



DEED Update: Senate Jobs and Economic Development Committee

Commissioner Matt Varilek

January 27, 2025



Minnesota is a Great Place to Live and Work

- **Our population grew 0.7%** in 2024, ranking 27th nationally.
- Minnesota ranks well in **poverty levels** (9.3%, 3rd lowest (tied) nationally in 2023), and **education** (4th for high school diploma at 94%, and 12th for 4-year degree or higher at 40%).
- Minnesota ranked **13th in median household income** at \$85,086 in 2023.
- But, despite strong growth last year, our **labor force has not recovered to pre-pandemic levels**. We are still -0.8% below February 2020 levels.
- **The more we can do to address our workforce challenges, the faster our economy will be able to grow.**



Economic Snapshot: Significant Strength in Our Economy

Strong Job Growth and Low Unemployment:

- We've added jobs for **six straight months** – and **10 out of the last 12 months**.
- Minnesota has 3,039,600 jobs – **more than ever before**.
- Our **unemployment rate is 3.3%**, better than the US average (4.1%), lower rate also means workforce challenges.
- But, **there remain persistent income and employment disparities** along race and ethnicity lines.

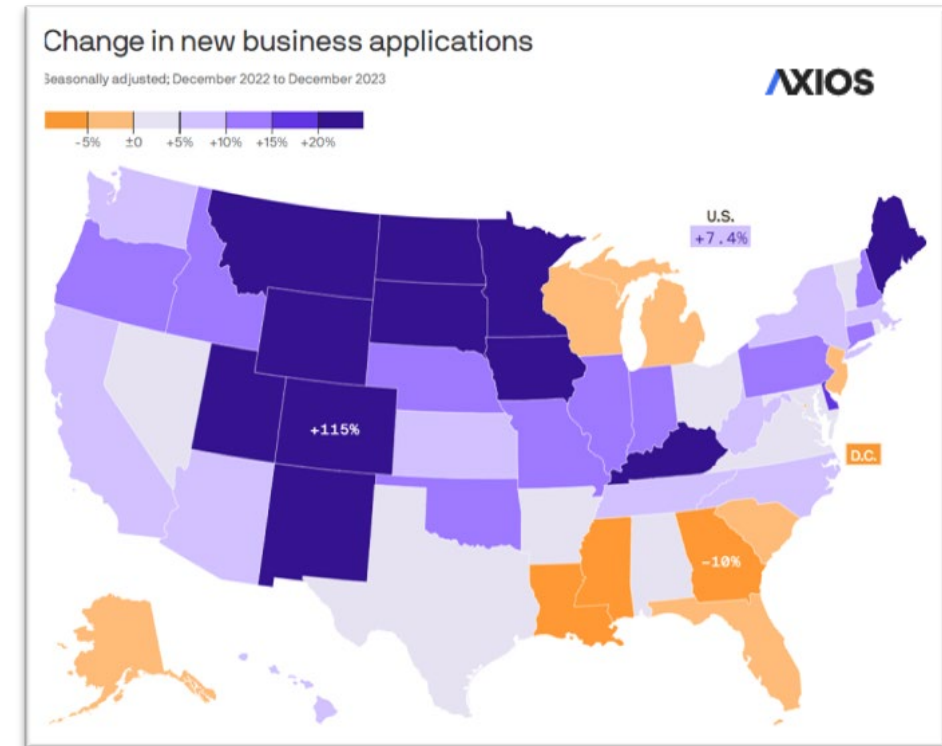


Our Labor Force:

- Our labor force participation rate is 67.8%, compared to 62.5% nationally. **7th highest nationally**.
- But we know that **labor force is still the biggest issue our state faces** – we're hearing it from employers everywhere.

The State of Business in Minnesota

- CNBC: Minnesota ranks as the **6th best state for business**.
- Minnesota is home to **17 Fortune 500 companies**.
- Minnesota small businesses are taking off. Business applications are soaring, more businesses are opening than closing, and **we rank first in 5-year business survival rates at 57.6%**.
- Businesses continue expanding here: in 2024 we tracked 113 expansions, worth **\$12 BILLION in outside investment**, expected to create 4,300 new jobs and retain over 2,500 jobs.
- **DEED's job is to keep that going!**



Implementing a Historic Slate of Programs

- DEED received almost **\$1.8 billion** in total funding for FY24-25 following **historic investments** in our legislative priorities in 2023.
- Effective and efficient implementation of the programs supported by these investments has been my highest priority since joining DEED.
- And that's where our tagline comes in – that's how "**DEED Delivers**" for Minnesota's Businesses, Workers and Communities.





DEED DELIVERS
for Businesses

mn EMPLOYMENT AND
ECONOMIC DEVELOPMENT

Cultivating a dynamic business environment

Financing Programs FY 24-Dec FY 25

Administer over 45 financing programs that provide capital to growing businesses and communities:

- **MN Job Creation Fund** – 26 awards for \$17.1 million, resulting in 1,119 jobs and \$1.87 billion in investment.
- **MN Investment Fund** – 29 loans for \$38 million, resulting in 2,060 jobs and \$930 million investment.
- **Emerging Entrepreneur Program** – 106 loans for \$3.360 million.
- **MN Angel Tax Credit** – 197 approvals for \$10 million.
- **Launch MN Grants** – 107 awards for \$2.8 million.
- **State Small Business Credit Initiative** – 99 loans for \$18.25 million.
- **Job Training Programs** – 72 grants for \$7.9 million.
- **Brownfields and Redevelopment** – 43 grants for \$18.3 million.
- **Energy Transition Grants** – 10 grants for \$9 million.



Minnesota Forward Fund

A **one-time flagship investment of \$400 million** for the Minnesota Forward Fund – to attract business, leverage federal funds, and deploy capital quickly.

- \$50 million - Matching funds required by federal programs:
 - \$25 million in awards to Solugen in Marshall, Dem-Con in Shakopee.
- \$100 million - DOD matching funds for a bio industrial manufacturing pilot or an aerospace center or both:
 - Continue to work with both BIOMADE and Northwind on their projects.
- \$250 million - CHIPS matching funds:
 - \$99 million in awards to Polar Semiconductor and Skywater.
 - Awards for workforce development projects in progress.



DEED DELIVERS
for Small Businesses

mn EMPLOYMENT AND
ECONOMIC DEVELOPMENT

Supporting small businesses

PROMISE Act

- **PROMISE Act Grants \$94.95 million** – for working capital through the Neighborhood Development Center (NDC) and Initiative Foundations.
 - Round 1 complete ~\$25 million reserved.
 - Round 2 opening ~\$45 million planned.
- **PROMISE Act Loans \$30.3 million** – for development through the Metropolitan Economic Development Association (MEDA) and Initiative Foundations.
 - Approximately \$3 million in loans thus far.





Small Business Assistance Programs

- Our non-profit grantees served more than 13,000 businesses with technical assistance through:
 - **\$12 million in Small Business Partnerships Program to 41 organizations** to assist businesses and entrepreneurs focused on equity, innovation, and vibrancy.
 - **\$34 million in direct appropriations to 17 organizations** that deliver technical assistance and loans.
 - **\$500 thousand** to the **Small Business Development Center** program.
 - **\$5 million** to **Launch MN** and our Education Partners.
 - **\$10 million** in capital to non-profits through the **Expanding Opportunity Fund**.

Child Care Economic Development Grants

- Record funding to grow child care availability: **\$15 million** in the FY24-25 biennium.
- **Awarded 27 grantees \$6.2 million** last fall to create over 2,200 new child care slots. Another **\$6.5 million** in awards coming soon.



Office of Child Care Community Partnerships:

- Working across communities and state agencies.
- Also managing the appropriations to the MIFs.



DEED DELIVERS
for Workers

mn EMPLOYMENT AND
ECONOMIC DEVELOPMENT

Investing in talent

Direct Appropriations

- Issued **97 grants** to organizations totaling more than **\$145.3 million for FY24 and FY25.**
- Funding to be used for:
 - **Workforce training:**
 - **Adult:** 47 direct appropriations worth \$52.5 million.
 - **Youth:** 20 grants worth \$12.55 million.
 - **Capital Projects:**
 - 30 Capital projects worth \$80.2 million.



DEED Workforce Programs

- **Pathways to Prosperity** – \$6.942 million awarded to 43 grantees for FY24.
- **Women's Economic Security Act** – \$625 thousand awarded to 8 grantees for FY24.
- **Southeast Asian** – \$950 thousand awarded to 4 grantees for FY24.
- **Getting to Work** – \$950 thousand awarded to 12 grantees for FY24.
- **Adult Support Services** – \$475 thousand awarded to 18 grantees for FY24.

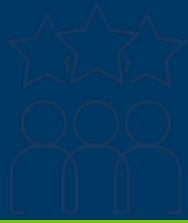




Drive for 5 Workforce Fund

- The Jobs bill provided **\$20 million** in the FY24-25 biennium for the **Drive for 5 Workforce Fund** to prepare the workforce to enter **five high growth industries** with high vacancy rates and occupations that lead towards family-sustaining wages.
- **Competitive grants** focused on **training + support services** with funding for **trade associations, chambers and other business associations** to match open positions with people completing training programs. Grants were awarded in March 2024.
- Created an **Employer Engagement Team** positioned around the state to work with employers and match them with job seekers.





Transformative Career Pathways

- Invested **\$50 million** in the FY24-25 biennium in employment services and training to **bring workers who have been overlooked for employment into the workforce at family-sustaining wages.**
- The initiative **brings Minnesotans into the workforce,** ensure employers have the staff to help their businesses thrive, and move Minnesota's economy forward.

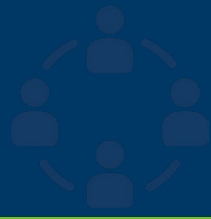




Youth Workforce Development

- **Minnesota Youth Program** – \$8.56 million awarded to 18 grantees in FY24.
- **Youth Support Services** – \$475 thousand awarded to 12 grantees for FY24.
- **Minnesota Youthbuild** – \$2.093 million awarded to 14 grantees in FY24.
- **Youth at Work** – \$7.448 million awarded to 47 grantees in FY24.



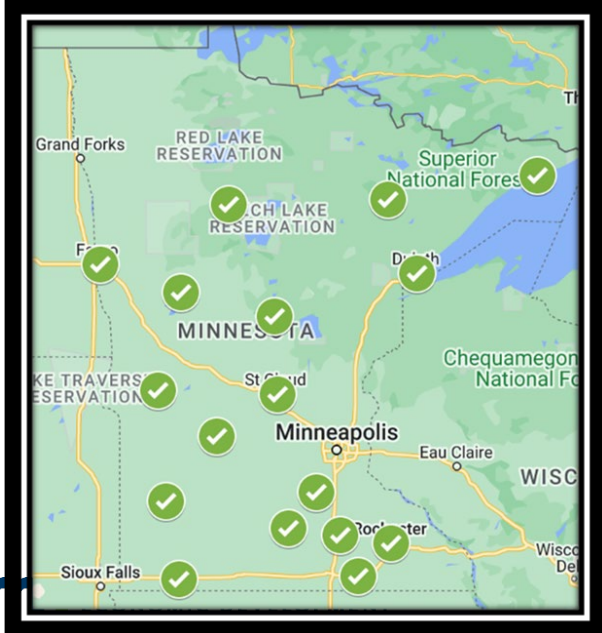


Office of New Americans

- Minnesota's **New Americans** create robust businesses, offer extraordinary cultural contributions, and play a critical role in meeting labor needs throughout the state.
- The **Office of New Americans** is working to promote belonging and participation of New Americans for the benefit of all Minnesotans in many ways including:
 - **Hosting the Interdepartmental Coordinating Council on Immigrant and Refugee Affairs;**
 - **Holding listening sessions throughout the state** to meet with local immigrants and refugees, as well with community and business leaders to hear their concerns and build bridges;
 - **Engaging with Minnesota employers** through local Chambers of Commerce, events and informational sessions;
 - **Convening forums with Community Leaders** – Host ongoing discussions with community leaders about state resources and gained community insights.



Paid Leave: Delivery and Engagement



- **Launched wage detail reporting** in partnership with Unemployment Insurance.
 - Over 160,000 employers completed the initial wage detail for Paid Leave by completing their regular UI report for Q1 FY25.
- **Hosted 17 in-person events** across Greater Minnesota in partnership with the Minnesota Chamber Federation.
 - Over 1,200 attendees.
- **Conducted public rulemaking**, which is being finalized with OAH.
- **Preparing to launch** Equivalent Plan application process this spring.

Workforce Digital Transformation

- **One-time \$10 million investment** to modernize the digital tools that support workforce development initiatives across Minnesota.
- We've already started delivering improvements of all sizes:
 - **Significant progress** on improving customer experience on CareerForceMN.com;
 - **Replacement project** for **MinnesotaWorks.net** underway;
 - **Improvements** to client intake.





Enhancing State Services for the Blind

- The 2023 Jobs Bill increased the funding for State Services for the Blind (SSB) by **\$4 million** over the biennium.
- We can now fully draw down **federal funds** (\$1 million) and meet increased demand for services.
- The **Literacy for All Campaign** recorded works in **Ojibwe, Dakota, Hmong, and Somali**.
- DEED's SSB is **#2 in the nation** for number of seniors with vision loss served through the **Older Blind program**.



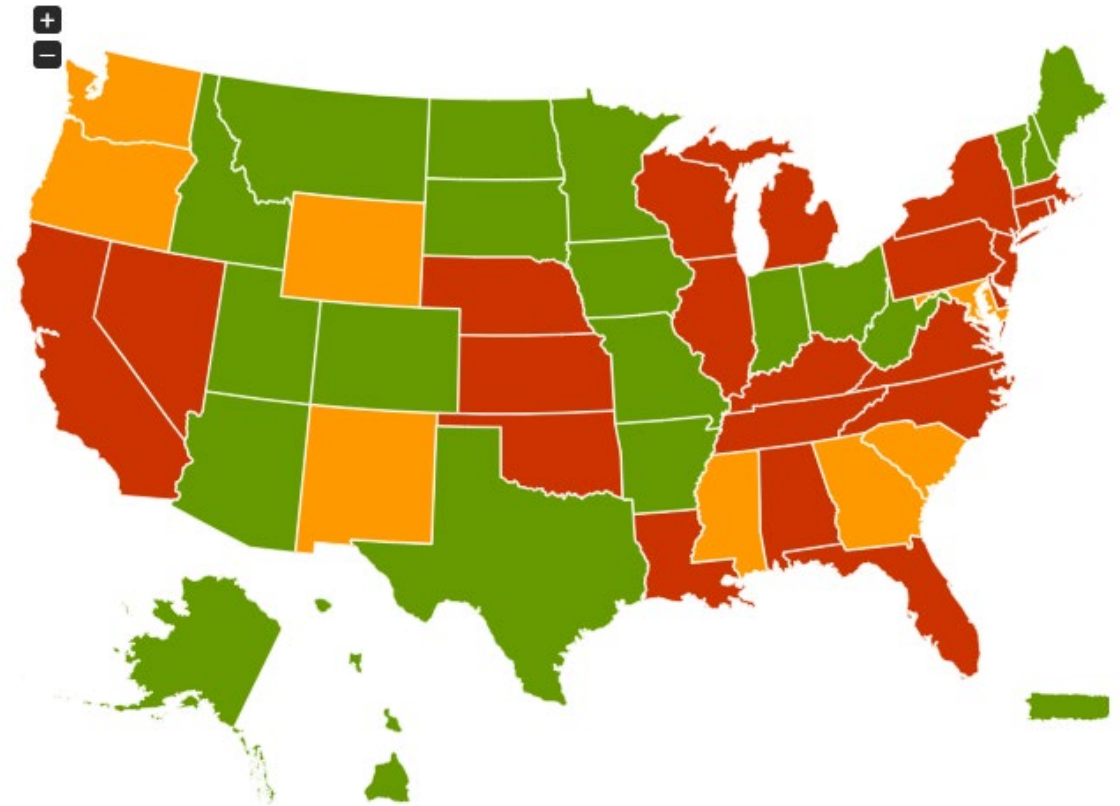
Unemployment Insurance

- **Program trends:**

- Payments: National growth in benefit payments since 2022;
- Revenues: Reduced growth in collections from UI taxes largely due to pandemic-era experience rate freeze.

- **Program integrity:**

- Minnesota is a top-performing state on payment accuracy and anti-fraud rates.



U.S. Dept. of Labor: Payment Accuracy

<https://www.dol.gov/agencies/eta/unemployment-insurance-payment-accuracy>

Fraud Prevention

- Waste, fraud, and abuse prevention is **robust and tailored for effectiveness** to the various programs administered across DEED.
- DEED applies a **carefully balanced approach** that seeks to timely administer funds while protecting precious public funds including:
 - Following Department of Administration Policies and Procedures
 - Developing and implementing internal controls specific to its programs
 - Conducting internal audits
 - Engaging with the OLA on routine and specific audits
- **Executive Order 25-01** will add to these efforts to strengthen investigative and enforcement authority, create better detection and oversight, and increase criminal penalties.

Thank you!

Questions?