

CHAPTER 116N

RURAL DEVELOPMENT BOARD

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116N.01 DEFINITIONS.

Subdivision 1. **Terms.** For the purposes of sections 116N.01 to 116N.08, the following terms have the meaning given them.

Subd. 2. **Board.** "Board" means the rural development board.

Subd. 3. **Commissioner.** "Commissioner" means the commissioner of trade and economic development.

Subd. 4. **Local governmental unit.** "Local governmental unit" means a home rule charter or statutory city when the project is located in an incorporated area, a county when the project is located in an unincorporated area, or an American Indian tribal council when the project is located within a federally recognized American Indian reservation or community.

Subd. 5. **Low income.** "Low income" means equal to or below the nonmetropolitan median household income.

Subd. 6. **Principally.** "Principally" means more than half.

Subd. 7. **Regional organization.** "Regional organization" or "organization" means an organization selected under section 116N.08, subdivision 3.

Subd. 8. **Rural.** "Rural" means the area of Minnesota located outside of the metropolitan area as defined in section 473.121, subdivision 2.

History: 1987 c 312 art 1 s 26 subd 2; 1987 c 386 art 1 s 3

116N.02 RURAL DEVELOPMENT BOARD.

Subdivision 1. **Membership.** The rural development board consists of the commissioner of trade and economic development, the commissioner of jobs and training, the commissioner of agriculture, the president of the Minnesota Technology, Inc. board, the chancellor of vocational technical education, the chancellor of the state university board, the chancellor of the state board for community colleges, the president of the University of Minnesota or the president's designee, the chair of the regional advisory committee, and six members from the general public appointed by the governor, with at least one public member from each of the regions established in section 116N.08. Two of the public members must be local elected officials. Two of the public members must be members of farm organizations. One public member must represent the interests of business, and one public member must represent the interests of organized labor.

Subd. 2. **Membership terms.** The membership terms, compensation, removal, and filling of vacancies of public members of the board are as provided in section 15.0575.

Subd. 3. **Chair; other officers.** The commissioner of trade and economic development shall serve as chair of the board. The board may elect other officers as necessary from its members.

Subd. 4. **Advisory task forces.** The board may establish advisory task forces under section 15.014 to advise or assist the board in identifying and working with rural development issues.

Subd. 5. **Staff.** The commissioner of trade and economic development shall provide staff, consultant support, materials, and administrative services necessary for the board's activities. The services must include personnel, budget, payroll, and contract administration. The board may request staff support from other agencies of state gov-

ernment as needed for the execution of the responsibilities of the board, and the other agencies shall furnish the staff support upon request.

Subd. 6. Account allocation. The commissioner shall allocate \$6,000,000 from the rural rehabilitation account to be used for the challenge grant program.

History: 1987 c 312 art 1 s 26 subd 2; 1987 c 386 art 1 s 4; 1989 c 335 art 4 s 52; 1990 c 375 s 3; 1991 c 322 s 19

116N.03 POWERS.

Subdivision 1. Contracts. The board may enter into contracts and grant agreements necessary to carry out its responsibilities.

Subd. 2. Gifts; grants. The board may apply for, accept, and disburse gifts, grants, loans, or other property from the United States, the state, private foundations, or any other source. It may enter into an agreement required for the gifts, grants, or loans and may hold, use, and dispose of its assets in accordance with the terms of the gift, grant, loan, or agreement. Money received by the board under this subdivision must be deposited in the state treasury. The amount deposited is appropriated to the board to carry out its duties.

History: 1987 c 386 art 1 s 5

116N.04 DUTIES.

Subdivision 1. General duties. The board shall investigate and evaluate new methods to enhance rural development, particularly methods relating to economic diversification through private enterprises, including technologically innovative industries, value-added manufacturing, agriprocessing, information industries, and agricultural marketing.

Subd. 2. Establish program. The board shall establish a rural rehabilitation pilot project program to award up to \$500,000 from the rural rehabilitation revolving fund in grants to public, nonprofit, or private organizations to support farm-related pilot projects for rural development. Projects must be designed to principally benefit low-income persons.

Subd. 3. Technical assistance. The board shall provide technical assistance and rural development information services to state agencies, regional agencies, special districts, local governments, and the public.

Subd. 4. Budget. The board shall adopt an annual budget and work program and a biennial budget.

Subd. 5. Legislative report. The board shall submit a report to the legislature by January 31 of each year. The report must include a review of rural development in the state, a review of the regional advisory committee activities, an accounting of loans made under the challenge grant program, an evaluation of rural development initiatives, and recommendations concerning state support for rural development.

History: 1987 c 386 art 1 s 6

116N.05 REGIONAL ADVISORY COMMITTEE.

Subdivision 1. Members. The regional advisory committee consists of one representative from each of the state's development regions. Members representing the state's development regions must be selected by a majority vote of the regional development commissions. In regions that have dissolved their development commissions, members must be selected by a majority vote of the chairs of the respective county boards of commissioners in the region. Members must reside within the region they represent. The county boards of commissioners and the regional development commissions selecting members are encouraged to give preference to persons that hold an elected office. The county boards of commissioners and the regional development commissions shall give public notice of vacancies on the committee and make a selection of a member from applications received for the positions.

Subd. 2. **Terms; compensation; officers.** The terms, compensation, and expiration of the committee and its members are as provided in section 15.059. A member may not serve more than two consecutive terms. The regional advisory committee shall elect a chair and may elect a vice-chair and other officers as is necessary from its members.

Subd. 3. **Duties.** (a) The regional advisory committee shall:

(1) administer the rural rehabilitation pilot project program established in section 116N.04, including the establishment of grant eligibility criteria, solicitation and review of grant applications, and determination of projects to be funded;

(2) develop priorities for state projects and activities related to rural development;

(3) advise the rural development board regarding the challenge grant program; and

(4) coordinate the plans and programs of the regional development commissions that have an effect upon the activities of the rural development board.

(b) The commissioner shall make agreements or contracts to distribute grant funds to projects selected by the regional advisory committee.

History: 1987 c 386 art 1 s 7

116N.06 RURAL INVESTMENT GUIDE.

The board, after appropriate study and public hearings as necessary, shall adopt a comprehensive state rural investment guide consisting of policy statements, objectives, standards, and program criteria to guide state agencies in establishing and implementing programs relating to rural development. The guide must recognize the community and economic needs, the food and agricultural policy, and the resources of rural Minnesota, and provide a plan to coordinate and allocate public and private resources to the rural areas of the state. The board shall submit the guide to the appropriate committees of the legislature.

History: 1987 c 386 art 1 s 8

116N.07 BOARD REVIEW.

The board may require state agencies to submit for review any state program relating to rural development. The board may comment on the program and may recommend changes consistent with the rural investment guide.

History: 1987 c 386 art 1 s 9

116N.08 CHALLENGE GRANT PROGRAM.

Subdivision 1. **Organization.** The board shall make challenge grants to regional organizations to encourage private investment, to provide jobs for low-income persons, and to promote economic development in the rural areas of the state.

Subd. 2. **Funding regions.** The board shall divide the state outside of the metropolitan area as defined in section 473.121, subdivision 2, into six regions. A region's boundaries must be coterminous with the boundaries of one or more of the development regions established under section 462.385. The board shall designate up to \$1,000,000 for each region, to be awarded over a period of three years. The money designated to each region must be used for revolving loans authorized in this section.

Subd. 3. **Selection of organizations to receive challenge grants.** The board shall select at least one organization for each region to receive the challenge grants and shall enter into grant agreements with the organizations. An organization must be a non-profit corporation and must demonstrate that:

(1) its board of directors includes citizens experienced in rural development, representatives of the regional development commissions, and representatives from all geographic areas in the region;

(2) it has the technical skills to analyze projects;

(3) it is familiar with other available public and private funding sources and economic development programs;

- (4) it can initiate and implement economic development projects; and
- (5) it can establish and administer a revolving loan account.

Subd. 4. Revolving loan fund. A regional organization shall establish a board certified revolving loan fund to provide loans to new and expanding businesses in rural Minnesota to promote economic development. Eligible business enterprises include technologically innovative industries, value-added manufacturing, agriprocessing, information industries, and agricultural marketing. Loan applications given preliminary approval by the organization must be forwarded to the commissioner for final approval. The amount of state money allocated for each loan is appropriated from the rural rehabilitation account established in section 116J.955 to the organization's regional revolving loan fund when the commissioner gives final approval for each loan. The amount of money appropriated from the rural rehabilitation account may not exceed 50 percent for each loan. The amount of nonpublic money must equal at least 50 percent for each loan.

Subd. 5. Loan criteria. The following criteria apply to loans made under the challenge grant program:

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

(b) A loan must be used for a project designed principally to benefit low-income persons through the creation of job opportunities for them. Among loan applicants, priority must be given on the basis of the number of permanent jobs created or retained by the project and the proportion of nonstate money leveraged by the revolving loan.

(c) The minimum loan is \$5,000 and the maximum is \$100,000.

(d) With the approval of the commissioner, a loan may be used to provide up to 50 percent of the private investment required to qualify for a grant from the economic recovery account.

(e) A loan may not exceed 50 percent of the total cost of an individual project.

(f) A loan may not be used for a retail development project.

(g) A business applying for a loan must be sponsored by a resolution of the governing body of the local governmental unit within whose jurisdiction the project is located.

Subd. 6. Revolving fund administration. (a) The board shall establish a minimum interest rate for loans to ensure that necessary management costs are covered.

(b) Loan repayment amounts equal to one-half of the principal and interest must be deposited in the rural rehabilitation revolving fund for challenge grants to the region from which the money was originally designated. The remaining amount of the loan repayment may be deposited in the regional revolving loan fund for further distribution by the regional organization, consistent with the loan criteria specified in subdivisions 4 and 5.

(c) The first \$1,000,000 of revolving loans for each region must be matched by nonstate sources. The matching requirement does not apply to loans made under subdivision 6, clause (b).

(d) Administrative expenses of each organization may be paid out of the interest earned on loans.

Subd. 7. Rules. The board shall adopt rules to implement the duties specified in this section.

Subd. 8. Local governmental unit loans. A local governmental unit may receive a loan under this section if the local governmental unit has established a local revolving loan fund and can provide at least an equal match to the loan received from a regional organization. For the purpose of providing the match to establish the local revolving loan fund, the local governmental unit may use any unencumbered money in the general fund of the unit. Revenues from tax increments derived from a district located within the boundaries of the local governmental unit may be used to fund a second local revolving loan fund only if (1) those revenues are loaned in a manner authorized in the district's tax increment financing plan to a business located within the tax increment

district, and (2) the revenues are deposited in a loan fund that is separate from the loan fund in which general fund money is established. The local governmental unit may deposit up to \$50,000 of local public money in each of the local revolving funds that may be established under this subdivision. The maximum loan available to a local governmental unit under this section is \$50,000. The money loaned to a local governmental unit by a regional organization must be matched by the local revolving loan fund and used to provide loans to businesses to promote local economic development. One-half of the money loaned to a local governmental unit under this section by a regional organization must be repaid to the rural rehabilitation account. One-half of the money may be retained by the local governmental unit's revolving loan fund for further distribution by the local governmental unit.

Subd. 9. Regional cooperation. An organization that receives a challenge grant shall cooperate with other regional organizations, including regional development commissions, community development corporations, community action agencies, and the Minnesota small business development centers and satellites, in carrying out challenge grant program and technical assistance responsibilities.

Subd. 10. Reporting requirements. An organization that receives a challenge grant shall:

(1) submit an annual report to the board by February 15 of each year that includes a description of projects supported by the challenge grant program, an account of loans made during the calendar year, the source and amount of money collected and distributed by the challenge grant program, the program's assets and liabilities, and an explanation of administrative expenses; and

(2) provide for an independent annual audit to be performed in accordance with generally accepted accounting practices and auditing standards and submit a copy of each annual audit report to the board.

History: 1987 c 384 art 3 s 18; 1987 c 386 art 1 s 10; 1988 c 615 s 6; 1989 c 335 art 4 s 53,54,106