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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 2139

03/11/2021

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The bill was read for the first time and referred to the Committee on Workforce and Business Development Finance and Policy

1.1 A bill for an act
1.2 relating to economic development; establishing the microenterprise development
1.3 program; requiring reports; appropriating money; proposing coding for new law
1.4 in Minnesota Statutes, chapter 116J.

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

1.6 Section 1. [116J.8736] MICROENTERPRISE DEVELOPMENT PROGRAM.

1.7 Subdivision 1. Establishment. The commissioner of employment and economic
1.8 development shall establish the microenterprise development program to award grants to
1.9 microenterprise development organizations to encourage microenterprise development.

1.10 Subd. 2. Definitions. (a) For the purposes of this section, the following terms have the
1.11 meanings given.

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

1.13 (c) "Disadvantaged entrepreneur" means an owner of a microenterprise who is a
1.14 low-income person or otherwise lacks adequate access to capital or other resources essential
1.15 for business success. This includes Minnesota family investment program participants who
1.16 are self-employed under section 256J.37.

1.17 (d) "Low-income person" means a person with an income adjusted for family size that
1.18 does not exceed:

1.19 (1) for metropolitan areas, 80 percent of median income; or

1.20 (2) for nonmetropolitan areas, the greater of 80 percent of the area median income or
1.21 80 percent of the statewide nonmetropolitan area median income.

2.1 (e) "Microenterprise" means a business, including a start-up, home-based, or
2.2 self-employed business, with no more than five employees.

2.3 (f) "Microenterprise development organization" means a nonprofit entity that provides
2.4 one or more of the services under subdivision 4 to disadvantaged entrepreneurs.

2.5 (g) "Program" means the microenterprise development program established under this
2.6 section.

2.7 Subd. 3. **Grants to microenterprise development organizations.** The commissioner
2.8 shall make grants to microenterprise development organizations through a competitive grant
2.9 process based on criteria developed by the commissioner and shall consider each applicant's:

2.10 (1) plan for providing business development services and loans to microenterprises;

2.11 (2) scope of services to be provided;

2.12 (3) plan for coordinating services and loans with financial institutions;

2.13 (4) ability to provide business training and technical assistance to disadvantaged
2.14 entrepreneurs;

2.15 (5) ability to monitor and provide financial oversight of recipients of loans and services;
2.16 and

2.17 (6) sources and sufficiency of operating funds.

2.18 In selecting grant recipients, the commissioner shall ensure that services are provided to all
2.19 regions of the state, including both metropolitan areas and communities in greater Minnesota.

2.20 Subd. 4. **Eligible uses of grant funds.** Microenterprise development organizations may
2.21 use grant funds for any of the following purposes:

2.22 (1) satisfying matching fund requirements for federal or private grants or loans that will
2.23 allow the microenterprise development organization to provide another service under this
2.24 subdivision to disadvantaged entrepreneurs;

2.25 (2) establishing a revolving loan fund for loans to disadvantaged entrepreneurs. The
2.26 loans may be zero interest and must be for no more than \$25,000 per microenterprise;

2.27 (3) guaranteeing loans from private financial institutions to disadvantaged entrepreneurs;

2.28 (4) providing technical assistance, mentoring, training, or physical space to disadvantaged
2.29 entrepreneurs; and

2.30 (5) up to ten percent of grant funds may be used for the operating costs of the
2.31 microenterprise development organization and its administrative costs for the program.

3.1 Subd. 5. Reports to the legislature. (a) By December 1, 2023, and every December 1
3.2 thereafter until given permission by the commissioner to cease reporting, grant recipients
3.3 must submit a report to the commissioner on the use of grant funds in the form that the
3.4 commissioner prescribes and include any documentation of and supporting information
3.5 regarding the grant that the commissioner requires, including:

3.6 (1) the demand for services under the program;

3.7 (2) information on the types of applicants seeking program services; and

3.8 (3) a list of all loans or loan guarantees made, including the name of the recipient, the
3.9 amount, and its intended purpose.

3.10 (b) By December 31, 2023, and every December 31 thereafter until all grant recipients
3.11 have ceased reporting, the commissioner must submit a report as required under Minnesota
3.12 Statutes, section 3.195, that details the use of funds under this section, including the
3.13 information provided by grant recipients, as well as an analysis of the impact of the program.
3.14 A copy of this report must also be sent to the chairs and ranking minority members of the
3.15 committees of the house of representatives and the senate having jurisdiction over economic
3.16 development.

3.17 Sec. 2. APPROPRIATION.

3.18 \$3,750,000 in fiscal year 2022 and \$3,750,000 in fiscal year 2023 are appropriated from
3.19 the TANF fund and \$1,250,000 in fiscal year 2022 and \$1,250,000 in fiscal year 2023 are
3.20 appropriated from the general fund to the commissioner of employment and economic
3.21 development for the microenterprise development program. Of the amounts appropriated
3.22 from the TANF fund, \$500,000 each year is for providing technical assistance and outreach
3.23 to microenterprise development organizations.