

CHAPTER 116M**MINNESOTA EMERGING ENTREPRENEUR PROGRAM**

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Subd. 14. [Repealed, 1988 c 685 s 44]

116M.08 [Repealed, 1987 c 386 art 5 s 6]

116M.09 [Repealed, 1987 c 386 art 5 s 6]

116M.10 [Repealed, 1987 c 386 art 5 s 6]

116M.105 [Repealed, 1987 c 386 art 5 s 6]

116M.11 [Repealed, 1987 c 386 art 2 s 24]

116M.12 [Repealed, 1987 c 386 art 2 s 24]

116M.13 [Repealed, 1987 c 386 art 5 s 6]

116M.14 DEFINITIONS.

Subdivision 1. **Terms.** For the purposes of this chapter, the following terms have the meaning given them.

Subd. 2. **Board.** "Board" means the Minnesota emerging entrepreneur program.

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

Subd. 3a. **Department.** "Department" means the Department of Employment and Economic Development.

Subd. 4. **Low-income area.** "Low-income area" means:

(1) Minneapolis, St. Paul;

(2) those cities in the metropolitan area as defined in section 473.121, subdivision 2, that have a median income for a family of four that is below 80 percent of the median income for a four-person family as of the latest report by the United States Census Bureau; and

(3) the area outside the metropolitan area.

Subd. 4a. **Low-income person.** "Low-income person" means a person who has an annual income, adjusted for family size, of not more than 80 percent of the area median family income for the county of residence as of the latest report by the United States Census Bureau.

Subd. 4b. **Metropolitan area.** "Metropolitan area" has the meaning given in section 473.121, subdivision 2.

Subd. 5. **Minority business enterprise.** "Minority business enterprise" means a business that is majority owned and operated by persons belonging to a racial or ethnic minority as defined in Code of Federal Regulations, title 49, section 23.5.

Subd. 6. **Minority person.** "Minority person" means a person belonging to a racial or ethnic minority as defined in Code of Federal Regulations, title 49, section 23.5.

Subd. 7. **Program.** "Program" means the Minnesota emerging entrepreneur program created by this chapter.

Subd. 8. **Veteran.** "Veteran" means a veteran as defined in section 197.447.

Subd. 9. **Persons with disabilities.** "Persons with disabilities" means an individual with a disability, as defined under the Americans with Disabilities Act, United States Code, title 42, section 12102.

History: 1993 c 369 s 54; 2002 c 380 art 2 s 7; 2003 c 128 art 13 s 36; 1Sp2003 c 4 s 1; 2005 c 142 s 1; 2016 c 189 art 7 s 24-32; 2017 c 94 art 6 s 11

116M.15 MINNESOTA EMERGING ENTREPRENEUR BOARD.

Subdivision 1. **Membership.** The Minnesota Emerging Entrepreneur Board is created and consists of the commissioner of employment and economic development, the commissioner of human rights, the chair of the Metropolitan Council, and 12 members from the general public appointed by the governor. Nine of the public members must be representatives from minority business enterprises. No more than six of the public members may be of one gender. At least one member must be a representative from a veteran-owned business, and at least one member must be a representative from a business owned by a person with disabilities. Appointments must ensure balanced geographic representation. At least half of the public members must have experience working to address racial income disparities. All public members must be experienced in business or economic development.

Subd. 1a. **Board responsibilities.** The board shall:

(1) submit a report to the commissioner by February 1 of each year describing the condition of Minnesota small businesses that are majority owned and operated by a racial or ethnic minority, woman, veteran, or a person with disabilities, along with any policy recommendations;

(2) act as a liaison between the department and nonprofit corporations engaged in small business development support activities; and

(3) assist the department in informational outreach about the program.

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 employment and economic development shall serve as chair of the board. The board may elect other officers as necessary from its members.

Subd. 4. **Staff.** The commissioner of employment 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.

Subd. 5. **Board meeting.** (a) If compliance with section 13D.02 is impractical, the Minnesota Emerging Entrepreneur Board may conduct a meeting of its members by telephone or other electronic means so long as the following conditions are met:

(1) all members of the board participating in the meeting, wherever their physical location, can hear one another and can hear all discussion and testimony;

(2) members of the public present at the regular meeting location of the board can hear clearly all discussion and testimony and all votes of members of the board and, if needed, receive those services required by sections 15.44 and 15.441;

(3) at least one member of the board is physically present at the regular meeting location; and

(4) all votes are conducted by roll call, so each member's vote on each issue can be identified and recorded.

(b) Each member of the board participating in a meeting by telephone or other electronic means is considered present at the meeting for purposes of determining a quorum and participating in all proceedings.

(c) If telephone or other electronic means is used to conduct a meeting, the board, to the extent practical, shall allow a person to monitor the meeting electronically from a remote location. The board may require the person making such a connection to pay for documented marginal costs that the board incurs as a result of the additional connection.

(d) If telephone or other electronic means is used to conduct a regular, special, or emergency meeting, the board shall provide notice of the regular meeting location, of the fact that some members may participate by telephone or other electronic means, and of the provisions of paragraph (c). The timing and method of providing notice is governed by section 13D.04.

History: 1993 c 369 s 55; 1994 c 483 s 1; 1Sp2003 c 4 s 1; 2004 c 206 s 26; 2005 c 163 s 56; 2016 c 189 art 7 s 33,34,47

116M.16 POWERS.

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

Subd. 2. **Gifts; grants; appropriation.** 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 a separate account in the state treasury and invested by the state Board of Investment. The amount deposited, including investment earnings, is appropriated to the board to carry out its duties.

History: 1993 c 369 s 56; 1995 c 224 s 59

116M.17 DUTIES.

Subdivision 1. **General duties.** The board shall investigate and evaluate methods to enhance urban development, particularly methods relating to economic diversification through minority business enterprises and job creation for minority and other persons in low-income areas. The enterprises shall include, but are not limited to, technologically innovative industries, value-added manufacturing, and information industries.

Subd. 2. **Technical assistance.** The department shall provide technical assistance and informational outreach about the program to lenders, nonprofit corporations, and low-income and minority communities throughout the state that support the development of business enterprises and entrepreneurs.

Subd. 3. **Budget.** The board shall adopt an annual budget and work program and a biennial budget.

Subd. 4. **Reports.** The department shall submit an annual report to the legislature of an accounting of loans made under section 116M.18, including information on loans made, the number of jobs created by the program, the impact on low-income areas, and recommendations concerning minority business development and jobs for persons in low-income areas.

History: 1993 c 369 s 57; 2016 c 189 art 7 s 35,36; 2017 c 94 art 6 s 12

116M.18 MINNESOTA EMERGING ENTREPRENEUR PROGRAM.

Subdivision 1. **Establishment.** The Minnesota emerging entrepreneur program is established to award grants to nonprofit corporations, Tribal economic development entities, and community development financial

institutions to fund loans to businesses owned by minority or low-income persons, women, veterans, or people with disabilities.

Subd. 1a. **Statewide loans.** To the extent there is sufficient eligible demand, loans shall be made so that an approximately equal dollar amount of loans are made to businesses in the metropolitan area as in the nonmetropolitan area. After March 31 of each fiscal year, the department may allow loans to be made anywhere in the state without regard to geographic area.

Subd. 1b. **Grants.** The department shall make grants to nonprofit corporations, Tribal economic development entities, and community development financial institutions to fund loans to businesses owned by minority or low-income persons, women, veterans, or people with disabilities to encourage private investment, to provide jobs for minority and low-income persons, to create and strengthen minority business enterprises, and to promote economic development in a low-income area.

Subd. 2. **Grant eligibility.** (a) The department may enter into agreements with nonprofit corporations, Tribal economic development entities, and community development financial institutions to fund loans the nonprofit corporation, Tribal economic development entity, or community development financial institution makes to businesses owned by minority or low-income persons, women, veterans, or people with disabilities. The department shall evaluate applications from nonprofit corporations, Tribal economic development entities, and community development financial institutions. In evaluating applications, the department must consider, among other things, whether the nonprofit corporation, Tribal economic development entity, or community development financial institution:

(1) has a board of directors that includes citizens experienced in business and community development, minority business enterprises, addressing racial income disparities, and creating jobs for low-income and minority persons;

(2) has the technical skills to analyze projects;

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

(4) can initiate and implement economic development projects;

(5) can establish and administer a revolving loan account or has operated a revolving loan account;

(6) can work with job referral networks which assist minority and low-income persons; and

(7) has established relationships with minority communities.

(b) The department shall review existing agreements with nonprofit corporations, Tribal economic development entities, and community development financial institutions every five years and may renew or terminate the agreement based on the review. In making its review, the department shall consider, among other criteria, the criteria in paragraph (a).

Subd. 3. **Revolving loan fund.** (a) The department shall establish a revolving loan fund to make grants to nonprofit corporations, Tribal economic development entities, and community development financial institutions for the purpose of making loans to businesses owned by minority or low-income persons, women, veterans, or people with disabilities, and to support minority business enterprises and job creation for minority and low-income persons.

(b) Nonprofit corporations, Tribal economic development entities, and community development financial institutions that receive grants from the department under the program must establish a commissioner-certified revolving loan fund for the purpose of making eligible loans.

(c) Eligible business enterprises include, but are not limited to, technologically innovative industries, value-added manufacturing, and information industries.

(d) Loan applications given preliminary approval by the nonprofit corporation, Tribal economic development entity, or community development financial institution must be forwarded to the department. Nonprofit corporations, Tribal economic development entities, and community development financial institutions designated as preferred partners do not need final approval by the commissioner. All other loans must be approved by the commissioner and the commissioner must make approval decisions within 20 days of receiving a loan application unless the application contains insufficient information to make an approval decision. The amount of the state funds contributed to any loan may not exceed 50 percent of each loan. The commissioner must develop the criteria necessary to receive loan forgiveness.

Subd. 4. **Business loan criteria.** (a) The criteria in this subdivision apply to loans made by nonprofit corporations, Tribal economic development entities, and community development financial institutions under the program.

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

(c) A loan must be used to support a business owned by a minority or a low-income person, woman, veteran, or a person with disabilities. Priority must be given for loans to the lowest income areas.

(d) The minimum state contribution to a loan is \$5,000 and the maximum is \$150,000.

(e) The state contribution must be matched by at least an equal amount of new private investment.

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

(g) The business must agree to work with job referral networks that focus on minority and low-income applicants.

(h) Up to ten percent of a loan's principal amount may be forgiven if the borrower has met lender and agency criteria, including being current with all payments, for at least two years. The commissioner must develop the criteria for receiving loan forgiveness.

Subd. 4a. **Microenterprise loan.** (a) Program grants may be used to make microenterprise loans to small, beginning businesses, including a sole proprietorship. Microenterprise loans are subject to this section except that:

(1) they may also be made to qualified retail businesses;

(2) they may be made for a minimum of \$5,000 and a maximum of \$40,000;

(3) in a low-income area, they may be made for a minimum of \$5,000 and a maximum of \$55,000; and

(4) they do not require a match.

(b) Up to ten percent of a loan's principal amount may be forgiven if the borrower has met criteria developed by the lender and the commissioner, including being current with all payments, for at least two years.

Subd. 5. Revolving fund administration. (a) The department shall establish a minimum interest rate or fee for loans or guarantees to ensure that necessary loan administration costs are covered. The interest rate charged by a nonprofit corporation, Tribal economic development entity, or community development financial institution for a loan under this subdivision must not exceed the Wall Street Journal prime rate plus two percent, with a maximum rate of ten percent. For a loan under this subdivision, the nonprofit corporation, Tribal economic development entity, or community development financial institution may charge a loan origination fee equal to or less than one percent of the loan value. The nonprofit corporation, Tribal economic development entity, or community development financial institution may retain the amount of the origination fee.

(b) Loan repayment of principal must be paid to the department for deposit in the revolving loan fund. Loan interest payments must be deposited in a revolving loan fund created by the nonprofit corporation, Tribal economic development entity, or community development financial institution originating the loan being repaid for further distribution or use, consistent with the criteria of this section.

(c) Administrative expenses of the nonprofit corporations, Tribal economic development entities, and community development financial institutions with whom the department enters into agreements, including expenses incurred by a nonprofit corporation, Tribal economic development entity, or community development financial institution in providing financial, technical, managerial, and marketing assistance to a business enterprise receiving a loan under subdivision 4, may be paid out of the interest earned on loans and out of interest earned on money invested by the state Board of Investment under section 116M.16, subdivision 2, as may be provided by the department.

(d) The department must provide the nonprofit corporation, Tribal economic development entity, or community development financial institution making the loan with a fee equal to one percent of the loan value for every loan closed to offset related expenses for loan processing, loan servicing, legal filings, and reporting.

Subd. 6. [Repealed by amendment, 2016 c 189 art 7 s 37]

Subd. 6a. [Repealed by amendment, 2016 c 189 art 7 s 37]

Subd. 7. Cooperation. A nonprofit corporation, Tribal economic development entity, or community development financial institution that receives a program grant shall cooperate with other organizations, including but not limited to, community development corporations, community action agencies, and the Minnesota small business development centers.

Subd. 8. Reporting requirements. (a) A nonprofit corporation, Tribal economic development entity, or community development financial institution that receives a program grant shall:

(1) submit an annual report to the department by February 15 of each year that includes a description of businesses supported by the grant program, an account of loans made during the calendar year, the program's impact on minority business enterprises and job creation for minority persons and low-income persons, the source and amount of money collected and distributed by the 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 department.

(b) By March 1 of each year, the commissioner must provide a report compiling the information received from nonprofit corporations, Tribal economic development entities, and community development financial institutions under paragraph (a) to the chairs and ranking minority members of the legislative committees

with jurisdiction over workforce development. The report must also specify any nonprofit corporations, Tribal economic development entities, or community development financial institutions that failed to provide the information required under paragraph (a).

Subd. 9. **Small business emergency loan account.** The small business emergency loan account is created as an account in the special revenue fund.

History: 1993 c 369 s 58; 1995 c 224 s 60-62; 2002 c 380 art 2 s 8-14; 2007 c 135 art 2 s 17; 2016 c 189 art 7 s 37; 2017 c 94 art 6 s 13-16; 2020 c 71 art 2 s 4; 2024 c 120 art 9 s 4