MN HOUSE RESEARCH

Bill Summary

H.F. 4355

First engrossment

Subject	Workforce and business development omnibus
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Overview

Appropriates money and sets policy within the jurisdiction of the Workforce and Business Development Finance and Policy Committee.

Article 1: Appropriations

Appropriates money for economic and workforce development programs. Details provided in the fiscal spreadsheet.

Article 2: Policy

Establishes economic and workforce development policy.

Section	Description – Article 2: Policy
1	**[116J.015] Expiration of report mandates.** Sets default rules for when the commissioner of employment and economic development can stop providing legislatively mandated reports that have no final report date defined by law. Sets an end date of: ▪ January 1, 2023, for annual reports enacted before January 1, 2021; ▪ January 1, 2024, for biennial or less frequent reports enacted before January 1, 2021; ▪ three years after the date of enactment for annual reports enacted on or after January 1, 2021; and ▪ five years after the date of enactment for biennial or less frequent reports enacted on or after January 1, 2021. Requires the commissioner to submit an annual list of all reports set to expire in the following calendar year to the chairs of the legislative committees with jurisdiction. Effective date: This section is effective the day following final enactment.

Section	Description – Article 2: Policy
2	**[116J.4231] Office of New Americans.** Creates an Office of New Americans within the Department of Employment and Economic Development, run by an executive director appointed by the governor, to serve immigrants and refugees in Minnesota by assisting with access to economic and workforce development programs and services and coordinating those efforts across state agencies to facilitate integration of new Americans into the workforce. Allows the executive director to hire necessary staff and promulgate rules. Requires an annual report on the office's activities to the legislature beginning on January 15, 2024. Establishes an interdepartmental Coordinating Council on Immigrant and Refugee Affairs to advise the Office of New Americans, composed of representatives from all relevant agencies. Clarifies that this section creates no right of action. Allows the office to apply for grants to carry out its duties.
3	**Municipality.** Adds federally recognized Tribes to the definition of municipalities that may participate in the contamination cleanup program.
4	**[116J.8747] Job training program grant.** Modifies the pay for performance job training grant structure. Allows up to ten percent of money appropriated to the program to be used for administrative expenses and up to 20 percent for direct service expenses. Changes the incentive from $11,000 per qualified graduate placed in employment and $11,000 per qualified graduate retained in employment for at least one year to a different schedule of incentives for placing and retaining graduates of training programs: ▪ $2,500 for placement in part-time employment at 150 percent of the state minimum wage or more; ▪ $2,500 for placement in full-time employment at at least the state minimum wage but no more than 150 percent of that wage; ▪ $5,000 for placement in full-time employment at 150 percent of the state minimum wage or more; ▪ $5,000 for one year of retained part-time employment at 150 percent of the state minimum wage or more; ▪ $5,000 for one year of retained full-time employment at at least the state minimum wage but no more than 150 percent of that wage; and ▪ $10,000 for one year of retained full-time employment at 150 percent of the state minimum wage or more. Creates new requirements for employment to qualify for the incentives, including that the job be permanent, unsubsidized, private or public sector, and eligible for unemployment insurance. Limits programs to receiving only one placement and one retention incentive for the same qualified graduate within two years. Makes

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	technical changes, including requiring reporting on average hours per week of placements.
5	**[116J.8749] Main street economic revitalization program.** Modifies the main street economic revitalization program to add a capitalized loan option, where the state provides up to 20 percent of the loan funding with the state funds payment subordinate in the event of default. Adds “low-income area” to the definitions for the main street revitalization grant program. Defines it as a census tract with a poverty rate of at least 20 percent as reported in the most recent census. Allows the commissioner of employment and economic development to waive the main street revitalization grant program’s matching fund requirement for projects located in low-income areas. Sets terms for capitalized loans. Effective date: This section is effective retroactive to July 1, 2021.
6	**[116J.8751] Spark small business loan program.** Creates the spark small business loan program to award five-year renewable grants through a competitive process to community development financial institutions and nonprofits to make loans statewide to businesses employing no more than 50 full-time workers. Stipulates that loans should go to businesses inside and outside the metropolitan area, in approximate proportion to each region's share of state population to the extent there is sufficient eligible demand. Allows the nonprofit partners to use up to ten percent of grants for administrative costs, including providing specialized technical and legal assistance to businesses applying for loans. Requires lenders under the program to have a commissioner-approved plan for making loans at zero or low interest for a maximum loan term of seven years. Allows, with commissioner approval, up to one year of deferred payments or forgiveness of up to ten percent of loan principal. Limits loan amounts to no less than $5,000 and no more than: ▪ $35,000 for retail development projects; ▪ $600,000 for loans to community businesses; and ▪ $150,000 for all other loans. Defines “community business” as a cooperative, employee-owned business, or commercial land trust that is at least 51 percent owned by people who are Black, Indigenous, People of Color, immigrants, low-income, women, veterans, or people with disabilities. Directs all repayments of interest to the lender’s revolving loan fund for making further loans under the program and all repayments of principal to the spark small business loan fund account, created in the special revenue fund, for the

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	same purpose. Allows the commissioner to use an amount equal to no more than four percent of the value of grants made in the previous year for program administrative costs, except $500,000 is allowed in fiscal year 2023, the first year of the program. Requires annual reports and independent audits from participating lenders and an annual report to the legislature from the commissioner on the program.
7	**[116J.8770] Equity investments.** Permits the commissioner of employment and economic development to make equity investments in early stage and venture capital funds for small and emerging businesses.
8	**Grant amount; project phasing.** Increases the maximum grant amount for the targeted community capital project grant program from $1,500,000 to $3,000,000.
9	**[116J.9926] Emerging developer fund program.** Creates the emerging developer fund program, with the proposed coding 116J.9926, to make grants to qualified nonprofit partners to make loans to less established developers from targeted groups to pursue development projects that are intended to reduce racial and socioeconomic disparities. Includes minorities, women, people with disabilities, and low-income people as the groups potentially eligible for loans under the program. Limits predevelopment loans to $50,000 and all other types of loans to $500,000. Sets loan duration as six months to five years, all at low or zero interest, depending on the commissioner of employment and economic development's analysis of project risk. Mandates flexible collateral requirements, and allows both personal guaranty requirements and largely unsecured loans. Anticipates repayment of loans once permanent financing or a conventional loan is secured, with no prepayment penalty. Allows the commissioner to require a recipient to work with a more experienced developer or professional services consultant as the project develops. Directs all loan repayments to the emerging developer fund account in the special revenue fund, also created in this bill, which will fund additional loans. Defines what expenses are eligible uses of the various types of loans. Requires annual reports to the legislature on loans made under the program. Makes a onetime appropriation of an unspecified amount in fiscal year 2023 from the general fund to the emerging developer fund account and allows up to five percent of the appropriation to be used for the agency's administrative expenses of the program though partner organizations may use up to ten percent of grant funds for the organization's administrative costs.

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10	**Business subsidy.** Defines federal loan funds provided through the Department of the Treasury as not business subsidies, just as loans from the United States Department of Commerce and the Economic Development Administration are not.
11	**Pathways program.** Makes a technical change to the pathways program, broadening from private businesses to participating businesses.
12	**Definitions.** Makes a technical change to the state dislocated worker program.
13	**Definitions.** Makes technical modifications to the definition of "credential" for the purposes of the uniform outcome report cards.
14	**Uniform outcome report card; reporting by commissioner.** Removes program cost items from the list of what must be reported on the uniform outcome report cards.
15	**Canadian border counties economic relief program.** Creates a relief program for businesses in counties that share a border with Canada. **Subd. 1. Relief program established.** Directs the Northland Foundation and the Northwest Minnesota Foundation to create a relief program to assist businesses harmed by closures affecting northern Minnesota in the last two years. **Subd. 2. Available relief.** Sets requirements for making grants under the program and requires approval from the commissioner of employment and economic development for those plans. Limits grants to $50,000 per business. **Subd. 3. Qualification requirements.** Establishes eligibility criteria for grants. Requires that businesses: 1) be located in a county along the Canadian border; 2) be able to document a reduction in gross receipts of at least 20 percent in 2021 compared to 2019; and 3) provide a written explanation for how the recent closures resulted in that loss in revenue. **Subd. 4. Monitoring.** Stipulates that the grant-making entity must establish performance measures for the grants, including information about awards and the jobs, revenue, and taxes those awards result in. Requires cooperation with

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the commissioner of employment and economic development who will monitor these performance measures.

Subd. 5. Business subsidy requirements. Exempts the program from most state statutes that normally apply when state funds are given to private businesses.

Subd. 6. Administrative costs. Allows the commissioner of employment and economic development to use up to three percent of the appropriation for the program on administrative costs.

Effective date: This section is effective July 1, 2022, and expires June 30, 2023.

16 **Small business recovery grant program.**

Creates the small business recovery grant program.

Subd. 1. Definitions. Defines terms, including that "business" includes both for-profit businesses and nonprofit organizations that earn revenue in ways similar to businesses and that "partner organization" means the Minnesota Initiative Foundations and nonprofit corporations on the certified lenders list.

Subd. 2. Establishment. Establishes the small business recovery grant program to provide grants to small businesses directly or indirectly impacted by the COVID-19 pandemic and other economic challenges.

Subd. 3. Grants to partner organizations. Directs the commissioner to create a process for making grants to partner organizations to make grants to businesses. Requires a roughly equal amount of funds to go to partner organizations serving businesses outside the metropolitan area, as inside it. Allows partner organizations to use up to four percent of grant funds for administrative costs. Returns any funds not spent by December 31, 2023, to the general fund.

Subd. 4. Grants to businesses. Sets criteria for businesses to be eligible for grants, including that the business employ the equivalent of 50 full-time workers or less and be in one of the industries listed under subdivision 5. Awards grants of up to $25,000 to businesses through a lottery after applications are collected over a period of no more than ten calendar days, with a maximum of one grant per business. Allows grant funds to be used for working capital for expenses in the regular course of business.

Subd. 5. Eligible industries. Limits eligibility for grants to businesses in the following industries:

- Serving food or beverages;
- personal services;

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- indoor entertainment;
- indoor fitness and recreational sports centers;
- wellness and recreation;
- catering services;
- temporary lodging, such as hotels and motels; and
- performance venues.

Subd. 6. Distribution of awards. Requires a minimum amount of awards to members of targeted groups:

- $15,000,000 to businesses employing the equivalent of six full-time workers or less;
- $10,000,000 to minority business enterprises;
- $2,500,000 to businesses owned and operated by veterans; and
- $2,500,000 to businesses owned and operated by women.

Subd. 7. Exemptions. Exempts the program from state statutes related to giving funds to private businesses until December 31, 2023.

Subd. 8. Reports. Requires reports from partner organizations to the commissioner and the commissioner to the legislature on use of grant funds.

17 **Encumbrance exception.**

Allows grant recipients of the Minnesota investment fund, job creation fund, and border-to-border broadband programs to incur eligible expenses for up to 90 days prior to an encumbrance being established in the accounting system.

Effective date: This section is effective the day following final enactment and expires on June 30, 2025.

18 **Repealer.**

Makes the provisions of chapter 16A that apply to general fund appropriations for capital projects no longer apply to projects under the targeted community capital project grant program. Strips language making grants under the program available until the project is completed or abandoned subject to section 16A.642.

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