

The State Small Business Credit Initiative for Tribal Governments



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The American Rescue Plan Act of 2021 (ARPA) reauthorized and expanded the [State Small Business Credit Initiative \(SSBCI\) Program](#). The U.S. Department of the Treasury (Treasury) is responsible for allocating approximately \$10 billion in SSBCI funding to states, the District of Columbia, U.S. territories, and Tribal Governments (collectively referred to as Local Jurisdictions). These funds will support (1) locally-led credit and investment programs for existing small businesses and start-ups, and (2) technical assistance to small businesses applying for SSBCI funding and other government programs for small businesses. ARPA carves out dedicated SSBCI funds for Tribal Governments, and the [SSBCI Capital Program Policy Guidelines](#) provide guidance and exemptions specific to Tribal Governments.

This primer is designed to strengthen your knowledge of how Tribal Governments can utilize the SSBCI Capital Program, and how aligned partners can support these efforts.

Similar to the Council of Development Finance Agencies' (CDFA) [Analysis of the SSBCI Capital Program Policy Guidelines](#), this overview is not comprehensive of all SSBCI program requirements. It highlights key provisions specific to Tribal Governments and related businesses. View Treasury's dedicated [SSBCI webpage](#) and CDFA's [SSBCI Resource Center](#) for additional program information, updates, and insights.

WHAT YOU NEED TO KNOW:

- Tribal Governments are eligible to receive at least \$500 million in SSBCI funding.¹
- More than 400 Tribal Governments have submitted a Notice of Intent to Apply for the SSBCI program.²
- Tribal Governments have relatively more flexibility in regard to small businesses eligible to receive SSBCI-supported financing.
- Tribal Governments may apply jointly and/or with a third-party.
- There are multiple ways in which Tribal Enterprises can participate in SSBCI Capital Programs.
- Every dollar of SSBCI funding must be matched with one dollar of private financing, with a goal of achieving a "Private Financing Ratio" of 10:1 across all Capital Programs.³

¹ [SSBCI Fact Sheet for Tribal Governments](#); August 2021.

² [State Small Business Credit Initiative Tribal Government Notice of Intent Submissions](#); January 31, 2022.

³ [U.S. Department of the Treasury State Small Business Credit Initiative Capital Program Policy Guidelines](#); November 10, 2021.

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HOW THE SSBCI CAPITAL PROGRAM WORKS

Local Jurisdictions can utilize SSBCI funds to provide equity investments and credit/lending support through one or multiple approved programs: [Capital Access Program](#) and Other Credit Support Programs ([Loan Participation Program](#), [Loan Guarantee Program](#), [Collateral Support Program](#), and the [Venture Capital Program](#)).⁴ SSBCI funds must be matched dollar-for-dollar ("1:1 Financing") with private financing.

Treasury will issue SSBCI funds to Local Jurisdictions in three approximately equal tranches over a six-year period. The first tranche will be deployed upon execution of an Allocation Agreement between the Local Jurisdiction and Treasury. Local Jurisdictions must meet deployment thresholds and deadlines in order to receive the second and third tranche of capital. Program modifications can be made with approval from Treasury. Once the SSBCI program sunsets, capital returned by borrowers can be retained by the Local Jurisdiction as an unrestricted grant.

By and large, SSBCI Capital Program requirements are the same for all Local Jurisdictions. However, Treasury has provided program guidance and exemptions specific to Tribal Governments.

SSBCI FUNDING FOR TRIBAL GOVERNMENTS

More than [400 Tribal Governments](#) have submitted a Notice of Intent to Apply for \$500 million of SSBCI capital dedicated to eligible Tribal Governments. Tribal Governments must complete and submit an application to Treasury by May 11, 2022⁵ in order to remain eligible to receive SSBCI funding.

Submitting a Joint Application

A Tribal Government, or a group of Tribal Governments, can jointly apply for an SSBCI allocation through another Tribal Government or third-party (lead applicant). Each Tribal Government participating in a joint application must provide Treasury with documentation, such as a Tribal resolution or similar declaration, that delegates authority to the lead applicant.⁶

For example, Tribal Governments can work together as a consortium to pool SSBCI capital. In this case, participating Tribal Governments would delegate authority to a third-party or to another Tribal Government to manage a portion or all of its SSBCI allocation.

⁴ [U.S. Department of the Treasury State Small Business Credit Initiative Program Fact Sheet](#); November 2021.

⁵ [U.S. Department of the Treasury State Small Business Credit Initiative Program Application Deadlines Extended for Tribal Governments](#); January 2022.

⁶ [U.S. Department of the Treasury State Small Business Credit Initiative Capital Program Policy Guidelines](#); November 10, 2021.

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Working with Tribal Enterprises

Tribal Enterprises are eligible to engage with the SSBCI Capital Program in multiple ways. A Tribal Enterprise may:

- Implement and administer SSBCI programs as long as it is an authorized agent of, or entity supervised by, the Tribal Government;
- Act as a lender or investor in an approved SSBCI program classified as an Other Credit Support Program⁷; and
- Receive SSBCI-supported financing.⁸

Additionally, Tribal Enterprises can use the SSBCI Capital Program to provide investments, loans, or other credit or equity support to other Tribal Enterprises as long as the transaction is in compliance with SSBCI statute and regulations, and complies with the Tribe's conflict of interest policy (see page 6). Tribal Enterprises that act as a lender or investor should have sufficient lending or investing experience and should have the financial and managerial capacity to serve in this role.

WHAT IS A TRIBAL ENTERPRISE?

A Tribal Enterprise is defined as:

- An entity that is wholly owned by one or more Tribal Governments;
- A corporation that is wholly owned by one or more Tribal Governments;
- An entity owned in part by one or more Tribal Governments if all other owners are either United States citizens or [small business concerns](#); or
- A corporation owned in part by one or more Tribal Governments if all other owners are either United States citizens or small business concerns.

View the Federal Reserve Bank of Minneapolis' resource [Examining Tribal Enterprises to Understand Native Economic Development](#) to learn more.

⁷ U.S. Department of the Treasury State Small Business Credit Initiative Capital Program Policy Guidelines; November 10, 2021.

⁸ U.S. Department of the Treasury State Small Business Credit Initiative Frequently Asked Questions; December 15, 2021.

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HOW CAN TRIBAL GOVERNMENTS UTILIZE SSBCI FUNDING?

SSBCI Capital Program rules pertaining to eligible uses of financing, permissible borrowers, allowable administrative expenses, and reporting requirements apply across all Local Jurisdictions. However, certain flexibility has been extended to Tribal Governments.

Tribal Governments must deploy 90 percent of SSBCI funding to:

- Small businesses on Tribal lands;
- Small businesses on land owned by a Tribal government in trust, fee, or restricted fee status;
- Small businesses in states where the Tribe is physically located;
- Small businesses in states where the Tribe exercises jurisdiction;
- Small businesses headquartered in the states in which Tribal members reside;
- Tribal Enterprise-operated small businesses; and/or
- Small businesses owned by Tribal members.

Examples of how this may apply include:

- A Tribal Government may design an SSBCI strategy that deploys financing to small businesses located on Tribal lands as well as off-reservation small businesses owned by Tribal members.
- A Tribal Government can provide financing to a Tribal Enterprise, such as a professional services company or a manufacturer, headquartered off-reservation in a state where Tribal members reside.
- An Arizona Tribal Government may have the bulk of its members in a town on the border of Nevada and Arizona. Because the Tribe is exercising jurisdiction over its members in both states, it may invest in both states.⁹
- A Tribe located in Montana with Treaty rights in Wyoming can deploy SSBCI capital in Montana and Wyoming.¹⁰

⁹ [U.S. Department of the Treasury State Small Business Credit Initiative Capital Program Policy Guidelines](#); November 10, 2021.

¹⁰ [U.S. Department of the Treasury State Small Business Credit Initiative Capital Program Policy Guidelines](#); November 10, 2021.

GUIDANCE FOR TRIBAL GOVERNMENTS REGARDING PERMISSIBLE BUSINESSES

Small businesses that are eligible to receive financing through SSBCI programs are called “Permissible Businesses”. [The SSBCI Capital Program Policy Guidelines](#) enumerates eligibility criteria, and provides guidance specific to Tribal Government considerations. Select provisions pertaining to Tribal Governments are included below.

Number of Employees

Businesses with up to 750 employees can receive financing through Capital Access Programs. Businesses with up to 500 employees can receive financing through Other Credit Support Programs. In regard to counting the number of employees employed, businesses owned and controlled by a Tribal Government are not considered affiliates of the Tribal Government and are not considered affiliates of other businesses owned by the Tribal Government because of their common ownership by the Tribal Government or common management.¹¹

Gaming Businesses

Small businesses that derive more than one-third of gross annual revenue from legal gambling activities are not eligible to receive financing through the SSBCI program, unless it is a Tribal business. In this scenario, the Tribal business cannot use SSBCI funds for gaming activities, but can use SSBCI funds for non-gaming activities.¹² Examples of non-gaming activities may include working capital to support operations of a hotel or entertainment center.

Tribal Enterprises Engaged in Lending Activity

In general, small businesses that earn more than half of its annual net revenue from lending activities are not eligible to receive financing through the SSBCI program. However, Tribal Enterprises that engaged in lending activity are eligible to receive SSBCI funds as long as the business is not a depository institution or a bank holding company.

ADDITIONAL GUIDANCE FOR TRIBAL GOVERNMENTS

The [SSBCI Capital Program Policy Guidelines](#) provides additional guidance specific to Tribal Governments.

Private Financing Ratio¹³

Treasury refers to the ratio of small business lending and investment to the federal contribution amount as the “Private Financing Ratio”. Every SSBCI dollar should cause ten dollars of additional private investment (see “1:1 Financing” guidance for additional leverage requirements¹⁴). For a Tribal Government’s SSBCI Capital Program,

¹² [U.S. Department of the Treasury State Small Business Credit Initiative Capital Program Policy Guidelines](#); November 10, 2021.

¹³ [U.S. Department of the Treasury State Small Business Credit Initiative Capital Program Policy Guidelines](#); November 10, 2021.

¹⁴ [U.S. Department of the Treasury State Small Business Credit Initiative Capital Program Policy Guidelines](#); November 10, 2021.

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private financing may include funds provided by a Tribal Enterprise that were acquired in commerce, provided that the funds do not originate with the state, federal, or Tribal Government.

When a Local Jurisdiction submits its Capital Program application to Treasury, it must demonstrate a reasonable expectation that their SSBCI programs will achieve a 10:1 Private Financing Ratio. The 10:1 Private Financing Ratio is a goal of the SSBCI program that Local Jurisdictions will track over the life of the program, but ultimately it is not a requirement that must be achieved to access additional tranches of SSBCI capital.

Conflict-of-Interest Standards¹⁵

If a Tribal Enterprise lends to or invests in another Tribal Enterprise, relationships that would otherwise be prohibited are permitted if such relationships occur by virtue of common Tribal ownership. These transactions must be in accordance with the Tribal conflict-of-interest policy.

The Tribal conflict-of-interest policy addresses:

- Conflicts arising from immediate family and self-dealing; and
- Enforcement mechanisms for violations of the conflict-of-interest policy; and
- The Tribal Enterprise lender or investor will publicly disclose its transactions with Tribal Enterprise borrowers or investees.

Capital Program Application¹⁶

As part of its SSBCI Capital Program application, Tribal Governments should describe the expected benefits to the Tribe, Tribal businesses, and Tribal members. In the description, the Tribal Government should focus on, but not limit their discussion to:

- The projected number and amount of SSBCI loans or investments closed through Other Credit Support Programs (OCSP);
- The number, types, and quality of jobs created;
- Projected increases in tax revenues resulting through OCSP(s);
- Long-term economic benefits of OCSP(s) investments; and
- Other expected benefits from the economic development objectives of the Tribal Government.

¹⁵ [U.S. Department of the Treasury State Small Business Credit Initiative Capital Program Policy Guidelines](#); November 10, 2021.

¹⁶ [U.S. Department of the Treasury State Small Business Credit Initiative Capital Program Policy Guidelines](#); November 10, 2021.

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SO, WHAT'S NEXT?

CDFA is a leading advocate for SSBCI, and has spearheaded SSBCI programming and resource development to support the successful implementation of the program. CDFA leads a nationwide SSBCI Coalition of small business and SSBCI experts and practitioners, offers opportunities for knowledge sharing and networking, and disseminates SSBCI information through its SSBCI Resource Center and SSBCI Update Newsletter. The following recommendations are informed by CDFA's vast experience with the SSBCI program and unique insights on how SSBCI leaders are currently approaching the program.

Steps for Designing Your SSBCI Strategy:

1. Identify the geographies and types of small businesses that are eligible for your SSBCI Capital Program.
2. Create a priority list of geographies, economic sectors, and/or business types that are aligned with the needs of Tribal members.
3. Compare the capital needs of small businesses on your priority list with the five approved SSBCI program structures in order to hone in on which programs you want to offer.
4. Identify areas in which your Tribal Government has core competencies (i.e. finding small businesses that need financing) and areas where you may want to partner in order to execute your SSBCI strategy.
5. Conduct outreach to aligned stakeholders in order to find your SSBCI partners (fund managers, financial institutions, technical assistance providers, etc.).

Additional Considerations for Designing an SSBCI Strategy:

- Should you partner with a third-party or another Tribal Government in a joint application?
- Given the overlap of where states and Tribal Governments can deploy SSBCI capital, does it make sense to discuss your preferences or establish referral agreements to avoid redundancies?
- Will you focus on deploying capital on Tribal land, to eligible small businesses located off-reservation, or both?

FOR MORE INFORMATION

Visit CDFA's [SSBCI Resource Center](#) or contact CDFA at info@cdfa.net.

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CDFA'S SSBCI RESOURCES

CDFA SSBCI Resource Center

The central source for information, data, analytics, and programs related to the SSBCI program.

[Visit the SSBCI Resource Center](#)

CDFA SSBCI Coalition

SSBCI Coalition meetings are held once a month to provide an interactive forum for CDFA members during the State Small Business Credit Initiative (SSBCI) application period. CDFA facilitates discussions that allow for networking, peer knowledge sharing, and problem solving.

[Learn more about the SSBC Coalition](#)

CDFA SSBCI Fact Sheet & FAQs

An overview of how the SSBCI program works and the top things you need to know about it.

[View the SSBCI Fact Sheet & FAQs](#)

ABOUT CDFA

The Council of Development Finance Agencies (CDFA) is a national association dedicated to the advancement of development finance concerns and interests. CDFA is comprised of the nation's leading and most knowledgeable members of the development finance community representing public, private and non-profit entities alike. For more information about CDFA, visit www.cdfa.net or email info@cdfa.net.

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