

The Honorable Representative Hodan Hassan  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
Saint Paul, MN 55155  
597 State Office Bldg.  
St. Paul, MN 55155

April 17, 2024

Dear Chair Hassan,

On behalf of the Department of Employment and Economic Development (DEED), I am writing to provide feedback for the House Economic Development Committee's omnibus bill HF 3449. This bill contains investments in multiple programs and endorses policy changes that will empower DEED to continue to fulfill its mission, "To empower the growth of the Minnesota economy, for everyone." I would like to thank you and the entire Economic Development Finance and Policy Committee for their partnership on this legislation.

I would also like to share my support and gratitude for including the four policy changes recommended the agency which will enhance the flexibility and effectiveness of our existing programs. These changes include:

- Extending the appropriation for Launch Minnesota until June 30, 2027 (26.10-26.11). This will allow our Office of Small Business and Innovation to fully utilize the appropriation to support a thriving small business ecosystem in Minnesota.
- Including refinements to the Innovative Business Development Public Infrastructure program (27.3-28.16) which makes the program both more responsive and provides clarity for applicants.
- Expanding the membership of the Energy Transition Advisory Council (28.9) to more comprehensively represent the communities that will be impacted by changes in power generation.
- Allowing the Northland Foundation to access administrative funding for the Canadian Border Communities Economic Relief Program (43.30-43.31). This administrative allowance was mistakenly not included in that legislation so we are appreciative of your support for this correction.

While DEED is supportive of HF3449, I wanted to share a couple of concerns regarding changes to the Minnesota Expanding Opportunity Fund Program and the Minnesota Emerging Entrepreneur Program. We are concerned with opening

the Minnesota Emerging Entrepreneur Program to new applicants every two years (34.12-34.13) and the inclusion of a requirement that DEED provide a fee equaling one percent of any loan made under the Expanding Opportunity Fund Program (32.13-32.16) and the Emerging Entrepreneur Program (36.22-36.25).

### **Opening the Emerging Entrepreneur Program Every Two Years:**

The agency believes that the current structure, which opens the application process for the Emerging Entrepreneur Fund Program every five years, balances the opportunity for new community lenders to participate with program stability and administrative efficiency. Mandating that DEED change the Emerging Entrepreneur Fund Program cycle from its current timeline of five years to two years presents multiple problems for the agency and the organizations enrolled in the program.

- This change would trigger the cancellation of all existing contracts with the community loan providers and create new contracts that accord with the new two-year timeline. This presents administrative burden for the staff at the community loan providers as well as DEED staff.
- With this change, DEED staff would need to conduct vetting and oversight on lenders that would only have a limited amount of time to participate before having to reapply.

### **Loan Fees of 1%:**

Lastly, I would like to flag my concerns about the changes that require DEED to provide a fee equal to one percent of every loan made under the Expanding Opportunity Fund Program (32.13-32.16) and the Emerging Entrepreneur Program (36.22-36.25). This represents a transfer of funds from the small businesses that would be receiving these loans to the lenders and these funds would come on top of interest payments or loan fees paid by the borrower to the lender. Our concern is that this change is out of line with the intent of these two important programs and will put additional strain on already limited lending resources.

In articulating these concerns, I would like to emphasize that the Metropolitan Consortium of Community Developers (MCCD) has been an incredible partner in administering these programs for multiple years and in collaborating to shape the policy contained in this bill. I also want to acknowledge the amount of work that went into crafting the proposed reforms by the MCCD workgroup and that the intent of these changes is to enhance the benefit of these programs for the

small businesses they support. We remain in conversation with MCCD and are hopeful that we will find resolutions these differences.

I also have one technical change to share. Line 27.4 should be changed to read: Subd. 3. **Grant program established.**(a) The commissioner shall make competitive grants to local governmental units for public infrastructure required to support an eligible project.

In closing, I would again like to thank Chair Hassan, Vice Chair Hanson, Ranking Member Koznick and the entire committee for your long-standing partnership and support. I would like to further acknowledge the incredible contributions that Chair Hassan has made during her time as chair of this committee. You have established a legacy of leadership in creating opportunities for wealth-building for BIPOC and underserved communities across Minnesota.

Please do not hesitate to contact me or Darielle Dannen (darielle.dannen@state.mn.us) with any questions.

With warm regards,



Matt Varilek  
Commissioner

CC: Representative Koznick