

**SENATE
STATE OF MINNESOTA
NINETY-THIRD SESSION**

S.F. No. 4925

(SENATE AUTHORS: PUTNAM)

DATE
03/13/2024

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Introduction and first reading
Referred to Jobs and Economic Development

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to economic development; making technical changes to the small business
1.3 assistance partnerships grant program, Minnesota expanding opportunity fund
1.4 program, Minnesota emerging entrepreneur program, and community
1.5 wealth-building grant program pilot project; amending Minnesota Statutes 2022,
1.6 section 116M.18; Minnesota Statutes 2023 Supplement, sections 116J.682,
1.7 subdivisions 1, 3; 116J.8733; Laws 2023, chapter 53, article 15, section 33,
1.8 subdivisions 4, 5.

1.9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.10 Section 1. Minnesota Statutes 2023 Supplement, section 116J.682, subdivision 1, is
1.11 amended to read:

1.12 Subdivision 1. **Definitions.** (a) For the purposes of this section, the terms in this
1.13 subdivision have the meanings given.

1.14 (b) "Commissioner" means the commissioner of employment and economic development.

1.15 (c) "Partner organizations" or "partners" means:

1.16 (1) nonprofit organizations or public entities, including higher education institutions,
1.17 engaged in business development or economic development;

1.18 (2) community development financial institutions; ~~or~~

1.19 (3) community development corporations; and

1.20 (4) Tribes.

1.21 (d) "Small business" has the meaning given in section 3 of the Small Business Act,
1.22 United States Code, title 15, section 632.

2.1 (e) "Underserved populations and geographies" means individuals who are Black,
 2.2 Indigenous, people of color, veterans, people with disabilities, people who are LGBTQ+,
 2.3 and low-income individuals and includes people from rural Minnesota.

2.4 Sec. 2. Minnesota Statutes 2023 Supplement, section 116J.682, subdivision 3, is amended
 2.5 to read:

2.6 Subd. 3. **Small business assistance partnerships grants.** (a) The commissioner shall
 2.7 make small business assistance partnerships grants to local and regional community-based
 2.8 organizations to provide small business development and technical assistance services to
 2.9 entrepreneurs and small business owners. The commissioner must prioritize applications
 2.10 that provide services to underserved populations and geographies.

2.11 (b) Grantees shall use the grant funds to provide high-quality, free ~~or low-cost~~
 2.12 professional business development and technical assistance services that support the start-up,
 2.13 growth, and success of Minnesota's entrepreneurs and small business owners.

2.14 (c) Grantees may use up to 15 percent of grant funds for expenses incurred while
 2.15 administering the grant, including but not limited to expenses related to technology, utilities,
 2.16 legal services, training, accounting, insurance, financial management, benefits, reporting,
 2.17 servicing of loans, and audits.

2.18 Sec. 3. Minnesota Statutes 2023 Supplement, section 116J.8733, is amended to read:

2.19 **116J.8733 MINNESOTA EXPANDING OPPORTUNITY FUND PROGRAM.**

2.20 Subdivision 1. **Establishment.** The Minnesota Expanding Opportunity Fund Program
 2.21 is established to capitalize Minnesota nonprofit corporations, Tribes, and community
 2.22 development financial institutions to increase lending activities with Minnesota small
 2.23 businesses.

2.24 Subd. 2. **Long-term loans.** The department may make long-term loans of ten to 12 years
 2.25 at 0.5 percent or lower interest rates to nonprofit corporations, Tribes, and community
 2.26 development financial institutions to enable nonprofit corporations, Tribes, and community
 2.27 development financial institutions to make more loans to Minnesota small businesses. The
 2.28 department may use the interest received to offset the cost of administering small business
 2.29 lending programs.

2.30 Subd. 3. **Loan eligibility; nonprofit corporation.** (a) The eligible nonprofit corporation,
 2.31 Tribe, or community development financial institution must not meet the definition of
 2.32 recipient under section 116J.993, subdivision 6.

3.1 (b) The commissioner may enter into loan agreements with Minnesota nonprofit
 3.2 corporations, Tribes, and community development financial institutions that apply to
 3.3 participate in the Minnesota Expanding Opportunity Fund Program. The commissioner shall
 3.4 evaluate applications from applicant nonprofit corporations, Tribes, and community
 3.5 development financial institutions. In evaluating applications, the department must consider,
 3.6 among other things, whether the nonprofit corporation, Tribe, or community development
 3.7 financial institution:

3.8 (1) meets the statutory definition of a community development financial institution as
 3.9 defined in section 103 of the Riegle Community Development and Regulatory Improvement
 3.10 Act of 1994, United States Code, title 12, section 4702;

3.11 (2) has a board of directors or loan or credit committee that includes citizens experienced
 3.12 in small business services and community development;

3.13 (3) has the technical skills to analyze small business loan requests;

3.14 (4) is familiar with other available public and private funding sources and economic
 3.15 development programs;

3.16 (5) is enrolled in one or more eligible federally funded state programs; and

3.17 (6) has the administrative capacity to manage a loan portfolio.

3.18 Subd. 4. **Revolving loan fund.** (a) The commissioner shall establish a revolving loan
 3.19 fund to make loans to nonprofit corporations, Tribes, and community development financial
 3.20 institutions for the purpose of increasing nonprofit corporation, Tribe, and community
 3.21 development financial institution capital and lending activities with Minnesota small
 3.22 businesses.

3.23 (b) Nonprofit corporations, Tribes, and community development financial institutions
 3.24 that receive loans from the commissioner under the program must establish appropriate
 3.25 accounting practices for the purpose of tracking eligible loans.

3.26 Subd. 5. **Loan portfolio administration.** (a) The fee or interest rate charged by a
 3.27 nonprofit corporation, Tribe, or community development financial institution for a loan
 3.28 under this subdivision must not exceed the Wall Street Journal prime rate plus two percent,
 3.29 with a maximum rate of ten percent. A nonprofit corporation, Tribe, or community
 3.30 development financial institution participating in the Minnesota Expanding Opportunity
 3.31 Fund Program may charge a loan closing fee equal to or less than ~~two~~ one percent of the
 3.32 loan value.

4.1 (b) The nonprofit corporation, Tribe, or community development financial institution
4.2 may retain all earnings from fees and interest from loans to small businesses.

4.3 (c) The department must provide the nonprofit corporation, Tribe, or community
4.4 development financial institution making the loan with a fee equal to one percent of the
4.5 loan value for every loan closed to offset related expenses for loan processing, loan servicing,
4.6 legal filings, and reporting.

4.7 Subd. 6. **Cooperation.** A nonprofit corporation, Tribe, or community development
4.8 financial institution that receives a program loan shall cooperate with other organizations,
4.9 including but not limited to community development corporations, community action
4.10 agencies, and the Minnesota small business development centers.

4.11 Subd. 7. **Reporting requirements.** (a) A nonprofit corporation, Tribe, or community
4.12 development financial institution that receives a program loan must submit an annual report
4.13 to the commissioner by February 15 of each year that includes:

4.14 (1) the number of businesses to which a loan was made;

4.15 (2) a description of businesses supported by the program;

4.16 (3) demographic information, as specified by the commissioner, regarding each borrower;

4.17 (4) an account of loans made during the calendar year;

4.18 (5) the program's impact on job creation and retention;

4.19 (6) the source and amount of money collected and distributed by the program;

4.20 (7) the program's assets and liabilities; and

4.21 (8) an explanation of administrative expenses.

4.22 (b) A nonprofit corporation, Tribe, or community development financial institution that
4.23 receives a program loan must provide for an independent annual audit to be performed in
4.24 accordance with generally accepted accounting practices and auditing standards and submit
4.25 a copy of each annual audit report to the commissioner.

4.26 Sec. 4. Minnesota Statutes 2022, section 116M.18, is amended to read:

4.27 **116M.18 MINNESOTA EMERGING ENTREPRENEUR PROGRAM.**

4.28 Subdivision 1. **Establishment.** The Minnesota emerging entrepreneur program is
4.29 established to award grants to nonprofit corporations, Tribes, and community development
4.30 financial institutions to fund loans to businesses owned by minority or low-income persons,
4.31 women, veterans, or people with disabilities.

5.1 Subd. 1a. **Statewide loans.** To the extent there is sufficient eligible demand, loans shall
5.2 be made so that an approximately equal dollar amount of loans are made to businesses in
5.3 the metropolitan area as in the nonmetropolitan area. After March 31 of each fiscal year,
5.4 the department may allow loans to be made anywhere in the state without regard to
5.5 geographic area.

5.6 Subd. 1b. **Grants.** The department shall make grants to nonprofit corporations, Tribes,
5.7 and community development financial institutions to fund loans to businesses owned by
5.8 minority or low-income persons, women, veterans, or people with disabilities to encourage
5.9 private investment, to provide jobs for minority and low-income persons, to create and
5.10 strengthen minority business enterprises, and to promote economic development in a
5.11 low-income area.

5.12 Subd. 2. **Grant eligibility; ~~nonprofit corporation.~~** (a) The department may enter into
5.13 agreements with nonprofit corporations, Tribes, and community development financial
5.14 institutions to fund loans the nonprofit corporation, Tribe, or community development
5.15 financial institution makes to businesses owned by minority or low-income persons, women,
5.16 veterans, or people with disabilities. The department shall evaluate applications from
5.17 nonprofit corporations, Tribes, and community development financial institutions. In
5.18 evaluating applications, the department must consider, among other things, whether the
5.19 nonprofit corporation, Tribe, or community development financial institution:

5.20 (1) has a board of directors that includes citizens experienced in business and community
5.21 development, minority business enterprises, addressing racial income disparities, and creating
5.22 jobs for low-income and minority persons;

5.23 (2) has the technical skills to analyze projects;

5.24 (3) is familiar with other available public and private funding sources and economic
5.25 development programs;

5.26 (4) can initiate and implement economic development projects;

5.27 (5) can establish and administer a revolving loan account or has operated a revolving
5.28 loan account;

5.29 (6) can work with job referral networks which assist minority and low-income persons;
5.30 and

5.31 (7) has established relationships with minority communities.

5.32 (b) The department shall review existing agreements with nonprofit corporations, Tribes,
5.33 and community development financial institutions every five years and may renew or

6.1 terminate the agreement based on the review. In making its review, the department shall
6.2 consider, among other criteria, the criteria in paragraph (a). The department shall open the
6.3 program to new applicants every two years.

6.4 Subd. 3. **Revolving loan fund.** (a) The department shall establish a revolving loan fund
6.5 to make grants to nonprofit corporations, Tribes, and community development financial
6.6 institutions for the purpose of making loans to businesses owned by minority or low-income
6.7 persons, women, veterans, or people with disabilities, and to support minority business
6.8 enterprises and job creation for minority and low-income persons.

6.9 (b) Nonprofit corporations, Tribes, and community development financial institutions
6.10 that receive grants from the department under the program must establish a
6.11 commissioner-certified revolving loan fund for the purpose of making eligible loans.

6.12 (c) Eligible business enterprises include, but are not limited to, technologically innovative
6.13 industries, value-added manufacturing, and information industries.

6.14 (d) Loan applications given preliminary approval by the nonprofit corporation, Tribe,
6.15 or community development financial institution must be forwarded to the department ~~for~~
6.16 ~~approval. The commissioner must give final approval for each loan made by the nonprofit~~
6.17 ~~corporation.~~ Nonprofit corporations, Tribes, and community development financial
6.18 institutions designated as preferred partners do not need final approval by the commissioner.
6.19 All other loans must be approved by the commissioner and the commissioner must make
6.20 approval decisions within 20 days of receiving a loan application. The amount of the state
6.21 funds contributed to any loan may not exceed 50 percent of each loan. The commissioner
6.22 must develop the criteria necessary to receive loan forgiveness.

6.23 Subd. 4. **Business loan criteria.** (a) The criteria in this subdivision apply to loans made
6.24 by nonprofit corporations, Tribes, and community development financial institutions under
6.25 the program.

6.26 (b) Loans must be made to businesses that are not likely to undertake a project for which
6.27 loans are sought without assistance from the program.

6.28 (c) A loan must be used to support a business owned by a minority or a low-income
6.29 person, woman, veteran, or a person with disabilities. Priority must be given for loans to
6.30 the lowest income areas.

6.31 (d) The minimum state contribution to a loan is \$5,000 and the maximum is \$150,000.

6.32 (e) The state contribution must be matched by at least an equal amount of new private
6.33 investment.

7.1 (f) A loan may not be used for a retail development project.

7.2 (g) The business must agree to work with job referral networks that focus on minority
7.3 and low-income applicants.

7.4 (h) Up to ten percent of a loan's principal amount may be forgiven if ~~the department~~
7.5 ~~approves and~~ the borrower has met lender and agency criteria, including being current with
7.6 all payments, for at least two years. The commissioner must develop the criteria for receiving
7.7 loan forgiveness.

7.8 Subd. 4a. **Microenterprise loan.** (a) Program grants may be used to make microenterprise
7.9 loans to small, beginning businesses, including a sole proprietorship. Microenterprise loans
7.10 are subject to this section except that:

7.11 (1) they may also be made to qualified retail businesses;

7.12 (2) they may be made for a minimum of ~~\$5,000~~ \$2,500 and a maximum of ~~\$35,000~~
7.13 \$40,000;

7.14 (3) in a low-income area, they may be made for a minimum of ~~\$5,000~~ \$2,500 and a
7.15 maximum of ~~\$50,000~~ \$55,000; and

7.16 (4) they do not require a match.

7.17 (b) Up to ten percent of a loan's principal amount may be forgiven if ~~the department~~
7.18 ~~approves and~~ the borrower has met lender criteria, including being current with all payments,
7.19 for at least two years.

7.20 Subd. 5. **Revolving fund administration.** (a) The department shall establish a minimum
7.21 interest rate or fee for loans or guarantees to ensure that necessary loan administration costs
7.22 are covered. The interest rate charged by a nonprofit corporation, Tribe, or community
7.23 development financial institution for a loan under this subdivision must not exceed the Wall
7.24 Street Journal prime rate plus ~~four~~ two percent, with a maximum rate of ten percent. For a
7.25 loan under this subdivision, the nonprofit corporation, Tribe, or community development
7.26 financial institution may charge a loan origination fee equal to or less than one percent of
7.27 the loan value. The nonprofit corporation, Tribe, or community development financial
7.28 institution may retain the amount of the origination fee.

7.29 (b) Loan repayment of principal must be paid to the department for deposit in the
7.30 revolving loan fund. Loan interest payments must be deposited in a revolving loan fund
7.31 created by the nonprofit corporation, Tribe, or community development financial institution
7.32 originating the loan being repaid for further distribution or use, consistent with the criteria
7.33 of this section.

8.1 (c) Administrative expenses of the nonprofit corporations, Tribes, and community
8.2 development financial institutions with whom the department enters into agreements,
8.3 including expenses incurred by a nonprofit corporation, Tribe, or community development
8.4 financial institution in providing financial, technical, managerial, and marketing assistance
8.5 to a business enterprise receiving a loan under subdivision 4, may be paid out of the interest
8.6 earned on loans and out of interest earned on money invested by the state Board of Investment
8.7 under section 116M.16, subdivision 2, as may be provided by the department.

8.8 (d) The department must provide the nonprofit corporation, Tribe, or community
8.9 development financial institution making the loan with a fee equal to one percent of the
8.10 loan value for every loan closed to offset related expenses for loan processing, loan servicing,
8.11 legal filings, and reporting.

8.12 Subd. 7. **Cooperation.** A nonprofit corporation, Tribe, or community development
8.13 financial institution that receives a program grant shall cooperate with other organizations,
8.14 including but not limited to, community development corporations, community action
8.15 agencies, and the Minnesota small business development centers.

8.16 Subd. 8. **Reporting requirements.** A nonprofit corporation, Tribe, or community
8.17 development financial institution that receives a program grant shall:

8.18 (1) submit an annual report to the department by February 15 of each year that includes
8.19 a description of businesses supported by the grant program, an account of loans made during
8.20 the calendar year, the program's impact on minority business enterprises and job creation
8.21 for minority persons and low-income persons, the source and amount of money collected
8.22 and distributed by the program, the program's assets and liabilities, and an explanation of
8.23 administrative expenses; and

8.24 (2) provide for an independent annual audit to be performed in accordance with generally
8.25 accepted accounting practices and auditing standards and submit a copy of each annual
8.26 audit report to the department.

8.27 Subd. 9. **Small business emergency loan account.** The small business emergency loan
8.28 account is created as an account in the special revenue fund.

8.29 Sec. 5. Laws 2023, chapter 53, article 15, section 33, subdivision 4, is amended to read:

8.30 Subd. 4. **Loans to community businesses.** (a) A partner organization that receives a
8.31 grant under subdivision 3 shall establish a plan for making low-interest loans to community
8.32 businesses. The plan requires approval by the commissioner.

8.33 (b) Under the plan:

9.1 (1) the state contribution to each loan shall be no less than \$50,000 and no more than
9.2 \$500,000;

9.3 (2) loans shall be made for projects that are unlikely to be undertaken unless a loan is
9.4 received under the program;

9.5 (3) priority shall be given to loans to businesses in the lowest income areas;

9.6 (4) the fee or interest rate on a loan shall not be higher than the Wall Street Journal prime
9.7 rate;

9.8 (5) 50 percent of all repayments of principal on a loan under the program shall be used
9.9 to fund additional related lending. The partner organization may retain the remainder of
9.10 loan repayments to service loans and provide further technical assistance;

9.11 (6) the partner organization may charge a loan origination fee of no more than one
9.12 percent of the loan value and may retain that origination fee; ~~and~~

9.13 (7) a partner organization may not make a loan to a project in which it has an ownership
9.14 interest; and

9.15 (8) up to 15 percent of a loan's principal amount may be forgiven by the partner
9.16 organization if the borrower has met all lending criteria developed by the partner organization
9.17 and the commissioner, including creating or retaining jobs and being current with all loan
9.18 payments, for at least two years.

9.19 Sec. 6. Laws 2023, chapter 53, article 15, section 33, subdivision 5, is amended to read:

9.20 Subd. 5. **Reports.** (a) The partner organization shall submit a report to the commissioner
9.21 by ~~January~~ December 31 of 2024, 2025, and 2026. The report shall include:

9.22 (1) an account of all loans made through the program the preceding calendar year and
9.23 the impact of those loans on community businesses and job creation for targeted groups;

9.24 (2) information on the source and amount of money collected and distributed under the
9.25 program, its assets and liabilities, and an explanation of administrative expenses; and

9.26 (3) an independent audit of grant funds performed in accordance with generally accepted
9.27 accounting practices and auditing standards.

9.28 (b) By February 15 of ~~2024, 2025, and 2026,~~ and 2027, the commissioner shall submit
9.29 a report to the chairs and ranking minority members of the legislative committees with
9.30 jurisdiction over workforce and economic development on program outcomes, including
9.31 copies of all reports received under paragraph (a).