



**Testimony of
Tiffany Ford, State Director,
North Dakota Small Business Development Centers
Regarding Bill SB 2018: ND Commerce Department
March 11, 2021 – House Appropriations Committee
(Education & Environment Division)**

Chairman Monson, Vice-Chairman Schmidt, and members of the House Appropriations Committee, Education & Environment Division:

For the record, my name is Tiffany Ford, State Director for your ND Small Business Development Centers (ND SBDC).

The ND SBDC is not a department within Commerce, but is hosted by the University of North Dakota (UND) Nistler College of Business and Public Administration. The ND SBDC receives funding from ND Commerce under both the Partner Programs line and the Discretionary line. **State and local funding is necessary in order to receive the full amount of federal funds allocated to North Dakota for this program.** Other local funds that support this match are provided by UND, cities, counties, and private contributors. Each of the past five years has seen an increase in federal funding for the national SBDC program, however, the ND SBDC will be challenged to receive our full allocation of federal dollars, when our state contribution remains at the current level.

In the current biennium, the ND SBDC has been awarded \$756,930 from the department of Commerce. During the 2019-2021 legislative session, the ND SBDC was approved for an increase of \$233,334 on top of the base budget of \$654,611. For the upcoming biennium, adequate state funding for the ND SBDC is more important than ever before because we anticipate that the lasting effects due to the pandemic will be devastating for years to come for our state's businesses. \$900,000 for the 2021-2023 biennium would support program operations, so that we can, at a minimum, sustain our current service capacity and program offerings, in order to meet the increasing demand for assistance from ND small businesses to start, grow, and not just survive but thrive in the long-term.

Adequate state funding ensures that we can continue to leverage the maximum amount of federal funding available to our state. If state and local funding decreases, our federal funding will decrease. We anticipate local sources of support to become even more strained in the next year and beyond, and seeking these local sources for operational funding takes significant time away from direct assistance provided to clients. Any decreases below our current level of funding will have negative repercussions on service delivery, economic impact, and may lead to the closure of service centers.

Given the considerable statewide impact of the ND SBDC, an additional consideration would be a more direct appropriations approach to the funds meant for the ND SBDC program. Funding allocations within an aggregated budget line lack legislative intent. It may be in the best interest of the state to have ND SBDC be a named budget line, outside of the Partner Programs line.

The written testimony I submitted last week gave a more detailed overview of the ND SBDC program. To briefly revisit the impacts and the return on the state's current investment in our program:

- the state's return on investment for the ND SBDC program is estimated to **exceed \$70 million in state tax revenues** – with the current funding level at just over \$750,000 this biennium, that calculates an approximate **benefit to cost ratio of \$124 : \$1**
- Businesses that work with the ND SBDC have a *survival success rate of 90%* which far exceeds the national average (nationally, only 50% of new small businesses survive their first five years)
- In the last biennium, ND SBDC clients started more than *185 new* small businesses in ND; received more than *\$130 million in capital* invested in their success and growth; and *supported, created or saved more than 8,300 jobs* for ND citizens

The ND SBDC has been on the front lines, helping businesses access all available COVID disaster relief programs. The demand for ND SBDC assistance has increased substantially in the past year. In 2020, we served nearly 3,500 individuals, whereas in an average year that count is usually around 1,500. Our network of staff have been the boots-on-the-ground, getting documentation compiled for businesses to take to the bank, connecting business owners to approved lenders and portals for the applications, and answering questions as the regulations and programs get revised, all of which will continue to be a priority for the foreseeable future. ND SBDC staff have the direct connection to SBA for clients that have been denied and are looking to file for reconsideration of their application. At the state and local level, the ND SBDC is the source for assistance related to the ERG, HERG, and HERG+ application processes, and all other regional disaster assistance programs.

This past year we have observed a shift in our client base. We have seen an uptick in our services to existing businesses. These businesses are looking to expand their operations, shift or re-invent their business model, find operational efficiencies, enter into new markets, develop digital marketing and e-commerce, or are looking at exporting beyond the boundaries of ND and bringing in new revenues to our state. **The businesses that we assist provide essential services and products to support the operations and success**

of all of our state's industries, including our top producers: oil, energy, agriculture, and tourism. To mention a couple:

- Creedence Energy Services in Williston delivers chemical solutions to oil and gas operators that improve production, reduce failures, and optimize overall operational efficiency. They began working with the ND SBDC in 2014 on starting a business. They secured start-up financing, grew almost overnight, employ more than 50 people, are still hiring, and continue to work with the ND SBDC as they look to expand their operations and services for a second time.
- Harvest Profit out of Fargo began working with the ND SBDC in 2017 as an existing business looking for additional capital financing for expansion. This long-term relationship has now seen two separate phases of growth and financing for this agri-business technology company, using venture capital, ND Development Fund, BND, and PACE programs. In 2020 they were acquired by John Deere – a great next phase of innovation for this ND business!
- Chris Ahl began working with the ND SBDC in 2015 when he decided to purchase what is now Pekin Lodge. We helped him to find multiple sources for the capital necessary to finalize the purchase in 2017. Things were going well, until COVID devastated the tourism industry. Now he is working with us again to get the disaster assistance funds the business needs to survive this downturn and come out successful on the other side.

ND SBDC services to entrepreneurs looking to start new businesses did not see any decline due to the pandemic. **In 2020 we were able to capture more new business starts than in the previous two years.** Entrepreneurs saw solutions to problems, and gaps in the market to fill with their product or service. Many of our entrepreneurial clients have been let go from a job and see this as an opportunity to capitalize on the skillset they already have, to “be their own boss,” and to continue to contribute to the vitality of their community. As these entrepreneurs work with us to refine their business idea and determine a model that will lead to their long-term success, we are helping to diversify our state's economy.

The ND SBDC is a fundamental component of the North Dakota entrepreneurial ecosystem. This is a long-standing, reputable, and strong program with undeniable positive impacts for our state's economy, businesses, and communities – large and small, including job creation, tax base, and quality of life. We, as a network of passionate and invested individuals, look forward to serving these businesses and this state for years to come. We are proud to assist the resilient, determined, and hard-working businesses and

entrepreneurs in our communities. Helping our clients achieve their dreams of owning a successful business, right here in North Dakota, is what matters most.

We are pleased to have a client attending today to provide their testimony, but before they speak with you, I will be happy to answer any questions that you have.

I appreciate having the opportunity to share this information with you. Thank you Chairman Monson and committee members for your time, and for your support of the ND SBDC and small businesses all across our great state. I would now like to introduce you to ND SBDC client, Cherie Harms, followed by our network partner, Dave Kleppe, Program Manager for the ND Procurement Technical Assistance Center.