

Chapter 1

2020 First Special Session

Subject COVID-19 economic development

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Overview

Arranges for gradual repayment out of state budget surpluses of funds taken from the Minnesota 21st century fund for the small business emergency loan program. Funds new grants for small businesses adversely affected by COVID-19 with a combination of federal funding and money moved out of the small business loan guarantee program. Sets priorities and procedures for how businesses will participate in a lottery for these grant funds which can be used to subsidize a business's operating costs.

Summary

Section	Description
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1	Additional revenues; priority.
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Adds payments to the Minnesota 21st century fund to the list of priorities that receive an automatic allocation of funds when the commissioner of management and budget forecasts a budget surplus. Caps these payments at \$5,000,000 a year, minus any amounts already repaid or cancelled in the previous year under the small business emergency loan program passed in response to COVID-19 (see Laws 2020, chapter 71, article 1, section 11). Ends these payments once the Minnesota 21st century fund has received \$20,000,000 total between these automatic allocations and any amounts repaid or cancelled under the small business emergency loan program.

2	Transfers; small business emergency loan program.
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Redirects repayments of loans under the small business emergency loan program from the Minnesota 21st century fund to the general fund once the Minnesota 21st century fund has received \$20,000,000 total from the automatic allocations of surpluses (see section 1) and any amounts repaid or cancelled under the small business emergency loan program.

Section	Description
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3	Small business loan guarantee trust fund account; appropriation.
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Appropriates \$2,500,000 that was previously appropriated to the small business loan guarantee program passed in response to COVID-19 (see Laws 2020, chapter 71, article 1, section 12), for small business relief grants under section 4.

Effective date: This section is effective the day following final enactment.

4	Small business relief grants; appropriation.
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Paragraphs (a): Appropriates \$60,000,000 in fiscal year 2020 from federal COVID-19 funding for grants to small businesses undergoing financial hardship as a result of the COVID-19 outbreak.

Paragraph (b): Divides the available money (\$60,000,000 under paragraph (a) and \$2,500,000 from section 3) equally between greater Minnesota and the metropolitan area, with the commissioner of employment and economic development making grants to nonprofits with the capacity to make grants to small businesses under this program. Designates the Minnesota Initiative Foundations as the grant-making entities in greater Minnesota and allows the agency to select appropriate nonprofit corporations for serving the metropolitan area.

Paragraph (c): Allows no more than \$2,200,000 of the state-funded appropriation to be used for administrative costs of these grants.

Paragraph (d): Caps grants to individual businesses at \$10,000. Limits eligibility for these grants to businesses that:

- 1) are located in the state of Minnesota and owned by a permanent resident of the state;
- 2) have a permanent physical location;
- 3) were in good-standing with the secretary of state and the Department of Revenue as of March 1, 2020;
- 4) employ the equivalent of 50 full-time workers or less; and
- 5) can demonstrate financial hardship as a result of the COVID-19 outbreak.

Prioritizes businesses that were, as of May 18, 2020, limited by an executive order from operating at more than half capacity. Allows grant funds to be used for subsidizing essentially any normal business operating expenses.

Paragraph (e): Sets aside a minimum of:

- \$18,000,000 for grants to businesses with less than the equivalent of six full-time workers;
- \$10,000,000 for grants to minority-owned and operated businesses;

Section **Description**

- \$2,500,000 for grants to veteran-owned and operated businesses;
- \$2,500,000 for grants to women-owned and operated businesses; and
- \$2,500,000 for grants to operators of permanent indoor retail and food services spaces that have an ethnic cultural emphasis and house many small businesses.

Allows that final category of grant to be for up to \$250,000 per operator, all but \$10,000 of which must be passed on to existing tenants (who must themselves be eligible for a grant under paragraph (d)), primarily as rent forgiveness.

Paragraph (f): Bars businesses that previously received a loan from the small business emergency loan program from receiving a grant under this section. Limits businesses to a single grant under this section.

Paragraph (g): Allows the commissioner of employment and economic development to develop all criteria, forms, applications, and reporting requirements for the program.

Paragraph (h): Awards all grants under the program by lottery, to be drawn at the end of an application period of ten days or less and before December 30, 2020.

Paragraph (i): Exempts the program, until December 30, 2020, from some of the usual state rules about grants management, allotment and encumbrance, grant agreements, grant payments, and audits. Requires the commissioner of employment and economic development to audit the use of grant funds in accordance with standard accounting practices.

Paragraph (j): Requires a report to the legislature by December 31, 2020, about all grants made under the program.

Effective date: This section is effective the day following final enactment.



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