

HF1656 - 1E - Minnesota State Competitiveness Fund

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 Committee: **Ways And Means**
 Date Completed: **3/13/2023 11:26:00 AM**
 Agency: **Commerce Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	156,000	-	-	-	-	-
Total	156,000	-	-	-	-	-
Biennial Total				-		-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	11	11	11	11
Total	-	11	11	11	11

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

This fiscal note shows the full expenditure of the appropriated amount in FY23, in the year that it is appropriated. Expenditures for grants and for administration will continue until the funds expire in FY2034. FTE requirements for administration are shown on the FTE table above, and detail about the expenditures per year can be found in the narrative of this fiscal note.

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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
General Fund	156,000	-	-	-	-	-
Total	156,000	-	-	-	-	-
	Biennial Total		-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	156,000	-	-	-	-	-
Total	156,000	-	-	-	-	-
	Biennial Total		-			-
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
	Biennial Total		-			-

Bill Description

HF1656-1E corrects a handful of grammatical errors, modifies the phrase "grant writing" to "grant development" throughout the document, and modifies the fiscal year from 2024 to 2023, making funds available to begin before July 1, 2023.

HF1656 Established a State Competitiveness Fund at the MN Department of Commerce to leverage competitive and formula federal Infrastructure Investment and Jobs Act (IIJA) And Inflation Reduction Act (IRA) funds through matching grants, technical and grant writing assistance through a variety of eligible entities throughout Minnesota.

Sect. 1. Identified 216C.391 as the statutory location for the Minnesota State Competitiveness Fund

- Subd. 1 Provides definitions related to the fund
- Subd. 2 Establishes the account in the special revenue fund and defines how the funds must be managed by the commissioner of Commerce through June 30, 2034.
- Subd. 3 Establishes the eligible entities and prioritization of grant awards for matching funds. It sets forth a requirement for the Department to establish a list of eligible funding opportunities by November 15, 2023.
- Subd. 4 Establishes a grant writing assistance program for entities with grant writing expertise to assist eligible entities with the development of federal applications. It identifies who is eligible for the grant writing assistance funds, namely:
- Subd. 5 Establishes Grant amounts and % limitations for awards, including:
- Subd. 6 Defines how the grant awards must be administered and that the Department must provide technical assistance. It establishes that local grant writing assistance must be provided at no cost to the awardees and puts a limit of \$300,000 to eligible grant writing entities. It directs the department to notify the Legislative Advisory Committee and defines how funds are reserved/unreserved.
- Subd. 7 Sets forth the requirement for an annual audit and defines reporting requirements.

Sect. 2 Sets for the Appropriation as follows:

- \$156M total appropriation beginning FY24, of which:
- \$140M is for grant awards for eligible entities to match federal opportunities minus up to 5% by the Department for administration
- \$13.75M is for local grant writing assistance minus up to 5% for the Department for administration
- \$750K is for reports and audits
- \$1.5M is for Information Technology

Assumptions

It is assumed that it will take up to three months to hire staff, making the fiscal impact to the Department minimal between now and June 30, 2023.

It is assumed that it will take one to six months to directly contract with local capacity grant development resources with those directly named in the legislation at the short end and those needing to go through a competitive request for proposals process taking the longer timeframe

It is assumed that the funding will be pursued/reserved within four years of establishment and that the current level of administrative funding for the Department’s support will last up to five years.

It is assumed that it will take three months to fully ramp up the Commerce administration team but that some work will begin immediately based on current efforts, the day after enactment.

It is assumed that of the small grant carveout, grant requests will range from \$100,000 to \$999,999 for a total of approximately 100 awarded grants (recognizing that this may mean 300+ reservations as actual awards are based on federal selection)

It is assumed that for the large grant reservations, funding will be reserved at \$1M-\$15M, with a large majoring at the \$3M range for ~ 50 awards (70 reservations as the sub-awards for Grip are within the Department’s purview).

It is assumed that the majority of grant applications for local technical assistance will be for the maximum of \$300,000 which means = \$13.75M Commerce administration of \$1.375M / \$300,000 = ~41 local grant assistance contracts

Expenditure and/or Revenue Formula

There will be no change to the fiscal impact with the language in the 1E version, and the staff impact for FY23 can be covered with existing resources.

\$140M x 5% administrative cap = \$7M

\$13.5M x 5% administrative cap = \$675,000

Total administrative cap = \$7.675M, with estimated admin costs of \$7.5M over four years

Commerce administration:

- 1 FTE Administration (AC) (24M) to provide cross-coordination and communication around IJJA/IRA opportunities and to pursue all energy-related federal funding opportunities in which the State is eligible
- 1 FTE Supervisor (23K) to lead the team technical assistance team
- 1 FTE Development Director (18L) to lead writing of competitive solicitations, leverage other resources, establish metrics and tracking mechanisms, and communicate via the MN Energy Information Center: Competitiveness & Transparency Hub - funding opportunities for partners, businesses, utilities, and communities state-wide
- 1 FTE Federal Requirements Officer (14L) to gather, interpret, and develop procedures to meet required US DOE flow down provisions such as Davis Bacon, Buy American, and NEPA as well as to provide resources/information to local grant development teams
- 1 FTE Local Educator (10L) to support, implement, evaluate, and inform on the results of the local and statewide competitiveness initiatives and provide coordination of the grant writing assistance teams locally to ensure potential applicants are aware of resources available to them
- 2 FTE - Grants Specialists (10L & 7L) for grants/contracts management support to distribute funds and run RFP solicitations to grant local businesses and governments efficiently
- 4 FTE Technical Experts (18L), including technical experts in emerging fuels (e.g. hydrogen), grid modernization, engineering, and building science to assist in the technical development of grant applications

		FY24	FY25	FY26	FY27
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Salary		1,147,110	1,147,110	1,147,110	1,147,110
Fringe		344,133	344,133	344,133	344,133
Other Personnel Related Costs		385,448	385,448	385,448	385,448
		1,876,691	1,876,691	1,876,691	1,876,691

\$750K is for reports and audits

\$1.5M is for Information Technology

Long-Term Fiscal Considerations

While funding for the state technical assistance team is for four years with the majority of funds anticipated to be reserved within those four years, a smaller contingency of grant administrators will be needed over the course of the matching grants.

Local Fiscal Impact

LUGs and Tribes may choose to apply for matching grant funds and federal funds. As written, the match can be up to 100% of the match requirement. For competitive applications without a match requirement governments may choose to or need to provide additional funds for their grant applications.

References/Sources

Dept of Admin Sustainability measurement tool (IT costs)

Agency Contact:

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