

Department of Commerce Testimony
HB 1425
March 10, 2021
Senate Finance and Taxation Committee

Hello Chairman and members of the Committee,

My name is Josh Teigen and I am the Director of Economic Development and Finance Division for the ND Department of Commerce. Prior to serving in this role, I was a private sector entrepreneur who raised significant early stage capital. I can speak firsthand to the challenges in capital access in this state, despite being someone who successfully did so.

I am here today to testify in support of House Bill 1425. At the Department of Commerce our role is to work to increase the wealth of the state of North Dakota. One of our greatest competitive advantages is our Legacy Fund and the opportunity to deploy that capital within our borders to expand the wealth in our great state.

Not only does ND offer tremendous opportunity for cash return on investment but deploying these funds within the state can deliver significant economic impacts and additional tax revenues in conjunction to the cash on cash return on investments.

Access to capital or lack thereof has been a bottleneck to business expansion within ND for decades. In 2018, ND had 0.9 venture capital deals per 100,000 people, equating to only \$21.2 million in investment value. That is 0.02% of the total venture market for any given year. In ND we celebrate our ingenuity and the innovation and creativity of our citizens, but we only provide those entrepreneurs access to 0.02% of the capital in the US. Think of the world class companies that we can home grow right here with a shift in access to these capital markets.

Tremendous organizations have grown out of ND. Companies like Aldevron, Dot's Pretzels, Giants Sunflower Seeds, Scheels, Baker Boy, and Bobcat. These are all world class companies born from ND entrepreneurs who had to seek capital outside of our state due to the capital landscape. Think of the potential if we could not only supply these companies with the capital they need, but also participate in the upside of these businesses.

There is precedence for success in this model. The state of Connecticut launched a program in 2011 called Connecticut Innovations which is the premier example of where investing meets economic development. Connecticut Innovations is owned by the state of CT and funded through appropriated dollars.

Since inception in 10 years ago, CT Innovations has 52 exits in their portfolio (38 acquisitions, 14 IPOs). They invest between \$12 - \$15 million per quarter in 30 – 50 companies and utilize a blend of debt and equity vehicles in their investments. In total they have just over \$200 million under management and their portfolio of investments supports over 40,000 jobs in the state. From a cash flows perspective, CTI returns about 7% on assets each year. While impossible to predict future returns, this number provides a good baseline prediction for what the returns within ND could reasonably look like if this bill were to pass.

The state of NJ has been working on setting up their own fund for about two years now called the Evergreen Fund. Initial discussions were that it would be a \$500m fund that would be half funded by appropriations and the other half through an auction of corporate tax credits. ND has the infrastructure to deploy this capital, and there is deal flow to justify it. This bill has the potential to shape the future of ND and strategically position us for the future, right at a time where the future of energy and agriculture are in the crosshairs of this new administration. I appreciate your time and will now stand for any questions.