

**TESTIMONY OF
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ASSISTANT SECRETARY – INDIAN AFFAIRS
UNITED STATES DEPARTMENT OF THE INTERIOR
TO THE
SENATE COMMITTEE ON INDIAN AFFAIRS
UNITED STATES SENATE
ON
S. 3261**

SEPTEMBER 7, 2016

Chairman Barrasso, Vice-Chairman Tester, and members of the Committee, my name is Cheryl Andrews-Maltais. I am the Senior Policy Advisor to the Assistant Secretary – Indian Affairs at the Department of the Interior (Department). Thank you for the opportunity to provide testimony before this Committee on S.3261, the Native American Business Incubators Act, a bill to establish a business incubators program within the Department of the Interior to promote economic development in Indian reservation communities. The Department supports S. 3261.

S. 3261 would establish a program in the Office of Indian Energy and Economic Development under which the Secretary would provide financial assistance in the form of competitive grants to eligible applicants for the establishment and operation of business incubators that serve reservation communities by providing business incubation and other business services to Native businesses and Native entrepreneurs. Eligible applicants would include Indian tribes, a tribal college or university, an institution of higher education, and a private, non-profit organization or a tribal non-profit organization that could provide services to Native businesses and Native entrepreneurs. The bill allows for joint projects and sets forth application and selection processes and requirements. Section 5 provides for the Secretary to promulgate regulations to implement the program. Section 6 would facilitate the establishment of relationships between eligible applicants and educational institutions serving Native American communities. The Secretary would also coordinate with the Secretaries of Agriculture, Commerce Treasury and the Administrator of the Small Business Administration.

The Department strongly supports this bill's purpose, which is to impart critical business knowledge and provide technical assistance to entrepreneurs and start-up enterprises in American Indian and Alaska Native (AI/AN) communities. Should S. 3261 be enacted, the Department would evaluate the incubator grant proposals, disburse grant funding, and provide the on-site audits and monitoring of incubators described in the bill.

We note that section 4 of S. 3261 contains very detailed and prescriptive requirements related to establishment of the program, the application and selection process, and the evaluation process. We would like to work with the Committee to simplify these requirements to ensure that the program can be flexibly implemented. The Department is committed to working with the Committee to improve S. 3261.

Currently, Indian Affairs' Office of Energy and Economic Development prepares and publishes online technical assistance primers for use by Native entrepreneurs on topics such as "Choosing a Tribal Business Structure," "Making an Effective Business Presentation," "Financing a Tribal or Native Owned Business," and "Procurement Opportunities for Native Americans," among others. S. 3261 strengthens this work by facilitating on the ground technical assistance to Native entrepreneurs.

There are structural barriers to economic development that are unique to Indian Country which both prevent interested entrepreneurs from coming forward and existing ones from being successful. First, Native entrepreneurs lack access to capital. Eighty-six percent of tribal lands do not have a bank and 15 percent of AI/AN live 100 miles or more from a bank. Of financial institutions on or near AI/AN communities, only 33 percent offer start-up loans, 29 percent offer small business loans, and just 26 percent offer micro business loans.¹ Too many Native American communities are in poverty because of the unavailability of hands-on technical training centers for Native American business men and women to build and sustain businesses. Second, small businesses are not yet creating enough employment opportunities in Native communities.² Right now, only 13 percent of AI/AN entrepreneurs have entrepreneur parents, compared to 75 percent in the general population.³ The incubators envisioned in S. 3261 would address the dearth of Native entrepreneurs and small businesses by providing critical know-how to aspiring entrepreneurs.

Conclusion

Thank you for the Department the opportunity to provide testimony on S. 3261. The Department supports S. 3261. I am available to answer any questions the Committee may have.

¹ Drew Tulchin and Jessica Shortall, "Small Business Incubation and Its Prospects in Indian Country," Social Enterprise Associates, December 2008, p. 1.

² According to the U.S. Small Business Administration, small businesses account for two-thirds of new jobs. *See, Brookings Policy Brief Series #175*, "The Future of Small Business Entrepreneurship: Jobs Generator for the U.S. Economy," May 10, 2012.

³ *Ibid.*, Tulchin and Shortall, p. 2.