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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 3732

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

1.1 A bill for an act

1.2 relating to economic development; repealing different unfunded programs of the

1.3 Department of Employment and Economic Development; making conforming

1.4 changes; amending Minnesota Statutes 2024, sections 116J.575, subdivision 1a;

1.5 116J.8731, subdivision 4; 446A.07, subdivision 9; Minnesota Statutes 2025

1.6 Supplement, section 446A.07, subdivision 8; repealing Minnesota Statutes 2024,

1.7 sections 116J.437; 116J.438; 116J.617, subdivisions 1, 2, 3, 4; 116J.658; 116J.872;

1.8 Minnesota Rules, part 3300.0500, subparts 1, 2a, 3, 4, 5, 6.

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

1.10 Section 1. Minnesota Statutes 2024, section 116J.575, subdivision 1a, is amended to read:

1.11 Subd. 1a. **Priorities.** (a) If applications for grants exceed the available appropriations,

1.12 grants shall be made for sites that, in the commissioner's judgment, provide the highest

1.13 return in public benefits for the public costs incurred. "Public benefits" include job creation,

1.14 bioscience development, environmental benefits to the state and region, efficient use of

1.15 public transportation, efficient use of existing infrastructure, provision of affordable housing,

1.16 multiuse development that constitutes community rebuilding rather than single-use

1.17 development, crime reduction, blight reduction, community stabilization, and property tax

1.18 base maintenance or improvement. In making this judgment, the commissioner shall give

1.19 priority to redevelopment projects with one or more of the following characteristics:

1.20 (1) the need for redevelopment in conjunction with contamination remediation needs;

1.21 (2) the redevelopment project meets current tax increment financing requirements for a

1.22 redevelopment district and tax increments will contribute to the project;

1.23 (3) the redevelopment potential within the municipality;

1.24 (4) proximity to public transit if located in the metropolitan area;

- 2.1 (5) redevelopment costs related to expansion of a bioscience business in Minnesota; or
- 2.2 (6) multijurisdictional projects that take into account the need for affordable housing,
- 2.3 transportation, and environmental impact; or.
- 2.4 ~~(7) the project advances or promotes the green economy as defined in section 116J.437.~~
- 2.5 (b) The factors in paragraph (a) are not listed in a rank order of priority; rather, the
- 2.6 commissioner may weigh each factor, depending upon the facts and circumstances, as the
- 2.7 commissioner considers appropriate. The commissioner may consider other factors that
- 2.8 affect the net return of public benefits for completion of the redevelopment plan. The
- 2.9 commissioner, notwithstanding the listing of priorities and the goal of maximizing the return
- 2.10 of public benefits, shall make grants that distribute available money to sites both within and
- 2.11 outside of the metropolitan area. Unless sufficient applications are not received for qualifying
- 2.12 sites outside of the metropolitan area, at least 50 percent of the money provided as grants
- 2.13 must be made for sites located outside of the metropolitan area.
- 2.14 Sec. 2. Minnesota Statutes 2024, section 116J.8731, subdivision 4, is amended to read:
- 2.15 Subd. 4. **Eligible projects.** Assistance must be evaluated on the existence of the following
- 2.16 conditions:
- 2.17 (1) creation of new jobs, retention of existing jobs, or improvements in the quality of
- 2.18 existing jobs as measured by the wages, skills, or education associated with those jobs;
- 2.19 (2) increase in the tax base;
- 2.20 (3) the project can demonstrate that investment of public dollars induces private funds;
- 2.21 (4) the project can demonstrate an excessive public infrastructure or improvement cost
- 2.22 beyond the means of the affected community and private participants in the project;
- 2.23 (5) the project provides higher wage levels to the community or will add value to current
- 2.24 workforce skills;
- 2.25 (6) the project supports the development of microenterprises, as defined by federal
- 2.26 statutes, through financial assistance, technical assistance, advice, or business services;
- 2.27 (7) whether assistance is necessary to retain existing business; and
- 2.28 (8) whether assistance is necessary to attract out-of-state business; and.
- 2.29 ~~(9) the project promotes or advances the green economy as defined in section 116J.437.~~

3.1 A grant or loan cannot be made based solely on a finding that the conditions in clause
3.2 (7) or (8) exist. A finding must be made that a condition in clause (1), (2), (3), (4), (5), or
3.3 (6) also exists.

3.4 Applications recommended for funding shall be submitted to the commissioner.

3.5 Sec. 3. Minnesota Statutes 2025 Supplement, section 446A.07, subdivision 8, is amended
3.6 to read:

3.7 Subd. 8. **Other uses of revolving fund.** (a) The clean water revolving fund may be used
3.8 as provided in title VI of the Federal Water Pollution Control Act, including the following
3.9 uses:

3.10 (1) to buy or refinance the debt obligation of governmental units for treatment works
3.11 where debt was incurred and construction begun after March 7, 1985, at or below market
3.12 rates;

3.13 (2) to guarantee or purchase insurance for local obligations to improve credit market
3.14 access or reduce interest rates;

3.15 (3) to provide a source of revenue or security for the payment of principal and interest
3.16 on revenue or general obligation bonds issued by the authority if the bond proceeds are
3.17 deposited in the fund;

3.18 (4) to provide loan guarantees, loans, or set-aside for similar revolving funds established
3.19 by a governmental unit other than state agencies, or state agencies under sections 17.117;
3.20 and 103F.725, subdivision 1a, and ~~116J.617~~;

3.21 (5) to earn interest on fund accounts; and

3.22 (6) to pay the reasonable costs incurred by the authority and the Pollution Control Agency
3.23 of administering the fund and conducting activities required under the Federal Water Pollution
3.24 Control Act, including water quality management planning under section 205(j) of the act
3.25 and water quality standards continuing planning under section 303(e) of the act.

3.26 (b) The clean water revolving fund may be used to provide additional subsidization as
3.27 permitted under the Federal Water Pollution Control Act and other federal laws to provide
3.28 principal forgiveness or grants:

3.29 (1) based on affordability criteria and requirements established for the water infrastructure
3.30 funding program under section 446A.072;

4.1 (2) for 25 percent of project costs up to a maximum of \$1,000,000 for projects to address
4.2 green infrastructure, water or energy efficiency improvements, or other environmentally
4.3 innovative activities; and

4.4 (3) for 50 percent of project costs up to a maximum of \$3,000,000 for projects that
4.5 address emerging contaminants as defined by the United States Environmental Protection
4.6 Agency.

4.7 Sec. 4. Minnesota Statutes 2024, section 446A.07, subdivision 9, is amended to read:

4.8 Subd. 9. **Payments.** Payments from the fund must be made in accordance with the
4.9 applicable state and federal law governing the payments, except that for projects other than
4.10 those funded under section 17.117, 103F.725, subdivision 1a, ~~116J.617~~, or 462A.05, no
4.11 payment for a project may be made to an eligible recipient until and unless the authority
4.12 has determined the total estimated cost of the project and ascertained that financing of the
4.13 project is assured by:

4.14 (1) a loan authorized by state law or the appropriation of proceeds of bonds or other
4.15 money of the governmental unit to a fund for the construction of the project; and

4.16 (2) an irrevocable undertaking, by resolution of the eligible recipient of the governmental
4.17 unit, to use all money made available for the project exclusively for the project, and to pay
4.18 any additional amount by which the cost of the project exceeds the estimate by the
4.19 appropriation to the construction fund of additional money or the proceeds of additional
4.20 bonds to be issued by the eligible recipient.

4.21 Sec. 5. **REPEALER.**

4.22 (a) Minnesota Statutes 2024, sections 116J.437; 116J.438; 116J.617, subdivisions 1, 2,
4.23 3, and 4; 116J.658; and 116J.872, are repealed.

4.24 (b) Minnesota Rules, part 3300.0500, subparts 1, 2a, 3, 4, 5, and 6, are repealed.

116J.437 COORDINATING ECONOMIC DEVELOPMENT AND ENVIRONMENTAL POLICY.

Subdivision 1. **Definitions.** (a) For the purpose of this section, the following terms have the meanings given.

(b) "Green economy" means products, processes, methods, technologies, or services intended to do one or more of the following:

(1) increase the use of energy from renewable sources, including through achieving the renewable energy standard established in section 216B.1691;

(2) achieve the statewide energy-savings goal established in section 216B.2401, including energy savings achieved by the conservation investment program under section 216B.241;

(3) achieve the greenhouse gas emission reduction goals of section 216H.02, subdivision 1, including through reduction of greenhouse gas emissions, as defined in section 216H.01, subdivision 2, or mitigation of the greenhouse gas emissions through, but not limited to, carbon capture, storage, or sequestration;

(4) monitor, protect, restore, and preserve the quality of surface waters, including actions to further the purposes of the Clean Water Legacy Act as provided in section 114D.10, subdivision 1;

(5) expand the use of biofuels, including by expanding the feasibility or reducing the cost of producing biofuels or the types of equipment, machinery, and vehicles that can use biofuels, including activities to achieve the petroleum replacement goal in section 239.7911; or

(6) increase the use of green chemistry, as defined in section 116.9401.

For the purpose of clause (3), "green economy" includes strategies that reduce carbon emissions, such as utilizing existing buildings and other infrastructure, and utilizing mass transit or otherwise reducing commuting for employees.

Subd. 2. **Coordinating economic development and environmental policy.** The commissioner and the Jobs Skills Partnership Board shall cooperate to promote job training that complements green economy business development.

116J.438 MINNESOTA GREEN ENTERPRISE ASSISTANCE.

(a) The commissioner of employment and economic development, in consultation with the commissioner of commerce, shall lead a multiagency project to advise, promote, market, and coordinate state agency collaboration on green enterprise and green economy projects, as defined in section 116J.437. The multiagency project must include the commissioners of employment and economic development, natural resources, agriculture, transportation, and commerce and the Pollution Control Agency. The project must involve collaboration with the chairs and ranking minority members of legislative committees overseeing energy policy and energy finance, state agencies, local governments, representatives from business and agriculture, and other interested stakeholders. The objective of the project is to utilize existing state resources to expedite the delivery of grants, licenses, permits, and other state authorizations and approvals for green economy projects. The commissioner shall appoint a lead person to coordinate green enterprise assistance activities.

(b) The commissioner of employment and economic development shall seek out and may select persons from the business community to assist the commissioner in project activities.

(c) The commissioner may accept gifts, contributions, and in-kind services for the purposes of this section, under the authority provided in section 116J.035, subdivision 1. Any funds received must be placed in a special revenue account for the purposes of this section.

116J.617 TOURISM LOAN PROGRAM.

Subdivision 1. **Establishment.** The commissioner may establish a tourism revolving loan program and a tourism guarantee loan program to provide loans, participate in loans, or guarantee loans to resorts, campgrounds, lodging facilities, and other tourism-related businesses. The commissioner shall work with financial institutions in making or participating in loans or guaranteeing loans under this section.

Subd. 2. **Eligible borrower.** To receive a loan under this section, the borrower must be a sole proprietorship, partnership, or corporation engaged in a tourism-related business or other entity that is defined by the standard industrial classification codes of 7011 and 7033 as set out in the Code

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of Federal Regulations, title 13, section 121.2. An eligible borrower under this section must maintain the business or other entity as a tourism-related entity as defined by this subdivision during the term of the loan. An eligible borrower may not receive a loan or loan guarantee under this section if the borrower has received a tourism-related loan, loan participation, or guarantee made by the state in the past 36 months.

Subd. 3. **Eligible loan.** The maximum loan made or participated in under this section may not be for more than 50 percent of the total cost of the project. Loan proceeds may be used for the following purposes: acquisition of an existing building, building construction and improvement, land site improvement, equipment, other construction costs, and engineering costs. Project-related expenditures made more than 30 days before an application may not be financed by a loan made, guaranteed, or participated in under this section.

Subd. 4. **Loan terms.** The maximum term of a loan made, guaranteed, or participated in under this section may not exceed the useful life of the real property or 80 percent of the useful life of the equipment or machinery, or the following limits, whichever is less:

- (1) ten years for land, building, or other real property;
- (2) five years for equipment or machinery; or
- (3) a weighted average of the limits under clauses (1) and (2) for loans made, guaranteed, or participated in for a combination of real property and equipment or machinery.

The commissioner may establish interest rates for loans made under this section. All loans made must be secured by collateral.

116J.658 MINNESOTA SCIENCE AND TECHNOLOGY ECONOMIC DEVELOPMENT PROJECT.

(a) The commissioner of employment and economic development shall lead a public-private project with science and technology experts from public, academic, and private sectors to advise state agency collaboration to design, coordinate, and administer a strategic science and technology program for the state designed to promote the welfare of the people of the state, maximize the economic growth of the state, and create and retain jobs in the state's industrial base through enhancement of Minnesota's:

- (1) high technology research and development capabilities;
- (2) product and process innovation and commercialization;
- (3) high technology manufacturing capabilities;
- (4) science and technology business environment; and
- (5) science and technology workforce preparation.

(b) Project membership shall consist of science and technology experts from public, academic, and private sectors. A member must have a background in science or technology in order to serve on the project. The project members shall consist of at least 13 members as follows:

- (1) a representative of the University of Minnesota;
- (2) a representative of Minnesota State Colleges and Universities;
- (3) the chief executive officer of Mayo Clinic or a designee; and
- (4) six chief executive officers or designees from science- or technology-oriented companies and four representatives from science- and technology-oriented trade organizations.

(c) The commissioner of employment and economic development must report by January 15, 2010, to the legislative committees having jurisdiction over science and technology and economic development policy and finance on the activities of the project and must recommend changes or additions to its organization, including specific recommendations for necessary legislation.

116J.872 ECONOMIC RESPONSE TEAM.

(a) The department shall operate a fast-action economic response team to contact and work with businesses that are identified as being:

- (1) at risk for relocating or expanding outside the state; or
- (2) prospects for expansion or relocation within the state.

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(b) The fast-action response team must contact identified businesses within 24 hours.

3300.0500 OPERATION PROCEDURES.

Subpart 1. **Regular program.** Youths who are at least 14 years of age but less than 22 years of age at the time of application are eligible for program participation. Ninety percent of the youths hired must be from families which meet the definition for economically disadvantaged under the federal Job Training Partnership Act. Hereinafter, this portion of the program is referred to as the "regular program."

Subp. 2a. **Transitional services.** Contractors may provide or arrange for transitional services to help eligible youth complete school, upgrade basic skills, and prepare for additional schooling or permanent employment.

Subp. 3. **Eligible youth.** Recruitment of eligible youths shall be a cooperative effort between the department and the local contractors selected to deliver the program.

Subp. 4. **Minimum wage.** Eligible youths not designated as shall be paid the federal or state minimum wage for a period not to exceed 40 hours per calendar week and for not more than 480 hours per calendar year.

Subp. 5. **Supervisors.** A contractor may designate eligible youth as supervisors for youths in its employ under the act. Youths designated as supervisors shall be paid the federal or state minimum wage plus a rate per hour to be established by the local contractor.

Subp. 6. **Employment of eligible youth.** Contractors may begin employing eligible youths upon signing the contract. Contractors have the option to employ youth during the nonsummer months with the approval of the department.