SENATE
STATE OF MINNESOTA
NINETY-FOURTH SESSION

S.F. No. 4535

(SENATE AUTHORS: CHAMPION, Pha and Hawj)

DATE	D-PG	OFFICIAL STATUS
03/17/2026	6751	Introduction and first reading
		Referred to Jobs and Economic Development
04/16/2026	8171a	Comm report: To pass as amended and re-refer to Finance
		Pursuant to Senate Concurrent Resolution No. 6, referred to Rules and Administration
	8189	Author added Pha
04/21/2026	8859	Senate Concurrent Resolution 6 Suspended adopt previous committee report
04/28/2026	9193a	Comm report: To pass as amended
	9199	Second reading
04/30/2026	9312a	Special Order: Amended
	9320	Third reading Passed as amended
05/07/2026	10034	Author added Hawj

A bill for an act

relating to economic development; establishing a Minnesota business recovery loan program; canceling prior appropriations; appropriating and transferring money; requiring a report.

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

Section 1. **MINNESOTA BUSINESS RECOVERY LOAN PROGRAM; TRANSFER.**

Subdivision 1. **Transfer.** (a) $100,000,000 in fiscal year 2026 is transferred from the Minnesota forward fund account to the Minnesota business recovery loan account in the special revenue fund established in subdivision 3, for loans under this section. This is a onetime transfer. Money is available until June 30, 2028.

(b) Of the amount transferred in paragraph (a):

(1) $18,000,000 is for a grant to the Minnesota Initiative Foundations to be distributed to individual initiative foundations based on the demand of the region serviced by the initiative foundation relative to the purpose of the loan program to provide zero-interest loans to businesses in greater Minnesota; and

(2) $82,000,000 is for grants to nonprofit corporations that meet the criteria under Minnesota Statutes, section 116M.18, subdivision 2, and are a currently certified nonprofit partner to provide zero-interest loans to businesses in the seven-county metropolitan area.

(c) For purposes of this section, "partner organizations" or "partner" means nonprofit corporations that have current contracts to enroll small business loans in the Minnesota emerging entrepreneur program, the state small business credit initiative, or both, and that

will provide loans under this section. For purposes of this section, "commissioner" means the commissioner of employment and economic development.

(d) Of the amount transferred in paragraph (a):

(1) no more than five percent may be used for administrative costs incurred by partner organizations in making the loans under this section, and two percent may be used for costs related to administration and oversight of the program by the Department of Employment and Economic Development; and

(2) the commissioner of employment and economic development must authorize up to five percent to be used by the Office of the Legislative Auditor or Bureau of Criminal Apprehension to evaluate compliance with the requirements of this section, detect and prevent misuse of funds distributed under this section, and investigate fraud related to this section.

Subd. 2. **Loan program established.** (a) A Minnesota business recovery loan program is established to assist businesses adversely affected by activities and events related to increased immigration enforcement in Minnesota beginning December 1, 2025, to help rebuild and stabilize affected businesses, protect jobs, and ensure recovery of Minnesota's economy.

(b) The commissioner shall purchase a participation interest in loans made by partner organizations to eligible recipients.

(c) The commissioner may negotiate and enter into agreements with the partner organizations to purchase loans originated under this section. Agreements under this section are considered financial assistance agreements and are not considered procurement or grant contracts.

(d) The commissioner may adopt guidelines, forms, and procedures necessary to implement this section.

Subd. 3. **Account established.** The Minnesota business recovery loan account is created as an account in the special revenue fund. Money in the account is appropriated to the commissioner to implement the Minnesota business recovery loan program.

Subd. 4. **Eligibility for loan.** (a) To be eligible for a loan under this section, a business must:

(1) be located in the state and owned by one or more permanent residents of the state;

(2) operate from a permanent physical commercial location;

(3) be in good standing with the secretary of state and the Department of Revenue as of the date the loan is awarded and throughout the life of the loan;

(4) have annual gross receipts based on the corresponding loan amount levels provided in subdivisions 6 and 7; and

(5) be able to demonstrate a loss in revenue that is greater than 30 percent during the period between December 1, 2025, and February 28, 2026, as compared with the same period during the previous year.

(b) No loan may be made under this section to any business found guilty of committing fraud or individual pardoned for committing fraud.

Subd. 5. **Loan participation.** (a) Partner organizations shall enter into an agreement with the commissioner to make loans under the program.

(b) The commissioner shall purchase a 100 percent participation interest in loans made to eligible recipients by partner organizations as specified under this section.

(c) Partner organizations shall be responsible for underwriting, servicing, and monitoring loans purchased by the commissioner.

(d) Partner organizations must conduct outreach to publicize the availability of the loan program to culturally and linguistically diverse communities within the area served by the partner organization.

Subd. 6. **Loan amounts; Minnesota Initiative Foundations.** (a) The minimum state contribution to a loan under this subdivision is $2,500. The maximum loan amounts under this subdivision are as follows:

(1) for businesses having $150,000 or less in annual gross receipts, a maximum loan of $25,000;

(2) for businesses having $500,000 or less in annual gross receipts, a maximum loan of $50,000; and

(3) for businesses having $1,500,000 or less in annual gross receipts, a maximum loan of $150,000.

(b) Loans must be for a term of no more than 60 months.

(c) Notwithstanding paragraph (a), clause (3), a parent business that is not a franchise operating multiple locations in Minnesota with those locations individually meeting a gross annual receipts threshold under paragraph (a), clause (1), (2), or (3), is eligible for a maximum

loan amount of $150,000. A business that is a subsidiary of a parent organization may not apply separately for a business recovery loan under this section.

Subd. 7. **Loan amounts; seven-county metropolitan area.** (a) The minimum state contribution to a loan under this subdivision is $2,500. The maximum loan amounts under this subdivision are as follows:

(1) for businesses having $500,000 or less in annual gross receipts, a maximum loan of $50,000;

(2) for businesses having $1,000,000 or less in annual gross receipts, a maximum loan of $75,000; and

(3) for businesses having $3,000,000 or less in annual gross receipts, a maximum loan of $200,000.

(b) Loans must be for a term of no more than 60 months.

(c) Notwithstanding paragraph (a), clause (3), a parent business that is not a franchise operating multiple locations in Minnesota with those locations individually meeting a gross annual receipts threshold under paragraph (a), clause (1), (2), or (3), is eligible for a maximum loan amount of $200,000. A business that is a subsidiary of a parent organization may not apply separately for a business recovery loan under this section.

Subd. 8. **Loan purposes.** Loans must be used for business purposes including current obligations related to payroll, lease or mortgage payments, inventory, insurance, property taxes, utilities, and other operating costs associated with ongoing operations exclusively in Minnesota. Borrowers must provide evidence that loan proceeds were used for eligible purposes. Loans must not be used for consolidating, repaying, or refinancing debt accrued prior to December 1, 2025, or speculation or investment in real estate.

Subd. 9. **Eligibility verification.** A partner organization that administers loans under this section must require an applicant to submit documentation to verify that the applicant is eligible and to determine the loan amount for which an applicant qualifies. Applicant self-attestation alone is insufficient documentation for eligibility verification and determination of loan amount.

Subd. 10. **Deferred payments.** Loan repayments must begin no later than three months after a loan is awarded.

Subd. 11. **Loan forgiveness.** (a) After making 24 consecutive on-time payments, the borrower may apply for forgiveness of up to 60 percent of the loan proceeds.

(b) For the purposes of taxable income, the forgivable portion of the loans are exempt from income tax reporting in Minnesota.

Subd. 12. **Fraud deterrence measures.** (a) Any applicant suspected of fraud must be reported to the commissioner of employment and economic development within 15 days of discovery. The commissioner must send the report to the Minnesota Bureau of Criminal Apprehension for investigation.

(b) Each application must display the following notice: "Fraudulent applications will not be tolerated. Information from any suspected fraudulent application will be reported to state investigating authorities."

(c) Applicants must certify by signature that they have read and understand the notice required by paragraph (b).

Subd. 13. **Partner program account; loan payments.** (a) Partner organizations must establish a commissioner-certified account for the purpose of tracking loans purchased under the program.

(b) Loan payments received from borrowers by partner organizations shall be remitted to the commissioner no more than 30 days following the end of each calendar quarter so long as any balance remains outstanding on the loans.

(c) Loan payments received by the commissioner must be returned to the Minnesota forward fund account.

Subd. 14. **Reporting requirements.** (a) Partner organizations must provide annual reports on Minnesota business recovery loans to the commissioner of employment and economic development that include a description of businesses supported by the program, an accounting of the loans made during the quarter, the source and amount of money collected and distributed by the program, the program's assets and liabilities, and an explanation of administrative expenses.

(b) Within 15 days of the date when partner organizations must report under paragraph (a), the commissioner of employment and economic development must compile the reports received under paragraph (a) and submit the compiled reports to the chairs and ranking minority members of the senate and house of representatives committees with jurisdiction over economic development. Each compiled report must also identify any business that has not submitted a report required by paragraph (a).

(c) By April 1, 2034, the commissioner must provide a final report compiling the information received from a partner organization under paragraph (a) throughout the existence

of the program to the chairs and ranking minority members of the senate and house of representatives committees with jurisdiction over economic development. The report must also specify any partner organization or business that failed to provide the information required under paragraph (a).

(d) Beginning on September 1, 2026, and on January 1, April 1, July 1, and September 1 of each year thereafter, the commissioner must prepare a report describing the amount of repayments made under subdivision 13, paragraph (c), deposited into the Minnesota forward fund account during the preceding three months and since July 1, 2026, and submit it to the chairs and ranking minority members of the senate and house of representatives committees with jurisdiction over economic development. The report must also describe the current balance of the Minnesota forward fund account at the date of publication.

Subd. 15. **Expiration.** Subdivisions 1 to 13 expire on December 1, 2033, and subdivision 14 expires upon submission of the final report required under paragraph (c).

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

Sec. 2. **ANALYSIS OF ECONOMIC IMPACT FROM INCREASED IMMIGRATION ENFORCEMENT IN MINNESOTA.**

(a) $250,000 in fiscal year 2027 is appropriated from the general fund to the commissioner of employment and economic development to conduct a comprehensive analysis of the statewide economic impact of increased immigration enforcement since December 1, 2025, on Minnesota businesses and the Minnesota economy. This is a onetime appropriation.

(b) The analysis must include, but is not limited to, evaluation of:

(1) impacts on labor force participation, workforce availability, and workforce shortages across sectors of Minnesota's economy;

(2) impacts on small businesses and microbusinesses, including family-owned, immigrant-owned, and locally owned businesses, with consideration of workforce availability, hiring challenges, operational costs, business continuity, and long-term business sustainability;

(3) sector-specific impacts on industries including agriculture, food processing, construction, health care, hospitality, manufacturing, transportation, and retail;

(4) impacts on business operations, supply chains, productivity, and business closures or relocations;

(5) regional economic impacts across Minnesota, including comparisons across counties and between rural, suburban, and urban communities and regional labor markets, to the extent practicable; and

(6) impacts on consumer spending, state and local tax revenue, and overall economic output.

(c) The commissioner may solicit proposals and contract with a nonpartisan third-party to prepare the report. A public institution of higher education in Minnesota must be given preference to complete the report.

(d) By February 1, 2027, the commissioner must submit the analysis in a report to the chairs and ranking minority members of the legislative committees with jurisdiction over workforce and economic development.

Sec. 3. **CANCELLATION.**

$100,250,000 of the fiscal year 2024 Minnesota forward fund account appropriation in Laws 2023, chapter 53, article 21, section 7, paragraph (c), is canceled.

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

Sec. 4. **TRANSFER.**

$250,000 in fiscal year 2027 is transferred from the Minnesota forward fund account established in Minnesota Statutes, section 116J.8752, subdivision 3, to the general fund. This is a onetime transfer.