

2020 Business Assistance Report

Report to the Legislature Summary of Business and Financial Assistance Reported by State and Local Government Agencies Provided Between August 1, 1999 and December 31, 2019

In Accordance With
Minnesota Statutes, Chapters §116J.993 through §116J.995

December 2020

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Total cost of salaries, printing, and supplies in developing/preparing this report is \$33,959.64¹
(reported as required by Minn. Stat. §3.197)

¹The cost to produce the 2020 Business Assistance Report was \$33,959.64 compared to \$64,739.41 for the 2018 Business Assistance Report. The additional reporting costs in 2018 are attributed to using Tableau data visualization software to create and develop the report.

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Introduction

The business subsidy law, Minnesota Statutes §116J.993 through §116J.995, provides a mechanism for taxpayers to learn about state and local funds used for business subsidies and financial assistance. The law applies to state and local government agencies with the authority to provide business subsidies and financial assistance. Grantors are required to submit a Minnesota Business Assistance Form (MBAF) to the Minnesota Department of Employment and Economic Development (DEED) for each agreement signed since August 1, 1999 for two years after the benefit date or until all goals are met.

Under the law, local government agencies in communities with a population of more than 2,500 persons and state and local agencies with authority to grant subsidies must submit a report to DEED, regardless of whether they have awarded business subsidies. Local government agencies with communities with a population of 2,500 or less are exempt from filing the MBAF unless they have awarded a subsidy in the past five years.

Forms summarized in this report are primarily reported by local government agencies and are primarily local aid. Examples of local aid include loans, grants, tax abatements and tax increment financing. Some, but not all, state subsidies are captured in this report but are reflected if the local entity receiving the subsidy submits their report. Minnesota Job Creation Fund grants and Minnesota Investment Fund loans provided by DEED and reported by local government agencies are also summarized.

State government agencies are also required to report if they have the authority to award business subsidies. Eligible business assistance loans and grants reported from the Minnesota Department of Agriculture, Minnesota Agricultural and Economic Development Board, Department of Iron Range Resources and Rehabilitation, and Minnesota Rural Financial Authority are summarized in this report. Public facilities funding programs, flood recovery funding programs, housing financing, federal loan funds and angel tax credits are not subject to business subsidy reporting. DEED monitors and reports on all agency-run programs, and the annual report program summaries can be found at DEED's website located at <http://mn.gov/deed/about/what-we-do/agency-results/program-summaries/>.

Data Collection and Reporting Periods

Reports can be filed to DEED by mailing a hard copy or using the online application launched in 2016. For agreements entered into between August 1, 1999 and December 31, 2019, government agencies use the standard MBAF form.² A separate form is now required for financial assistance of \$25,000 and

²Because the reporting requirements changed on August 1, 1999 for business assistance agreements entered into by government agencies between July 1, 1995 and July 31, 1999 DEED no longer reports on activities for those projects. The final report for those projects are located at DEED's website at <https://mn.gov/deed/government/business-subsidy/legislative-reports/> - 2016 Business Assistance Report. Government agencies reported in 2000 through 2016 on 393 eligible business assistance agreements reached between July 1, 1995 and July 31, 1999. There were 368 agreements (93.6 percent) that had achieved all stipulated goals and obligations compared to five agreements (1.3 percent) that have yet to achieve goals and obligations and 20 agreements (5.0 percent) that were terminated. The total value of those 368 agreements that meet all goals was \$161.0 million (92.4 percent) compared to \$13.3 million (7.6 percent) that had yet to achieve all goals and obligations. The total value of business assistance provided by agencies was \$174.3 million.

greater that is excluded from the definition of “business subsidy” by Minnesota Statute Chapter §116J.993, Subdivision 3, clause (1), and of business loans and loan guarantees from \$75,000 and \$150,000 for agreements signed on or after January 1, 2008.

Forms summarized cover business assistance agreements reached between August 1, 1999 and December 31, 2019 that were submitted to DEED by June 1, 2020. These forms and forms submitted by government agencies after June 1, 2020 are available on DEED website online at <https://mn.gov/deed/government/business-subsidy/biz-subsidy-annuals/non-jobz/>.

Overview

Per [Minnesota Statute §116J.994, Subdivision 9](#), the Commissioner of DEED is required to publish a compilation and summary of results on eligible business and financial assistance provided by state and local government agencies by December 2020 for the previous two calendar years and every year thereafter. To fulfill that requirement, DEED staff prepared updated calendar year (CY) 2018 and CY 2019 reports for all of the eligible business and financial assistance reported by government agencies from August 1, 1999 through December 31, 2019. Reporting on business and financial assistance is available at the links provided throughout the report.

2019 Business Assistance Activity Findings

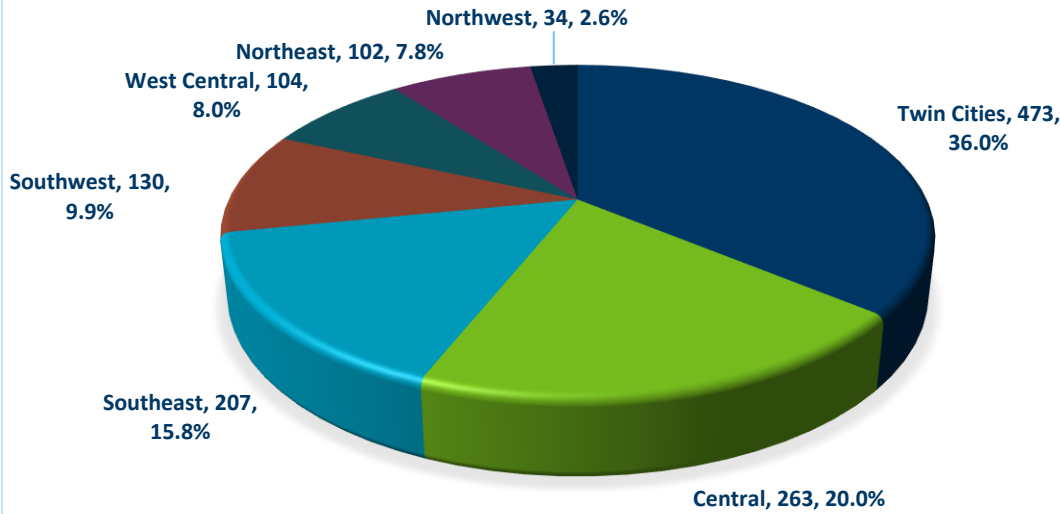
There were four business assistance agreements reported by government agencies for CY 2019 and 20 agreements reported for CY 2018 in 2020. The total value of business assistance agreements for CY 2019 was \$2.9 million and \$9.6 million for CY 2018 activity.

Of the four business assistance agreements reached between January 1, 2019 and December 31, 2019, one recipient (25.0 percent) had achieved stipulated goals and obligations, compared to three recipients (75.0 percent) that have yet to achieve goals and obligations. Agencies reported that recipients had more time to meet their goals and obligations.

Of the 20 business assistance agreements reached between January 1, 2018 and December 31, 2018, three recipients (15.0 percent) had achieved stipulated goals and obligations, compared to 17 recipients (85.0 percent) that have yet to achieve goals and obligations. Agencies reported that recipients had more time to meet their goals and obligations.

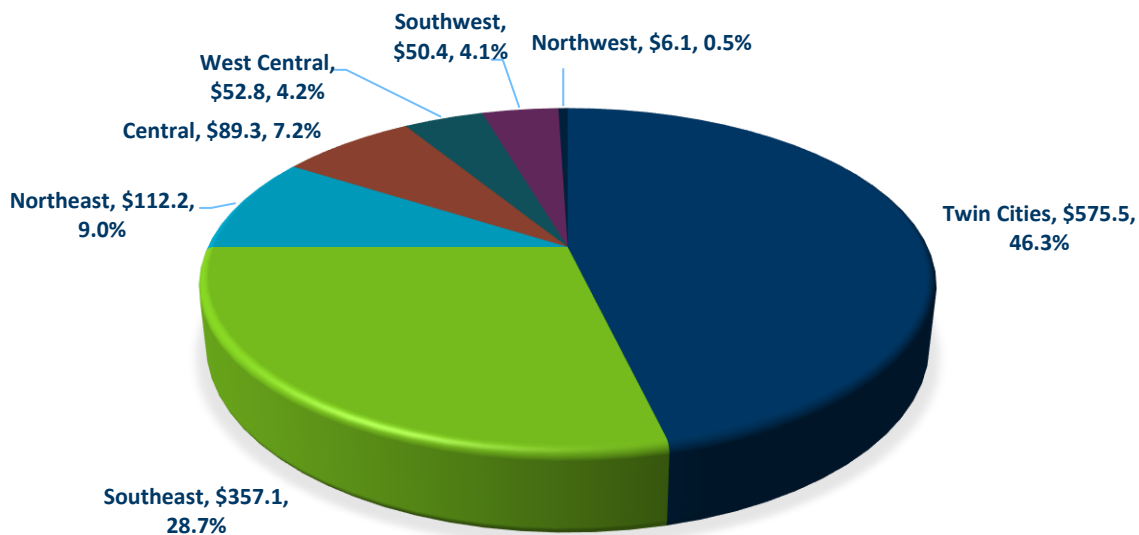
There were 1,313 business assistance agreements entered into by government agencies between August 1, 1999 and December 31, 2019. The Twin Cities region accounted for 473 agreements (36.0 percent); Central region, 263 agreements (20.0 percent); Southeast, 207 agreements (15.8 percent); Southwest, 130 agreements (9.9 percent); West Central, 104 agreements (8.0 percent); Northeast, 102 agreements (7.8 percent); and Northwest, 34 agreements (2.6 percent) (Figure 1).

**FIGURE 1
REGIONAL DISTRIBUTION OF BUSINESS ASSISTANCE BY QUALITY**



There were \$1.24 billion of business subsidies reported for agreements between August 1, 1999 and December 31, 2019 reported in 2020 by government agencies. The Twin Cities region provided about \$575.5 million (46.3 percent); Southeast region, \$357.1 million (28.7 percent); Northeast region, \$112.2 million (9.0 percent); Central region, \$89.3 million (7.2 percent), West Central region, \$52.8 million (4.2 percent); Southwest, \$50.4 million (4.1 percent); and Northwest region, \$6.1 million (0.5 percent) (Figure 2).

**FIGURE 2
REGIONAL DISTRIBUTION OF BUSINESS ASSISTANCE BY VALUE (IN MILLIONS)**



Of the \$1.24 billion in subsidies awarded by state, county and local government agencies, loans and tax increment financing (TIF) were the most common types of subsidies provided. Of the 1,313 business

subsidy projects reported by government agencies, there were 1,581 types of business subsidies reported because several agencies reported more than one type of assistance for each project. Of the 1,581 types of business subsidies reported by government agencies, loans were involved in 467 (29.5 percent) agreements and TIF was involved in 449 agreements (28.4 percent).

There were 1,313 business assistance agreements reached between August 1, 1999 and December 31, 2019, 1,075 agreements (81.9 percent) had achieved all stipulated goals and obligations, compared to 155 active agreements (11.8 percent) had not attained their goals and 83 terminated agreements (6.3 percent) that were discontinued. Government agencies reported that recipients had more time to meet their goals for the active projects.

2019 Financial Assistance Activity Findings

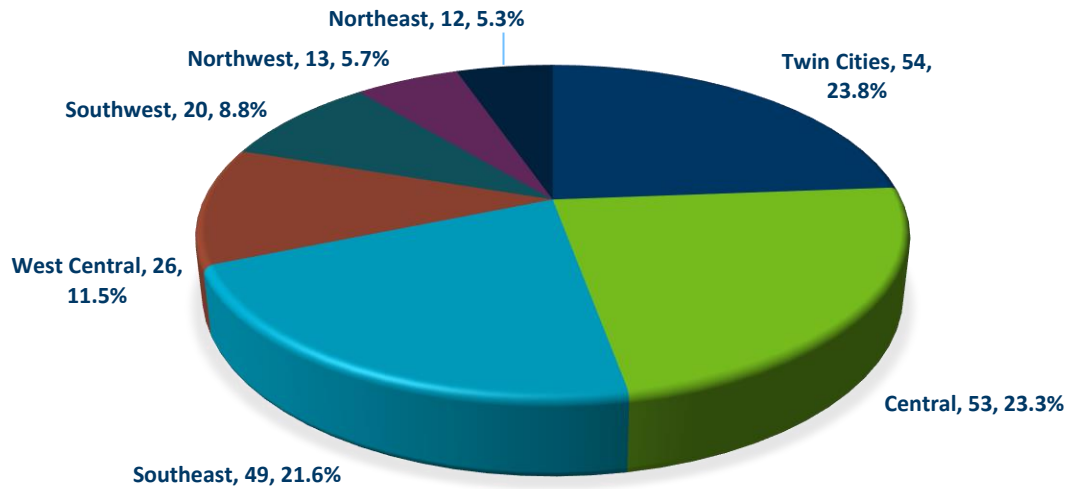
There were 14 financial assistance agreements reported by government agencies CY 2019 and 13 agreements reported for CY 2018 in 2020. The total value of financial assistance agreements for CY 2019 was \$1.32 million and \$1.30 million for CY 2018 activity.

Of the 14 financial assistance agreements reached between January 1, 2019 and December 31, 2019, six recipients (42.9 percent) had achieved stipulated goals and obligations, compared to eight recipients (57.1 percent) that have yet to achieve goals and obligations. Agencies reported that recipients had more time to meet their goals and obligations.

Of the 13 financial assistance agreements reached between January 1, 2018 and December 31, 2018, five recipients (38.5 percent) had achieved stipulated goals and obligations, compared to eight recipients (61.5 percent) that have yet to achieve goals and obligations. Agencies reported that all of the active project recipients had more time to meet their goals and obligations.

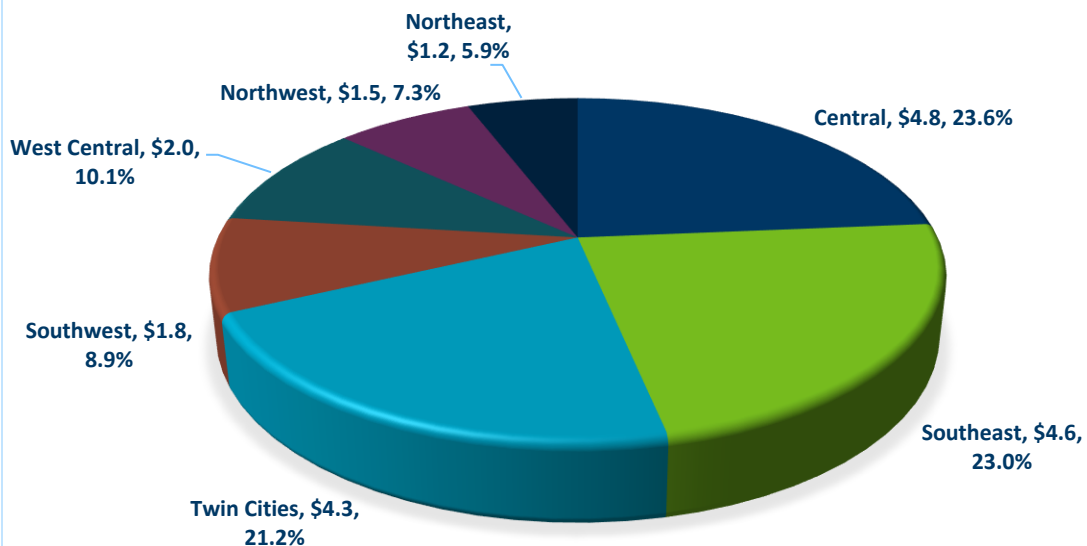
There were 227 financial assistance agreements entered into by government agencies for agreements between January 1, 2008 and December 31, 2019. The Twin Cities region accounted for 54 agreements (23.8 percent); Central region, 53 agreements (23.3 percent); Southeast region, 49 agreements (21.6 percent); West Central region, 26 agreements (11.5 percent); Southwest region, 20 agreements (8.8 percent); Northwest region, 13 agreements (5.7 percent) and Northeast region, 12 agreements (5.3 percent) (Figure 3).

**FIGURE 3
REGIONAL DISTRIBUTION OF FINANCIAL ASSISTANCE BY QUALITY**



There were about \$20.2 million of financial assistance reported by agreements between January 1, 2008 and December 31, 2019 reported in 2020 by government agencies. The Central region provided about \$4.8 million (23.6 percent); Southeast region, \$4.6 million (23.0 percent); Twin Cities region, \$4.3 million (21.2 percent); West Central region, \$2.0 million (10.1 percent); Southwest region, \$1.8 million (8.9 percent); Northwest region, \$1.5 million (7.3 percent); and Northeast region, \$1.2 million (5.9 percent) (Figure 4).

**FIGURE 4
REGIONAL DISTRIBUTION OF FINANCIAL ASSISTANCE BY VALUE (IN MILLIONS)**



Of the 227 financial assistance agreements that were reached between January 1, 2008 and December 31, 2019, 139 agreements (61.2 percent) had achieved all stipulated goals and obligations, compared to 87 active agreements (38.3 percent) that did not achieve goals and obligations and

one terminated agreement (0.5 percent) that was discontinued. Government agencies reported that recipients had more time to meet their goals for the active projects.

Job Creation Fund and Minnesota Investment Fund Program Activity Findings

The report also summarizes program activity for the Minnesota Job Creation Fund for projects designated between CY 2014 and CY 2020. This program provides assistance to businesses for up to seven years (Greater Minnesota) and five years (Twin Cities). Businesses are required to spend at least \$500,000 in real property improvements within one year and to create at least 10 new full-time positions with two years. All financing is performance-based and is provided after the business meets capital investment and job creation thresholds. No program dollars are disbursed until the business submits evidence of qualifying capital investment and job creation to DEED. The projects remain active until the contract period has expired, once the contract period is completed the projects are considered completed. In some cases, projects that have not met performance benchmarks such as capital investment or job creation and have been removed from the program without receiving any assistance, those projects are not reflected in either the active or completed project data. Program summaries and project activity are located at <https://mn.gov/deed/business/financing-business/deed-programs/mn-jcf/job-creation-fund-map.jsp>.

Businesses reported to DEED in 2020 between CY 2014 and CY 2020 on 77 active projects for the Job Creation Fund program. Of the 77 active Job Creation Fund agreements reached by businesses between January 2014 and November 2020, they reported projected full-time jobs of 4,734. The projected average hourly wage was \$28.61 and a projected eligible capital investment of \$528.4 million. The total Job Creation Fund awarded was \$28.3 million. There were 45 completed Job Creation Fund projects reported by businesses to DEED in 2020 for CY 2014 through CY 2020. Of the 45 completed projects businesses reported 2,248 actual new full-time jobs created with an average actual hourly wage of \$26.41 and an actual eligible capital investment of \$248.1 million. The total Job Creation Fund awarded was \$19.1 million. Government agencies reported that businesses had more time to meet their goals for the active projects.

This report also summarizes program activity for the Minnesota Investment Fund projects for approved between CY 2014 and CY 2020. The Minnesota Investment Fund provides financing to help add new workers and retain high-quality jobs on a statewide basis. The focus is on industrial, manufacturing, and technology-related industries to increase the local and state tax base and improve economic vitality statewide. Funds are awarded to local units of government who provide loans to assist expanding businesses. Cities, counties, townships, certain development authorities and recognized Indian tribal governments are eligible for this fund. Program summaries and project activity are located at <https://mn.gov/deed/business/financing-business/deed-programs/mif/award-map.jsp>.

Businesses reported to DEED in 2020 between CY2014 and CY 2020 on 71 active projects for the Minnesota Investment Fund program. Of the 71 active Minnesota Investment Fund agreements reached between January 2013 and October 2020, they reported projected full-time jobs of 4,214. The projected average hourly wage was \$23.71 and a projected leverage amount of \$1.3 billion. The total

Minnesota Investment Fund award was \$35.3 million. There were 56 closed or completed Minnesota Investment Fund projects reported by businesses to DEED in 2020 between CY 2014 and CY 2020. Of the closed or completed projects businesses reported 5,171 actual full-time jobs created with an average actual hourly wage of \$25.73 and an actual leverage amount of \$629.4 million. The total Minnesota Investment Fund award was \$28.6 million. Government agencies reported that businesses had more time to meet their goals for the active projects.

Annual Business Assistance Reporting Summary Features

Per [Minnesota Statute §116J.994, Subdivision 9](#), information in the summary and completion reports include:

- [Total amount of business assistance awarded in each development region in the state;](#)
- [Distribution of business assistance amounts by size of subsidy;](#)
- [Distribution of business assistance amounts by time category;](#)
- [Distribution of business assistance by type and public purpose;](#)
- [Percent of all business assistance that reached their goals;](#)
- [Percent of business assistance that did not reach their goals after two years from the benefit date;](#)
- [Total dollar amount of business assistance that did not meet their goals after two years from the benefit date;](#)
- [Percent of business assistance that did not meet their goals and that did not receive repayment;](#)
- [List of recipients that have failed to meet the terms of a business assistance agreement in the past five years and have not satisfied their repayment obligations;](#)
- [Number of full-time and part-time jobs within separate bands of wages for the entire state and for each development region of the state;](#)
- [Average benefits paid for business assistance projects within separate bands of wages for the entire state and for each development region of the state;](#)
- [Number of employees in the entire state and in each development region of the state who ceased to be employed because of their employers relocated to become eligible for a business assistance;](#) and,
- [Business assistance by industry sector](#)

Annual Financial Assistance Reporting Summary Features

Information in the summary and completion reports include:

- [Total amount of financial assistance awarded in each development region in the state;](#)
- [Distribution of financial assistance amounts by size of subsidy;](#)
- [Distribution of financial assistance by type and public purpose;](#)
- [Project status of financial assistance projects that reached their goals;](#)
- [Number of full-time, part-time and retained jobs for the entire state and for each development region of the state;](#)

- [Average benefits paid for financial assistance projects for the entire state and for each development region of the state; and,](#)
- [Financial assistance by industry sector](#)