

Chair Zack Stephenson
House Ways and Means Committee
5th Floor Centennial Office Building
St. Paul, MN 55155

Chair Paul Torkelson
House Ways and Means Committee
2nd Floor Centennial Office Building
St. Paul, MN 55155

May 2, 2025

Dear Chair Stephenson and Chair Torkelson,

On behalf of the Department of Employment and Economic Development (DEED), I am writing to provide feedback on the House Workforce, Labor, and Economic Development Committee omnibus bill.

I want to extend my gratitude to the members of the House Workforce, Labor, and Economic Development Committee for their work in crafting a budget and to the members of the House Ways and Means Committee for your review and consideration of its provisions.

Governor Walz and Lieutenant Governor Flanagan proposed a reasonable and measured budget that includes responsible reductions to help address the projected budgetary imbalance, coupled with targeted investments to help address the state's key challenges.

Thank you for including several important provisions that will support DEED in its mission to empower the growth of the Minnesota economy, for everyone. Those include:

- Modifications to the Minnesota Forward Fund, which will catalyze large-scale business expansion projects.
- Technical corrections, which will ensure existing appropriations and programs function as the legislature intended.
- Updates to the Minnesota Job Skills Partnership statute, helping higher education institutions deliver impactful training services.
- Alignment of the State Services for the Blind statute with federal statute, which will ensure consistency.
- Preservation of key childcare programming, which will help to address the childcare shortage crisis felt across the state.

That said, we look forward to continuing to work together to find ways to include critical investments in programs that help continue Minnesota's economic growth and address our statewide workforce shortage. These include:

- The operating adjustment at \$2.274 million in FY26-27 and \$3.044 million in FY28-29 so DEED can continue providing high quality services and program oversight.
- Increases to Vocational Rehabilitation Services at \$5 million each year in FY26-27 and FY28-29 from the Workforce Development Fund. Additional funding is necessary to safeguard essential services that help people with disabilities to pursue satisfying employment and independent living.
- The Service to Success Initiative at \$6 million in FY26-27 and \$1 million in FY28-29, which will help promote public service opportunities and develop career pathways for participants in high-wage, high-demand sectors upon completion of their public service.
- The Drive for 5 Workforce Initiative at \$8 million each year in FY26-27, providing training for workers in five of Minnesota's most in-demand sectors while also connecting employers to new trainees.

We respect that the committee had a difficult budget target to meet. However, **gutting economic development programs will have a devastating impact on Minnesota's economic future.** The Job Creation Fund ("JCF") and Minnesota Investment Fund ("MIF") are Minnesota's core business expansion programs. These programs are essential in driving business expansions that create and retain high wage jobs, resulting in an increased tax base for communities statewide.

Since 2020, **JCF has leveraged \$2.44 billion in capital investment** with only \$38 million in State-funded awards; a return on investment of \$64 for every state dollar. Since 2020, **MIF has leveraged \$1.98 billion in capital investment, created 4,675 jobs, and retained 1,390 jobs.** MIF has accomplished this massive impact with only \$59.4 million in State-funded awards. MIF's return on investment is \$33.32 for every State dollar invested. Awardees for these programs are held accountable and they must repay funds when they do not meet the outcomes they agreed to.

Eliminating JCF and MIF to meet the short-term budget reduction needs will be far outweighed by the long-term loss of economic growth opportunity in Minnesota.

To address the state's budgetary challenges, the Governor proposes the following reductions to DEED programs over the next two biennia:

- Greater Minnesota Business Development Public Infrastructure - \$2,287,000/yr
- Host Community Economic Development Grant Program - \$750,000/yr
- Emerging Entrepreneur Loan Program - \$500,000/yr

- Small Business Assistance Partnership Program – \$1,000,000/yr
- Pathways to Prosperity Grant Program - \$1,000,000/yr
- Individual Placement and Supports - \$1,000,000/yr
- Job Creation Fund - \$3,000,000 FY26; \$3,232,000 FY 27; \$2,400,000/yr FY28-29
- Contaminated Site Cleanup - \$750,000/yr
- Redevelopment Grant Program - \$1,000,000/yr

In closing, I would again like to thank Chair Stephenson, Chair Torkelson, Vice Chair Agbaje, Vice Chair Robbins, Chair Pinto, Chair Baker, and the entire committee for your support and partnership.

Please do not hesitate to contact me or Director of Government Relations, Deven Bowdry (deven.bowdry@state.mn.us) with any questions.

With warm regards,



Matt Varilek
Commissioner