



April 28, 2021

Governor Tim Walz, Senator Eric Pratt, and Representative Mohamud Noor,

As you consider how to make the best use of the hundreds of millions of dollars that will be made available to Minnesota through the American Rescue Plan, the values-based small businesses in Main Street Alliance of Minnesota offer the following suggestions:

1. Use some of this one-time funding to add permanent value to the small business support structure.
  - Conduct an assessment of the many business support programs provided with funding through DEED during the last three years to understand how the state can most effectively support small business development and growth into the future, particularly for BIPOC- and women-entrepreneurs. The study should include an examination of approaches showing promise in other parts of the country and the world. This work should be done with input and oversight from Minnesotans who own small businesses about what works and what they need (funding and wrap-around training and technical assistance about managing a business, taxes, insurance, etc.).
  - Conduct a census of small businesses in the state to gather contact and demographic information and critical information about what small businesses really need. Use this census to create better support for small businesses, informing staff and policy makers. Also use data collected to focus outreach about future support programs for small businesses. Provide small grants (e.g., \$250-1,000) to all businesses that complete the census survey, if they indicate that they are locally owned and have seen a reduction in sales during the pandemic. Being able to get a microgrant out to businesses promptly will help build trust for business owners that this census is worth their time and that the State is taking a new approach.
  - Add capacity to agencies that regulate businesses so that they can provide initial training and guidance about the regulations. Long-term this investment should allow for less to be spent on enforcement, so it should not be a permanent spending increase with temporary funds. In addition, it would promote more positive interactions between regulatory agencies and new businesses and increase compliance.

2. Provide an amount of funding that could be meaningful (at least \$5,000?) to businesses most likely to have missed out on prior funding opportunities. Similar to the checks sent by the federal government to individuals, structure the process so that the State can identify eligible businesses and provide funding to them without the need for businesses to apply. This would include:
  - Micro-businesses
    - Use a definition of this term to limit funding to the smallest businesses, such as:
      - Use Schedule Cs filed in 2019 and 2020 to find those in business for themselves, with a minimum and maximum amount of revenue to ensure it's more than just a side hustle and that it doesn't go to those who already did very well
      - Use payroll data on 2019 and 2020 tax filings to identify businesses with a very small number of employees (5 or fewer)
    - This will promote racial and gender-equity, as it will provide assistance to most BIPOC and women-owned businesses
    - According to 2015 data, this would cover the vast majority of businesses in the state.
  - Businesses formed in 2020, with limits to target small businesses
3. For somewhat larger and more established businesses and social enterprises, provide funding automatically based upon reductions in payroll and/or sales tax receipts either through refunds to their accounts or a check.
  - Limit these payments so that they do not go to large corporations, especially those with national or international scope. Some examples:
    - Set a maximum number of employees (200?)
    - Limit these payments to businesses with ownership based in Minnesota, and fewer than 5 physical locations anywhere in the country.
    - For cases in which it's unclear if the business meets the criteria, mail them a pre-filled out application with a few basic questions, or some other simple process to pre-screen without erecting too many barriers.
4. Provide support to small businesses that were damaged during the civil unrest during 2020 or 2021. This should include:
  - Financial support to these small businesses to rebuild or make repairs
  - In addition, take steps to make insurance affordable and accessible, such as:
    - Assess the need for a shared insurance pool for small businesses, similar to the workers' comp insurance pool
    - Include a grant pool to help small businesses to access insurance if it's otherwise unaffordable.

- Study whether insurance companies are redlining certain areas of the Twin Cities. Survey businesses to identify if / where this is happening.

5. In all cases,

- If sending a check, include information about why the funding is being provided and information about other business support resources including loan programs, technical assistance, grants, and phone numbers of resources to reach out to.
- Limit the use of funds to expenses incurred in the normal line of business, and/or expenses related to addressing COVID precautions; require businesses to show an increase in spending of that amount within 12 months of receiving funds.
- Require public disclosure of who has received funds.
- Allow for clawbacks if funds are not used for legitimate expenses and/or if provided to a business that doesn't qualify.

Please let us know if you have any questions or need any additional information.

As always, we appreciate the opportunity to provide our suggestions and are available to discuss these or other ideas as plans are finalized.

Sincerely,

Beth Fraser  
State Manager