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# State of Minnesota

## HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. **1748**

03/01/2021

Authored by Davnie

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; appropriating money for a small business
- 1.3 COVID-19 loan program.
- 1.4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:
- 1.5 Section 1. **APPROPRIATION; SMALL BUSINESS COVID-19 LOAN PROGRAM.**
- 1.6 (a) For purposes of this section, the following terms have the meanings given:
- 1.7 (1) "commissioner" means the commissioner of employment and economic development;
- 1.8 (2) "department" means the Department of Employment and Economic Development;
- 1.9 and
- 1.10 (3) "program" means the small business COVID-19 loan program established under this
- 1.11 section.
- 1.12 (b) \$50,000,000 in fiscal year 2021 is appropriated from the general fund to the
- 1.13 commissioner for transfer to the special revenue fund for grants to organizations to provide
- 1.14 forgivable loans under paragraph (c). Funds are available until December 30, 2021. Any
- 1.15 unspent funds are canceled to the general fund December 31, 2021.
- 1.16 (c) Of the amounts appropriated in paragraph (b):
- 1.17 (1) \$24,900,000 is for a grant to the Minnesota Initiative Foundations to provide loans
- 1.18 for businesses in greater Minnesota;
- 1.19 (2) \$24,900,000 is for grants to nonprofit corporations that meet the criteria under the
- 1.20 COVID-19 small business emergency loan program pursuant to Laws 2020, chapter 71,
- 1.21 article 1, section 11, to serve businesses in the seven-county metropolitan area. The

2.1 department must select from the approved lenders a list of those lenders that have the capacity  
2.2 to operate the program; and

2.3 (3) \$200,000 is to provide staff support for the program at the department.

2.4 (d) On the placing of a loan under the program, the lender may keep an amount equal  
2.5 to ten percent of the loan for the purpose of administrative costs.

2.6 (e) In making loans, interest may not be charged on loans made in the program by any  
2.7 of the lenders in paragraph (c), and no fees may be imposed other than those approved by  
2.8 the department.

2.9 (f) Up to 50 percent of a loan may be forgiven if the commissioner approves and the  
2.10 business remains operating in the community at substantially the same levels for two years  
2.11 following loan disbursement. Any reduction in operations will result in the loan being  
2.12 forgiven on a proportional basis.

2.13 (g) The commissioner is authorized to accept applications from additional nonprofit  
2.14 corporation lenders to administer loans in the program.

2.15 (h) Lenders participating in the program must provide quarterly reports of small business  
2.16 COVID-19 loans to the commissioner that include a description of businesses supported  
2.17 by the program, an accounting of the loans made during the quarter, the source and amount  
2.18 of money collected and distributed by the program, the program's assets and liabilities, and  
2.19 an explanation of administrative expenses.

2.20 (i) Grant recipients under paragraph (c) must use funds to make loans of between \$5,000  
2.21 and up to \$100,000 to individual businesses that:

2.22 (1) have primary business operations located in the state of Minnesota;

2.23 (2) are owned by a resident of the state of Minnesota;

2.24 (3) employ the equivalent of 100 full-time workers or less; and

2.25 (4) can demonstrate financial hardship as a result of the COVID-19 outbreak.

2.26 Loan funds received by individual businesses must be used for working capital to support  
2.27 payroll expenses, rent or mortgage payments, utility bills, and other similar expenses that  
2.28 occur or have occurred since November 1, 2020, in the regular course of business. The loan  
2.29 must not be used to refinance debt that existed at the time of the governor's COVID-19  
2.30 peacetime emergency declaration. No matching contribution is required.

2.31 (j) Of the amount loaned under paragraph (c):

(1) a minimum of \$10,000,000 must be awarded to businesses that employ the equivalent of six full-time workers or less;

(2) a minimum of \$10,000,000 must be awarded to minority business enterprises, as defined in Minnesota Statutes, section 116M.14, subdivision 5; and

(3) a minimum of \$3,000,000 is for loans to operators of a privately owned permanent indoor retail space and food market that has an ethnic cultural emphasis having at least 12 tenants primarily comprised of businesses with fewer than 20 employees. Loans under this clause: (i) may be made for up to \$250,000 per operator, and of that amount, all but \$20,000 of the loan must be made as credits to existing tenants of the operator; (ii) must be used primarily for maintaining existing tenants; and (iii) require that at least 40 percent of the loan be used to forgive the rent of existing tenants. A tenant who receives benefits from this loan is subject to the requirements in paragraph (i), clauses (1) to (4), only.

(k) Eligible businesses may not receive more than one loan under this section.

(l) The commissioner may develop criteria, forms, applications, and reporting requirements for use by the lenders in paragraph (c).

(m) All loan recipients must include as part of their applications a business plan that includes a path for continued operations and success in repayment of the loan.

(n) Loans and the process of making loans under this section are exempt from Minnesota Statutes, sections 16A.15, subdivision 3; 16B.97; and 16B.98, subdivisions 5, 7, and 8. The commissioner must audit the use of loan funds under this section in accordance with standard accounting practices. The exemptions under this paragraph expire on December 30, 2021.

(o) Any funds not spent by the lenders in paragraph (c) by December 31, 2021, must be returned to the department to be canceled back to the general fund.

(p) By February 15, 2022, the commissioner must report to the legislative committees with jurisdiction over economic development policy and finance on the loans provided to borrowers under this section.

(q) By February 15, 2022, and each year thereafter, the commissioner must report to the commissioner of management and budget the total amount of loan repayment funds expected to be received in the current fiscal year.

(r) By June 30, 2022, and each year thereafter, all loan repayment funds under this section must be canceled to the general fund until all loans have been repaid.

**EFFECTIVE DATE.** This section is effective the day following final enactment.