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State of Minnesota

HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 3865

04/07/2016

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The bill was read for the first time and referred to the Committee on Rules and Legislative Administration

1.1A bill for an act

1.2relating to state government; providing supplemental appropriations;

1.3appropriating money to the Departments of Employment and Economic

1.4Development, Labor and Industry, and Commerce, and the Housing Finance

1.5Agency, Public Utilities Commission, and Explore Minnesota Tourism;

1.6modifying utility assessments; creating the emerging entrepreneur fund program;

1.7amending Minnesota Statutes 2014, sections 115C.13; 216B.62, subdivision 2,

1.8by adding a subdivision; Laws 2015, chapter 71, article 14, section 9; Laws

1.92015, First Special Session chapter 1, article 1, sections 3, subdivisions 1, 5,

1.106, 10; 6, 8, subdivisions 1, 7; 9; proposing coding for new law in Minnesota

1.11Statutes, chapter 116J.

1.12BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.13ARTICLE 1

1.14APPROPRIATIONS

1.15Section 1. APPROPRIATIONS.

1.16The sums shown in the columns under "Appropriations" are added to or, if shown

1.17in parentheses, subtracted from the appropriations in Laws 2015, First Special Session

1.18chapter 1, article 1, or other law to the specified agencies. The appropriations are from the

1.19general fund, or another named fund, and are available for the fiscal years indicated for

1.20each purpose. The figure "2017" used in this article means that the appropriations listed

1.21under it are available for the fiscal year ending June 30, 2017.

1.22APPROPRIATIONS

1.23Available for the Year

1.24Ending June 30

1.252017

1.26Sec. 2. DEPARTMENT OF EMPLOYMENT

1.27AND ECONOMIC DEVELOPMENT

- 2.1 Subdivision 1. **Total Appropriation** \$ 122,100,000
- 2.2 The amounts that may be spent for each
- 2.3 purpose are specified in the following
- 2.4 subdivisions.
- 2.5 Subd. 2. **Business and Community**
- 2.6 **Development** \$110,000,000
- 2.7 **Border-to-Border Broadband**
- 2.8 **Development Program.** (a) \$100,000,000
- 2.9 in fiscal year 2017 is for deposit in the
- 2.10 border-to-border broadband fund account
- 2.11 created under Minnesota Statutes, section
- 2.12 116J.396, and may be used for the purposes
- 2.13 provided in Minnesota Statutes, section
- 2.14 116J.395. This is a onetime appropriation.
- 2.15 (b) Of the appropriation in paragraph (a),
- 2.16 up to two percent of this amount is for
- 2.17 costs incurred by the commissioner to
- 2.18 administer Minnesota Statutes, section
- 2.19 116J.395. Administrative costs may include
- 2.20 the following activities related to measuring
- 2.21 progress toward the state's broadband goals
- 2.22 established in Minnesota Statutes, section
- 2.23 237.012:
- 2.24 (1) collecting broadband deployment data
- 2.25 from Minnesota providers, verifying its
- 2.26 accuracy through on-the-ground testing, and
- 2.27 creating state and county maps available
- 2.28 to the public showing the availability of
- 2.29 broadband service at various upload and
- 2.30 download speeds throughout Minnesota;
- 2.31 (2) analyzing the deployment data collected
- 2.32 to help inform future investments in
- 2.33 broadband infrastructure; and

3.1 (3) conducting business and residential
 3.2 surveys that measure broadband adoption
 3.3 and use in the state.

3.4 (c) Data provided by a broadband provider
 3.5 under this paragraph is nonpublic data
 3.6 under Minnesota Statutes, section 13.02,
 3.7 subdivision 9. Maps produced under this
 3.8 paragraph are public data under Minnesota
 3.9 Statutes, section 13.03.

3.10 **Redevelopment Grant Program.**
 3.11 \$2,000,000 in fiscal year 2017 is for the
 3.12 redevelopment program under Minnesota
 3.13 Statutes, section 116J.571. This is a onetime
 3.14 appropriation.

3.15 **Capacity Building Grant Program.**
 3.16 \$2,000,000 in fiscal year 2017 is for the
 3.17 capacity building grant program to assist
 3.18 nonprofit organizations offering or seeking to
 3.19 offer workforce development and economic
 3.20 development programming. This is a
 3.21 onetime appropriation.

3.22 **Emerging Entrepreneur Fund. \$6,000,000**
 3.23 in fiscal year 2017 is for the emerging
 3.24 entrepreneur fund program. Of this amount:
 3.25 (1) \$5,000,000 is for small business
 3.26 lending and is for deposit in the emerging
 3.27 entrepreneur fund special revenue account
 3.28 under Minnesota Statutes, section 116J.55;
 3.29 (2) \$1,000,000 is for grants for small business
 3.30 technical assistance; and (3) up to five percent
 3.31 is for administration and monitoring of the
 3.32 program. This is a onetime appropriation.

3.33 **Subd. 3. Workforce Development**

12,100,000

3.34 **Youth at Work Competitive Grant**
 3.35 **Program. \$8,000,000 in fiscal year 2017**

4.1 is for the Youth at Work youth workforce
 4.2 development competitive grant program.
 4.3 Of this amount, up to five percent is
 4.4 for administration and monitoring of the
 4.5 program. This is a onetime appropriation and
 4.6 is available until June 30, 2018.

4.7 **Pathways to Prosperity Competitive**
 4.8 **Grant Program.** \$4,100,000 in fiscal year
 4.9 2017 is for the Pathways to Prosperity adult
 4.10 workforce development competitive grant
 4.11 program. Of this amount, up to five percent
 4.12 is for administration and monitoring of the
 4.13 program. This is a onetime appropriation and
 4.14 is available until June 30, 2018.

4.15 **Sec. 3. DEPARTMENT OF LABOR AND**
 4.16 **INDUSTRY**

\$ 250,000

4.17 \$250,000 is from the workforce development
 4.18 fund for the apprenticeship program under
 4.19 Minnesota Statutes, chapter 178. This
 4.20 amount is added to the base appropriation for
 4.21 this purpose.

4.22 **Sec. 4. EXPLORE MINNESOTA TOURISM**

\$ 300,000

4.23 \$300,000 for a grant to the Mille Lacs
 4.24 Tourism Council to enhance marketing
 4.25 activities related to tourism promotion in
 4.26 the Mille Lacs Lake area. This is a onetime
 4.27 appropriation.

4.28 **Sec. 5. PUBLIC EMPLOYMENT**
 4.29 **RELATIONS BOARD**

\$ \$525,000

4.30 \$525,000 is for the Public Employment
 4.31 Relations Board under Minnesota Statutes,
 4.32 section 179A.041. The base appropriation
 4.33 for this purpose is \$525,000 in fiscal year
 4.34 2018 and \$525,000 in fiscal year 2019.

5.1 Sec. 6. Laws 2015, chapter 71, article 14, section 9, is amended to read:

5.2 Sec. 9. **COMMISSIONER OF COMMERCE** \$ **210,000** \$ **213,000**

5.3 The commissioner of commerce shall
 5.4 develop a proposal to allow individuals
 5.5 to purchase qualified health plans outside
 5.6 of MNsure directly from health plan
 5.7 companies and to allow eligible individuals
 5.8 to receive advanced premium tax credits and
 5.9 cost-sharing reductions when purchasing
 5.10 qualified health plans outside of MNsure.

5.11 Sec. 7. Laws 2015, First Special Session chapter 1, article 1, section 3, subdivision 1,
 5.12 is amended to read:

5.13 **50,298,000**
 5.14 Subdivision 1. **Total Appropriation** \$ **54,298,000** \$ **56,548,000**

5.15 The amounts that may be spent for each
 5.16 purpose are specified in the following
 5.17 subdivisions.

5.18 Unless otherwise specified, this appropriation
 5.19 is for transfer to the housing development
 5.20 fund for the programs specified in this
 5.21 section. Except as otherwise indicated, this
 5.22 transfer is part of the agency's permanent
 5.23 budget base.

5.24 Sec. 8. Laws 2015, First Special Session chapter 1, article 1, section 3, subdivision 5,
 5.25 is amended to read:

5.26 **8,519,000**
 5.27 Subd. 5. **Family Homeless Prevention** 8,519,000 **8,769,000**

5.28 This appropriation is for the family homeless
 5.29 prevention and assistance programs under
 5.30 Minnesota Statutes, section 462A.204. Of
 5.31 this amount, \$250,000 in the second year
 5.32 is a onetime appropriation for grants to
 5.33 eligible applicants to create or expand risk

6.1 mitigation programs to reduce landlord
 6.2 financial risks for renting to persons eligible
 6.3 under Minnesota Statutes, section 462A.204.
 6.4 Eligible programs may reimburse landlords
 6.5 for costs including but not limited to
 6.6 nonpayment of rent, or damage costs above
 6.7 those costs covered by security deposits. The
 6.8 agency may give higher priority to applicants
 6.9 that can demonstrate a matching amount
 6.10 of money by a local unit of government,
 6.11 business, or nonprofit organization. Grantees
 6.12 must establish a procedure to review and
 6.13 validate claims and reimbursements under
 6.14 this grant program.

6.15 Sec. 9. Laws 2015, First Special Session chapter 1, article 1, section 3, subdivision 6,
 6.16 is amended to read:

6.17			885,000
6.18	Subd. 6. Home Ownership Assistance Fund	885,000	<u>5,885,000</u>

6.19 This appropriation is for the home ownership
 6.20 assistance program under Minnesota
 6.21 Statutes, section 462A.21, subdivision 8.
 6.22 The agency shall continue to strengthen
 6.23 its efforts to address the disparity gap in
 6.24 the homeownership rate between white
 6.25 households and indigenous American Indians
 6.26 and communities of color. The base for this
 6.27 program is \$885,000 in fiscal year 2018 and
 6.28 \$885,000 in fiscal year 2019.

6.29 Sec. 10. Laws 2015, First Special Session chapter 1, article 1, section 3, subdivision
 6.30 10, is amended to read:

6.31			375,000
6.32	Subd. 10. Capacity Building Grants	375,000	<u>1,375,000</u>

6.33 (a) This appropriation is for nonprofit
 6.34 capacity building grants under Minnesota

7.1 Statutes, section 462A.21, subdivision 3b.

7.2 Of this amount, \$125,000 each year is
7.3 for support of the Homeless Management
7.4 Information System (HMIS).

7.5 (b) \$1,000,000 is a onetime appropriation
7.6 for competitive grants to nonprofit housing
7.7 organizations, housing and redevelopment
7.8 authorities, or other political subdivisions
7.9 to provide intensive financial education and
7.10 coaching services to individuals or families
7.11 who have the goal of homeownership.
7.12 Financial education and coaching services
7.13 include but are not limited to asset building,
7.14 development of spending plans, credit report
7.15 education, repair and rebuilding, consumer
7.16 protection training, and debt reduction.
7.17 Priority must be given to organizations
7.18 that have experience serving underserved
7.19 populations.

7.20 Sec. 11. Laws 2015, First Special Session chapter 1, article 1, section 6, is amended to
7.21 read:

7.22	Sec. 6. BUREAU OF MEDIATION			2,234,000
7.23	SERVICES	\$	2,208,000	\$ <u>2,497,000</u>

7.24 (a) \$68,000 each year is for grants to area
7.25 labor management committees. Grants may
7.26 be awarded for a 12-month period beginning
7.27 July 1 each year. Any unencumbered balance
7.28 remaining at the end of the first year does not
7.29 cancel but is available for the second year.

7.30 (b) ~~\$125,000 each year~~ in fiscal year 2016
7.31 is for purposes of the Public Employment
7.32 Relations Board under Minnesota Statutes,
7.33 section 179A.041. This is a onetime
7.34 appropriation.

8.1 (c) ~~\$256,000 each year is in fiscal year~~
 8.2 2016 and \$394,000 in fiscal year 2017 are
 8.3 for the Office of Collaboration and Dispute
 8.4 Resolution under Minnesota Statutes, section
 8.5 179.90. The base appropriation for this
 8.6 purpose is \$394,000 in fiscal year 2018 and
 8.7 \$394,000 in fiscal year 2019. Of this amount,
 8.8 \$160,000 each year is for grants under
 8.9 Minnesota Statutes, section 179.91, and
 8.10 \$96,000 each year is for intergovernmental
 8.11 and public policy collaboration and operation
 8.12 of the office.

8.13 (d) \$250,000 is to complete the Case
 8.14 Management System-Database Project Phase
 8.15 II. The base appropriation for this purpose
 8.16 is increased by \$100,000 in each of fiscal
 8.17 years 2018 and 2019 for operations, support,
 8.18 and continued enhancement of the Case
 8.19 Management System.

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

8.21 Sec. 12. Laws 2015, First Special Session chapter 1, article 1, section 8, subdivision 1,
 8.22 is amended to read:

8.23				34,073,000
8.24	Subdivision 1. Total Appropriation	\$	34,003,000	\$ <u>32,073,000</u>

8.25	Appropriations by Fund			
8.26		2016	2017	
8.27				31,030,000
8.28	General	30,960,000	<u>29,030,000</u>	
8.29	Special Revenue	1,240,000	1,240,000	
8.30	Petroleum Tank	1,052,000	1,052,000	
8.31	Workers'			
8.32	Compensation	751,000	751,000	

8.33 The amounts that may be spent for each
 8.34 purpose are specified in the following
 8.35 subdivisions.

9.1 Sec. 13. Laws 2015, First Special Session chapter 1, article 1, section 8, subdivision 7,
9.2 is amended to read:

9.3			3,845,000
9.4	Subd. 7. Energy Resources	3,848,000	<u>1,845,000</u>

9.5 \$150,000 each year is for grants to
9.6 providers of low-income weatherization
9.7 services to install renewable energy
9.8 equipment in households that are eligible for
9.9 weatherization assistance under Minnesota's
9.10 weatherization assistance program state
9.11 plan as provided for in Minnesota Statutes,
9.12 section 216C.264.

9.13 \$424,000 in fiscal year 2016 and \$430,000
9.14 in fiscal year 2017 are for costs associated
9.15 with competitive rates for energy-intensive,
9.16 trade-exposed electric utility customers.

9.17 All general fund appropriations for costs
9.18 associated with competitive rates for
9.19 energy-intensive, trade-exposed electric
9.20 utility customers are recovered through
9.21 assessments under Minnesota Statutes,
9.22 section 216B.62.

9.23 Sec. 14. Laws 2015, First Special Session chapter 1, article 1, section 9, is amended to
9.24 read:

9.25		6,966,000	6,930,000
9.26	Sec. 9. PUBLIC UTILITIES COMMISSION \$	<u>7,191,000</u> \$	<u>7,507,000</u>

9.27 The general fund base for the Public Utilities
9.28 Commission is \$7,444,000 in fiscal year
9.29 2018 and \$7,444,000 in fiscal year 2019.

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

ARTICLE 2**DEPARTMENT OF COMMERCE**

Section 1. Minnesota Statutes 2014, section 115C.13, is amended to read:

115C.13 REPEALER.

Sections 115C.01, 115C.02, 115C.021, 115C.03, 115C.04, 115C.045, 115C.05, 115C.06, 115C.065, 115C.07, 115C.08, 115C.09, 115C.093, 115C.094, 115C.10, 115C.11, 115C.112, 115C.113, 115C.12, and 115C.13, are repealed effective June 30, ~~2017~~ 2022.

Sec. 2. Minnesota Statutes 2014, section 216B.62, subdivision 2, is amended to read:

Subd. 2. **Assessing specific utility.** Whenever the commission or department, in a proceeding upon its own motion, on complaint, or upon an application to it, shall deem it necessary, in order to carry out the duties imposed under this chapter (1) to investigate the books, accounts, practices, and activities of, or make appraisals of the property of, any public utility, (2) to render any engineering or accounting services to any public utility, or (3) to intervene before an energy regulatory agency, the public utility shall pay the expenses reasonably attributable to the investigation, appraisal, service, or intervention. The commission and department shall ascertain the expenses, and the department shall render a bill therefor to the public utility, either at the conclusion of the investigation, appraisal, or services, or from time to time during its progress, which bill shall constitute notice of the assessment and a demand for payment. The amount of the bills so rendered by the department shall be paid by the public utility into the state treasury within 30 days from the date of rendition. The total amount, in any one calendar year, for which any public utility shall become liable, by reason of costs incurred by the commission within that calendar year, shall not exceed two-fifths of one percent of the gross operating revenue from retail sales of gas, or electric service by the public utility within the state in the last preceding calendar year. Where, pursuant to this subdivision, costs are incurred within any calendar year which are in excess of two-fifths of one percent of the gross operating revenues, the excess costs shall not be chargeable as part of the remainder under subdivision 3, but shall be paid out of the general appropriation or special revenue fund to the department and commission. In the case of public utilities offering more than one public utility service only the gross operating revenues from the public utility service in connection with which the investigation is being conducted shall be considered when determining this limitation.

Sec. 3. Minnesota Statutes 2014, section 216B.62, is amended by adding a subdivision to read:

11.1 Subd. 9. **Utility assessment account; appropriation.** The utility assessment
11.2 account is created as a separate account in the special revenue fund in the state treasury.
11.3 Funds received by the department for the assessment of costs related to the energy
11.4 planning and advocacy unit under subdivisions 2 and 3 must be deposited into this
11.5 account and are annually appropriated to the commissioner of commerce. Earnings,
11.6 such as interest, dividends, and any other earnings arising from account assets, must be
11.7 credited to the account. Assessments dated June 1, 2016, or later will be paid into the
11.8 utility assessment account.

11.9 **ARTICLE 3**

11.10 **DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT**

11.11 Section 1. **[116J.55] EMERGING ENTREPRENEUR FUND PROGRAM.**

11.12 Subdivision 1. **Program created.** The emerging entrepreneur fund program is
11.13 created to provide, through partnership with nonprofit corporations, financial and technical
11.14 assistance for small businesses owned by minorities, women, veterans, or persons with
11.15 disabilities, or businesses located in low-income areas in the seven-county metropolitan
11.16 area. Loans and business development services must promote job creation and economic
11.17 development in low-income areas and encourage private investment and strengthen
11.18 businesses owned by minorities, women, veterans, and persons with disabilities.

11.19 Subd. 2. **Definitions.** (a) The definitions in this subdivision apply to this section.

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

11.22 (c) "Department" means the Department of Employment and Economic
11.23 Development.

11.24 (d) "Disability-owned business" means a small business that is majority owned and
11.25 operated by a person with a disability who is eligible to receive Supplemental Security
11.26 Income (SSI) or Social Security Disability Insurance (SSDI) based on the person's own
11.27 disability or is eligible for services from the department's vocational rehabilitation services
11.28 or State Services for the Blind programs.

11.29 (e) "Emerging Entrepreneur Fund Advisory Council" or "council" means the
11.30 advisory council created under subdivision 9.

11.31 (f) "Emerging entrepreneur fund program" or "program" means the program
11.32 established under this section.

11.33 (g) "Emerging entrepreneur fund qualified small business" means a small business
11.34 that is majority owned and operated by a racial or ethnic minority, woman, veteran, or a
11.35 person with a disability, solely or in any combination thereof.

12.1 (h) "Greater Minnesota" means the area of the state that excludes the metropolitan
12.2 area, as defined in section 473.121, subdivision 2.

12.3 (i) "Low-income area" means:

12.4 (1) those cities in the metropolitan area that have an average income that is below
12.5 80 percent of the median income for a four-person family as of the latest report by the
12.6 United States Census Bureau; or

12.7 (2) those cities in the metropolitan area that contain two or more contiguous census
12.8 tracts in which the average family income is less than 80 percent of the median family
12.9 income for the Twin Cities metropolitan area.

12.10 (j) "Metropolitan area" has the meaning given in section 473.121, subdivision 2.

12.11 (k) "Minority-owned business" means a small business that is majority owned and
12.12 operated by persons belonging to a racial or ethnic minority as defined in Minnesota
12.13 Rules, part 1230.0150, subpart 24.

12.14 (l) "Nonprofit corporation" means a nonprofit lender or a nonprofit technical
12.15 assistance provider operating in the state.

12.16 (m) "Nonprofit lender" means a nonprofit corporation that has been certified as a
12.17 participating lender under subdivision 3.

12.18 (n) "Nonprofit technical assistance provider" means a nonprofit corporation that
12.19 provides consulting services to assist businesses under the program.

12.20 (o) "Small business" means an enterprise as defined in section 645.445, subdivision 2.

12.21 (p) "Veteran-owned business" means a small business that is majority owned and
12.22 operated by a veteran as defined in section 197.447.

12.23 (q) "Woman-owned business" means a small business that is majority owned and
12.24 operated by a woman.

12.25 Subd. 3. **Nonprofit lender application.** (a) The commissioner shall provide funds
12.26 to nonprofit lenders for the purpose of making loans to businesses that are (1) located in a
12.27 low-income area or (2) emerging entrepreneur fund qualified small businesses.

12.28 (b) A nonprofit corporation wishing to be certified as a nonprofit lender in the program
12.29 must apply using the form prescribed by the commissioner. The application must include:

12.30 (1) an assurance signed by the nonprofit lender's chair that the applicant will comply
12.31 with all applicable state and federal laws, guidelines, and requirements;

12.32 (2) a resolution passed by the nonprofit lender's board of directors approving the
12.33 submission of an application and authorizing execution of the grant agreement if funds
12.34 are made available;

12.35 (3) a plan demonstrating the nonprofit lender's approach to assisting small businesses
12.36 that are majority owned and operated by a racial or ethnic minority, woman, veteran, or a

13.1 person with disabilities and the expected outcomes from the corporation's participation
13.2 in the program;

13.3 (4) the geographic area served by the nonprofit lender's loan programs; and

13.4 (5) any additional information that the commissioner deems necessary to clarify the
13.5 applicant's ability to achieve the program's objectives.

13.6 (c) The commissioner must enter into agreements with nonprofit lenders to fund
13.7 loans under this section. The commissioner shall select and certify participating nonprofit
13.8 lenders based on the organization's ability to demonstrate:

13.9 (1) a board of directors or management team that includes citizens experienced in
13.10 business development; financing small businesses that are majority owned and operated
13.11 by a racial or ethnic minority, woman, veteran, or a person with disabilities; financing
13.12 businesses located in low-income areas; and creating jobs in low-income areas;

13.13 (2) the technical skills needed to analyze projects;

13.14 (3) familiarity with other available public and private funding sources and economic
13.15 development programs;

13.16 (4) ability to initiate and implement business finance projects;

13.17 (5) capacity to establish and administer a revolving loan account;

13.18 (6) experience working with job referral networks that assist small businesses that
13.19 are majority owned and operated by a racial or ethnic minority, woman, veteran, or a
13.20 person with disabilities or persons in low-income areas; and

13.21 (7) any other criteria the commissioner deems necessary.

13.22 (d) The commissioner shall solicit applications by participating and nonparticipating
13.23 lenders at least every five years.

13.24 Subd. 4. **Business loan criteria.** (a) A participating nonprofit corporation must use
13.25 the criteria in this subdivision when making loans under the program.

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

13.28 (c) A loan may be used for a project for an emerging entrepreneur fund qualified
13.29 small business (1) located anywhere in Minnesota or (2) that is not an emerging
13.30 entrepreneur fund qualified small business but is located in a low-income area.

13.31 (d) If a loan involves a small business that is not an emerging entrepreneur fund
13.32 qualified small business, the state contribution must be matched by at least an equal
13.33 amount of new private investment funded and provided by the nonprofit lender. If the loan
13.34 does not exceed \$50,000, private matching funds are not required.

14.1 (e) The state contribution may represent up to 75 percent of the project's financing if
14.2 the applicant is an emerging entrepreneur fund qualified small business with the nonprofit
14.3 lender funding and providing 25 percent of the financing.

14.4 (f) The minimum state contribution to a loan is \$2,000, and the maximum is \$150,000.

14.5 (g) A loan may not be used for a retail development project unless the loan does
14.6 not exceed \$25,000.

14.7 (h) The participating small business must agree to work with job referral networks
14.8 that focus on minority, women, veteran, and disabled applicants.

14.9 (i) The loan funds may be used for normal operating business expenses including
14.10 but not limited to business or site acquisition, new construction, renovation, machinery
14.11 and equipment, inventory, or working capital.

14.12 (j) The loan funds may not be used for any of the following:

14.13 (1) costs incurred by applicants not meeting the eligibility requirements in this
14.14 subdivision;

14.15 (2) lending, passive real estate investment purposes, or land speculation;

14.16 (3) management fees, financing costs, debt consolidation, or refinancing existing
14.17 business or personal debt;

14.18 (4) any activity deemed illegal by federal, state, or local law or ordinance; and

14.19 (5) other purposes or activities determined by the commissioner to not be in the
14.20 best interests of the state.

14.21 (k) An applicant must be in compliance with all applicable local, state, and federal
14.22 laws and must not be subject to any judgments, liens, or other actions that would prevent
14.23 loan repayment.

14.24 (l) Other factors that the commissioner deems important shall be incorporated as
14.25 part of the agreement between the department and the nonprofit lender required under
14.26 subdivision 3.

14.27 Subd. 5. **Loan administration.** (a) An eligible small business may make an
14.28 application to the nonprofit corporation for an emerging entrepreneur fund loan. The
14.29 application must be in the form approved by the nonprofit lender and the commissioner.

14.30 (b) The nonprofit corporation must review the application and may give preliminary
14.31 approval for the loan based on criteria in subdivision 4. Loan applications given
14.32 preliminary approval by the nonprofit lender must be forwarded to the commissioner
14.33 for approval. The commissioner shall disburse funds for each approved emerging
14.34 entrepreneur fund loan made by the nonprofit corporation for which funding is available.

14.35 (c) In cases where the nonprofit lender fails to demonstrate that it has met the
14.36 requirements of this section, the commissioner must disapprove the application. The

15.1 commissioner shall inform the nonprofit corporation of the decision, in writing, stating
15.2 the reasons for the denial.

15.3 (d) The nonprofit lender must use a loan agreement for each emerging entrepreneur
15.4 fund loan. Each agreement must identify specific loan terms and include, at a minimum, the
15.5 maximum loan period, repayment terms, and default terms. The commissioner may pursue
15.6 any course of action authorized by statute, rule, or loan agreement to remedy default.

15.7 (1) Nonprofit lenders may structure project financing using interest or an equivalent
15.8 approach using other allowable charges if the borrower has limitations or restrictions on
15.9 the type of project financing used.

15.10 (2) If interest is charged, the rate on a loan shall be established by the nonprofit
15.11 lender, but may be no less than two percent per annum nor more than seven percent per
15.12 annum or four percent above the prime rate, as published in the Wall Street Journal at the
15.13 time the loan is closed, whichever is greater.

15.14 (3) The nonprofit lender may charge a loan origination fee equal to or less than
15.15 one percent of the loan value. The nonprofit corporation may retain the amount of the
15.16 origination fee.

15.17 (4) The nonprofit lender may only charge the participating small business
15.18 out-of-pocket administrative expenses connected with originating the loan at the time
15.19 of closing.

15.20 (5) For emerging entrepreneur fund loans made by the nonprofit lender, the principal
15.21 payments shall be submitted to the commissioner. These funds must be deposited in the
15.22 emerging entrepreneur fund account in the special revenue fund as defined in subdivision 6.

15.23 (6) The commissioner may allow the nonprofit lender to keep interest payments for
15.24 a loan in order to pay for the nonprofit lender's administrative expenses associated with
15.25 that loan.

15.26 (7) The nonprofit lender shall attempt to have applicants provide security for the loan
15.27 equal to the loan value. Security may be a lien on real property owned by the applicant or
15.28 other security satisfactory to the agency such as a lien on other assets of the applicant or
15.29 other individuals affiliated with the applicant or business, or a guaranty by the business
15.30 owners or other individuals affiliated with the applicant or business.

15.31 Subd. 6. **Special revenue account.** (a) The emerging entrepreneur fund account
15.32 is established as a separate account in the special revenue fund in the state treasury.
15.33 The commissioner shall transfer to the account appropriations made for loans. Loan
15.34 principal repayments must be deposited in the account. Any interest not used for lenders
15.35 for administrative expenses and repaid to the commissioner or earned on money in the
15.36 account accrues to the account. Funds remaining in the account at the end of a fiscal

16.1 year are not canceled to the general fund, but remain in the account until expended. The
16.2 commissioner shall manage the account.

16.3 (b) Amounts in the emerging entrepreneur fund account in the special revenue fund
16.4 are appropriated to the commissioner for providing, through partnership with nonprofit
16.5 organizations, financial assistance for small businesses owned by minorities, women,
16.6 veterans, or persons with disabilities or located in low-income areas.

16.7 (c) The balance in any accounts authorized under chapter 116M shall be transferred
16.8 to the emerging entrepreneur fund account in the special revenue fund. Loan repayments
16.9 made under chapter 116M shall be transferred to the emerging entrepreneur fund account
16.10 in the special revenue fund.

16.11 Subd. 7. **Business development technical assistance.** (a) The commissioner shall
16.12 award grants to organizations to provide technical assistance services.

16.13 (b) The commissioner shall select participating nonprofit technical assistance
16.14 providers for competitive grants under this subdivision based on the organization's ability
16.15 to provide services to small businesses owned by minorities, women, veterans, or persons
16.16 with disabilities, or businesses located in low-income areas by demonstrating:

16.17 (1) a need for funding;

16.18 (2) clear and measurable activities and outcomes within a service delivery area
16.19 and schedule;

16.20 (3) partnerships that will support the service delivery;

16.21 (4) organizational capacity and related experience providing technical assistance;

16.22 (5) a clear and detailed budget;

16.23 (6) methods to evaluate the success of reaching proposed outcomes; and

16.24 (7) any additional information that the commissioner finds is necessary to clarify
16.25 the applicant's ability to achieve the program's objectives.

16.26 Subd. 8. **Reporting requirements.** (a) A nonprofit corporation that receives
16.27 funding from the emerging entrepreneur fund for loans or technical services must report to
16.28 the commissioner by March 1 of each year in a format prescribed by the commissioner.
16.29 The report shall include the information in this subdivision and any other information
16.30 deemed necessary by the commissioner.

16.31 (b) Nonprofit corporations that receive funding to provide lending shall submit a
16.32 report containing: a description of all projects supported by the program; an account of
16.33 any loans made during the calendar year; the project's assets and liabilities; an explanation
16.34 of administrative expenses; and the project's impact on small businesses owned by
16.35 minorities, women, veterans, or persons with disabilities.

17.1 (c) Nonprofit corporations that receive funding to provide lending shall provide
17.2 for an independent annual audit to be performed in accordance with generally accepted
17.3 accounting practices and auditing standards and submit a copy of each annual audit report
17.4 to the commissioner.

17.5 (d) Nonprofit corporations that receive a grant to provide business development
17.6 technical assistance shall provide an account of the number of businesses served during
17.7 the calendar year, the program's impact on small businesses owned by minorities, women,
17.8 veterans, or persons with disabilities, and an explanation of administrative expenses.

17.9 Subd. 9. **Emerging Entrepreneur Fund Advisory Council.** (a) The Emerging
17.10 Entrepreneur Fund Advisory Council is created and consists of the commissioner, the
17.11 chair of the Metropolitan Council, the commissioner of the Department of Human Rights,
17.12 and ten members from the general public appointed by the governor. Appointments must
17.13 ensure balanced geographic representation. At least half of the public members must have
17.14 experience working to address racial disparities.

17.15 (b) The membership terms, compensation, removal, and filling of vacancies of
17.16 public members of the council are as provided in section 15.0575.

17.17 (c) The commissioner shall serve as chair of the council. The council may elect other
17.18 officers as necessary from its members.

17.19 (d) The commissioner shall provide staff, consultant support, materials, and
17.20 administrative services necessary for the council's activities. The emerging entrepreneur
17.21 fund account in the special revenue fund may be used for council expenses.

17.22 (e) The governor must make initial appointments to the council by November 15,
17.23 2016, and the chair must convene the first meeting of the council by December 15, 2016.

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

APPENDIX
Article locations in 16-4812

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