



HB 30 Follow-Up Questions from House Finance Committee Members

Rep Tomaszewski asked what does the disparity study do?

The bill requires the state's biannual procurement report to now include information on the number of procurement contracts the state enters with new businesses in the state. To meet this requirement, the Department of Administration provided this explanation in the fiscal note:

[T]he determination whether a new business is underrepresented should be supported by a statewide disparity study which would examine whether a difference exists between the actual amount or percentage of statewide contracts awarded to specific geographic and demographic areas and the expected number of awards based on the availability of businesses to perform the contracts.

Rep. Bynum asked for a source on the statistic, in the presentation, about the relationship between entrepreneurship and poverty.

In the presentation, it was reported that a 1% increase in entrepreneurship rate leads to a 2% decrease in poverty rate. This statistic comes from a policy brief from the advocacy organization "Right to Start," which they cite from a 2012 Policy Report from the Goldwater Institute.

The relationship between entrepreneurship rate and poverty has been the topic of a larger body of economic research. Although the results are not entirely uniform across studies, the scientific consensus largely supports the contention that growth in entrepreneurial activity is associated with a reduction in poverty.

In *Entrepreneurship and the fight against poverty in US cities*, authors found that entrepreneurship alone does not typically lead to poverty reduction, with the caveat that entrepreneurial activity within tradeable sectors appears to have a meaningful impact on poverty alleviation. This finding is supported by other papers that assert that encouragement of entrepreneurial activity is part of a broad array of factors that contribute to reduce poverty.

One example of this is the 2014 paper *Entrepreneurship Development and Poverty Alleviation: An Empirical Review*, which describes a comprehensive list of factors that contribute to entrepreneurial activities' impact on poverty reduction. This list includes universal primary education, participation of women in the workforce and in entrepreneurial environments, government support programs, entrepreneurship training & education, youth empowerment, government-university-industry collaboration, and others. The authors ultimately conclude that “entrepreneurship development is a key tool for poverty reduction”

The paper whose findings best support the underlying bill is the 2023 paper *The Impact of Entrepreneurship on Poverty Reduction* where the authors' research finds entrepreneurship has a “positive and significant impact on poverty reduction. In addition, entrepreneurship development incentives increase the efficiency and capacity of entrepreneurial activities to reduce poverty.”

Alaska's poverty rate is 10% overall and 19% in rural areas. Although this bill is not intended to address poverty directly, this relationship reveals it as an avenue to alleviate poverty in Alaska.

Rep Bynum asked what's the idea and scope on all agencies affected by the 5%?

The 5% economic development expenditure requirement in Sec. 44.33.857(a) is not a purchasing preference. This 5% could be expended for start-up accelerator or mentorship programs, programs that provide access to early-stage capital. Any kind of economic development program that assists with entrepreneurial activities. The idea is ensuring funding to bottom-up efforts that build entrepreneurial ecosystems. New businesses face many barriers to starting and unnecessary hurdles. Anything a state can do to change and reduce these barriers will help spur entrepreneurial growth and opportunity.

Citations Listed in Reverse Chronological Order of Publication

1. **Ostonokulov, A., Sattoriy, F., & Abdullayeva, N. (2023).** *The impact of entrepreneurship on poverty reduction. International Journal of Professional Business Review, 8(3), 1–19.*
2. **Lee, N., & Rodríguez-Pose, A. (2021).** *Entrepreneurship and the fight against poverty in US cities. EPA: Economy and Space, 53(1), 31–52.*
3. **Hussain, M. D., Bhuiyan, A. B., & Bakar, R. (2014).** *Entrepreneurship development and poverty alleviation: An empirical review. Journal of Asian Scientific Research, 4(10), 558–573.*
4. **Slivinski, S. (2012, November 13).** Increasing entrepreneurship is a key to lowering poverty rates (Policy Report No. 254). Goldwater Institute.