development. For example, federal law generally prohibits lenders from obtaining an interest in tribal trust land if the borrower defaults, which may discourage capital investment.<sup>12</sup> Additionally, most economic development projects, such as energy or natural resource development on trust land, require approval by the Secretary of the

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<sup>10</sup>Kyle D. Dean, *The Economic Impact of Tribal Nations in Oklahoma, Fiscal Year 2019* (Center for Native American and Urban Studies), accessed May 4, 2022, <http://www.oknativeimpact.com>.

<sup>11</sup>For example, see GAO, *Agricultural Lending: Information on Credit and Outreach to Socially Disadvantaged Farmers and Ranchers Is Limited*, GAO-19-539 (Washington, D.C.: July 11, 2019); GAO, *Indian Issues: Agriculture Credit Needs and Barriers to Lending on Tribal Lands*, GAO-19-464 (Washington, D.C.: May 9, 2019); and Miriam Jorgensen, *Access to Capital and Credit in Native Communities* (Tucson, Ariz.: Native Nations Institute, 2016);

<sup>12</sup>Tribes, generally with the approval of the Secretary of the Interior, can lease trust land to other parties, who can then use their leasehold interest as collateral for a loan with the approval of the Secretary of the Interior. When a borrower uses a leasehold interest as collateral, upon default, the lender has the right to exercise control over the land for the remaining term of the lease. However, lenders may be less comfortable with this form of collateral, which may discourage investment on tribal trust lands. Unlike tribal trust lands, individual Indian trust lands can be used as collateral for a loan with permission of the Secretary of the Interior. However, as we previously reported, many tracts of individual trust lands are allotments with fractionated ownership, which can present a barrier to obtaining credit because the consent of owners with a majority interest in the land is required for agricultural leases, leasehold mortgages, and mortgages.

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Interior, which can delay the projects and make them less attractive to investors, or even cause investors to pull out of projects.

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## Federal Consultation and Coordination with Tribes

To strengthen the government-to-government relationship between the U.S. and tribes, among other things, Executive Order 13175 calls for federal agencies to have an accountable process to ensure meaningful and timely input by tribal officials in the development of regulatory policies that have tribal implications.<sup>13</sup> To implement Executive Order 13175, many agencies have developed agency-specific policies and procedures for tribal consultation.

More generally, the federal government coordinates its work and outreach to tribes and their members in a number of ways. For example, in addition to administering programs that provide economic development funding and other assistance to tribes, many agencies have an office focused specifically on tribal issues. For example, USDA has an Office of Tribal Relations, and SBA has an Office of Native American Affairs.

By law, Commerce has a specific role in Native American economic development. The Native American Business Development, Trade Promotion, and Tourism Act of 2000 established an Office of Native American Business Development within Commerce.<sup>14</sup> The director of this office is responsible for, among other things, ensuring the coordination of federal programs that provide assistance, including financial and technical assistance, to eligible entities for increased business, the expansion of trade, and economic development on Indian lands.<sup>15</sup>

Additionally, the White House Council on Native American Affairs was established in 2013 to improve coordination of federal programs and the

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<sup>13</sup>65 Fed. Reg. 67249, 67250 (Nov. 9, 2000). Executive Order 13175 defines “policies that have tribal implications” as “regulations, legislative comments or proposed legislation, and other policy statements or actions that have substantial direct effects on one or more Indian tribes, on the relationship between the Federal Government and Indian tribes, or on the distribution of power and responsibilities between the Federal Government and Indian tribes.”

<sup>14</sup>Pub. L. No. 106-464, § 4(a)(1), 114 Stat. 2012, 2015 (codified as amended at 25 U.S.C. § 4303(a)(1)).

<sup>15</sup>25 U.S.C. § 4303(b)(1). Eligible entities include Indian tribes, tribal organizations, commercial activities or businesses managed or controlled by Indian tribes, and Indian-owned businesses.

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use of resources available to tribal communities.<sup>16</sup> It also organizes the annual White House Tribal Leaders Summit to provide an opportunity for the leaders from all federally recognized tribes to interact directly with the executive branch leadership. After its establishment in 2013, the council was dormant from 2017 to 2020. In April 2021, it began holding meetings again. The council is supported by six committees, including the Committee on Economic Development, Energy, and Infrastructure, led by representatives from Commerce, Energy, SBA, the Department of Transportation, and the White House Office of Intergovernmental Affairs. This committee focuses on promoting strong tribal economies and businesses, green and renewable energy development, and robust infrastructure for tribes.

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## Community Development Financial Institutions

CDFIs are private financial institutions with community development as a primary mission, including economic development. CDFIs provide financial products and development services to individuals and businesses, typically in low-income communities. CDFIs can be regulated institutions, such as banks or credit unions, and nonregulated institutions, such as loan or venture capital funds.

Treasury's CDFI Fund is the program office responsible for certifying CDFIs as organizations that provide financial services in low-income communities and to people who lack access to financing. Certification enables CDFIs to access support from the CDFI Fund, including financial assistance and trainings.<sup>17</sup> To become certified, CDFIs must apply through the CDFI Fund and have a primary mission of promoting community development; serving one or more investment areas and/or targeted populations; and providing financial products and/or financial services, among other things. As previously noted, Native CDFIs are a subset of CDFIs that direct at least 50 percent of their activities to tribal communities, according to Treasury's CDFI Fund.

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<sup>16</sup>Executive Order 13647, *Establishing the White House Council on Native American Affairs*, 78 Fed. Reg. 39539 (July 1, 2013). For more information about the council, see <https://www.bia.gov/whcnaa>.

<sup>17</sup>Technical assistance from the CDFI Fund is also available to noncertified financial institutions. As a condition of this assistance, a performance goal is set for the awardee to become a certified CDFI within a defined time frame.

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## Tribes, Federal Income Taxation, and Federal Tax Incentives

Tribal governments are sovereign governments that are not subject to federal income taxes.<sup>18</sup> However, tribally owned corporations, depending on how they are chartered, may be subject to federal income taxes (see sidebar). The tax status of tribal governments and tribally owned businesses can affect the extent to which they benefit from tax incentives.

### Tribal Businesses and Federal Income Tax

Tribally owned corporations can be chartered under federal, state, or tribal law, which affects whether they are required to pay federal income taxes.

- Federally chartered tribally owned corporations do not pay federal income taxes.
- State chartered tribally owned corporations do pay federal income taxes.
- Tribally chartered tribally owned corporations may or may not be subject to federal income taxes in certain circumstances. As of July 2022, the Internal Revenue Service had not issued guidance regarding the status of tribally owned corporations chartered under tribal law.

In addition to businesses owned by tribes, individuals who are enrolled members of tribes may also own businesses. These individually owned businesses would generally be required to pay federal income taxes.

Source: GAO. | GAO-22-105215

Tax incentives—benefits provided through the tax code to encourage a particular activity—can support tribal economic development in two key ways. First, tax incentives can provide economic benefits to eligible tribal businesses and individuals who pay federal income taxes by reducing the taxes those filers owe. Second, tax incentives can benefit tribal communities by encouraging investment (e.g., an energy project or business) by both tribal and nontribal investors in return for reduced tax liability.

Tax incentives take different forms, including the following:

- **Tax credits** reduce the taxes owed by qualifying taxpayers. Taxpayers may qualify for tax credits, for instance, by investing in projects or businesses that develop particular economies or encourage a particular activity. For example, investors in low-income communities or energy projects could receive tax credits intended to incentivize those activities.
- **Tax exemptions** exclude portions of income from taxation. For example, tax-exempt bonds enable tribal governments to raise capital by issuing bonds, which investors then purchase.<sup>19</sup> Interest income from the bonds is then tax exempt. Additionally, geography-based

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<sup>18</sup>Federally recognized tribes are not subject to federal income taxes; however, they are subject to other federal taxes, such as employment tax and excise tax, where applicable.

<sup>19</sup>Bonds are issued by government entities as a way to finance projects. Bonds are purchased by investors, effectively lending money to the government entity in return for regular interest payments and eventual repayment of the original bond amount. Some tax-exempt bonds, such as Tribal Economic Development Bonds, involve restrictions that general tax-exempt bonds do not. We discuss Tribal Economic Development Bonds in greater detail later in this report.

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incentives may attract capital investment to low-income communities while providing tax exemptions for investors.<sup>20</sup>

- **Accelerated depreciation** enables taxpayers to reduce their current tax bill by claiming a deduction for a larger share of an asset's depreciation earlier in that asset's life.<sup>21</sup> For example, a delivery business with depreciable property such as a delivery van could claim accelerated depreciation on the van. This lower early tax bill is especially helpful for new businesses that may have short-term cash flow challenges as they begin operations.

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## Our Work on Tribal Issues

We regularly review federal agencies and their programs to help identify ways to improve their efficiency and effectiveness in serving tribes and their members. To this end, we have an extensive body of work on tribal issues, including issues critical to economic development such as agriculture, broadband and energy infrastructure. A list of related products is included at the end of this report.

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## Tribal Economic Development Assistance Is Fragmented, and No Agency Maintains a Repository of Available Resources

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<sup>20</sup>For example, through the Qualified Opportunity Zones tax incentive, investors who invest in Qualified Opportunity Funds can receive certain tax benefits. Specifically, depending on how long the investments in Qualified Opportunity Funds are held, increasing proportions of capital gains invested in the Qualified Opportunity Fund can be deferred in any given year. If the investment in the Qualified Opportunity Fund is held for at least 10 years, appreciation of the investment in the fund is eligible for exemption from federal taxes when the property is sold.

<sup>21</sup>Accelerated depreciation does not increase the overall amount of depreciation that can be deducted for a given asset, but rather allows the deductions to be taken in earlier tax years, and thereby reducing tax liability in those years, than would otherwise be allowed. Reducing tax liability earlier provides a benefit to the taxpayer because of the time value of money—having a lower tax payment today is worth more to the taxpayer than having the lower payment in the future.

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## Fragmentation of Economic Development Programs Can Make It Hard for Tribal Entities to Identify Available Resources

Federal efforts to support economic development for tribal entities are fragmented, which can have both advantages and disadvantages for these entities. Fragmentation occurs when more than one agency is involved in the same broad area of national interest and opportunities exist to improve service delivery.<sup>22</sup> We identified 22 programs that provide economic development assistance to tribal entities in the form of grants, loans, and loan guarantees.<sup>23</sup> These 22 programs are administered by seven agencies: USDA (six programs), Interior (five programs), Commerce (five programs), SBA (three programs), Energy (one program), HHS (one program), and HUD (one program).<sup>24</sup>

Eight of these programs are designed to provide assistance specifically to tribal entities. The remaining 14 programs have a wider range of recipients, such as small business owners or cities. For these programs, tribal entities are among the programs' eligible recipients but are not the sole eligible recipients.<sup>25</sup>

The eight programs available only to tribal entities include both grant and loan guarantee programs (see table 1). Tribal organizations and agency officials told us that conducting business in tribal communities can be particularly complicated relative to nontribal areas—for example, because of the unique legal status of trust land. One representative of a tribal organization in particular explained that programs specifically designed to serve tribal entities are typically administered by program staff who are familiar with the unique needs of tribal entities.

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<sup>22</sup>[GAO-15-49SP](#).

<sup>23</sup>Loan guarantees are loans or other advances of credit made to a borrower by a participating lending institution, where the U.S. government, acting through the particular federal agency involved, guarantees payment of all or part of the principal amount of the loan, and often interest, in the event the borrower defaults.

<sup>24</sup>We also identified additional programs administered by Treasury and HHS for which Native CDFIs were eligible, as discussed later in this report.

<sup>25</sup>In addition to programs for which tribal entities are eligible recipients, tribal entities can benefit from another 15 programs administered by Interior, Commerce, SBA, and USDA. For these 15 programs, financial assistance is provided to a third-party entity, such as a university or nonprofit, which then provides technical or financial assistance to eligible tribal entities. We did not include these programs in our analysis of fragmentation, overlap, and duplication. For a full list of these programs, see app. II.



**Table 1: Identified Economic Development Programs That Provide Assistance Specifically to Tribal Entities, as of Fiscal Year 2021**

Agency	Program name	Type of assistance	Eligible recipients	Program description
Department of Health and Human Services	Social and Economic Development Strategies	Grant	Tribes, nonprofit multipurpose community-based Indian organizations, among others	Funds projects to promote the goal of economic and social self-sufficiency for American Indians, Native Hawaiians, other Native American Pacific Islanders, and Alaska Natives.
Department of Housing and Urban Development	Indian Community Development Block Grant	Grant	Tribes and tribal organizations	Awards grants for use in developing viable Indian and Alaska Native communities.
Department of the Interior	Energy and Mineral Development Program	Grant	Tribes and tribal energy development organizations	Provides financial assistance to conduct resource inventories and assessments, feasibility studies, or other predevelopment studies necessary to process, use, and develop energy and mineral resources on Indian lands.
	Native American Business Development Institute Grant	Grant	Tribes	Provides funds for, among other things, feasibility studies of economic development opportunities.
	Tribal Energy Development Capacity Grant	Grant	Tribes	Awards grants to increase the technical capacity of tribes to manage and regulate their energy resources, including tribally or privately owned energy projects.
	Tribal Tourism Grant	Grant	Tribes and tribal organizations	Provides funding for feasibility studies and tourism business plan development to increase capacity to plan, develop, and manage tourism and related infrastructure.
	Indian Loan Guarantee and Insurance Program	Loan guarantee and insurance	Tribes, Indian individuals, Indian-owned businesses, and tribally owned businesses <sup>a</sup>	Provides loan guarantees and insurance to encourage eligible borrowers to develop viable Indian businesses through conventional lender financing.
Department of Energy	Tribal Energy Loan Guarantee Program	Loan guarantee	Tribes and tribal energy development organizations	Provides guarantees of not more than 90 percent of any loan for energy development.

Source: GAO analysis of statutes, regulations, and agency documents. | GAO-22-105215

Note: New programs created by the CARES Act, American Rescue Plan Act of 2021, or other COVID-19 relief laws are not included in our scope and so are not included in this table.

<sup>a</sup>The regulatory definition of Indian for this program is a person who is a member of an Indian or Alaska Native tribe, band, nation, pueblo, rancheria, village, community, or corporation that the Secretary of the Interior acknowledges to exist as an Indian tribe, and that is eligible for services from the Bureau of Indian Affairs. 25 C.F.R. § 103.44.

The 14 programs for which tribal entities are among eligible recipients include seven grant programs and seven loan and loan guarantee programs. The seven grant programs are administered by Commerce and USDA (see table 2).

**Table 2: Identified Economic Development Grant Programs for Which Tribal Entities Are Among Eligible Recipients, as of Fiscal Year 2021**

Agency	Program	Eligible recipients	Program description
Department of Commerce	Build to Scale	States, tribes, cities, other political subdivisions of a state, and consortia of any of the above, among others	Awards grants to build public and private capacity to invent and improve products and services and bring them to market through technology commercialization.
	Economic Adjustment Assistance	District organizations, tribes or consortia of tribes, political subdivisions of states, consortia of such subdivisions, states, institutions of higher education, consortia of institutions of higher education, and nonprofit organizations working with political subdivisions of states	Awards grants for development of public facilities, public services, business development, technical assistance, planning, and training in regions experiencing adverse economic changes that may occur suddenly or over time.
	Local Technical Assistance Program		Awards grants to strengthen the capacity of local or state organizations, institutions of higher education, and other eligible entities to undertake and promote effective economic development programs through projects such as feasibility studies, impact analyses, disaster resiliency plans, and project planning.
	Planning Program		Awards grants for developing, revising, and implementing a comprehensive economic development strategy and short-term planning activities to create and retain new and better jobs in the nation's most economically distressed regions.
	Public Works		Awards grants to help the nation's most distressed communities revitalize, expand, and upgrade their physical infrastructure to attract new industry, encourage business expansion, diversify local economies, and generate or retain long-term private-sector jobs and investments.
U.S. Department of Agriculture	Rural Business Development Grants	Government entities, tribes, and nonprofit entities	Awards grants for eligible entities to fund business opportunities and enterprise projects that serve rural areas.
	Value Added Producer Grants	Certain individuals or entities that produce agricultural commodities	Awards grants to agricultural producers to develop businesses that produce and market value-added agricultural products and create marketing opportunities for such businesses.

Source: GAO analysis of statutes, regulations, and agency documents. | GAO-22-105215

Note: New programs created by the CARES Act, American Rescue Plan Act of 2021, or other COVID-19 relief laws are not included in our scope and so are not included in this table.

The seven loan and loan guarantee programs are administered by SBA and USDA (see table 3).

**Table 3: Identified Economic Development Loan and Loan Guarantee Programs for Which Tribal Entities Are Among Eligible Recipients and Beneficiaries, as of Fiscal Year 2021**

Agency (administering office)	Program	Loan	Loan guarantee	Eligible recipients <sup>a</sup>	Eligible beneficiaries <sup>b</sup>	Program description
Small Business Administration (SBA)	504 Loan Program		X <sup>c</sup>	Certified development companies, which are certified by SBA to promote and assist the growth and development of small business concerns in their area of operation	Small businesses with a demonstrated need for credit that is not otherwise available on reasonable terms from the private marketplace	Certified development companies make long-term fixed asset loans to small businesses using proceeds from the sale of debentures issued by the CDCs and sold to investors. The debentures are guaranteed by SBA.
	7(a) Loan Program	X <sup>d</sup>	X	Small businesses with a demonstrated need for credit that is not otherwise available on reasonable terms from the private marketplace	n/a	Provides loans to small business and guarantees to lenders that provide financing to, small businesses for general business purposes, including working capital, and funding for start-ups and young businesses. <sup>b</sup>
	Microloan Program <sup>e</sup>	X	X	Certain entities, including agencies of or nonprofit entities established by a Native American tribal government, that make and service microloans to eligible small businesses	Small businesses	Provides loans and loan guarantees to nonprofit intermediary lenders who in turn make short-term loans of up to \$50,000 to eligible small businesses for general business purposes.
U.S. Department of Agriculture	Business and Industry Loan Guarantee		X	For-profit or nonprofit entities, corporations, and cooperatives; tribes; public bodies; and individuals	n/a	Provides guarantees for loans made by approved lenders to eligible borrowers who are engaged in or proposing to engage in a business that will provide employment or improve the economic or environmental climate in rural communities.

Agency (administering office)	Program	Loan	Loan guarantee	Eligible recipients <sup>a</sup>	Eligible beneficiaries <sup>b</sup>	Program description
U.S. Department of Agriculture	Intermediary Relending Program	X		Private nonprofit corporations, public agencies, tribes, and cooperatives	Individuals, public organizations, private organizations and other legal entities	Provides loans to intermediaries to establish a revolving loan fund that makes loans to individuals and other legal entities to promote community development, establish new businesses, establish microloan programs, and create or retain employment opportunities in rural areas.
	Farm Ownership Loans	X	X	Farmers, ranchers, farm cooperatives, and other legal entities that operate family farms	n/a	Provides loans, or guarantees loans made by eligible lenders, to operators of family farms who meet eligibility requirements to fund the purchase, enlargement, improvement, or operating costs of a farm or ranch.
	Farm Operating Loans				n/a	

Legend: X = program provides this form of financial assistance, n/a = not applicable

Source: GAO analysis of statutes, regulations, and agency documents. | GAO-22-105215

Note: New programs created by the CARES Act, American Rescue Plan Act of 2021, or other COVID-19 relief laws are not included in our scope and so are not included in this table.

<sup>a</sup>Eligible recipients are the entities eligible to receive financial assistance directly from the program.

<sup>b</sup>Eligible beneficiaries are the entities eligible to receive financial assistance from the eligible recipients.

<sup>c</sup>SBA guarantees debentures (bonds or other debt instruments) through this program.

<sup>d</sup>While SBA can make direct loans through the 7(a) program, it primarily provides loan guarantees. See 13 C.F.R. § 120.2(a)(1)(i).

<sup>e</sup>The Microloan Loan Program provides loans, loan guarantees, and grants to intermediary lenders. Grants can only be used to provide microloan borrowers with marketing, management, and technical assistance; to provide information and technical assistance to prospective microloan borrowers; and for attendance at training required by SBA.

We identified evidence of overlap in the eligible activities that program funds can support. Overlap occurs when agencies or programs have similar goals, engage in similar activities or strategies to achieve them, or target similar beneficiaries.<sup>26</sup> For example, 13 programs within our scope provide assistance to tribes that can be used for conducting business feasibility studies or developing economic development plans. Figure 1 shows additional areas of overlap in eligible activities. Although we identified instances of overlap, we did not find evidence of duplication

<sup>26</sup>GAO-15-49SP.

among these programs (that is, instances when two or more agencies or programs are engaged in the same activities to provide the same services to the same beneficiaries), based on available data.<sup>27</sup>

**Figure 1: Fragmentation and Overlap among Identified Economic Development Programs Tribal Entities Can Access, Fiscal Year 2021**

Agency Program name		Examples of eligible recipients					Examples of eligible activities										
		Indian tribes	Tribal organizations, consortia, or organizations of Indians	Nonprofit agencies (public or private)	Farmers/ranchers	Small businesses	Tribal Energy Development Organizations	Business supports, such as operating capital, lines of credit, equipment	Feasibility studies and planning	Real estate or building purchase or construction	Supporting entrepreneurship or microbusinesses	Debt refinancing	Changing legal codes to support business	Energy development or management	Tourism		
Commerce	Build to Scale <sup>a</sup>	●	●	●					■		■						
	Economic Adjustment Assistance <sup>a</sup>	●	●	●					■	■	■						■
	Local Technical Assistance Program <sup>a</sup>	●	●	●					■		■						
	Planning Program <sup>a</sup>	●	●	●					■								
	Public Works <sup>a</sup>	●	●	●						■							
Energy	Tribal Energy Loan Guarantee Program	●				●											■
Interior	Energy and Mineral Development Program	●				●			■								■
	Indian Loan Guarantee and Insurance Program	●	●					■		■		■					
	Native American Business Development Institute Grant	●						■									
	Tribal Energy Development Capacity Grant	●										■	■				
	Tribal Tourism Grant	●	●						■								■
HHS	Social and Economic Development Strategies	●	●	●					■		■		■				■
HUD	Indian Community Development Block Grant	●	●					■	■	■	■	■	■	■	■	■	■
SBA	504 Loans <sup>b</sup>				●	●		■		■	■	■	■				■
	7(a) Loans <sup>b</sup>				●	●		■		■	■	■	■				■
	Microloan Program <sup>c</sup>				●	●		■		■	■	■	■				■
USDA	Business and Industry Loan Guarantee	●						■	■	■		■					
	Farm Ownership Loans				●					■		■					
	Farm Operating Loans				●			■				■					
	Intermediary Relending Program <sup>c</sup>			●				■	■	■	■	■					■
	Rural Business Development Grants	●	●					■	■	■	■						
	Value Added Producer Grants <sup>d</sup>				●			■	■								

Commerce = Department of Commerce  
 Energy = Department of Energy  
 Interior = Department of the Interior  
 HHS = Department of Health and Human Services  
 HUD = Department of Housing and Urban Development  
 SBA = Small Business Administration  
 USDA = Department of Agriculture

Source: GAO analysis of statutes and regulations. | GAO-22-105215

<sup>27</sup>GAO-15-49SP.

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<sup>a</sup>Nonprofits are only eligible if their application is supported by a state or a political subdivision of the state.

<sup>b</sup>Federal financial assistance to agricultural enterprises is generally made by USDA, but may be made by SBA under the terms of a memorandum of understanding between SBA and USDA. Farm-related businesses that are not agricultural enterprises are eligible businesses under SBA's business loan programs.

<sup>c</sup>Eligible recipients refers to the program beneficiary and not the recipient of the loan or loan guarantee from SBA or USDA.

<sup>d</sup>Grant recipients must demonstrate that they meet all definition requirements for one of the specified applicant types.

According to a tribal economic development authority and one other tribal organization we spoke to, a positive effect of this fragmentation and overlap is that tribal entities can combine several programs to fund larger projects. Additionally, officials from Interior and SBA noted the great need for these programs. They said that despite the potential overlap, many programs are oversubscribed and tribal entities still lack access to adequate capital.

However, fragmentation and unnecessary overlap also present negative effects, including that tribes might not know what economic development assistance is available through the federal government. Four tribal organizations told us that many tribal entities may have limited capacity to identify and access programs. In particular, organizations told us that tribal entities may be unaware of programs and that funding opportunities may be overlooked. One tribal organization also told us that agency staff—especially those in field offices, who are more likely to work face-to-face with tribal entities—could have a better understanding of the universe of programs available.

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## Commerce's Native American Business Development Office Has Been Inactive Since 2011

As previously mentioned, the Office of Native American Business Development within Commerce was established by statute in 2000. The director of this office has statutory responsibility for, among other things, ensuring the coordination of federal programs that provide assistance, including financial and technical assistance, to eligible entities for increased business, the expansion of trade, and economic development on Indian lands.<sup>28</sup> Commerce opened the office in 2005, 5 years after its establishment by statute, and placed it within Commerce's Minority Business Development Agency. In 2021, Commerce moved the office into

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<sup>28</sup>25 U.S.C. § 4303(b)(1).

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the Office of the Secretary after the Indian Community Economic Enhancement Act of 2020 placed the Office there.<sup>29</sup>

However, according to Commerce officials, the office has not had a director or been operational since 2011. This is due in part to the fact Commerce never created a plan for administering the office, including identifying its organizational structure, total number of staff, or how responsibilities would be assigned. Commerce officials told us they began searching for a new director for the office in 2021, but as of May 2022 had not yet hired someone.

Federal internal control standards state that management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.<sup>30</sup> The standards further state that management can implement this principle by developing an organizational structure with an understanding of the overall responsibilities and assigning these responsibilities to discrete units to enable the organization to operate in an efficient and effective manner, comply with applicable laws and regulations, and reliably report quality information. By establishing an organizational structure and assigning responsibilities for the Office of Native American Business Development, Commerce can better position the office to fulfill its statutory responsibilities.

In addition, we found that neither Commerce nor the other federal agencies we reviewed maintains a list or repository of information on federal economic development programs across agencies available to tribal entities. In May 2022, officials from the White House Council on Native American Affairs told us the council was developing a list of capital access programs (i.e., loan programs) available to tribes. However, council officials said the list would not include all federal financial assistance programs, such as grant programs, at this time and that the council had yet to determine how often the information would be updated. During the course of the agency comments process, Interior officials told us that in July 2022, they posted an initial list of economic development programs available to tribal entities as part of the White House Council on Native American Affairs' effort.

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<sup>29</sup>Pub. L. No. 116-261, § 3(c)(1)(A)(i), 134 Stat. 3306, 3308 (*codified at* 25 U.S.C. § 4303(a)(1)).

<sup>30</sup>[GAO-14-704G](#).

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The Director of Commerce's Office of Native American Business Development also has a statutory responsibility to provide technical assistance and administrative services to eligible entities to assist them with identifying and taking advantage of business development opportunities.<sup>31</sup> As noted earlier, tribal entities can face challenges in identifying all of the federal programs available to them. Because Commerce does not maintain a comprehensive repository of information on federal economic development programs available to tribal entities, it is not well positioned to help these entities identify and access federal resources that could facilitate their business development.

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## Agencies Do Not Report the Amount of Assistance Provided to Tribal Communities for Some Programs

### Programs Specifically Serving Tribal Entities Provided at Least \$930 Million in Fiscal Years 2017–2021

Economic development programs designed specifically for tribal entities provided at least \$930 million in assistance over the past 5 years (see table 4). Because these programs are designed to specifically serve tribal communities, the program offices can easily identify obligations made to support those communities. As previously mentioned, we identified eight economic development programs designed specifically for tribal entities. This includes six grant programs that provided about \$370 million in assistance and one program that provided about \$563 million for loan guarantees and insurance from fiscal years 2017 through 2021.<sup>32</sup> The remaining program, the Tribal Energy Loan Guarantee Program, made no loan guarantees because lenders had not closed any loans as of fiscal year 2021.<sup>33</sup>

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<sup>31</sup>25 U.S.C. § 4303(b)(4)(A)(i).

<sup>32</sup>These totals do not include obligations resulting from supplemental appropriations these programs received in COVID-19 relief bills, such as the CARES Act in 2020 or the American Rescue Plan Act of 2021.

<sup>33</sup>Energy officials told us they are taking steps to improve access to the Tribal Energy Loan Guarantee Program after receiving input from tribes. The steps include streamlining the application to make it easier to understand and increasing staff committed to outreach. Additionally, Energy is identifying staff to work on this program who have experience in banking and energy project development and familiarity working with tribes.



**Table 4: Obligations for Economic Development Programs Designed to Provide Assistance Specifically to Tribal Entities, Fiscal Years 2017–2021**

Dollars in millions

Agency	Program name	Type of assistance	Total obligations <sup>a</sup>
Department of Housing and Urban Development	Indian Community Development Block Grant	Grant	239.2 <sup>b</sup>
Department of Health and Human Services	Social and Economic Development Strategies	Grant	102.6
Department of the Interior	Energy and Mineral Development Program	Grant	18.5
	Tribal Energy Development Capacity Grant	Grant	5.1
	Native American Business Development Institute Grant	Grant	3.2
	Tribal Tourism Grant	Grant	1.5 <sup>c</sup>
<b>Total grants</b>			<b>370.0</b>
Department of the Interior	Indian Loan Guarantee and Insurance Program	Loan guarantee and insurance	563.2 <sup>d</sup>
Department of Energy	Tribal Energy Loan Guarantee Program	Loan guarantee	0 <sup>e</sup>
<b>Total loan guarantees and insurance</b>			<b>563.2</b>

Source: GAO analysis of program data. | GAO-22-105215

Note: Due to rounding, totals and percentages may not reflect the sum or proportion of obligations as presented.

<sup>a</sup>These totals do not include obligations resulting from supplemental appropriations to these programs as a result of COVID-19 or disaster relief.

<sup>b</sup>As of May 2, 2022, the Department of Housing and Urban Development had reviewed and selected winning applications for fiscal year 2021, but had not made obligations. As a result, this total reflects only fiscal years 2017–2020.

<sup>c</sup>The Tribal Tourism Grant Program began in fiscal year 2021.

<sup>d</sup>Obligations for guaranteed and insured loans are the cost as calculated under the Credit Reform Act. The cost is the estimated long-term cost to the government calculated on a net present value basis, excluding administrative costs and any incidental effects on governmental receipts or outlays.

<sup>e</sup>As of April 1, 2022, the Department of Energy's Tribal Energy Loan Guarantee Program had not closed any loans and therefore had no obligations.

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## Agencies Do Not Analyze and Report Data on Assistance to Tribal Entities for Some Programs

The total amount of economic development assistance provided to tribal entities is unknown because agencies do not analyze or report data on assistance provided to tribal entities for some programs. As previously discussed, we identified 14 economic development programs available both to eligible tribal entities and other eligible recipients. Agencies can determine obligations made to tribal entities in two ways. First, agencies can collect information directly on whether an applicant is a tribal entity. Second, agencies can analyze other available information collected at application, such as geographic location, to estimate the amount of obligations provided to tribal entities.

### Sensitivities Related to Agency Collection of Tribal Enrollment Information

Tribes have raised concerns about federal agencies collecting information about tribal enrollment. For example, during the Census Bureau's consultations with tribes about the 2020 Census, some tribal participants said the following:

- Self-reported tribal enrollment data cannot be verified by tribes and may not match tribal rolls.
- Gathering tribal enrollment data infringes on tribal sovereignty, since tribes alone have the right to determine their own enrollment.
- Gathering tribal enrollment data may set a precedent of federal agencies asking to view tribes' proprietary enrollment records.

Instead, tribal participants recommended that tribal enrollment data be collected through individual consultation with tribes that request to have their data published.

Source: Census Bureau | GAO-22-105215

However, several agencies do not collect information on whether an applicant is a tribal entity because this information is not needed to determine program eligibility or for program administration, according to agency officials. In addition, tribes have raised concerns about federal agencies collecting tribal enrollment information (see sidebar). Without this enrollment information, it is difficult to identify which recipients are tribal entities, such as a business owned by an enrolled member of a tribe. As a result, analyzing other available information, such as data on a recipient's geographic location, can help some agencies estimate obligations to tribal entities.

Commerce's Economic Development Administration collects information on applicants' tribal status to determine their program eligibility. Tribes and tribal consortia are among eligible recipients for certain Economic Development Administration programs. Using this information, the Economic Development Administration was able to determine that tribal entities received \$75 million in grants for fiscal years 2017 through 2021 (see table 5).<sup>34</sup>

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<sup>34</sup>These totals do not include awards made from supplemental appropriations, such as those provided by the CARES Act.

**Table 5: Obligations Made to Eligible Tribal Entities for Economic Development Administration Grant Programs, Fiscal Years 2017–2021**

Dollars in millions

<b>Program</b>	<b>Obligations made to eligible tribal entities<sup>a</sup></b>	<b>Total obligations<sup>a</sup></b>
Public Works	36.7 (6.0)	<b>613.6</b>
Planning Program	19.0 (11.2)	<b>169.5</b>
Economic Adjustment Assistance	17.3 (5.1)	<b>339.0</b>
Local Technical Assistance Program	1.3 (32.4)	<b>4.1</b>
Build to Scale	0.8 (0.6)	<b>151.2</b>
<b>Total</b>	<b>75.1 (5.9)</b>	<b>1,277.4</b>

Source: GAO analysis of Economic Development Administration data. | GAO-22-105215

Note: Due to rounding, totals and percentages may not reflect the sum or proportion of obligations as presented.

<sup>a</sup>These totals do not include obligations resulting from supplemental appropriations to these programs as a result of COVID-19 or disaster relief.

The Director of Commerce’s Office of Native American Business Development is statutorily required to serve as the point of contact for tribes, tribal organizations, and Indians regarding the department’s policies and programs and other matters related to economic development and doing business in Indian lands.<sup>35</sup> However, as of April 2022, this office has not reported on these data, and, as noted earlier, Commerce does not have a plan for administering the office or assigning such responsibilities.

<sup>35</sup>25 U.S.C. § 4303(c)(1)(B).

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In the absence of collecting this information directly, an agency may use other data to estimate the amount of obligations made to tribal entities.<sup>36</sup> For example, USDA's Rural Development, which administers four of the 14 programs we identified, recently developed an automated process to analyze existing program data and estimate assistance provided to tribal entities. Rural Development used several analytical techniques for its estimates, including geocoding analysis to determine the geographic location of each recipient or project.<sup>37</sup> Using this analysis, officials identified recipients or projects located within reservation boundaries and then estimated program obligations in those areas. Rural Development estimated it provided more than \$28 million in grants, \$4 million in direct loans, and \$133 million in loan guarantees to tribal entities for fiscal years 2017 through 2021 (see table 6).<sup>38</sup>

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<sup>36</sup>In addition to analyzing data on whether obligations were made to tribal entities, agencies may also use self-reported demographic data about the race of program recipients for analysis. SBA and the Farm Service Agency collect information about the race of borrowers on a voluntary basis. SBA's use of these data is limited, while the Farm Service Agency uses this information to target portions of program assistance to historically underserved farmers and ranchers. While reliable data on race can provide insights into whether programs are reaching individuals who self-identify as American Indian or Alaska Native, these individuals may or may not be tribal members.

<sup>37</sup>Rural Development officials told us that the other analytical approaches they use include comparing recipient names and application information to infer whether they are tribal entities and identifying whether a recipient's obligation was marked in the data as having used funding set aside for tribes.

<sup>38</sup>Because these estimates rely on location data, they may capture some nontribal recipients located in tribal areas (e.g., a nontribal business located on a reservation). Conversely, these estimates may miss tribal entities located outside of tribal areas.

**Table 6: Estimated Obligations Made to Eligible Tribal Entities for Rural Development Programs, Fiscal Years 2017–2021**

Dollars in millions

<b>Program</b>	<b>Type of assistance</b>	<b>Estimated obligations made to eligible tribal entities<sup>a</sup></b>	<b>Total obligations<sup>a</sup></b>
Rural Business Development Grants	Grant	25.1 (12.5)	<b>199.9</b>
Value Added Producer Grants	Grant	3.0 (2.1)	<b>144.6</b>
<b>Total grants</b>		<b>28.1 (8.1)</b>	<b>344.5</b>
Business and Industry Loan Guarantee	Loan Guarantee	133.7 (2.0)	<b>6,564.9</b>
Intermediary Relending Program	Loan	4.3 (5.5)	<b>79.3</b>
<b>Total loans and loan guarantees</b>		<b>138.1 (2.1)</b>	<b>6,644.2</b>

Source: GAO analysis of U.S. Department of Agriculture Rural Development data. | GAO-22-105215

Note: Due to rounding, totals and percentages may not reflect the sum or proportion of obligations as presented.

<sup>a</sup>These totals do not include obligations resulting from supplemental appropriations to these programs as a result of COVID-19 relief.

Rural Development officials told us they continue to refine this analysis and plan to use it to track tribal investments, determine which tribal areas are receiving higher levels of investment, and identify areas that could benefit from additional outreach and support. In addition, Rural Development has previously used these data to produce a public report on investments made in tribal communities.

In contrast, SBA’s Office of Capital Access and USDA’s Farm Service Agency have not performed similar analyses (e.g., using geocoding) to estimate the amount of obligations their programs have made to tribal entities, although these agencies collect data, such as location information, that would allow them to do so. According to officials at both agencies, the program offices do not perform this analysis because this information is not necessary to administer their programs. Officials from both agencies did tell us that for some programs they collect and analyze obligation data by race, including data for individuals who self-identify as American Indian or Alaska Native. However, American Indian and Alaska

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Native individuals may or may not be tribal members so supplementary geographic analyses can provide additional insight into the reach of these programs in tribal communities.<sup>39</sup>

In addition, officials with USDA's Office of Tribal Relations told us they had not analyzed USDA program data to determine obligations made to tribal entities, but instead work with USDA agencies to develop data collection practices. This, however, has not guaranteed that USDA agencies determine program obligations made to tribal entities. SBA has performance metrics in place for underserved communities, but no separate metrics or analysis for tribes and their members, according to officials.

USDA's Office of Tribal Relations has a responsibility to work with tribes, tribal organizations, and tribal members to ensure access to USDA programs and services. Similarly, the mission of SBA's Office of Native American Affairs is to ensure that American Indians, Alaska Natives, and Native Hawaiians have full access to the necessary business development tools available through the agency's various programs.

By analyzing program data, USDA's Office of Tribal Relations and SBA's Office of Native American Affairs could develop an estimate of obligations made to tribal entities. Such an estimate would allow the agencies to better understand the extent to which tribal communities are accessing their programs and identify programs or areas where tribal entities may need additional outreach or support as they pursue economic development opportunities.

In addition, by publicly reporting this information periodically, these offices and Commerce's Office of Native American Business Development would help decision makers, such as Congress, better understand tribal access to federal government economic development assistance and potentially identify opportunities for expanding use of such programs by tribal entities.

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<sup>39</sup>SBA officials told us they are planning to create a tribal lending initiative to increase access to capital for Native American entrepreneurs. They said the initiative will include steps to expand access and outreach for technical assistance for tribal members and steps to educate financial institutions to increase lending to tribal businesses. Officials said they were to begin holding listening sessions to help design this initiative in May 2022.

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## Native CDFIs Help Address Tribal Economic Development Needs but Face Challenges

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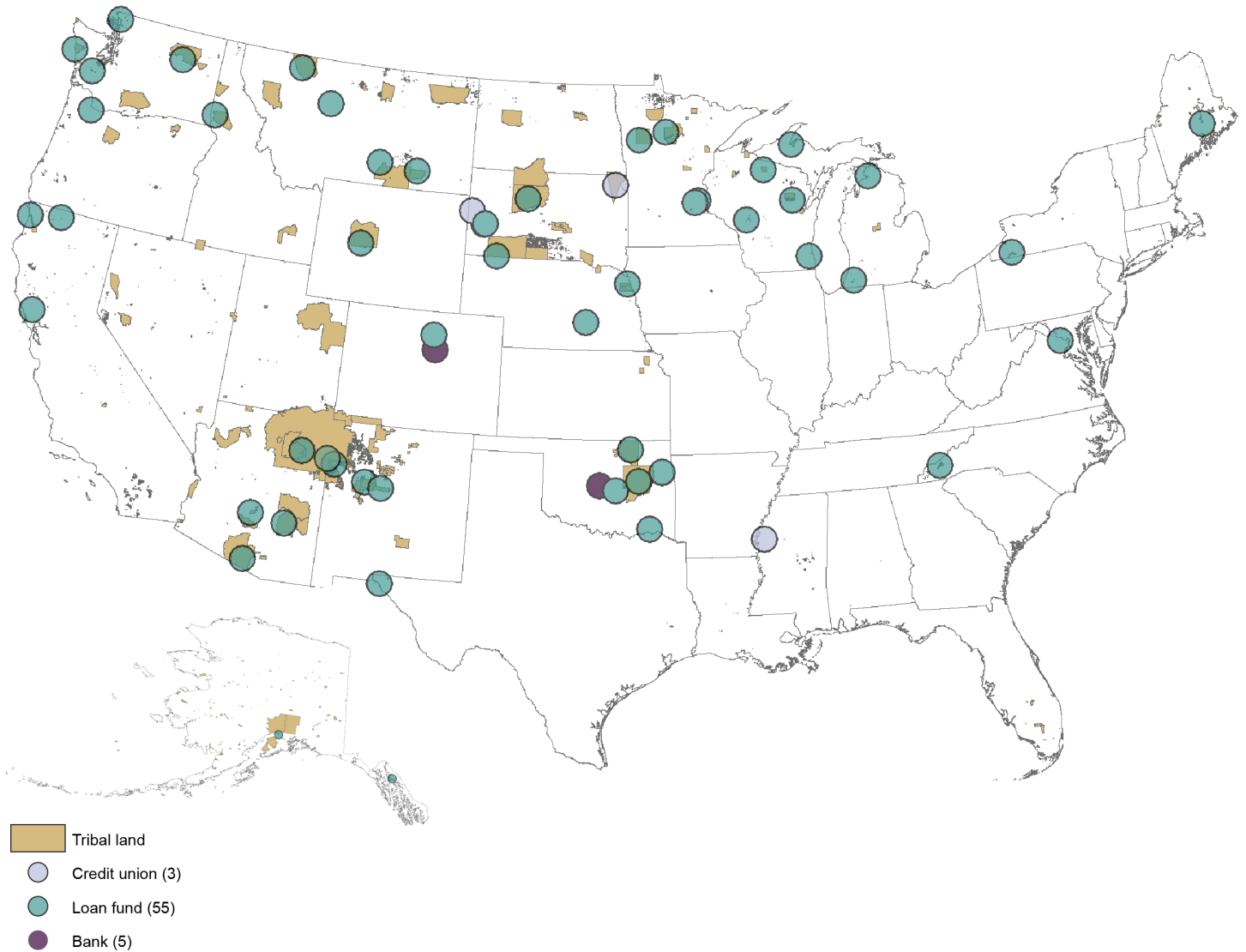
### Native CDFIs Provide Financial Products and Services That Are Focused on the Needs of Tribal Communities

Native CDFIs—whose client base is at least 50 percent Native American—help expand economic opportunity in low-income communities by providing access to financial products and services for local residents and businesses. As of January 2022, 63 certified Native CDFIs operated in the continental U.S. and Alaska (see fig. 2).<sup>40</sup> The majority of Native CDFIs are small nonprofits, with fewer than five full-time employees and assets of about \$5 million.

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<sup>40</sup>There were an additional seven Native CDFIs in Hawaii; however, as previously mentioned, we excluded Native Hawaiian entities from the scope of this report. Additionally, as previously mentioned, Treasury's CDFI Fund is responsible for certifying CDFIs and Native CDFIs, which gives them access to CDFI Fund programs, and for collecting data from them as part of the annual reporting process. Emerging CDFIs are CDFIs that are pursuing certification but are not yet certified. Institutions can also choose not to receive CDFI certification. These institutions do not appear in Treasury CDFI data, because institutions that choose not to be certified do not take part in the annual reporting process.

**Figure 2: Number of Certified Native CDFIs, by Location and Type, as of January 2022**



Source: GAO analysis of the Department of the Treasury's Community Development Financial Institutions (CDFI) Fund data; Census data (tribal land). | GAO-22-105215

Notes: Tribal land includes the following census categories: federally designated American Indian reservations, American Indian trust lands and joint use areas, and Alaska Native Village statistical areas.

This map uses address data from Treasury's CDFI Fund published list of certified CDFIs, which includes mailing addresses. According to Treasury's CDFI Fund, CDFIs may have mailing addresses outside of the areas they serve. For example, CDFI Fund officials noted a Native CDFI whose mailing address is in Virginia, but which serves populations in South Dakota.



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Native CDFIs offer tailored financial products and development services to tribal communities. According to studies and our interviews with representatives from six Native CDFIs, these financial products and development services enhance economic development in tribal communities by providing capital and education to individuals and businesses, especially those with limited experience in the financial system or poor credit.<sup>41</sup> For example, loans or lines of credit can be used by an individual to purchase a vehicle or by a business to purchase equipment and inventory for start-up or expansion. Development services, such as financial education and credit counseling for individuals and technical assistance for businesses, can help clients understand and use financial products or improve their credit. Additionally, Native CDFI banks or credit unions that hold deposits can help tribal governments directly, such as by managing payrolls, processing distribution payments, and receiving intergovernmental funds transfers.

Native CDFIs can fill a critical gap for tribal communities since many are underserved by mainstream financial institutions. Studies have found that tribal communities are among the most unbanked communities in the U.S., and are often physically far from mainstream financial institution branches or ATMs.<sup>42</sup> Tribal communities can also lack access to broadband internet, which limits their ability to connect to online deposit accounts or banking services.<sup>43</sup> Tribal communities may therefore turn to payday lenders that may charge significantly higher interest rates than

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<sup>41</sup>For example, see Jorgensen, *Access to Capital and Credit in Native Communities* (2016); Jorgensen and Akee, *Access to Capital and Credit in Native Communities: A Data Review* (2017); Dimitrova-Grajzl et al., "Community Development Financial Institutions and Individuals' Credit Risk"; Michou Kokodoko, "Findings from the 2017 Native CDFI Survey: Industry Opportunities and Limitations," (CICD Working Papers 2017-04, Federal Reserve Bank of Minneapolis, Nov. 2017); and Office of the Comptroller of the Currency, *Commercial Lending in Indian Country*.

<sup>42</sup>Federal Deposit Insurance Corporation, *How America Banks: Household Use of Banking and Financial Services, 2019 FDIC Survey* (Oct. 2020) and Jorgensen and Akee, *Access to Capital and Credit in Native Communities: A Data Review*, (2017).

<sup>43</sup>GAO, *Broadband: FCC Is Taking Steps to Accurately Map Locations That Lack Access*, [GAO-21-104447](#) (Washington, D.C.: Sept. 28, 2021).

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mainstream financial institutions or CDFIs.<sup>44</sup> Even if a tribal community is served by mainstream financial institutions, the financial products offered may not fit the community's needs. For example, mainstream financial institutions are often unwilling to offer small dollar loan products because they have higher fixed costs as a percentage of the interest income on the loan, such as for application review and servicing, which makes them less profitable than larger loans.

Native CDFIs also fill critical gaps in tribal communities because they tailor their financial products and development services to the needs of the communities they serve. For example, financial institutions can accept leaseholds (as opposed to using land as collateral), collateralized tribal reserve funds or certificates of deposit, or commercial equipment as collateral. Additionally, Native CDFIs incorporate the language, values, and the cultural norms of the tribal communities they serve into their development services. For example, Native CDFIs can use educational approaches and teaching materials with culturally relevant examples in their workshops and as part of their credit counseling.

Additionally, according to Native CDFIs we spoke with and one study we reviewed, Native CDFIs are aware of issues facing tribal communities, such as local industry-specific economic pressures or general community workforce skills, so they can better tailor financial education services to fill those needs.<sup>45</sup> Lastly, according to Native CDFIs we spoke with, the regulatory status of Native CDFI loan funds allows for more flexible loan products than those of mainstream banks or credit unions.<sup>46</sup> Native CDFI

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<sup>44</sup>Payday loans are generally defined as single payment, short-term loans based on a personal check held for future deposit or electronic access to a personal checking account. We have previously reported that payday loans and similar loans have been criticized for their often triple-digit annual percentage rates and the frequency with which cash-constrained borrowers roll over (for a fee) or take out successive loans rather than being able to repay the original principal amount in full when due. GAO, *Community Reinvestment Act: Options for Treasury to Consider to Encourage Services and Small-Dollar Loans When Reviewing Framework*, [GAO-18-244](#) (Washington, D.C.: Feb. 14 2018).

<sup>45</sup>Jorgensen, *Access to Capital and Credit in Native Communities* (2016).

<sup>46</sup>Loan fund CDFIs do not hold deposits, so they are not subject to supervisory examinations and ratings in the way that bank or federally insured credit union CDFIs that hold deposits are. CDFIs that access Treasury's CDFI Fund programs, including loan fund CDFIs, must be certified by the CDFI Fund and annually report financial and operational data, but this certification and reporting does not involve the same type of oversight that depository institutions receive from examiners.

loan funds may offer more beneficial terms, such as longer-term repayment plans, or they may accept applicants with lower credit scores.

### Federal Programs Are an Important Source of Financial and Technical Assistance for Native CDFIs

According to Native CDFIs we spoke with and studies we reviewed, federal programs are an important source of financial and technical assistance for Native CDFIs.<sup>47</sup> According to one study, Treasury’s CDFI Fund operates the most widely used programs that support Native CDFIs. We identified CDFI Fund programs that support CDFIs and Native CDFIs (see table 7).<sup>48</sup>

**Table 7: Treasury’s Programs Available Only to CDFIs and Native CDFIs**

Dollars in millions

Program name	Type of assistance	Program description	Obligations (fiscal years 2017–2021)	
			Native CDFIs	All other CDFIs
CDFI Program	Financial assistance awards and technical assistance grants	Awards financial assistance to community development financial institutions (CDFI) in the form of loans, grants, equity investments, deposits, or credit union shares, as well as technical assistance grants to enhance capacity. All CDFIs, including Native CDFIs, are eligible to apply. <sup>a</sup>	11.5 (1.5) <sup>b</sup>	738.1
Native American CDFI Assistance Program	Financial assistance awards and technical assistance grants	Awards financial assistance to Native CDFIs in the form of loans, grants, equity investments, deposits, or credit union shares, as well as technical assistance grants to enhance capacity. <sup>a</sup>	69.5 (100) <sup>c</sup>	n/a
CDFI Bond Guarantee Program	Bond guarantee	Supports CDFI lending by providing guarantees to bonds issued by CDFIs and other qualified entities for eligible community or economic development purposes.	0 <sup>d</sup>	695

Legend: n/a = not applicable

Source: GAO analysis of statutes, regulations, and Department of the Treasury’s CDFI Fund program information and obligations data. | GAO-22-105215

<sup>a</sup>CDFI Fund also provides supplemental awards on top of the base program’s financial assistance and technical assistance awards, however some supplemental awards (the Healthy Food Financing Initiative-Financial Assistance and Disability Funds-Financial Assistance) are outside the scope of our definition of economic development. See Appendix I for more information.

<sup>b</sup>This program made 14 awards to nine Native CDFIs.

<sup>c</sup>This program made 109 awards to 45 Native CDFIs.

<sup>47</sup>See Kokodoko, “Findings from the 2017 Native CDFI Survey”; Jorgensen and Akee, *Access to Capital and Credit in Native Communities: A Data Review*, (2017); and Jorgensen, *Access to Capital and Credit in Native Communities* (2016).

<sup>48</sup>Treasury operates additional programs for which CDFIs are eligible but for which financial institutions and other entities are also eligible recipients. See app. III.

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<sup>d</sup>This program provided one bond guarantee to one Native CDFI in 2015.

Treasury's Native American CDFI Assistance Program was the most commonly used federal program according to a 2017 survey of Native CDFIs by the Federal Reserve Bank of Minneapolis, and from 2017 through 2021, Treasury obligated roughly \$69.5 million to Native CDFIs.<sup>49</sup> Native CDFIs are eligible to obtain financial and technical assistance awards through the general CDFI Program, but they are not eligible to receive assistance from both the Native American CDFI Assistance and CDFI programs in a single funding round. According to Treasury policy, Native CDFIs that apply for and are selected to receive financial assistance awards from both programs are given CDFI Program financial assistance awards.<sup>50</sup> Additionally, a survey by the Federal Reserve Bank of Minneapolis found that Native CDFIs use grant and loan programs from USDA and SBA as well.<sup>51</sup>

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## Challenges Native CDFIs Face Include Limited Capital and Staff

Tribal stakeholders we spoke to, including Native CDFIs, and academics identified a number of challenges faced by Native CDFIs:

- **Lack of access to capital for lending and operations.** Because tribal communities have substantially lower levels of capital investment than nontribal communities, Native CDFIs often have limited capital available for lending or operations (such as staff salaries or technology investments). Additionally, some Native CDFIs may hesitate to raise capital by charging fees or higher interest rates, because doing so would run counter to their mission of community development. One Native CDFI also said its loans' unique terms, while tailored to borrowers, prevent the loans from being sold on secondary markets. This can limit the institution's potential revenue and also limit its ability to make more loans.<sup>52</sup>

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<sup>49</sup>Kokodoko, "Findings from the 2017 Native CDFI Survey." Out of 37 respondents to the survey, 22 ranked the CDFI Fund as the top source of operational funds.

<sup>50</sup>In contrast, Native CDFIs that apply for and are selected to receive technical assistance grants from both programs are given Native American CDFI Assistance Program technical assistance grants.

<sup>51</sup>Kokodoko, "Findings from the 2017 Native CDFI Survey."

<sup>52</sup>Specifically, these unique financial products may not conform to federal or secondary market purchaser standards, which means that lenders cannot resell those loans on a secondary market. For example, home loans can have more favorable repayment terms or accept applicants with lower credit scores than permitted by the Federal Housing Finance Agency, Fannie Mae, and Freddie Mac. These nonconforming loans cannot be sold in secondary markets that only accept conforming loans.

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- **Limited staff capacity and technical expertise.** Native CDFIs may not have enough staff to process loans, carry out development services, or apply for grant funding. According to one Native CDFI, the work that CDFIs do is so unique that it can be hard to find people with the right skill set.
  - **Lack of awareness.** Private investors may not be aware of the role Native CDFIs can play in economic development or opportunities for investment. Additionally, tribal governments or members of the community may not be aware of the products and services their local CDFI may offer, limiting a Native CDFI's reach into its tribal community.

Tribal stakeholders, Native CDFIs, and studies also identified ways some of these challenges can be mitigated.<sup>53</sup> For example, additional direct support, including technical assistance, grants, loans, equity investments, and financial awards can come from Treasury or other federal agencies, state governments, local governments, tribal governments, private investors, charitable giving, and other CDFIs.<sup>54</sup> Partnerships between Native CDFIs can address the lack of staff or technical capacity. These partnerships can include collaboration on business deals or resource pooling that combines institutions' capacity and skills, or they can involve general information-sharing networks.<sup>55</sup> Native CDFIs can address the lack of awareness through outreach and by publicizing the community's use of their financial products and services.

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<sup>53</sup>See Jorgensen and Akee, *Access to Capital and Credit in Native Communities: A Data Review* (2017); Kokodoko, "Findings from the 2017 Native CDFI Survey"; and Opportunity Finance Network, *CDFI Collaborations: Keys to Success*, (Washington, D.C.: 2015).

<sup>54</sup>Treasury's CDFI Fund collects information on CDFI income sources, including grants and different types of income from operations, as part of the annual reporting required of CDFIs. However, the data do not differentiate between grant sources, such as federal, state, local, and tribal governments and private institutions. As a result, we were not able to analyze the amount of direct financial support from different sources, such as tribal governments.

<sup>55</sup>For example, one Native CDFI told us that it partners with a smaller Native CDFI that finds it challenging to complete the loans it originates. The smaller Native CDFI originates loan clients (e.g., advertises loan products, reviews loan applications, and approves loans), and the larger Native CDFI with more capacity closes the loans (e.g., completes all loan documentation, coordinates signatures and funds transfers among various parties).

# Tax Incentives Can Support Economic Development, but Data on Their Use in Tribal Communities Are Limited

## Tax Incentives Are Available to Support Economic Development in Tribal Communities

We identified several tax incentives that can contribute to economic development in tribal communities (see table 8).

**Table 8: Selected Tax Incentives That Can Support Tribal Economic Development**

Tax incentive (date created)	Internal Revenue Code (IRC) citation	Description
<b>Tax credits</b>		
Investment Tax Credit for Energy (1978)	IRC § 48	Tax credit for investment in certain energy properties, such as wind and solar projects.
Low Income Housing Tax Credit (1986)	IRC § 42	Tax credit for developers for the rehabilitation or construction of low-income residential rental housing.
Production Tax Credit (1992)	IRC § 45	Tax credit for electricity produced from certain renewable resources, such as wind resources.
New Markets Tax Credit (2000)	IRC § 45D	Tax credit to incentivize private capital investment in low-income areas via investments in qualified Community Development Entities. Jointly administered by the Internal Revenue Service (IRS), which creates regulations and ensures compliance, and by the Department of the Treasury's Community Development Financial Institutions Fund, which oversees the competitive allocation process.
<b>Tax exemptions</b>		
Tribal Economic Development Bonds (2009)	IRC § 7871(f)	Provides tribal governments with authority to issue tax-exempt bonds, up to an amount allocated by IRS, to finance economic development projects.
<b>Other tax benefits</b>		
Indian Reservation Depreciation (1993)	IRC § 168(j)(4)	Provides accelerated depreciation for certain Indian reservation property, which is, among other things, property used by the taxpayer predominantly in trade or business within an Indian reservation. The accelerated depreciation allows the taxpayer to take depreciation deductions earlier in a qualifying property's useful life. <sup>a</sup>
Opportunity Zones (2017)	IRC §§ 1400Z-1, 1400Z-2	Provides tax benefits on certain capital gains to incentivize private capital investment in Opportunity Zones. <sup>b</sup>

Source: GAO analysis of IRS laws, regulations, guidance, and tax forms. | GAO-22-105215

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<sup>a</sup>As of July 2022, taxpayers cannot use this accelerated depreciation for Indian reservation property placed into service after December 31, 2021.

<sup>b</sup>Opportunity Zones are designated low-income census tracts, and some census tracts adjacent to low-income tracts, where certain qualified investments are eligible for federal tax benefits.

Tribal organizations, economic development officials, Native CDFIs we interviewed, and studies we reviewed had the following observations on the usefulness of tax incentives for tribal economic development:<sup>56</sup>

**Some tax incentives require complex intermediary partnerships.**

Certain tax incentives involve intermediaries—entities that are responsible for allocating a tax credit or organizing tax-exempt investment vehicles that receive capital from an investor in return for tax benefits. For example, Community Development Entities act as intermediaries for the New Markets Tax Credit, and Opportunity Funds act as intermediaries for investments in Opportunity Zones.<sup>57</sup> We previously reported on the complexity of New Markets Tax Credit investments.<sup>58</sup> Tribal organizations and an academic told us that these tax incentives with intermediary partnerships could be confusing, limiting their use. Additionally, one tribal economic development corporation said investors tend to opt for the simplest investments. The complexities of intermediary partnerships, in addition to the unique features of tribal communities, such as legal requirements for projects on trust land, can limit investor interest.

**Tribal projects may be less attractive to investors when tax incentives cannot be applied.** Projects carried out by tribal entities that are ineligible for federal tax incentives because they do not pay federal

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<sup>56</sup>Michael Zimmerman and Tony Reames, *Where the Wind Blows: Exploring Barriers and Opportunities to Renewable Energy Development on United States Tribal Lands*, (Ann Arbor, Mich.: 2021); Kenneth Whaley, *Low Income Housing Tax Credits and Affordable Rentals in Indian Country*, (Minneapolis, Minn.: Center for Indian Country Development, 2019); Freddie Mac, *Spotlight on Underserved Markets: LIHTC in Indian Areas*, (Washington, D.C.: 2018); and Office of the Comptroller of the Currency, *Commercial Lending in Indian Country*.

<sup>57</sup>Community Development Entities are domestic corporations or partnerships with the primary mission of serving or providing investment capital for low-income communities or people; that maintain accountability to residents of low-income communities through their representation on any governing or advisory board of the entity; and that are certified by the Secretary of the Treasury. 26 U.S.C. § 45D(c)(1). Community Development Entities are similar to CDFIs, and CDFIs can be certified as Community Development Entities in addition to their CDFI certification.

<sup>58</sup>GAO, *New Markets Tax Credit: Better Controls and Data Are Needed to Ensure Effectiveness*, [GAO-14-500](#) (Washington, D.C.: July 10, 2014).

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income taxes may be less financially attractive to investors, and may disincentivize capital investment in tribal communities. For example, according to one study, the Production Tax Credit is proportionally allocated based on how much a developer invests in a project.<sup>59</sup> The study noted that a project with two nontribal developers can have the credit applied to the full amount of investment, whereas a project where a developer partners with a tribal entity can only apply the credit to a portion of the total project investment cost. According to the study, this leaves tribal projects at a competitive disadvantage and makes them potentially less attractive to investors. Similarly, we previously reported that without access to energy tax credits, tribal energy development projects cannot easily compete with nontribal projects that do receive tax credits.<sup>60</sup>

**Some tax credits do not have set-asides for development in tribal communities.** Some tax credits, such as the New Markets Tax Credit and Low Income Housing Tax Credit, do not have federal set-asides for tribes. This means that, in practice, there are no credits held or reserved for tribal communities. According to a tribal economic development official and two Native CDFIs we spoke with, without a set-aside to encourage investment in tribal communities, investors who lack experience with or an understanding of doing business in tribal communities may opt for simpler, nontribal investments.

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## Tax Incentive Data Are Limited, Making It Difficult to Understand the Extent of Their Use in Tribal Communities

IRS does not collect data on the tribal enrollment status of individual filers, including business owners or project investors. As a result, it is not possible to determine the extent to which tribal entities, such as tribal member-owned businesses subject to federal income tax, use tax incentives.<sup>61</sup> As previously discussed, tribal officials have expressed concern about federal agencies collecting tribal enrollment information. Additionally, according to IRS officials, analysis of tax incentive use or outcomes is not part of IRS's mission of tax code enforcement. In addition, officials said IRS cannot treat tax filers differently from one

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<sup>59</sup>Zimmerman and Reames, *Where the Wind Blows*.

<sup>60</sup>GAO, *Indian Energy Development: Poor Management by BIA Has Hindered Energy Development on Indian Lands*, [GAO-15-502](#) (Washington, D.C.: June 8, 2015).

<sup>61</sup>We previously reported that IRS also does not collect data on the race or ethnicity of individual filers, business owners, or project investors. Therefore, it is not possible to determine the extent to which tax incentives are claimed by businesses owned by individuals who identify as American Indian and Alaska Native using taxpayer data alone. See GAO, *Tax Equity: Lack of Data Limits Ability to Analyze Effects of Tax Policies on Households by Demographic Characteristics*, [GAO-22-104553](#) (Washington, D.C.: May 18, 2022).



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another, and therefore cannot collect data for one subgroup without collecting them for all others.

In the absence of data on the use of tax incentives by tribal entities, location data can be used to estimate the extent to which tax incentives have benefitted tribal communities by identifying businesses or projects located in or near tribal communities. For some tax incentives in our scope, IRS tax forms collect the relevant data in aggregate, which does not allow for analysis of the use of tax incentives for projects located in tribal communities. For example, tax forms for the Investment Tax Credit and Production Tax Credit do not collect claimed amounts at the project level, so the number and location of projects behind the credit amount claimed cannot be determined.<sup>62</sup> Additionally, filers combine the amounts claimed for Indian Reservation Depreciation with amounts claimed for other depreciation systems on IRS tax forms, making analysis of Indian Reservation Depreciation similarly impossible.<sup>63</sup>

IRS and Treasury cited limitations to collecting location data or using available data for analysis of some tax incentives. For example, Treasury officials said that for tax credits that can be claimed without geographic restrictions, such as the Production Tax Credit, there is no need for location information to administer the credit.

While location data were not available for most of the tax incentives in our scope, these data were available for two of the tax credits we reviewed<sup>64</sup>:

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<sup>62</sup>Investment Tax Credit and Production Tax Credit IRS forms collect aggregated information for the total amount claimed across all eligible projects by a tax filer, rather than project-level information.

<sup>63</sup>For more information, see GAO, *Tax Expenditures: Available Data Are Insufficient to Determine the Use and Impact of Indian Reservation Depreciation*, [GAO-08-731](#) (Washington, D.C.: June 26, 2008). That report recommended that Congress consider requiring IRS to collect information identifying which taxpayers use Indian Reservation Depreciation and the reservation or address where they placed the property into service. As of October 2021, this matter for Congress had not been addressed.

<sup>64</sup>Additionally, the amount of Tribal Economic Development Bonds allocated is known without the need for location data, because only tribal governments are eligible and IRS publishes allocation amounts. As of June 2022, \$1.9 billion of the \$2 billion of bond allocation authority for Tribal Economic Development Bonds had been allocated to tribes by the Secretary of the Treasury.

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**Low Income Housing Tax Credit.** This program is jointly administered by IRS and state and local credit allocating agencies.<sup>65</sup> According to a 2018 Freddie Mac analysis, 540 Low Income Housing Tax Credit properties on reservations provided 18,652 rental units (0.7 percent of all units nationwide); however, demand for the Low Income Housing Tax Credit exceeded the available funding.<sup>66</sup>

**New Markets Tax Credit.** This program is jointly administered by IRS and Treasury's CDFI Fund. The CDFI Fund collects information on census tracts in which qualifying investments are made. According to our analysis of Treasury's New Markets Tax Credit data, from 2004 through 2019, tribal communities received an estimated \$734.1 million to \$891.4 million of investment (1.3 to 1.6 percent of the total amounts invested via the New Markets Tax Credit). This amount accounted for an estimated 167 to 211 individual investments (1.1 to 1.3 percent of total New Markets Tax Credit investments).<sup>67</sup> See appendix IV for additional information.

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<sup>65</sup>The state entities determine which housing projects should receive credits and the dollar amount allocated, in addition to monitoring compliance. IRS creates technical advice, processes tax forms, and conducts audits. Additionally, HUD created and maintains a database of Low Income Housing Tax Credit properties and tenants.

<sup>66</sup>See Freddie Mac, *Spotlight on Underserved Markets*. The study also found 1611 Low Income Housing Tax Credit properties in Indian areas outside reservations, which provided 65,748 rental units (2.5 percent of units nationwide). According to the study, these estimates likely overestimate the number of tribal Low Income Housing Tax Credit properties for several reasons.

<sup>67</sup>Total New Markets Tax Credit investments made in this period were \$55.9 billion from 16,520 individual investments. We report upper and lower bounds of the range of possible values because census tracts do not align perfectly with tribal areas (see app. IV for explanation of the methodology). As previously noted, American Indian and Alaska Native populations make up roughly 2.9 percent of the total U.S. population, according to census data.

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## Treasury Has Taken Steps to Address Challenges with Native CDFI Usage of New Markets Tax Credits

Our analysis of Treasury's New Markets Tax Credit data found that Native CDFIs did not make any New Markets Tax Credit investments from 2015 through 2019.<sup>68</sup> Because of limitations in the New Markets Tax Credit data, the number of qualified investments made by tribally owned Community Development Entities that are not Native CDFIs is not known.<sup>69</sup> However, CDFI Fund officials identified two tribally controlled Community Development Entities affiliated with Native CDFIs, which made New Markets Tax Credit investments in most years between 2011 through 2019.<sup>70</sup> See appendix V for more information.

Representatives from one Native CDFI we spoke with, which had previously received a New Markets Tax Credit allocation, described a number of challenges with successfully applying for and receiving the credit. According to the Native CDFI representatives, long periods between successful allocations made it difficult to retain institutional knowledge about the credit, and they generally did not receive insight or feedback on why subsequent applications were not successful.

Treasury's CDFI Fund is taking steps to address these challenges. For example, in April 2022, the CDFI Fund awarded a contract to perform research and analysis and report on the challenges that Native entities face in participating in the New Markets Tax Credit program. The scope of work for the contract includes the creation of a self-assessment guide and technical workshops for certified and prospective Community Development Entities that are Native-owned or -controlled and for other tribal entities that focus on investing in tribal communities, as well as a

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<sup>68</sup>Our analysis used data from 2004 through 2019, and we found that no Native CDFIs made New Markets Tax Credit investments in 8 of these 16 years. To participate in the New Markets Tax Credit program, a Native CDFI serving as a Community Development Entity would receive a qualified capital investment from an outside investor, and the Native CDFI would then make qualified investments (such as loans or equity investments in local businesses) in its target communities.

<sup>69</sup>New Markets Tax Credit data do not list the demographics or enrollment status of Community Development Entity owners, so it is not possible to determine the extent to which Native Community Development Entities have invested in tribal communities via the New Markets Tax Credit. Tribal communities can still receive investments via the New Markets Tax Credit when Native CDFIs are not involved. For example, non-Native Community Development Entities based outside of tribal areas can invest in tribal communities. Additionally, tribal entities that are not certified CDFIs can be certified and operate as Community Development Entities.

<sup>70</sup>According to the CDFI Fund, the two additional Community Development Entities listed tribal governments as their controlling entities in CDFI Fund administrative data, and CDFI Fund considers them to be affiliated with Native CDFIs.

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formal mechanism for workshop participants to request individual follow-up training for questions.<sup>71</sup>

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## Conclusions

Tribal entities make critical contributions to the economic health of their communities, and federal economic development programs can support their success. However, fragmentation and unnecessary overlap among programs may result in tribal entities missing out on valuable support. Commerce's Office of Native American Business Development is well placed to address these challenges and does not have the potential of going dormant, like other federal entities, if administration priorities change. However, the office has not had a director or been operational since 2011. This history underscores the importance of establishing an organizational structure and assigning responsibilities to help ensure the office's statutory responsibilities are fulfilled.

Further, with the exception of analysis conducted by USDA Rural Development, USDA's and SBA's lack of data analysis to estimate the amount of federal economic development assistance provided to tribal entities limits their ability to understand the reach of their programs in tribal communities. While Commerce does have access to this information for its programs, it does not publically report it. A plan for analyzing, incorporating, and reporting this information would help the agencies and Congress make informed decisions on how best to support tribal economic development.

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## Recommendations for Executive Action

We are making a total of five recommendations, including three to Commerce, one to USDA, and one to SBA. Specifically:

The Secretary of Commerce should establish an organizational structure and assign responsibilities for the Office of Native American Business Development. (Recommendation 1)

The Director of Commerce's Office of Native American Business Development, in coordination with other relevant federal agencies and entities, should create, maintain, and share a repository of information on economic development programs across federal agencies that tribal entities can access, and should assist tribal entities in identifying programs best suited to their needs. (Recommendation 2)

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<sup>71</sup>According to Treasury's CDFI Fund, the contract is 12 months with an option to extend.

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The Director of Commerce's Office of Native American Business Development, in coordination with tribes, should establish a plan for periodically publicly reporting the amount of economic development assistance provided by Commerce to tribal entities and using that information to identify opportunities to improve assistance to tribal entities. (Recommendation 3)

The Director of USDA's Office of Tribal Relations, in coordination with tribes, should establish a plan for periodically analyzing and publicly reporting the amount of economic development assistance provided to tribal entities by USDA and using that analysis to identify opportunities to improve assistance to tribal entities. This could include leveraging methods already used by specific USDA program offices such as Rural Development (Recommendation 4)

The Assistant Administrator of SBA's Office of Native American Affairs, in coordination with tribes, should establish a plan for periodically analyzing and publicly reporting the amount of economic development assistance provided by SBA to tribal entities and using that analysis to identify opportunities to improve assistance to tribal entities. (Recommendation 5)

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## Agency Comments and Our Evaluation

We provided a draft of this report to Commerce, Energy, HHS, HUD, Interior, IRS, SBA, Treasury, USDA, and the Executive Director of the White House Council on Native American Affairs for review and comment. We received written comments from SBA and USDA's Farm Service Agency, which are reproduced in appendixes V and VI, respectively, and summarized below. A representative of USDA's Office of Tribal Relations provided in an email that the office generally agreed with our recommendation to USDA. A representative from Commerce provided in an email that the agency agreed with our recommendations. Commerce, HHS, HUD, Interior, IRS, Treasury, SBA, and USDA provided technical comments, which we incorporated as appropriate.

In its written comments, SBA agreed with our recommendation to the agency. It noted it is actively pursuing increased data collection on economic development assistance provided to tribal entities and is committed to partnering with tribes to analyze and report data in service of improving assistance to tribal entities.

In its written comments, USDA's Farm Service Agency emphasized the importance of the agricultural industry to tribal economies. We agree that the agricultural industry plays an important role in many tribal economies.

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In response, we added information in our background section on our prior work in this area.

The Farm Service Agency's comments also stated that our draft did not include all of the programs it administers that contribute to the economic development of tribal communities, such as land conservation, price support, and disaster assistance programs. We recognize that these programs may benefit economic development in tribal communities. However, our report scope was not intended to be exhaustive, but rather to focus on those activities and programs most directly related to tribal economic development. Furthermore, our recommendation to USDA's Office of Tribal Relations is sufficiently flexible to allow the office to define the scope of its analysis broadly and include additional programs as needed. We updated the scope section of our final report to clarify our criteria for selecting tribal economic development programs covered by our review.

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We are sending copies of this report to the appropriate congressional committees, the Secretary of Commerce, the Secretary of Energy, the Secretary of Health and Human Services, the Secretary of Housing and Urban Development, the Secretary of the Interior, the Commissioner of Internal Revenue, the Administrator of the Small Business Administration, the Secretary of the Treasury, the Secretary of Agriculture, the Executive Director of the White House Council on Native American Affairs, and other interested parties. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>.

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If you or your staff have any questions about this report, please contact Anna Maria Ortiz at 202-512-3841, [ortiza@gao.gov](mailto:ortiza@gao.gov) or William B. Shear, at (202) 512-8678, [shearw@gao.gov](mailto:shearw@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix VII.



Anna Maria Ortiz  
Director, Natural Resources and Environment



William B. Shear  
Director, Financial Markets and Community Investment

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# Appendix I: Objectives, Scope, and Methodology

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This report (1) examines economic development programs available to tribal entities and the extent to which fragmentation, overlap, and duplication exist among these programs; (2) analyzes the available data on obligations to tribal entities for these programs; (3) describes the role that community development financial institutions (CDFIs) play in facilitating tribal economic development; and (4) describes selected tax incentives available for tribal economic development and the availability of data on their use.

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## Scope

For the purposes of this report, tribal entities include tribal governments, tribally owned nonprofits, tribally owned businesses, and businesses owned by individual tribal members. We excluded Native Hawaiian entities and Alaska Native Corporations from the scope of this report because the provision in the Indian Community Economic Enhancement Act of 2020 for us to conduct a study on Indian economic development did not explicitly include them.<sup>1</sup>

Our scope includes federal programs and services designed to assist tribal entities with economic development that were available in fiscal year 2021.<sup>2</sup> We included programs that provide assistance in the form of loans, loan guarantees, bond guarantees, cooperative agreements, and grants. These include programs across eight agencies: the U.S. Departments of Agriculture (USDA), Commerce, Energy, Health and Human Services (HHS), Housing and Urban Development (HUD), the Interior, and the Treasury, and the Small Business Administration (SBA).

To identify programs to include in our report, we first developed a list of activities that promote tribal economic development using our prior economic development work and the statutory provision for us to conduct a study on Indian economic development.<sup>3</sup> We then solicited input on the identified activities from agency officials, representatives from the White House Council on Native American Affairs, and tribal stakeholders, including tribal organizations, tribal economic development corporations, and Native CDFIs. From this input, we determined that the following

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<sup>1</sup>However, Native Hawaiian entities and Alaska Native Corporations are eligible for some of the programs we reviewed.

<sup>2</sup>This means applicants were able to submit program applications in fiscal year 2021.

<sup>3</sup>GAO, *Entrepreneurial Assistance: Opportunities Exist to Improve Programs' Collaboration, Data-Tracking, and Performance Management*, [GAO-12-819](#) (Washington, D.C.: Aug. 23, 2012). Pub. L. No. 116-261, § 3(d)(2), 134 Stat. 3306, 3308-3310 (codified at 25 U.S.C. § 4306a(c)).



economic development activities were most relevant to tribal economic development and that programs related to these activities would be included in our report:

- promoting access to capital and the development of financial systems;
- planning and developing strategies to improve the labor market, including job creation and retention;
- business development, including support for entrepreneurial activities, small businesses, tourism, cultural revitalization, manufacturing, and for-profit development of energy and mineral resources;
- constructing and renovating commercial buildings; and
- technical assistance for any of these activities.

Based on our conversations with agency officials and tribal stakeholders, review of the statutory provision for us to conduct a study on Indian economic development, and the availability of our existing work related to certain topics (e.g., affordable housing, infrastructure, and broadband), we chose to exclude the following activities and federal programs supporting the activities from this report:

- social supports, such as developing affordable housing or increasing food security;<sup>4</sup>
- constructing water, sewer, or road infrastructure and community-scale electricity generation;
- consolidating or conserving land, agricultural price supports, and disaster assistance;
- developing broadband infrastructure;
- federal contracting activities;
- developing programs in science, technology, engineering, and mathematics (commonly referred to as STEM), workforce development, job training, and education; and

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<sup>4</sup>We excluded CDFI Fund Healthy Food Financing Initiative and Disability Funds supplemental awards made under the CDFI Program and Native American CDFI Assistance Program.

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- new programs created by and supplemental appropriations for existing programs in the CARES Act, American Rescue Plan Act of 2021, or other COVID-19 relief laws.<sup>5</sup>

A list of related GAO products at the end of this report includes our prior tribal work on several of these topics.

Our review also included selected tax incentives. Specifically, we reviewed the tax incentives listed in the statutory provision for us to conduct a study on Indian economic development: the New Markets Tax Credit, Low Income Housing Tax Credit, Investment Tax Credit, renewable energy tax incentives, and accelerated depreciation. We defined accelerated depreciation as Indian Reservation Depreciation. To identify renewable energy tax incentives, we reviewed the DSIRE database, a database of federal and state tax incentives maintained by North Carolina State University under a grant from the Department of Energy, and we identified the Production Tax Credit as relevant. Lastly, we identified additional tax incentives related to tribal economic development, such as Tribal Economic Development Bonds and Opportunity Zones, through our interviews and background research.

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## Methodology

To identify economic development programs for which tribal entities are eligible, we reviewed program documentation, our prior work, and agency websites to create a list of federal economic development programs within our report scope. We then asked agency officials and the White House Council on Native American Affairs whether the programs we had identified were relevant to tribal economic development and if there were additional programs to include on our list.

For the programs identified, we reviewed statutes and regulations to collect information on program objectives, eligible recipients, types of assistance, and eligible activities. Using our fragmentation, overlap, and duplication framework as a basis for our analysis, we compared information across programs to identify any potential areas of fragmentation, overlap, or duplication.<sup>6</sup> Specifically, we compared eligible activities across programs and identified eight common categories of eligible activities. These eight categories were activities related to (1)

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<sup>5</sup>We also excluded obligations made from supplemental appropriations related to emergency and disaster relief, such as HUD's Imminent Threat grants.

<sup>6</sup>GAO, *Fragmentation, Overlap, and Duplication: An Evaluation and Management Guide*, [GAO-15-49SP](#) (Washington, D.C.: Apr. 14, 2015).

energy development and management; (2) business supports; (3) real estate, building purchases, or construction; (4) debt refinancing; (5) feasibility studies and planning; (6) tourism; (7) supporting entrepreneurship and microbusinesses; and (8) changing legal codes to support businesses.

For agencies within our scope, we identified any tribal-specific offices and reviewed their mission statements. For Commerce's Office of Native American Business Development, we reviewed the statute that established the office and responsibilities for its director.<sup>7</sup> We compared actions to fulfill these statutory responsibilities against federal internal control standards. We determined that the control environment component of internal control was significant to this objective, along with the underlying principle that management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.<sup>8</sup>

To analyze the available data on obligations to tribal entities for these programs, we requested obligation data for programs within our scope from agency officials at eight agencies: USDA, Commerce, Energy, HHS, HUD, Interior, Treasury, and SBA. We collected and reviewed obligation data for fiscal years 2017 through 2021 for all identified programs.

We reviewed obligation data and interviewed agency officials to determine how agencies identified tribal entities among program recipients. For agencies that could make such a determination, we reviewed information about data systems and interviewed agency officials responsible for using these systems, including gathering information about how data were collected, maintained, and corrected if errors were identified. Where data appeared incomplete or inaccurate, we worked with agency officials to ensure the data had been collected and provided to us correctly. We found these data to be sufficiently reliable for the purpose of identifying obligations made to tribal entities.

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<sup>7</sup>Pub. L. No. 106-464, § 4, 114 Stat. 2012, 2015 (2000) (codified as amended at 25 U.S.C. § 4303).

<sup>8</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

In instances where agencies could not make these determinations, we interviewed agency officials and asked why this analysis was not being conducted and whether there were plans to conduct such an analysis.

To describe the role of Native CDFIs in facilitating tribal economic development, we analyzed available Treasury data on Native CDFI characteristics.<sup>9</sup> Specifically, we analyzed Native CDFI data from Treasury's CDFI Fund Annual Certification and Data Collection Reports from 2017 through 2021 and produced summary statistics on Native CDFI type, staff size, and total assets. We also analyzed the number and locations of Native CDFIs using CDFI certification data from Treasury's CDFI Fund and data from Annual Certification and Data Collection Reports. Additionally, we analyzed Treasury's CDFI Fund grant and technical assistance awards to Native CDFIs from CDFI Fund program award data. To determine the reliability of the data, we reviewed documentation on the systems and processes used to collect and manage the data, interviewed Treasury CDFI Fund officials, and manually and electronically tested the data. We determined that Treasury's Native CDFI and program award data were sufficiently reliable for our purposes of reporting on the total number, size, and location of Native CDFIs, as well as program award data.

Additionally, we interviewed representatives of a nongeneralizable sample of six Native CDFIs. We selected these six to achieve variety in geography, institution size (number of employees), asset size, and type of institution (e.g., loan fund, credit union, bank). Additionally, we selected Native CDFIs (listed below) to represent issues of importance we learned about from interviews or background research, such as Native CDFIs that received direct tribal government support and a Native CDFI that had received a New Markets Tax Credit allocation.

To describe and analyze the use of selected tax incentives for tribal economic development, we reviewed relevant documentation, including statutes, regulations, Internal Revenue Service (IRS) guidance, and our prior work. We also interviewed IRS officials about the uses and limitations of tax incentives.

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<sup>9</sup>According to Treasury policy, Native CDFIs are defined as private financial institutions with community development as their primary mission whose customer base is at least 50 percent Native American. See <https://www.cdfifund.gov/programs-training/programs/native-initiatives>.

To identify available data on the use of selected tax incentives, we interviewed IRS officials; reviewed agency websites, including those of IRS and other agencies that jointly administer programs with IRS; reviewed IRS tax forms and instructions; and reviewed prior GAO work. To the extent that data were not available for certain tax incentives, we asked about limitations to collecting additional data.

In one instance where data were available and included sufficient detail to analyze use by group or geography—the New Markets Tax Credit—we analyzed use of the credit in tribal communities. See appendix IV for more detail. We determined that Treasury’s New Markets Tax Credit data were sufficiently reliable for our purposes of analyzing the total dollars of investment made under the credit and the number of Native CDFIs that acted as intermediaries in making those investments.

In addition, we conducted separate literature reviews on the role of CDFIs and the use of tax incentives for economic development in tribal communities. We searched databases such as ProQuest, EBSCO, Westlaw, and SSRN to identify sources published from 2017 through 2021 (including peer-reviewed academic studies, law review articles, articles by trade and industry groups, and reports from think tanks related to the role of Native CDFIs and tax incentive use for economic development in tribal communities). We identified additional materials through citations in literature we reviewed, recommendations from interviewees, and internet keyword searches. We reviewed six studies related to Native CDFIs and three studies related to tax incentives used in tribal communities.<sup>10</sup> We reviewed the researchable questions, time

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<sup>10</sup>The six studies related to CDFIs were Valentina Dimitrova-Grajzl et al., “Community Development Financial Institutions and Individuals’ Credit Risk in Indian Country,” *Journal of Economic Issues*, vol. 56, no. 1 (Sept. 2021): 184–208; Michou Kokodoko, “Findings from the 2017 Native CDFI Survey: Industry Opportunities and Limitations,” (CICD Working Papers 2017-04, Federal Reserve Bank of Minneapolis, Nov. 2017); Miriam Jorgensen, *Access to Capital and Credit in Native Communities* (Tucson, Ariz.: Native Nations Institute, 2016); Miriam Jorgensen and Randall K.Q. Akee, *Access to Capital and Credit in Native Communities: A Data Review* (Tucson, Ariz.: Native Nations Institute, 2017); Office of the Comptroller of the Currency, *Commercial Lending in Indian Country: Potential Opportunities in a Growing Market* (Washington, D.C.: 2016); and Opportunity Finance Network, *CDFI Collaborations: Keys to Success*, (Washington, D.C.: 2015). The three studies related to tax incentives were Michael Zimmerman and Tony Reames, *Where the Wind Blows: Exploring Barriers and Opportunities to Renewable Energy Development on United States Tribal Lands* (Ann Arbor, Mich.: 2020); Kenneth Whaley, *Low Income Housing Tax Credits and Affordable Rentals in Indian Country* (Minneapolis, Minn.: Center for Indian Country Development, 2019); and Freddie Mac, *Spotlight on Underserved Markets: LIHTC in Indian Areas* (Washington, D.C.: 2018).

frames, methodologies, and data used in these studies and determined that they were reliable for our purposes.

Lastly, for all objectives, we interviewed representatives from several tribal organizations, including two tribal economic development corporations (Chickasaw Nation Industries and Ho-Chunk, Inc.), six Native CDFIs (Oweesta Corporation, Lakota Funds, Montana Native Growth Fund, Chickasaw Community Bank, Citizen Potawatomi Community Development Corporation, and Alaska Growth Capital BIDCO), and seven other tribal umbrella organizations (the American Indian Alaska Native Tourism Association, the National Center for American Indian Enterprise Development, the Native American Development Corporation, the Native American Finance Officers Association, the Native American Financial Services Association, the Native CDFI Network, and United South Eastern Tribes). We also interviewed researchers from the University of Arizona Native Nations Institute, the Harvard Project on American Indian Economic Development, and the Federal Reserve Bank of Minneapolis's Center for Indian Country Development, and several economists at various academic institutions who are also affiliated with the Federal Reserve Bank of Minneapolis.

We asked these groups about the challenges tribal entities faced in identifying and accessing federal economic development programs and the role that Native CDFIs play in tribal economic development. We also interviewed agency officials who administer the programs within our scope and asked them about their efforts to identify and minimize the effects of overlap and to coordinate tribal economic development work, as well as about the uses and limitations of tax incentives for tribal entities.

We conducted this performance audit from May 2021 to August 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# Appendix II: Identified Economic Development Programs for Which Tribal Entities Can Be Eligible Beneficiaries

In addition to the economic development programs listed in tables 1, 2, and 3, we identified an additional 15 programs that provide financial assistance to an entity, such as a university or nonprofit, which then provides technical or financial assistance to eligible beneficiaries, including tribal entities. These programs are listed in table 9.

**Table 9: Identified Economic Development Programs for Which Tribal Entities Are Eligible Beneficiaries, as of Fiscal Year 2021**

Agency	Program	Type of assistance	Eligible recipients <sup>a</sup>	Eligible beneficiaries <sup>a</sup>	Program description
Department of Commerce	American Indian, Alaska Native, and Native Hawaiian Projects	Grant	Indian tribal governments, tribal entities, Alaska Native corporations, Native Hawaiian entities, for-profit entities, nonprofit organizations, institutions of higher education, commercial organizations, state and local government entities, and quasi-government entities	Organizations owned or controlled by Native Americans, Alaska Natives (including Alaska Native Corporations and tribal entities), Native Hawaiians, Pacific Islander Americans, African Americans, Hispanic Americans, Hasidic Jewish Americans, and Asian Indians	Provides federal assistance to support innovative projects seeking to promote and ensure the inclusion and use of minority enterprises. Types of assistance include business training, access to capital, federal program coaching, and support for minority business enterprises involved in infrastructure-focused public-private activities.
	Enterprising Women of Color	Grant	For-profit entities, nonprofit organizations, institutions of higher education, commercial organizations, state and local government entities, and quasi-government entities	Organizations owned or controlled by African Americans, Hispanic Americans, American Asian and Pacific Islanders, Native Americans (including Alaska Natives, Alaska Native Corporations and tribal entities), Asian Indian Americans, and Hasidic Jewish Americans	Funds business centers with a particular focus on supporting minority women entrepreneurs in the U.S. and its territories to build their businesses, secure contracts and capital, and increase employment opportunities. These centers provide technical business services and service referrals and secure alternative sources of capital and financing, among other things.

**Appendix II: Identified Economic Development Programs for Which Tribal Entities Can Be Eligible Beneficiaries**

<b>Agency</b>	<b>Program</b>	<b>Type of assistance</b>	<b>Eligible recipients<sup>a</sup></b>	<b>Eligible beneficiaries<sup>a</sup></b>	<b>Program description</b>
Department of Commerce	Inner City Innovation Hubs	Grant or cooperative agreement	For-profit entities, nonprofit organizations, institutions of higher education, commercial organizations, state and local governments, quasi-government entities, Indian tribal governments, tribal entities, and Native Hawaiian entities	Organizations owned or controlled by African Americans, Hispanic Americans, American Asian and Pacific Islanders, Native Americans (including Alaska Natives, Alaska Native Corporations and tribal entities), Asian Indian Americans, and Hasidic Jewish Americans	Funds projects that support start-up businesses and established entrepreneurs in inner cities and urban areas in a U.S. state or territory with high concentrations of minority populations and minority business enterprises.
	Minority Business Development Agency (MBDA) Advanced Manufacturing Project	Cooperative agreement	For-profit entities, nonprofit organizations, institutions of higher education, commercial organizations, state and local government entities, tribal governmental entities, and quasi-government entities	Organizations owned or controlled by African Americans, Hispanic Americans, American Asian and Pacific Islanders, Native Americans (including Alaska Natives, Alaska Native Corporations and tribal entities), Asian Indian Americans, and Hasidic Jewish Americans	Provides funding to operate an Advanced Manufacturing Center that identifies, screens, promotes, and refers minority business enterprises to specialized advanced manufacturing programs and provides technical and business development services.
	MBDA Business Center Program	Cooperative agreement	For-profit entities, nonprofit entities, institutions of higher education, commercial organizations, state and local governments, tribal governmental entities, and quasi-government entities	Organizations owned or controlled by African Americans, Hispanic Americans, American Asian and Pacific Islanders, Native Americans (including Alaska Natives, Alaska Native Corporations and tribal entities), Asian Indian Americans, and Hasidic Jewish Americans	Provides funding to operate a Business Center that provides business management and technical assistance to minority business enterprises.



**Appendix II: Identified Economic Development Programs for Which Tribal Entities Can Be Eligible Beneficiaries**

<b>Agency</b>	<b>Program</b>	<b>Type of assistance</b>	<b>Eligible recipients<sup>a</sup></b>	<b>Eligible beneficiaries<sup>a</sup></b>	<b>Program description</b>
Department of Commerce	MBDA Export Center Project	Cooperative agreement	For-profit entities, nonprofit organizations, institutions of higher education, commercial organizations, state and local government entities, tribal governmental entities, and quasi-government entities	Organizations owned or controlled by African Americans, Hispanic Americans, American Asian and Pacific Islanders, Native Americans (including Alaska Natives, Alaska Native Corporations and tribal entities), Asian Indian Americans, and Hasidic Jewish Americans	Funds projects that provide technical assistance and business development services to minority business enterprises to generate increased financing, contract opportunities, and greater access to new and global markets for these enterprises.
	Minority Business Enterprise Equity Multiplier Project	Cooperative agreement	For-profit entities, nonprofit organizations, institutions of higher education, commercial organizations, state and local government entities, tribal governmental entities, and quasi-government entities	Organizations owned or controlled by African Americans, Hispanic Americans, American Asian and Pacific Islanders, Native Americans (including Alaska Natives, Alaska Native Corporations and tribal entities), Asian Indian Americans, and Hasidic Jewish Americans	Funds projects to provide direct technical assistance to minority business enterprises that receive or are seeking equity investment or a hybrid model of investment.
	University Center Economic Development Program	Grant	Accredited institutions of higher education or consortia of accredited institutions of higher education	Varies depending on project, but the Economic Development Administration strongly encourages centers that benefit distressed communities to link them to larger, more vibrant regional economies	Funds the development of University Centers at institutions of higher education that provide technical assistance to public- and private-sector organizations with the goal of enhancing local economic development.
Department of the Interior	Indigenous Tourism	Cooperative agreement	Entity or organization with a demonstrated record in tribal communities of defining, introducing, developing, and sustaining American Indian, Alaska Native, and Native Hawaiian tourism and related activities in a manner that respects and honors Native traditions and values	Indian tribes, tribal organizations, and Native Hawaiian organizations	Authorizes Interior to enter into agreements with entities to provide technical assistance to tribes and tribal organizations in the areas of tourism planning, management, and product development.

**Appendix II: Identified Economic Development Programs for Which Tribal Entities Can Be Eligible Beneficiaries**

<b>Agency</b>	<b>Program</b>	<b>Type of assistance</b>	<b>Eligible recipients<sup>a</sup></b>	<b>Eligible beneficiaries<sup>a</sup></b>	<b>Program description</b>
Small Business Administration (SBA)	Program for Investors in Micro entrepreneurs (PRIME)	Grant	Nonprofit microenterprise development organizations with a demonstrated record of delivering microenterprise services to disadvantaged entrepreneurs; private, nonprofit entities that seek to serve microenterprise development organizations and programs; microenterprise development organizations or programs accountable to a local community, working in conjunction with a state or local government or Indian tribe; Indian tribes, if no private microenterprise development organization or program exists within a tribe's jurisdiction <sup>b</sup>	Microentrepreneur development organizations; Microentrepreneurs, including disadvantaged entrepreneurs	Provides assistance to qualified organizations to fund training and technical assistance for disadvantaged entrepreneurs and microentrepreneurs, training and capacity-building services for microenterprise development organizations, and other things.
	Small Business Investment Company (SBIC)	Debenture Guarantees	Certain for-profit corporations or limited partnerships that are licensed by SBA to operate as small business investment companies	Certain small businesses	SBICs provide equity capital and long-term loans to small businesses using proceeds from the sale of debentures (bonds or other debt instruments) issued by the SBIC. SBA guarantees the SBIC debentures.
U.S. Department of Agriculture	Rural Community Development Initiative	Grant	Private organizations, nonprofit organizations (including faith-based and community organizations and philanthropic organizations), or public (including tribal) organizations	Nonprofit community-based housing and development organizations, low-income rural communities, and federally recognized tribes	Provides grants to develop the capacity and ability of tribes and others to undertake projects to improve housing and community facilities, as well as other community and economic development projects in rural areas.

**Appendix II: Identified Economic Development Programs for Which Tribal Entities Can Be Eligible Beneficiaries**

<b>Agency</b>	<b>Program</b>	<b>Type of assistance</b>	<b>Eligible recipients<sup>a</sup></b>	<b>Eligible beneficiaries<sup>a</sup></b>	<b>Program description</b>
U.S. Department of Agriculture	Rural Cooperative Development Grants	Grant	Nonprofit corporations and institutions of higher education	Individuals, cooperatives, small businesses, and other similar entities in rural areas served by a Rural Cooperative Development Center	Provides grants for the establishment and operation of Rural Cooperative Development Centers, which can provide technical assistance, loans, and grants for the purpose of cooperative development to facilitate the creation or retention of jobs in rural areas through the development of new rural cooperatives, value-added processing, and rural businesses.
	Rural Microentrepreneur Assistance	Loans and grants	Microenterprise development organizations, including tribes <sup>b</sup>	Rural microentrepreneurs	Makes direct loans to microenterprise development organizations for the purpose of providing microloans to rural microentrepreneurs for business start-up and growing microenterprises. Makes grants to microenterprise development organizations for training, technical assistance, and a small amount of operational support.
	Socially Disadvantaged Groups Grant	Grant	Cooperative Development Centers, individual cooperatives, and groups of cooperatives that serve socially disadvantaged groups and have board of directors or governing boards comprised of a majority of individuals who are members of socially disadvantaged groups	Socially disadvantaged groups <sup>c</sup>	Funds cooperatives and Cooperative Development Centers that serve socially disadvantaged groups by providing technical assistance.

Source: GAO analysis of statutes, regulations, and agency documents. | GAO-22-105215

<sup>a</sup>Eligible recipients are the entities eligible to receive financial assistance from the program, while eligible beneficiaries are the entities eligible to receive technical or financial assistance from the eligible recipients.

<sup>b</sup>A microenterprise development organization is a nonprofit entity, Indian tribe, or public institution of higher education with loan or assistance programs for the benefit of rural microentrepreneurs and microenterprises.

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**Appendix II: Identified Economic Development  
Programs for Which Tribal Entities Can Be  
Eligible Beneficiaries**

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<sup>c</sup>Socially disadvantaged groups are groups whose members have been subject to racial, ethnic, or gender prejudice because of their identity as members of a group without regard to their individual qualities. 7 U.S.C. § 2003(e).

# Appendix III: Identified Economic Development Programs for Which Native CDFIs Are Among Eligible Recipients

In addition to the programs summarized in table 7, we identified four programs, shown in table 10, that provide assistance to community development financial institutions (CDFI), including Native CDFIs, but for which other types of financial institutions and other entities are eligible recipients. According to the Department of the Treasury, Native CDFIs are a subset of CDFIs that direct at least 50 percent of their activities to tribal communities.

**Table 10: Identified Economic Development Programs for Which Native CDFIs Are Among Eligible Recipients, as of Fiscal Year 2021**

Agency	Program	Type of assistance	Eligible recipients	Program description
Department of the Treasury	Capital Magnet Fund	Grant	Certified Community Development Financial Institutions (CDFI) or nonprofit organizations with a principal purpose of developing or managing affordable housing.	Funds certified CDFIs and qualified nonprofit organizations to leverage dollars for affordable housing and financing economic development activities.
	Small Dollar Loan Program	Grant	For financial assistance grants, eligible recipients are certified CDFIs and partnerships between certified CDFIs and any other federally insured depository institution with a primary mission to serve targeted investment areas. For technical assistance awards, eligible recipients are certified CDFIs and partnerships between certified CDFIs.	Provides financial assistance grants for certified CDFIs or partnerships between certified CDFIs and federally insured depository institutions with a primary mission to serve targeted investment areas, such as Indian reservations, to mitigate losses on a new or established small dollar loan program. Also provides technical assistance grants to certified CDFIs and partnerships between certified CDFIs to establish or maintain a small dollar loan program.
	Bank Enterprise Award Program	Grant	Depository institutions (banks, thrifts, certified CDFIs) that are insured by the Federal Deposit Insurance Corporation.	Provides grants to banks, thrifts, and certified CDFIs that are insured by the Federal Deposit Insurance Corporation to increase their activities in the most economically distressed communities and expand investment in certified CDFIs. Distressed communities include Indian reservations where at least 30 percent of eligible residents have incomes less than the national poverty level and where the unemployment rate is 1.5 times the national average.
Department of Health and Human Services	Community Economic Development	Grant	Private, nonprofit organizations that are Community Development Corporations.	Supports projects to address the economic needs of low-income individuals and families by creating employment and business development opportunities.

**Appendix III: Identified Economic Development Programs for Which Native CDFIs Are Among Eligible Recipients**

<b>Agency</b>	<b>Program</b>	<b>Type of assistance</b>	<b>Eligible recipients</b>	<b>Program description</b>
Department of Health and Human Services	Social and Economic Development Strategies	Grant	Tribes, nonprofit multipurpose community-based Indian organizations, among others	Funds projects to promote the goal of economic and social self-sufficiency for American Indians, Native Hawaiians, other Native American Pacific Islanders, and Alaska Natives.

Source: GAO analysis of statutes, regulations, and agency documents. | GAO-22-105215

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# Appendix IV: New Markets Tax Credit Use in Tribal Communities

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The New Markets Tax Credit (NMTC) program was enacted as part of the Community Renewal Tax Relief Act of 2000, and has been extended several times.<sup>1</sup> The NMTC program provides investors with a tax credit for investing in communities that are economically distressed or that consist of low-income populations. Specifically, certified Community Development Entities apply for and obtain allocations of tax credit authority, and offer investors the tax credits in exchange for equity investments within the entity.<sup>2</sup> The Community Development Entities then use those equity investments to make qualified low-income community investments, such as business loans. The program's goal is to attract private capital to invest in low-income areas, such as tribal communities.

The NMTC program is jointly administered by the Internal Revenue Service (IRS) and the Department of the Treasury's Community Development Financial Institutions (CDFI) Fund. IRS is responsible for the tax administration aspects of the program, including regulations, guidance, and compliance. The CDFI Fund is responsible for the competitive credit allocation process, including certifying Community Development Entities, creating eligibility guidelines, and creating a scoring model for ranking applicants requesting NMTC allocations.

We analyzed the use of NMTC in tribal communities and found between an estimated \$734.1 million and \$891.4 million in total NMTC investments in tribal communities from 2004 through 2019. These investments represented between 1.3 and 1.6 percent of the total \$55.9 billion in NMTC investments made during that period. This analysis included NMTC credits allocated through Native CDFIs serving as Community Development Entities. We found that Native CDFIs made NMTC

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<sup>1</sup>Pub. L. No. 106-554, appx. G, tit. I, § 121, 114 Stat. 2763, 2763A-605 to 2763A-610 (codified as amended at 26 U.S.C. § 45D). Community development entities are corporations or partnerships that have a primary purpose of serving or providing investment capital for low-income communities or individuals and have been certified as a Community Development Entity by the CDFI Fund, among other things. CDFIs certified by the CDFI Fund automatically qualify as Community Development Entities. 26 U.S.C. § 45D(c).

<sup>2</sup>Federal law establishes the national limitation on the amount that could be invested and claimed as a credit under NMTC. The law provides for the Secretary of the Treasury to allocate the national limitation amount among qualified Community Development Entities. The national limitation has varied over time. For 2004 and 2005, it was \$2 billion; for 2006 and 2007 it was \$3.5 billion; for 2008 and 2009 it was \$5 billion; for each year from 2010 through 2019 it was \$3.5 billion; and for each year from 2020 to 2025 it was \$5 billion.

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investments from 2004 through 2014, but did not make any from 2015 through 2019.<sup>3</sup>

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## Data

To analyze the number and dollar amount of qualified low-income community investments made in tribal communities under the NMTC, we obtained the following data:

- Data from the CDFI Fund's NMTC public data release.<sup>4</sup> These data span 2003 through 2019 and include information about Community Development Entities that were granted NMTC allocations, the qualified low-income community investments that were made, the census tracts in which the community investments were made, various information on the characteristics of the investments, and the projects the investments supported.
- Data from the Census Bureau's 2010 Census on census tract boundaries.<sup>5</sup>
- Data from the Census Bureau on American Indian and Alaska Native areas in 2019.<sup>6</sup> We included the following land types in the definition of tribal areas in this analysis: federally designated American Indian reservations, American Indian Trust Lands, off-reservation trust lands, and joint use areas. We also included the Oklahoma Tribal Statistical Area for the Muskogee (Creek) Nation because of the 2020 U.S. Supreme Court decision in *McGirt v. Oklahoma*. That decision recognized the continuing existence of the tribe's reservation in Oklahoma. Additionally, we included Alaska Native Village Statistical

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<sup>3</sup>This portion of the analysis is limited to only Native CDFIs. As previously mentioned, tribal entities that are not certified CDFIs can be certified and operate as Community Development Entities. NMTC data do not list the demographics or enrollment status of Community Development Entity owners, so it is not possible to determine the extent to which Native Community Development Entities have invested in tribal communities via the NMTC. According to CDFI Fund officials, two Community Development Entities affiliated with Native CDFIs were identified using administrative data. Their NMTC investment totals are reported alongside Native CDFI totals in this appendix.

<sup>4</sup>Department of the Treasury CDFI Fund, *FY 2021 NMTC Public Data Release: 2003-2019 Data File*. Accessed from <https://www.cdfifund.gov/documents/data-releases>.

<sup>5</sup>We accessed census data through IPUS of the University of Minnesota.

<sup>6</sup>2019 TIGER/Line Shapefiles, prepared by the Census Bureau, 2019. The Census Bureau includes Native Hawaiian areas alongside American Indian and Alaska Native areas in these data (the file name is AIANNH). However, for the purposes of this report and as noted in app. I, we excluded Native Hawaiian entities from our definition of tribal communities.



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Areas because, as of May 2021, there were 131,780 acres of reservation and off-reservation trust land in Alaska. Alaska Native Village Statistical Areas represent the permanent or seasonal residences of Alaska Natives who are members of, or are receiving governmental services from, the village located in the vicinity of the village's historic or traditional location. For the purposes of this analysis, we refer to these areas as tribal areas.

To analyze NMTC investments made via allocations of credits to Native CDFIs serving as Community Development Entities, we obtained the following:

- A list of certified CDFIs, including Native CDFIs, published by Treasury's CDFI Fund.<sup>7</sup>
- Data from the CDFI Fund's NMTC public data release, described above.

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## Methodology

Because census tract boundaries do not perfectly align with tribal areas, we used two approaches to calculate the number and the total dollar amount of NMTC investments made in tribal areas. The first approach identified whether any given census tract's center fell within tribal areas, and the second approach calculated the overlap between census tracts and tribal areas to determine if a certain percentage of any given census tract fell within tribal areas. These approaches produced an estimated range, including upper and lower bound estimates, of the total NMTC investments made in tribal areas.

For the first approach, we calculated the centroid of each census tract.<sup>8</sup> Using geographic information system software, we determined whether the centroid of any given census tract fell within a tribal area. If so, the census tract was designated as representing a tribal community. For the overlap approach, we used geographic information system software to calculate the intersection (i.e., overlap) of each census tract with tribal areas. Within this approach, we set three different overlap thresholds for determining if a census tract should be designated as representing a tribal community: 25 percent or greater, 50 percent or greater, and 75 percent or greater. We designated any given census tract as a tribal community if its overlap value was at or above the specified threshold.

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<sup>7</sup>Accessed from <https://www.cdfifund.gov/programs-training/certification/cdfi>.

<sup>8</sup>A centroid is the center of an area, region, or polygon. In an irregularly shaped polygon, such as census tracts, the centroid is calculated mathematically and represents the approximate center of the polygon.

Using both the centroid and the overlap approaches, and varying the thresholds within the overlap approach, we produced four different census tract-to-tribal community crosswalks—one crosswalk using the centroid approach and one for each overlap threshold.

We then totaled the number and dollar amount of investments for each census tract designated as a tribal community, by year. We present these totals alongside overall NMTC totals.

To determine which Community Development Entities that received NMTC allocations and made qualifying low-income community investments were certified Native CDFIs, we cross-referenced the CDFI Fund's list of certified Native CDFIs with the Community Development Entities listed in the NMTC public data release file. A CDFI was considered a Community Development Entity if it appeared in both lists. We then totaled the qualified low-income community investments made by Native CDFIs, by year. We present those totals alongside totals for non-Native CDFIs.

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## Analysis

We estimated that from 2004 through 2019, tribal communities received between \$734.1 million and \$891.4 million in total NMTC investments. These investments represented between 1.3 and 1.6 percent of the total \$55.9 billion in NMTC investments made during this period (see table 11).<sup>9</sup>

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<sup>9</sup>As discussed above, we report a range because tribal areas do not perfectly align with census tract boundaries. A single point estimate of any one method could be an over- or under-count, so we calculate a range of approaches and report the upper and lower bounds. The lower bound of the range is represented by the approach that used the overlap threshold of 75 percent or greater for the census tracts that were not fully within tribal areas. The upper bound of the range is represented by the centroid approach.

**Appendix IV: New Markets Tax Credit Use in Tribal Communities**

**Table 11: Estimated Dollars of New Markets Tax Credit (NMTC) Investment in Tribal Communities, 2004–2019**

Dollars in millions

Year	Total NMTC investments	Investments in tribal communities, (percentage of total NMTC investment dollars in parentheses)			
		Census tract centroid	Census tract overlap >=25%	Census tract overlap >=50%	Census tract overlap >=75%
2004	1,041.1	28.7 (2.8)	28.7 (2.8)	28.7 (2.8)	18.4 (1.8)
2005	2,123.6	10.1 (0.5)	10.1 (0.5)	10.1 (0.5)	10.1 (0.5)
2006	2,828.1	6.3 (0.2)	6.7 (0.2)	6.3 (0.2)	6 (0.2)
2007	3,173.8	67.5 (2.1)	67.5 (2.1)	67.5 (2.1)	52.3 (1.6)
2008	3,283.5	15.6 (0.5)	15.6 (0.5)	15.6 (0.5)	0 (0)
2009	3,274.8	28.4 (0.9)	28.4 (0.9)	27.8 (0.8)	27.8 (0.8)
2010	4,955.6	77.7 (1.6)	77.7 (1.6)	77.7 (1.6)	64 (1.3)
2011	5,550.3	150.6 (2.7)	150.6 (2.7)	150.6 (2.7)	150.6 (2.7)
2012	5,081.9	83.0 (1.6)	73.3 (1.4)	62.3 (1.2)	40.7 (0.8)
2013	4,094.8	76.1 (1.9)	76.1 (1.9)	76.1 (1.9)	71.2 (1.7)
2014	3,255.1	92.3 (2.8)	92.3 (2.8)	92.3 (2.8)	74.3 (2.3)
2015	3,197.8	44.8 (1.4)	44.8 (1.4)	34.3 (1.1)	34.3 (1.1)
2016	2,602.2	58.2 (2.2)	36.1 (1.4)	36.1 (1.4)	36.1 (1.4)
2017	4,197.8	24.4 (0.6)	24.4 (0.6)	24.4 (0.6)	24.4 (0.6)
2018	4,002	61.8 (1.5)	70.1 (1.8)	60.1 (1.5)	60.1 (1.5)
2019	3,203.9	65.7 (2.1)	65.7 (2.1)	65.7 (2.1)	63.7 (2.0)
<b>Total</b>	<b>55,866.2</b>	<b>891.4 (1.6)</b>	<b>868.2 (1.6)</b>	<b>835.7 (1.5)</b>	<b>734.1 (1.3)</b>

Source: GAO analysis of Community Development Financial Institutions Fund New Markets Tax Credit data. | GAO-22-105215

Appendix IV: New Markets Tax Credit Use in Tribal Communities

We found no clear year-over-year trend across years. The highest proportion of investment in tribal communities generally occurred in 2004 and 2014. The lowest proportion of investment in tribal communities generally occurred in 2006.

Based on our analysis, we estimated that the total number of individual NMTC investments made in tribal communities fell somewhere between 167 and 211, which would have been between 1.0 and 1.3 percent of the total 16,520 individual NMTC investments made (see table 12).<sup>10</sup>

**Table 12: Estimated Number of New Markets Tax Credit (NMTC) Investments in Tribal Communities, 2004–2019**

Year	Total number of NMTC investments	Number of investments in tribal communities (percentage of total number of NMTC investments in parentheses)			
		Census tract centroid	Census tract overlap >=25%	Census tract overlap >=50%	Census tract overlap >=75%
2004	285	6 (2.1)	6 (2.1)	6 (2.1)	4 (1.4)
2005	595	2 (0.3)	2 (0.3)	2 (0.3)	2 (0.3)
2006	742	2 (0.3)	3 (0.4)	2 (0.3)	1 (0.1)
2007	1,021	15 (1.5)	15 (1.5)	15 (1.5)	12 (1.2)
2008	957	4 (0.4)	4 (0.4)	4 (0.4)	0 (0)
2009	890	9 (1.0)	9 (1.0)	8 (0.9)	8 (0.9)
2010	1,055	15 (1.4)	15 (1.4)	15 (1.4)	14 (1.3)
2011	1,313	26 (2.0)	26 (2.0)	26 (2.0)	26 (2.0)
2012	1,249	15 (1.2)	13 (1.0)	11 (0.9)	6 (0.5)

<sup>10</sup>Similar to the total investment dollars, we report a range because tribal areas do not perfectly align with census tract boundaries as described in the methodology section of this appendix. A single point estimate of any one methodology could be an over- or under-count, so we calculate a range of approaches and report the upper and lower bounds. The lower bound of the range is represented by the approach that used the overlap threshold of 75 percent or greater for the census tracts that were not fully within tribal areas. The upper bound of the range is represented by the centroid approach.

**Appendix IV: New Markets Tax Credit Use in Tribal Communities**

Year	Total number of NMTC investments	Number of investments in tribal communities (percentage of total number of NMTC investments in parentheses)			
		Census tract centroid	Census tract overlap >=25%	Census tract overlap >=50%	Census tract overlap >=75%
2013	1,170	16 (1.4)	16 (1.4)	16 (1.4)	14 (1.2)
2014	1,092	21 (1.9)	21 (1.9)	21 (1.9)	17 (1.6)
2015	1,163	17 (1.5)	17 (1.5)	11 (0.9)	11 (0.9)
2016	1,029	23 (2.2)	15 (1.5)	15 (1.5)	15 (1.5)
2017	1,435	8 (0.6)	8 (0.6)	8 (0.6)	8 (0.6)
2018	1,441	16 (1.1)	16 (1.1)	14 (1.0)	14 (1.0)
2019	1,083	16 (1.5)	16 (1.5)	16 (1.5)	15 (1.4)
<b>Total</b>	<b>16,520</b>	<b>211 (1.3)</b>	<b>202 (1.2)</b>	<b>190 (1.2)</b>	<b>167 (1.0)</b>

Source: GAO analysis of Community Development Financial Institutions Fund New Markets Tax Credit data. | GAO-22-105215

We found that Native CDFIs did not make any NMTC investments in 8 of the 16 years from 2004 through 2019.<sup>11</sup> Native CDFIs served as Community Development Entities for NMTC investments in 2004, 2006, from 2008 through 2012, and in 2014. Native CDFIs saw the greatest NMTC investment dollars in the period from 2010 through 2012, with a high of \$30.5 million in 2011 (see table 13). Native CDFIs made a total of \$91.5 million in NMTC investments from 2004 through 2019. According to the CDFI Fund, an additional two Community Development Entities affiliated with Native CDFIs invested \$92.8 million from 2011 through

<sup>11</sup>Tribal communities can still receive investments via NMTC when Native CDFIs are not involved. Outside non-Native Community Development Entities can invest in tribal communities. Additionally, tribal entities that are not certified CDFIs can be certified and operate as Community Development Entities. NMTC data do not list the demographics or enrollment status of Community Development Entity owners, so it is not possible to determine the extent to which Native Community Development Entities invested in tribal communities via NMTC. CDFI Fund officials identified two tribally controlled Community Development Entities, which are not Native CDFIs, which together made \$92.8 million in New Markets Tax Credit investments from 2011 through 2019.

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**Appendix IV: New Markets Tax Credit Use in  
Tribal Communities**

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2019, bringing the total NMTC investments made by Native CDFIs or affiliated Community Development Entities to \$184.3 million.<sup>12</sup>

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<sup>12</sup>According to the CDFI Fund, the two additional Community Development Entities listed tribal governments as their controlling entities in CDFI Fund administrative data.

Appendix IV: New Markets Tax Credit Use in Tribal Communities

**Table 13: Total New Markets Tax Credit (NMTC) Investments in Qualified Low-Income Communities Made by Native Community Development Financial Institutions (CDFI), 2004–2019**

Dollars in millions

Year	Total CDFI NMTC investments	Native CDFI NMTC investments, (percentage of total CDFI NMTC investment dollars in parentheses)
2004	215.3	3.1 (1.5)
2005	435.9	0.0 (0)
2006	530.8	9.4 (1.8)
2007	672.3	0.0 (0)
2008	603.6	1.7 (0.3)
2009	640.1	2.5 (0.4)
2010	947.6	22.8 (2.4)
2011	1,285.5	30.5 (2.4)
2012	1,013.8	17.5 (1.7)
2013	831.1	0.0 (0)
2014	802.4	4.0 (0.5)
2015	\$748.3	\$0.0 (0)
2016	\$533.2	\$0.0 (0)
2017	\$1,002.7	\$0.0 (0)
2018	\$1,134.4	\$0.0 (0)
2019	\$907.3	\$0.0 (0)
<b>Total</b>	<b>\$12,304.4</b>	<b>\$91.5 (0.7)</b>

Source: GAO analysis of Community Development Financial Institutions Fund New Markets Tax Credit data. | GAO-22-105215

Note: Due to rounding, totals and percentages may not reflect the sum or proportion of obligations as presented.

# Appendix V: Comments from the Small Business Administration



July 28, 2022

Ms. Anna Maria Ortiz  
Director, Natural Resources and Environment  
U.S. Government Accountability Office  
441 G Street, N.W.  
Washington, DC 20548

Mr. Bill Shear  
Director, Financial Markets and Community Investment  
U.S. Government Accountability Office  
441 G Street, N.W.  
Washington, DC 20548

Dear Ms. Ortiz and Mr. Shear:

Thank you for providing the U. S. Small Business Administration (SBA) with a copy of the Government Accountability Office (GAO) draft report titled "Tribal Economic Development: Action Is Needed to Better Understand Financial Support", GAO-22-105215 (105215). The draft report examines the economic development programs available to tribal entities and the extent to which fragmentation, overlap, and duplication exist among selected agencies and programs and available data on obligations to tribal entities for these programs. In addition, the report describes the role that community development financial institutions (CDFIs) play in facilitating economic development and captures selected tax incentives available and existing data on their use. For this report, GAO evaluated the federal programs and services designed to assist tribal entities with economic development that were available in fiscal year 2021, conducted semi-structured interviews with agency officials and tribal stakeholders, interviewed six Native CDFIs, and examined IRS statutes, regulations, and guidance.

SBA has reviewed the draft report and agrees with the one recommendation received.

**Recommendation 5:** The Assistant Administrator of SBA's Office of Native American Affairs, in coordination with Tribes, should establish a plan for periodically analyzing and publicly reporting the amount of economic development assistance provided by SBA to Tribal entities and using that analysis to identify opportunities to improve assistance to Tribal entities.

**SBA Response:** Concur. SBA is actively pursuing increased data collection on economic development assistance provided to Tribal entities (defined as tribal governments, tribally owned nonprofits, tribally owned businesses, and businesses owned by individual tribal members) and commits to partnering with Tribes to analyze and report data in service of improving assistance to Tribal entities.



# Appendix VI: Comments from the Department of Agriculture



Farm  
Production  
and  
Conservation

Farm  
Service  
Agency

1400 Independence Ave SW,  
Washington, DC 20250

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**Date:** August 4, 2022  
**To:** U.S. Government Accountability Office  
441 G St., NW  
Washington, DC 20548  
**Subject:** **GAO Draft Report 105215 - Tribal Economic Development**

Dear U.S. Government Accountability Office:

The U.S. Department of Agriculture's (USDA) Farm Service Agency (FSA) appreciates the opportunity to offer input to the U.S. Government Accountability Office (GAO) draft report "Tribal Economic Development, GAO 105215" dated August 2022.

FSA generally disagrees with the findings in the GAO draft report as it relates to FSA programs. There are additional factors that should be considered and outlined in the report because it doesn't treat production agriculture as economic development. FSA provides the following comments for consideration and clarification to comments previously provided to GAO by e-mail dated July 29, 2022.

Economic development in any rural community cannot happen if the sustainable development of its natural resources is not contemplated. While much of this report focuses on Tribes, tribal citizens and their economic success are also critical to economic development of tribal communities. Likewise, the ability of Tribes and their members to meaningfully and sustainably leverage their natural resources to their own economic gain is inextricably linked to improved access to the broad ranging resources of the FSA and USDA. This access is necessary for meaningful economic development in Indian Country. A report on economic development in Indian Country to the committees of jurisdiction to advance solutions for Indian Country must acknowledge this reality, lest it perpetuates the narrative that has enabled those non-Indians with program access to exploit and extract Indian Country resources. FSA believes it is imperative to consider the full breadth of Indian Country economies, which includes the entire agriculture economy and not simply the selected slice used in GAO's analysis.

The USDA has funded efforts at all levels in recognition of this reality for decades. Many of these efforts have been directly related to improving access to FSA programs specifically to improve economic outcomes for Tribes and their citizens. FSA leadership, specifically the Administrator's Office and staff therein, have a unique perspective in this regard, having been party to these efforts in the past, not only as it pertains to FSA programs, but Departmental efforts as well.

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**Appendix VI: Comments from the Department  
of Agriculture**

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USDA programs that finance the acquisition of the real estate and production assets for individuals and Tribes, provide cost-share for individual and Tribal conservation efforts, and provide price support, commodity and disaster assistance for production agriculture, are among those most notably absent from this report. The presumption that these funds should be categorized different than economic development funding ignores an industry that totals more than \$3 billion annually, and in a large part of Indian Country is the only economic development opportunity that exists.

The referenced draft GAO report gives cause for concern over the portrayal of some of the endemic challenges faced by agriculture and other economic development practitioners in Indian Country. By discounting the impact of federal agricultural program funding to a rural economy, and not including more FSA programs contributing to this industry, recipients of this report will not receive the comprehensive information needed to coordinate federal policy that is truly based on a federal trust relationship. In addition, FSA believes this report may contribute to the current misconception regarding the mortgaging of trust land, the most basic of transactions needed to effectively leverage resources. Further, it ignores the fact that FSA regularly works with individuals to mortgage trust land for real estate transactions.

Indian Country is now, and has been since time immemorial, composed of economies based on agriculture, food, and trade thereof. The notion that we can improve outcomes without tackling this reality head on when contemplating economic development is at best flawed, and at worst damaging to the ongoing collaborative efforts of the Congressional Committees, Tribes and their members, and the Executive Branch.

Thank you again for the opportunity to review and respond to the GAO draft report.

Sincerely,



Zach Ducheneaux  
Administrator

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# Appendix VII: GAO Contacts and Staff Acknowledgments

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## GAO Contacts

Anna Maria Ortiz at 202-512-3841 or [ortiza@gao.gov](mailto:ortiza@gao.gov) or William B. Shear at 202-512-8678 or [shearw@gao.gov](mailto:shearw@gao.gov)

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## Staff Acknowledgments

In addition to the contacts named above, Beth Faraguna (Assistant Director), Paige Gilbreath (Assistant Director), Kaitlan Doying (Analyst in Charge), Chelsea Carter, Hannah Dodd, John Karikari, Jill Lacey, Marc Molino, Matthew Ray, Jennifer Schwartz, Jeanette Soares, and Richard Zarrella made key contributions to this report.

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# Related GAO Products

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## CARES Act and Federal Management of Tribal Programs

*Tribal Funding: Actions Needed to Improve Information on Federal Funds That Benefit Native Americans.* [GAO-22-104602](#). Washington, D.C.: May 19, 2022.

*COVID-19: Lessons Learned from Interior and Treasury's Administration of CARES Act Funds Could Improve Federal Emergency Relief to Tribes.* [GAO-22-104349](#). Washington, D.C.: October 29, 2021.

*Tribal Programs: Resource Constraints and Management Weaknesses Can Limit Federal Program Delivery to Tribes.* [GAO-20-270T](#). Washington, D.C.: November 19, 2019.

*High Risk: Progress Made but Continued Attention Needed to Address Management Weaknesses at Federal Agencies Serving Indian Tribes.* [GAO-19-445T](#). Washington, D.C.: March 12, 2019.

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## Broadband Infrastructure

*Tribal Broadband: National Strategy and Coordination Framework Needed to Increase Access.* [GAO-22-104421](#). Washington, D.C.: June 22, 2022.

*Tribal Broadband: FCC Should Undertake Efforts to Better Promote Tribal Access to Spectrum.* [GAO-19-75](#). Washington, D.C.: November 14, 2018.

*Tribal Broadband: Few Partnerships Exist and the Rural Utilities Service Needs to Identify and Address Any Funding Barriers Tribes Face.* [GAO-18-682](#). Washington, D.C.: September 28, 2018.

*Broadband Internet: FCC's Data Overstate Access on Tribal Lands.* [GAO-18-630](#). Washington, D.C.: September 7, 2018.

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## Energy Projects and Infrastructure

*Indian Energy Service Center: Support Activities Have Been Provided, but Goals and Performance Measures Should Be Defined.* [GAO-22-103514](#). Washington, D.C.: March 10, 2022.

*Tribal Energy: Opportunities Exist to Increase Federal Agencies' Use of the Tribal Preference Authority.* [GAO-19-359](#). Washington, D.C.: April 19, 2019.

*Indian Energy Development: Additional Actions by Federal Agencies Are Needed to Overcome Factors Hindering Development.* [GAO-17-43](#). Washington, D.C.: November 10, 2016.

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*Indian Energy Development: Interior Could Do More to Improve Its Process for Approving Revenue-Sharing Agreements.* [GAO-16-553](#). Washington, D.C.: June 13, 2016.

*Indian Energy Development: Poor Management by BIA Has Hindered Energy Development on Indian Lands.* [GAO-15-502](#). Washington, D.C.: June 8, 2015.

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## Water, Sewer, and Road Infrastructure

*Drinking Water and Wastewater Infrastructure: Opportunities Exist to Enhance Federal Agency Needs Assessment and Coordination on Tribal Projects.* [GAO-18-309](#). Washington, D.C.: May 15, 2018.

*Tribal Transportation: Better Data Could Improve Road Management and Inform Indian Student Attendance Strategies.* [GAO-17-423](#). Washington, D.C.: May 22, 2017.

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## Agriculture

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*Indian Issues: Agricultural Credit Needs and Barriers to Lending on Tribal Lands.* [GAO-19-464](#). Washington, D.C.: May 9, 2019.

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## Affordable Housing

*Native American Veterans: Improvements to VA Management Could Help Increase Mortgage Loan Program Participation.* [GAO-22-104627](#). Washington, D.C.: April 19, 2022.

*Native American Housing: Additional Actions Needed to Better Support Tribal Efforts.* [GAO-14-255](#). Washington, D.C.: March 27, 2014.

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## Federal Contracting

*DOD Small Business Contracting: Use of Sole-Source 8(a) Contracts over \$22 Million Has Increased.* [GAO-22-105567](#). Washington, D.C.: March 28, 2022.

*Federal Contracting and Small Business Administration: Steps Taken to Verify Tribal Recognition for 8(a) Program.* [GAO-22-104146](#). Washington, D.C.: December 2, 2021.

*Buy Indian Act: Bureau of Indian Affairs and Indian Health Service Need Greater Insight into Implementation at Regional Offices.* [GAO-15-588](#). Washington, D.C.: July 9, 2015.

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A. Nicole Clowers, Managing Director, [ClowersA@gao.gov](mailto:ClowersA@gao.gov), (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

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## Public Affairs

Chuck Young, Managing Director, [youngc1@gao.gov](mailto:youngc1@gao.gov), (202) 512-4800  
U.S. Government Accountability Office, 441 G Street NW, Room 7149  
Washington, DC 20548

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## Strategic Planning and External Liaison

Stephen J. Sanford, Managing Director, [spel@gao.gov](mailto:spel@gao.gov), (202) 512-4707  
U.S. Government Accountability Office, 441 G Street NW, Room 7814,  
Washington, DC 20548

