

Chair Eric Pratt & Senate Committee Members
95 Univeristy Ave West
Minnesota Senate Building, Room 3219
St. Paul, MN 55155

Chair Mohamud Noor & House Committee Members
379 State Office Building
St. Paul, MN 55155

Minnesota CDFIs & Non-profit Economic Development Organizations

Re: Conference Committee on S.F. 1098/H.F. 1342

April 30, 2021

Dear Chair Pratt, Chair Noor, and Committee Members,

For the first time, Community Development Finance Institutions (CDFIs) and non-profit economic development organizations from around Minnesota are joining efforts to support funding increases that will directly translate to one-on-one support for small businesses around our state. Collectively, we have a shared mission to build strong and stable communities. To achieve our mission, we must address the inequities that have prevented Black, Indigenous, and People of Color (BIPOC) and other communities from accessing traditional capital and wealth building opportunities.

Non-profit economic development organizations and CDFIs were uniquely positioned to support small businesses in adapting and surviving financial hardship this past year. As we near the end of the COVID-19 pandemic, we remain committed to helping communities recover and facilitating opportunities to grow small, rural, and BIPOC owned businesses. As you begin your work through the Conference Committee, we request that you include the following provisions in your final omnibus bill to support small, rural, and BIPOC owned businesses:

1. **Technical Assistance Funding:** Because the Department of Employment and Economic Development (DEED) does not work directly with business owners, DEED relies heavily on non-profit economic development organizations and CDFIs as partners to deploy funds and work directly with small businesses. Business advisors at these organizations stepped up during the pandemic to distribute over \$200 million in federal, state, and local aid to businesses, allowing thousands of small business owners to adjust and adapt their business models to the ever-changing environment this past year. **A significant increase in technical assistance funding is vital as small businesses and communities continue to rely on our organizations and members for years to come.**

Over the past year, technical assistance has proven to be a lifeline for thousands of struggling small businesses, especially rural, low-income, and BIPOC small business owners and entrepreneurs. Skilled business advisors employed by non-profit economic development organizations and CDFIs have helped businesses navigate this confusing and stressful time with expert culturally specific guidance and support to access financial assistance.

2. **Availability of Capital:** Minnesota businesses and the lenders that support them used every available dollar to survive the recession. **Access to capital is a primary need for Minnesota's small, rural and BIPOC-owned businesses to grow us out of this recession.** While the demand is certainly there, currently, low-interest capital for small businesses does not exist. A mixture of funds will allow CDFIs to tailor the appropriate financing package for the unique circumstances

of Minnesota's diverse business needs. Public funds will leverage private capital boosting employment and increasing prosperity for Minnesota families. These investments will serve communities in the immediate future and prepare CDFIs and non-profit economic development organizations to support economic growth for decades.

3. **Loan Guarantee:** To ensure that a loan guarantee program can serve those that need it the most, we request that the program have a CDFI carve-out and a BIPOC-led carve-out within that. We see a loan guarantee program offered through the state as a way to attract private equity to restructure existing loans as well as support new loans for small businesses able to take on additional debt and who are ready to grow. We are also asking that loan guarantees be provided to CDFIs that can be leveraged for additional private capital. A guarantee for CDFIs will increase the availability of capital to be used in a small business guarantee program. **Without technical assistance and access to capital, the loan guarantee program may not be as effective in supporting those that truly need the most help.**

As Minnesotans, we strive to emerge from the COVID-19 pandemic stronger than we entered it. Economic recessions acutely impact BIPOC-owned businesses, and recessions like the one we are currently experiencing affect BIPOC-owned businesses earlier and more severely, leaving long-lasting impacts that extend to entire communities. Technical assistance funding, more accessible capital, and the CDFI carve out for the loan guarantee are critical to strengthening our economy and combatting economic disparities within our communities. A prosperous BIPOC community in Minnesota is crucial to the overall economic success of our state and lowers the long-term need for social safety net spending.

As you approach negotiations, we hope that you recognize the value that CDFIs and non-profit economic development organizations play in the strength and success of our state's economy. We look forward to working with the committee and your staff to secure these investments as the 2021 legislative session concludes. Please reach out to Kari Johnson (kjohnson@mccdmn.org), Anna Odegaard (aodegaard@mnlsap.org), Hollies Winston (HolliesWinston@Guaranteed-America.com), or Andy Pomroy (apomroy@fredlaw.com) should you need any further information.

Sincerely,

African Development Center, Nasibu Sareva
African Economic Development Solutions, Gene Gelgelu
City of Lakes Community Land Trust, Domonique Jones
Entrepreneur Fund, Shawn Wellnitz
Hmong American Partnership, Jodie Tanaka
Latino Economic Development Center, Henry Jimenez
Metropolitan Consortium of Community Developers, Elena Gaarder
Metropolitan Economic Development Association, Alfredo Martel
Midwest Minnesota Development Corporation, Julia Nelmark
Minnesota Asset Building Coalition, Anna Odegaard
Neighborhood Development Center, Renay Dossman
NEON & Catalyst Chair, Warren McLean
Seward Redesign, Christopher Romano
Springboard for the Arts (St. Paul & Fergus Falls), Laura Zabel
Voices for Racial Justice, Brett Grant
White Earst Investment Initiative, Julia Nelmark
WomenVenture, Erin Horne McKinney