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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 1630

02/25/2021 Authored by Noor
04/06/2021 The bill was read for the first time and referred to the Committee on Workforce and Business Development Finance and Policy
Adoption of Report: Amended and re-referred to the Committee on Ways and Means

1.1 A bill for an act
1.2 relating to economic development; modifying use of Minnesota investment fund;
1.3 modifying business subsidy requirements; making exceptions to job creation fund
1.4 requirements; requiring a report; amending Minnesota Statutes 2020, sections
1.5 116J.8748, subdivision 3; 116J.994, subdivision 6.

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

1.7 Section 1. Minnesota Statutes 2020, section 116J.8748, subdivision 3, is amended to read:

1.8 Subd. 3. Minnesota job creation fund business designation; requirements. (a) To
1.9 receive designation as a Minnesota job creation fund business, a business must satisfy all
1.10 of the following conditions:

1.11 (1) the business is or will be engaged in, within Minnesota, one of the following as its
1.12 primary business activity:

1.13 (i) manufacturing;

1.14 (ii) warehousing;

1.15 (iii) distribution;

1.16 (iv) information technology;

1.17 (v) finance;

1.18 (vi) insurance; or

1.19 (vii) professional or technical services;

1.20 (2) the business must not be primarily engaged in lobbying; gambling; entertainment;
1.21 professional sports; political consulting; leisure; hospitality; or professional services provided

2.1 by attorneys, accountants, business consultants, physicians, or health care consultants, or  
2.2 primarily engaged in making retail sales to purchasers who are physically present at the  
2.3 business's location;

2.4 (3) the business must enter into a binding construction and job creation business subsidy  
2.5 agreement with the commissioner to expend directly, or ensure expenditure by or in  
2.6 partnership with a third party constructing or managing the project, at least \$500,000 in  
2.7 capital investment in a capital investment project that includes a new, expanded, or remodeled  
2.8 facility within one year following designation as a Minnesota job creation fund business or  
2.9 \$250,000 if the project is located outside the metropolitan area as defined in section 200.02,  
2.10 subdivision 24, or if 51 percent of the business is cumulatively owned by minorities, veterans,  
2.11 women, or persons with a disability; and:

2.12 (i) create at least ten new full-time employee positions within two years of the benefit  
2.13 date following the designation as a Minnesota job creation fund business or five new full-time  
2.14 employee positions within two years of the benefit date if the project is located outside the  
2.15 metropolitan area as defined in section 200.02, subdivision 24, or if 51 percent of the business  
2.16 is cumulatively owned by minorities, veterans, women, or persons with a disability; or

2.17 (ii) expend at least \$25,000,000, which may include the installation and purchase of  
2.18 machinery and equipment, in capital investment and retain at least 200 employees for projects  
2.19 located in the metropolitan area as defined in section 200.02, subdivision 24, and 75  
2.20 employees for projects located outside the metropolitan area;

2.21 (4) positions or employees moved or relocated from another Minnesota location of the  
2.22 Minnesota job creation fund business must not be included in any calculation or determination  
2.23 of job creation or new positions under this paragraph; and

2.24 (5) a Minnesota job creation fund business must not terminate, lay off, or reduce the  
2.25 working hours of an employee for the purpose of hiring an individual to satisfy job creation  
2.26 goals under this subdivision.

2.27 With the commissioner's authorization, the one-year period requirement to meet minimum  
2.28 capital investment requirements under clause (3) and the minimum job creation requirements  
2.29 in clause (3), item (i), may be extended for up to 12 months for projects that must meet  
2.30 these requirements within 12 months of the governor's declaration of a peacetime emergency.

2.31 (b) Prior to approving the proposed designation of a business under this subdivision, the  
2.32 commissioner shall consider the following:

2.33 (1) the economic outlook of the industry in which the business engages;

3.1 (2) the projected sales of the business that will be generated from outside the state of  
3.2 Minnesota;

3.3 (3) how the business will build on existing regional, national, and international strengths  
3.4 to diversify the state's economy;

3.5 (4) whether the business activity would occur without financial assistance;

3.6 (5) whether the business is unable to expand at an existing Minnesota operation due to  
3.7 facility or land limitations;

3.8 (6) whether the business has viable location options outside Minnesota;

3.9 (7) the effect of financial assistance on industry competitors in Minnesota;

3.10 (8) financial contributions to the project made by local governments; and

3.11 (9) any other criteria the commissioner deems necessary.

3.12 (c) Upon receiving notification of local approval under subdivision 2, the commissioner  
3.13 shall review the determination by the local government and consider the conditions listed  
3.14 in paragraphs (a) and (b) to determine whether it is in the best interests of the state and local  
3.15 area to designate a business as a Minnesota job creation fund business.

3.16 (d) If the commissioner designates a business as a Minnesota job creation fund business,  
3.17 the business subsidy agreement shall include the performance outcome commitments and  
3.18 the expected financial value of any Minnesota job creation fund benefits.

3.19 (e) The commissioner may amend an agreement once, upon request of a local government  
3.20 on behalf of a business, only if the performance is expected to exceed thresholds stated in  
3.21 the original agreement.

3.22 (f) A business may apply to be designated as a Minnesota job creation fund business at  
3.23 the same location more than once only if all goals under a previous Minnesota job creation  
3.24 fund agreement have been met and the agreement is completed.

3.25 Sec. 2. Minnesota Statutes 2020, section 116J.994, subdivision 6, is amended to read:

3.26 Subd. 6. **Failure to meet goals.** (a) The subsidy agreement must specify the recipient's  
3.27 obligation if the recipient does not fulfill the agreement. At a minimum, the agreement must  
3.28 require a recipient failing to meet subsidy agreement goals to pay back the assistance plus  
3.29 interest to the grantor or, at the grantor's option, to the account created under section 116J.551  
3.30 provided that repayment may be prorated to reflect partial fulfillment of goals. The interest  
3.31 rate must be set at no less than the implicit price deflator for government consumption

4.1 expenditures and gross investment for state and local governments prepared by the Bureau  
4.2 of Economic Analysis of the United States Department of Commerce for the 12-month  
4.3 period ending March 31 of the previous year. The grantor, after a public hearing, may extend  
4.4 for up to one year the period for meeting the wage and job goals under subdivision 4 provided  
4.5 in a subsidy agreement or up to two years if the governor has declared a peacetime emergency  
4.6 during the initial two-year compliance period. A grantor may extend the period for meeting  
4.7 other goals under subdivision 3, paragraph (a), clause (3), by documenting in writing the  
4.8 reason for the extension and attaching a copy of the document to its next annual report to  
4.9 the department.

4.10 (b) A recipient that fails to meet the terms of a subsidy agreement may not receive a  
4.11 business subsidy from any grantor for a period of five years from the date of failure or until  
4.12 a recipient satisfies its repayment obligation under this subdivision, whichever occurs first.

4.13 (c) Before a grantor signs a business subsidy agreement, the grantor must check with  
4.14 the compilation and summary report required by this section to determine if the recipient  
4.15 is eligible to receive a business subsidy.

4.16 Sec. 3. **GRANT EXCEPTIONS.**

4.17 Notwithstanding Minnesota Statutes, sections 116J.8731, subdivision 5, and 116J.8748,  
4.18 subdivision 4, the commissioner may approve a Minnesota investment fund grant or job  
4.19 creation fund grant of up to \$2,000,000 for qualified applicants. This section expires July  
4.20 1, 2021.

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

4.22 Sec. 4. **ONETIME EXCEPTION TO RESTRICTIONS ON USE OF MINNESOTA**  
4.23 **INVESTMENT FUND LOCAL GOVERNMENT LOAN REPAYMENT FUNDS.**

4.24 (a) Notwithstanding Minnesota Statutes, section 116J.8731, a home rule charter or  
4.25 statutory city, county, or town that has uncommitted money received from repayment of  
4.26 funds awarded under Minnesota Statutes, section 116J.8731, may choose to transfer 20  
4.27 percent of the balance of that money to the state general fund before June 30, 2022. Any  
4.28 local entity that does so may then use the remaining 80 percent of the uncommitted money  
4.29 as a general purpose aid for any lawful expenditure.

4.30 (b) By February 15, 2023, a home rule charter or statutory city, county, or town that  
4.31 exercises the option under paragraph (a) shall submit to the chairs of the legislative

- 5.1 committees with jurisdiction over economic development policy and finance an accounting
- 5.2 and explanation of the use and distribution of the funds.