EMPLOYMENT AND
ECONOMIC DEVELOPMENT

Governor's Budget Recommendations for the Department of Employment and Economic Development

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Recommendation Overview

- The Governor's budget recommendation for the Department of Employment and Economic Development reflects a responsible and measured approach to maintain successful programs while also making targeted investments.

- Total General Fund ask (in thousands):

FY 26	FY 27	FY 28	FY 29
$1,465	$2,235	($265)	($265)

- Total Workforce Development Fund ask (in thousands):

FY 26	FY 27	FY 28	FY 29
$8,000	$8,000	$0	$0

Service to Success Initiative

- The Governor recommends $3,000,000/yr in FY 2026-27 and $500,000/yr in FY 2028-29 from the General Fund for the **Service to Success Initiative**.
- Funding for the **Service to Success Initiative** will be used in three ways:
  - $600 thousand to establish the Office of Public Service to lead the Service to Success Initiative.
  - $150 thousand for interagency workforce alignment.
  - $2.25 million for grants to expand recruitment, retention, and completion of public service opportunities.

Service to Success Initiative

- There are thousands of public service opportunities available to Minnesotans every year, yet the wide variety of programs and positions lack coordination and awareness.
- **Service to Success** targets existing gaps in public service, including:
  - Lack of career pathways for individuals leaving public service programs into relevant careers, including public service careers, and alignment to further educational opportunities;
  - Lack of overall strategy for state investments across agencies into public service programs;
  - Lack of alignment across agencies in how to best use public service programs to align with education and workforce development initiatives in key areas of focus.

Office of Public Service

- The **Office of Public Service** will:
  - Support the development of career pathways for individuals leaving public service programs into relevant careers;
  - Develop an overarching strategy for state investments across agencies into public service programs; and
  - Coordinate across agencies in how to best use public service and align to education and workforce development initiatives for key areas of focus (health care, education, etc.).

Drive for 5 Workforce Initiative

- The Governor recommends $8,000,000 annually in FY 2026-27 from the Workforce Development Fund for the **Drive for 5 Workforce Initiative.**

- **Drive for 5** addresses the state's job vacancy challenge and prepares a workforce for high-growth careers with family-sustaining wages in five key sectors: (1) technology, (2) labor, (3) caring professions, (4) manufacturing, and (5) educational and professional services.

- Funding will be used for:

    - Competitive Grants for Workforce Development Organizations ($4.5 million/yr).

    - Competitive Grants for Trade Associations for Job Placement ($2 million/yr).

    - Employer Engagement Team ($1.5 million/yr).

Drive for 5 Workforce Initiative

- **Drive for 5 competitive grants for workforce development organizations** will fund established and innovative approaches to training, reskilling, and building career pathways for key industry sectors.
- **Drive for 5 competitive grants for Trade Associations** will help ensure that workforce training efforts are aligned with employer demands and connect graduates with businesses looking to hire.
- **The Drive for 5 Employer Engagement Team** will work throughout local workforce development areas to assist with addressing the hiring needs of Minnesota’s businesses through direct connection to job seekers and program participants in the CareerForce system.

Operations Increase

- The Governor recommends $752,000 in FY 2026 and $1,522,000 in each year of FY2027-29 to help address operating cost increases at DEED.
- The cost of operations rises each year due to increases in employer-paid health care contributions, FICA and Medicare, IT costs, legal services, and space costs.

Budget Neutral Recommendations

Minnesota Forward Fund Modifications

- The Governor recommends that the **Minnesota Forward Fund** FY 2024 appropriation be amended to: (1) be available until spent and (2) remove the requirement that funds must be used as matching funds required by federal programs.

- The Minnesota Forward Fund **has positioned Minnesota to compete for and win large investments** that are occurring as the United States works to create domestic production and supply chains that are resilient for economic security and economic enhancement opportunities.

- With the proposed change, the Minnesota Forward Fund will be **better situated to help Minnesota compete** for business expansion and attraction projects in response to a changing economic development and federal funding landscape.

Minnesota Job Skills Partnership Modifications

- The Governor recommends modifications to the **Minnesota Job Skills Partnership (MJSP) Pathways and Partnership Programs** allowing larger maximum grant awards and to allow training providers to request market rates for training.
- The Minnesota Job Skills Partnership (MJSP) Pathways and Partnership Programs help promote economic development by providing businesses with the training they need to remain competitive, develop capacity at our Minnesota educational institutions, and provide workers with economic opportunity by training them in in-demand skills.
- The proposed change will result in **higher quality project proposals as well as greater demand** for MJSP programs.

Updating Workforce Program Outcomes Measures

- The Governor recommends modifying the definition of credential to allow for non-postsecondary credentials under Minn. Stat. § 116L.98, subd. 2.
- Certificates offered from private training providers, such as welding and Commercial Driver's License training, coding boot camps, **provide accessible pathways to high wage, in-demand careers** do not get counted as credentials under the current definition. The proposal refines evaluation of workforce development programs to accurately reflect their impact.

Greater Minnesota Business Development Public Infrastructure

- The Governor recommends **expanding eligibility** for the Greater Minnesota Business Development Public Infrastructure (BDPI) grant program to include **plant-based processing.**
- This would empower the BDPI program to support plant-based processing around corn, beans, sugar beats, and more.
- Plant-based processing creates good jobs and increases the tax base, supporting overall community vitality.

Technical Corrections

- The Minnesota Expanding Opportunity Fund Program was established in 2023, but did not properly establish a special revenue account for DEED to distribute loan funds and to fund additional loans with payments made by loan recipients. A correction is needed to create the special revenue fund.

- 2024 session law included riders for projects under the Neighborhood Redevelopment Center appropriation. However, the riders for the projects do not reflect legislative intent for the South Minneapolis projects to be reduced to account for the new appropriations in the law. Correcting this language is needed for implementation.

- 2024 session law included a transfer from the Job Creation Fund to the General Fund. The Job Creation Fund is not a separate fund, but rather an appropriation within the General Fund, and cannot transfer funds to the General Fund. Correcting this language will cancel these funds to the General Fund correctly.

- A technical correction is needed to Minn. Stat. 469.54, subd. 4(2), the Duluth Regional Exchange District. Changing the word “current” to “preceding” would be more appropriate will allow the formula to be administrable.

Budget Reductions

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ECONOMIC DEVELOPMENT

Greater Minnesota Business Development Public Infrastructure Grant Program

- The Governor recommends a reduction to the Greater Minnesota Business Development Public Infrastructure Grant Program (BDPI).
- The reduction results in a savings of $4.574 million in FY 2026-27 and $4.574 million in FY 2028-29.
- The Governor is recommending $2.7 million for BDPI in the capital investment proposal.

Questions?

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