

April 25, 2022

The Honorable Representative Rena Moran
Chair, Ways and Means Committee
449 State Office Building
St. Paul, MN 55155

Dear Chair Moran,

On behalf of the Minnesota Department of Employment and Economic Development (DEED), I am writing to provide feedback on the House Workforce and Business Development Finance and Policy Division's Omnibus bill, HF4355.

I want to first thank the members of the Workforce and Business Development Finance and Policy Committee as well as members of the Ways and Means Committee. The work of building these Omnibus bills is complex, balancing budget constraints with community need, and everyone is to be commended for the work that has gone into this bill.

As you know, Governor Walz and Lt. Governor Flanagan's Budget to Move Minnesota Forward made recommendations to invest in local jobs and projects, expand economic opportunity, support children and families, and protect Minnesotans' health and safety. Most central to this committee's focus is the Walz-Flanagan economic plan to build on Minnesota's economic success by investing in students, workers, communities and small businesses – the things that make our state's economy strong in the first place.

I want to thank you for your attention to issues that the department has flagged and your work to resolve those areas of concern. As we continue this session, I hope we can continue to work together on the priorities the Governor has put forward for DEED. Below you will find areas in the Omnibus bill that DEED either supports or has concerns about.

Economic Development

Thank you for making important investments in key areas that will support an equitable recovery such as establishing and funding the Office of New Americans, additional supports for the Main Street Economic Revitalization program, a marketing campaign to market the state of Minnesota to businesses and potential workers, and increased funding to provide grants to organizations that provide small business assistance. It's clear you kept principles of equity at the center of your budget, and these are the kinds of investments that Minnesota should make now to grow our economy.

There are some key programs in the Governor's bill that were not in your Omnibus bill related to economic development that I strongly urge you to consider as we go forward. Launch Minnesota, our state's startup support program, should be funded to help businesses scale-up at this critical moment in our economy. Investments in electric vehicle infrastructure for businesses should also be made to help accelerate our transition to a green economy, creating jobs while helping Minnesota be a leader in clean economic development that fights climate change and builds opportunity. Further, I am concerned that there are no

investments in financial support to nonprofits critical to accelerating an equitable COVID-19 pandemic recovery in this bill.

Economic Development Policy Changes

I appreciate that the Governor's recommended policy changes were included in the House's Omnibus bill including:

- Lines 32.24 and 36.21 - Equity investment changes will allow the agency to use the capital access account for repaid State Small Business Credit Initiative (SSBCI) funds and reinvest the funds as early stage and venture capital funds for small and emerging businesses. The change at line 38.6 to add federal loan funds provided through the Department of the Treasury will similarly allow the agency to reinvest repaid SSBCI funds in early stage and venture capital funds for small and emerging businesses.
- The language at line 38.28 allows the program to add tribal businesses, municipal and county hospitals to the MN Job Skills Partnership program and will widen the business partnerships to include these types of businesses.

Thank you again for making a number of clarifying changes to the bill. I have one outstanding issue in the economic development policy that may benefit from additional clarity. At line 17.21 where the bill makes changes to the appropriation to a meat processing business in a redevelopment area, it is somewhat unclear what the exemption language at 17.21 is intending to exempt this appropriation from. As you are aware, 116J is a wide-ranging chapter of statute and this provision could potentially benefit from additional specificity around which provisions within 116J this appropriation is intended to be exempt from.

Workforce Development

Workforce challenges are the most pressing concern that I hear from businesses as they scramble to find workers across employment sectors. It is good to see that the Committee has a shared commitment to making investments in the tech jobs pipeline for youth even if that commitment is smaller than we perceive the need to be.

However, it is concerning to see that the House's Omnibus bill fails to institute the other investments in growing our workforce recommended by the Governor, including investments in adult technology re-skilling training, funding for clean tech workforce training, and resources to modernize DEED's workforce tools. These priorities were carefully put forward after a full review of gaps in the agency's toolkit to address modern workforce challenges shared with us by businesses and workers alike, and we're concerned about our ability to deliver the kind of quality and pressing workforce development services our state needs without funding these priorities.

While your package includes several direct appropriations to workforce development organizations, we believe a holistic approach with competitive grant programs would be preferable and scale much more effectively to meet this moment for our economy.

I support that the Governor's recommended policy changes were integrated in the House's Omnibus bill, including the following positive changes:

- Lines 21.17 – 23.25 make policy changes in the Pay for Performance program intended to make the program more flexible so that the model can be used by more programs. These changes allow nonprofits to have enough funding to effectively operate and provide a wider variety of job

placements and job retention services with scaled payments based on those placements and job retention.

- Language at 39.26 clarifying the definition of displaced homemaker will ensure that the program continues to serve individuals who have been out of the workforce but must now find employment.
- Changes in the definition of “credential” in the Uniform Report Card at lines 40. 14 – 40.21 will allow for a more expansive definition of credential to include certificates awarded by workforce investment boards.
- Removing language at lines 41.25 – 41.28 from the Uniform Report Card strikes language that attempts to capture the total cost of the program, total cost of the program per participant, cost per credential received by participant and the administrative cost of the program. The programs that use the Uniform Report Card vary widely by the populations they serve and the types of credentials they award and because of this, this information is not helpful in determining the program’s outcomes or effectiveness and creates an unnecessary administrative burden for the reporting organization. This information can instead be provided in the legislative reports.

Technical Issues

The language at line 23.12 should be amended to say, “covered employment under section 268.035, Subdivision 12” and the rest of the language can be struck in (a) after the word “be.”

Congratulations on putting together your Omnibus bill. I know that the committee has challenging work ahead. DEED is committed to working with you and we thank you in advance for your consideration of this feedback.

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

Regards,



Steve Grove
Commissioner

CC: Rep. Pat Garofalo