

Bill Presentation and Testimony in Support of HB 1420

By Representative Mary Schneider

House Industry, Business and Labor Committee, Scott Louser, Chair

Monday, January 23, 2023

Chairman Louser and Members of the IBL Committee:

North Dakota is proud to be a business-oriented state. It supports many different groups and types of businesses through the Bank of North Dakota, the Commerce Department, the Small Business Development Corporation, Lake Agassiz Development Group, the SBA, banks, and a variety of other federal and private sources. Some of the programs or loan types may seem similar or have common features, but they are different from House Bill 1420 in important ways.

We have many programs for large businesses, major established corporations, and entrepreneurs just starting out. HB 1420, however, is focused on small businesses. That's in part because a substantial majority of all businesses in North Dakota are small businesses, and they are critical to providing the goods and services we need for our homes and communities.

- **72,723** small businesses are active in North Dakota, accounting for **98.8%** of businesses in the state.
- **210,948** North Dakotans are employed by small businesses, which is **57.7%** of the state's workforce.
- Accommodation and food services is the leading small business employer industry in North Dakota, followed by retail trade, health care, and social assistance.

(Sources: Tax Foundation, U.S. News, U.S. Census)

Bipartisan HB1420 is a bill to support and assist a targeted group of small businesses owned by women, minorities, and veterans. That cluster is an underrepresented grouping that other states have identified for precisely this type of access to low interest loans. Generally, the groups may have barriers to funding and development that limits their equality in business, so there is justification to expand their impact for unique reasons. Other states have afforded financial supports to maintain and expand their numbers for the economic health of their state's economy, and the well-being of its citizens. And we can do the same.

In our rural state it is especially important to maintain the strength of small businesses which provide critical goods and services necessary for our health, safety and well-being. Small business owners are our locals—our neighbors, friends, and small town employers.

This small business revolving loan fund would provide loans of amounts between ten thousand dollars and forty-five thousand dollars at one half of one percent per year for a maximum term of ten years.

Eligible borrowers must be a woman, minority, or veteran, a United States citizen, and a resident of North Dakota. An amendment to add a surviving spouse of a veteran to that list has been requested, and is being prepared.

Borrowers may use the funds for working capital, equipment purchases, inventory acquisitions, or other business expenses.

The Bank of North Dakota would administer the fund from an initial \$1 million appropriation from the general fund and the Bank would develop policies for loan participation with local financial institutions. As you know, they have a broad base of experience and ongoing relationships in that regard.

In North Dakota at present there are an estimated 3,368 female-owned businesses, 4.6% of the small businesses, 1,089 veteran-owned businesses or just 1.4 percent, and only 748 minority-owned businesses, a miniscule 1%.

That these groups are represented in small business ownership at disproportionately smaller numbers than in our state's population can be for many reasons. You will read or hear about some of them in testimony on this bill. All may have gaps in their business-related work histories. Many are unable to access traditional loans because of limits in credit histories, or insufficient loan guarantees. Bankers may be, by nature or profession, less likely to stray from tradition or take on untraditional businesses or borrowers.

Other states have focused on the limitations these groups face caused by their status as women, minorities, or veterans with service-related problems, all of which can limit options and needed resources to maintain and expand small businesses. Testimony in support of this bill also emphasizes the value of assisting these diverse businesspeople over the hurdles and past the barriers they can encounter. The three groups add a lot to the richness and diversity of our workforce, our product development, our business community, and our state's communities.

Access to supported low interest loans can make a big difference to small businesses owned by women, minorities, and veterans, while promoting equity and diversity. Compared to the state funds we expend to other projects, programs, and businesses, it is a small price to pay for some potentially big gains. Thank you for considering help and support for a trio of small business owners that need and can greatly benefit from this fund.