



Launch Minnesota Annual Report to Legislature

As required by 2019 Laws of Minnesota, Chapter 7, Art. 2, Sec. 8, Subd. 8

12/15/2022

Contact Information

MN Department of Employment and Economic Development
Launch Minnesota

Great Northern Building
12th Floor 180 East 5th Street
St. Paul, MN 55101
(Phone) 651-259-7614
neela.mollgaard@state.mn.us
www.launchminnesota.org

As requested by Minnesota Statute 3.197: This report cost approximately \$1,013.60 to prepare, including staff time, printing, and mailing expenses.

Upon request, this material will be made available in an alternative format such as large print, Braille, or audio recording. Printed on recycled paper.

Table of Contents

Launch Minnesota Annual Report to Legislature	1
Contact Information	2
Background.....	4
Mission	4
Advisory Board	5
History	5
Innovation Grants.....	6
Outcomes of Innovation Grants	7
Education Grants	10
Outcomes of Education Grant (Launch MN Network)	10
Plans for the Future.....	14
Stakeholder Interviews.....	14
What is Next:	16

Background

The Legislature created the Launch Minnesota program in fiscal year 2020 and appropriated a \$2.5 million for each fiscal year of the FY20-21 biennium to fund Launch Minnesota. The legislature amended the 2020 session law and extended this program and its associated funding through State Fiscal Year 2025. The allocation of funding for FY22 and FY23 provides \$1.5M for Innovation Grants for emerging technology-based companies, \$500,000 for education grants for non-profits to support startups and \$500,000 for administration expenses that cover leadership and grant management.

Innovation Grant funding provides entrepreneurs and emerging technology-based companies with business development assistance and financial assistance to spur growth. Innovation Grants may be used for research and development, direct business expenses, or receiving technical assistance. Education Grants empower community builders to train entrepreneurs on critical skills in building technology startups.

Beyond these incentive programs, Launch Minnesota seeks to empower and elevate our state's innovation ecosystem by bringing sectors together to create a stronger network of innovators in Minnesota, and to tell the story of our startup growth to the rest of the country.

Mission

Launch Minnesota supports innovation and entrepreneurship across the state by increasing access to capital, creating a connected and collaborative culture, and expanding entrepreneurial talent and expertise.

Our program believes that the businesses of the future are the startups of today. Minnesota's innovators need a robust ecosystem of resources and expertise to grow their companies. Launch Minnesota powers our state's startup community by providing vital resources and working across communities and sectors to help entrepreneurs and innovators start and scale innovative businesses.

Why Our Work Matters:

- **Economic Impact** – Launch Minnesota is driving economic growth and opportunity and leveling the playing field for all entrepreneurs.
- **Connected Ecosystem** – The Launch Minnesota Network is the first of its kind in our state. Creating a connected and coordinated ecosystem increases the rate and success of new business formation.
- **Globally Competitive** – Cities and states that focus on and invest in innovation stay competitive both nationally and globally.
- **Solving Big Problems** – Launch Minnesota is investing in startups tackling diverse problems like curing cancer, creating equity in employment, finding care for chronic diseases, and eliminating food waste.



Advisory Board

The Launch Minnesota [Advisory Board](#) advises and makes recommendations for program grant awards as well as providing overall strategic guidance. Launch Minnesota's advisory board consists of 10 members from a broad range of industries, areas of expertise and demographic backgrounds.

A minimum of seven members must be from the private sector representing business and at least two members but no more than three members must be from government and higher education. At least three of the members must be from greater Minnesota and at least three members shall be minority group members.

The makeup of the board in 2022 met these requirements. It included representation from two Minnesota higher education institutions (University of Minnesota and St. Mary's University of Minnesota), and three communities outside of the Twin Cities (Bemidji, Rochester, and Winona). Four board members are women and four are BIPOC. Additionally, several members represent major corporations like 3M and Target.

Roster of Recent Board Members:

- Jodi Hubler: Independent Board Director (Twin Cities)
- Alfonso Cornish: Gener8tor, General Partner (Twin Cities)
- Yu Sunny Han: Fulcrum, Founder and CEO (Twin Cities)
- Dave Hengel: Greater Bemidji Inc., Executive Director (Bemidji)
- Aneela Idnani: HabitAware, Co-founder and Marketing/Design Lead (Twin Cities)
- Rick Huebsch: University of Minnesota, Executive Director of Office for Technology Commercialization (Twin Cities)
- Ben Wright: 3M, Vice President of 3M Ventures (Twin Cities)
- Ashley Lowes: Target, Communications Director (Twin Cities)
- Christine Beech: St. Mary's University, Executive Director of the Kabara Institute for Entrepreneurial Studies (Winona)
- Xavier Frigola: Mayo Clinic, Venture Capital Treasury Services (Rochester)

History

The program officially kicked-off in October of 2019. We have seen progress in every corner of the state, even during the global pandemic. The activities and language used to foster an innovation economy was new for many communities. We have laid the groundwork and continue to see momentum.

This visual that shows the increase in regional entrepreneurial activity observed in each region since Launch Minnesota's inception:

	REGIONS:											
	NE		NW		SE		SW		WC		TC	
	2020	2023	2020	2023	2020	2023	2020	2023	2020	2023	2020	2023
Informally Established												
Not Established												
Collaborate with other in the region to support startups	Red	Green	Yellow	Green	Green	Green	Red	Green	Red	Green	Green	Green
Active recruitment and creation of high tech/growth companies	Yellow	Green	Yellow	Green	Green	Green	Red	Green	Yellow	Green	Green	Green
Investor recruitment and fund development	Red	Yellow	Red	Green	Green	Green	Red	Green	Yellow	Green	Green	Green
Pitch Events- feeder into MN CUP	Green	Green	Green	Green	Green	Green	Green	Green	Red	Green	Green	Green
Provide lean startup education	Red	Green	Red	Green	Green	Green	Red	Green	Green	Green	Yellow	Green
Leveraging statewide resources to better support entrepreneurs	Red	Green	Red	Green	Yellow	Green	Red	Green	Red	Green	Yellow	Green

In addition to the entrepreneurial growth, we have been able to incentivize private investment to leverage state dollars. For our education grants in FY22 \$450,000 was leveraged with \$1,111,138 in match and for FY22 and FY23 the \$1,000,000 in education grants was matched with \$1,587,259 in private funds.

Collectively from FY20-FY23 we have awarded \$6.4M in innovation grants. Every **\$1 dollar** that was invested by the state, has been brought a return of **\$12.40 in follow on investments** from the private sector.

Innovation Grants

Launch Minnesota Innovation Grants target the most promising, innovative businesses and technology startups in Minnesota. Together we're working to support Minnesota startups and entrepreneurs who are solving novel problems and growing our state's innovation ecosystem.

The Legislature allocates \$1.5 million to fund this aspect of our program.

The Innovation Grant reimburses business expenses, incurred in Minnesota, for research and development, direct business expenses and the purchase of technical assistance and services. Innovation Grants consist of Business Operations Grants and SBIR/STTR Matching Grants. Applicants may receive one grant per biennium.

For Business Operations Grants, qualifying businesses may receive grants up to \$35,000. This grant requires a 1:1 match and is disbursed on a 2:1 reimbursement basis.

Eligibility criteria for businesses:

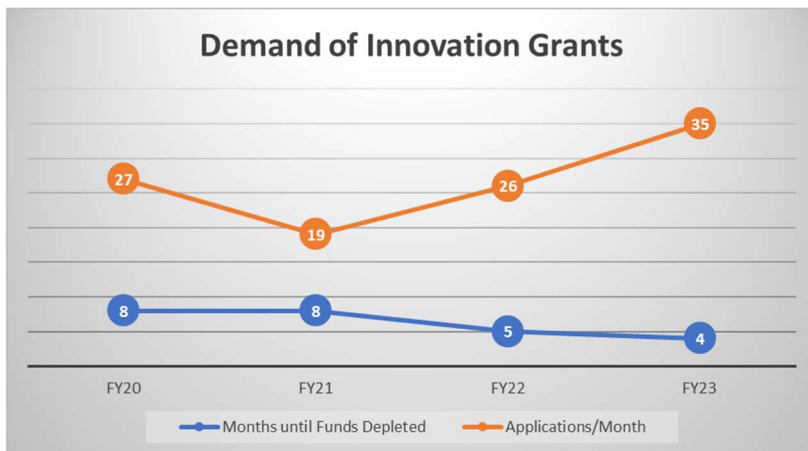
1. Primary business activity is an innovative technology, innovative business model or product.
2. Operations and headquarters in Minnesota
3. In operation for less than 10 years

4. Generated less than \$1 million in revenue since inception

Innovation Grant funds may be used for the following purposes:

1. Research and development expenses (proof of concept activities, intellectual property protection, prototype designs and production, commercial feasibility)
2. Direct business expenses (rent, equipment purchases, supplier invoices)
3. Purchasing technical assistance or services from public higher education institutions and nonprofit entities

SBIR/STTR Matching Grants are for businesses that are registered clients of the Small Business Innovation Research (SBIR) program. They are intended for first time Phase I and Phase II awardees and are based on a sliding scale depending on their federal award. Eligible businesses may receive up to \$35,000 for Phase I and up to \$50,000 for Phase II. To date, we have awarded \$4,860,871 in Business Operation grants and \$1,296,258 in SBIR/STTR matching grants.



The demand for Innovation Grants is greater than the available funding. Since FY2020, applicants have requested \$19.84M in grants, but the program has only had funding to provide \$6.4M. This constitutes 28% of dollars requested and 37% of applications submitted. Innovation Grants are competitive, and Launch Minnesota developed a process and application to ensure that the companies receiving awards are in the best possible position to succeed and have the greatest need.

However, with the program operating on an open application basis, it has experienced allocating all available grant funds early in the fiscal year, leaving a gap in funding for the rest of the year.

Outcomes of Innovation Grants

Since inception, Launch Minnesota has awarded \$6.4M in 260 grants to 187 unique Minnesota companies. More than half of this funding (61%) has gone to businesses that are BIPOC-owned, woman-owned, veteran-owned or located in Greater Minnesota.

Collectively grantees have gone on to raise an additional \$79.4M. This represents a \$12.40 return on every \$1 awarded.

Launch Minnesota surveys grantees six months after receiving grant funding and after they have utilized all their funds. The following data is from our closeout survey and covers 104 grants to 82 unique grantees. The survey allows grantees to select ranges:

- **Job Creation:** Average number of jobs created per company was 1-2.9 full-time employees. The range for total number of jobs created is at least 70 and up to 161 FTEs.
- **Fundraising Impact:** Grantees have reported an average fundraising impact beyond the Launch MN grant of \$50,000 to \$100,000. The total potential impact for these 82 grantees is at least \$10.5M and up to \$17.75M. This would include private funds or other federal grants.
- **Overall Impact:** 100% of grantees surveyed testified that Innovation Grants helped move their business forward.

Support Still Needed: Half of grantees surveyed said the biggest gaps in the ecosystem were funding (50%) and connections (48%). Launch Minnesota is actively working to bridge these gaps through our programs and offerings.

Grantee Feedback

“The business operations grant has helped propel our business forward. It takes a lot to purchase equipment, inventory, and hire people when you are bootstrapped. Any non-dilutive funding we get has exponential return in value for the business. We appreciate the state of Minnesota helping us build and grow our startup!” - REMastered Sleep

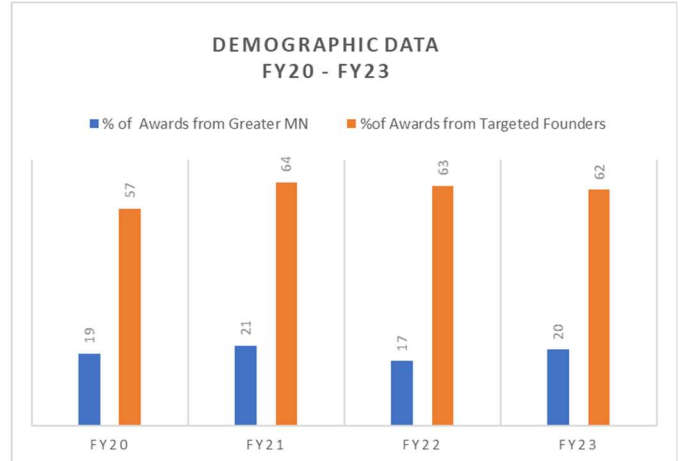
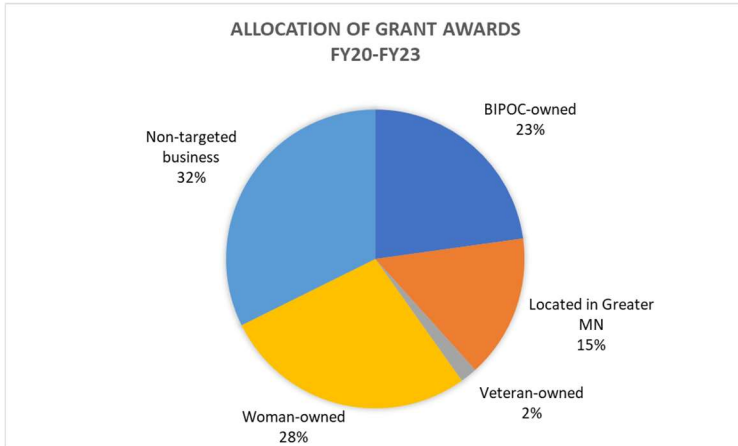
“Launch MN has provided Sarcio, Inc. with critical funds for often overlooked business expenses that are vital to our success during a difficult time. It gave us the opportunity to get up and running for our raise, assuring we had the proper legal structure and vendor relationships in place to be successful.” -Sarcio

“Launch MN has played an important role in the growth of our business. Receiving direct financial support and indirect support for our angel investors has enabled us to streamline and accelerate the funding of our business. With this help we've been able to spend more of our time developing and growing our business.” -Darcy Solutions

“Launch MN funding came at a critical time in our business during our angel investment round. This funding certainly helped convince traditional investors that we were a company worth backing.” -LEAH Labs

Innovation Grant Data Innovation Grants level the playing field for all entrepreneurs, especially targeted businesses, which Launch Minnesota defines as those that are woman-owned, BIPOC-owned, veteran-owned or located in Greater Minnesota. More than 60% of Innovation Grant funds have been awarded to these targeted groups.

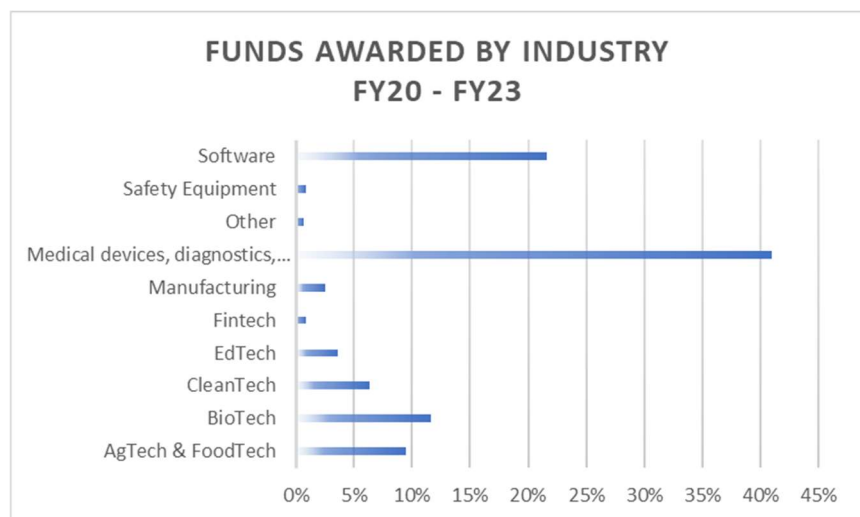
Launch Minnesota believes that innovation happens everywhere – not just in metro areas. The Launch Minnesota Network connects entrepreneurs from Greater Minnesota to the resources they need to grow their business. Around 20% of our awardees are from Greater Minnesota.



Awardees by region (distinct businesses)

Region	Number of Awardees	Percentage
Northeast	3	2%
Northwest	5	3%
Southeast	19	10%
Southwest	7	4%
Twin Cities Metro	148	79%
West Central	5	3%

We have funded startups in more than a dozen industries, including medical technology, biotech, agriculture, and software.



Education Grants

Launch Minnesota recognizes the importance of collaborating with entrepreneurial support organizations across the state to help startups connect with the resources and mentorship required for growth. Our Education Grants are designed to help begin the formation of partnerships that will, in turn, enhance the visibility of each region, of our vibrant startup community, and of our state as a national leader in innovation.

\$500,000 is available for Education Grants each fiscal year. Per legislation, these funds may be used to deliver the following services:

- **Commercialization** for the development and delivery of educational resources to help small businesses understand business formation, market structure, fundraising strategies, intellectual property and more. These classes help founders start, scale and go to market. Commercialization funds also cover services like consulting and mentoring, as well as startup competitions and event.
- **Risk Capital:** to connect with businesses for the purpose of education about the [Angel Tax Credit](#) Program, the [MNvest](#) crowd-funding program, and other state programs that support innovative technology business creation, especially in underserved communities.
- **Statewide Collaboration:** to facilitate collaboration between local startup support organizations, higher education institutions, federal and state agencies, the [Small Business Development Centers](#), and the Small Business Assistance Office.
- **Networking:** to organize events and competitions with other innovation-related organizations to inform entrepreneurs and potential investors about Minnesota's growing innovation economy.

Organizations that receive Education Grants become Hub Leaders or Regional Partners who spearhead regional efforts for the Launch Minnesota Network. [The Network](#) is organized in a hub-and-spoke model that allows each region to customize its offerings while still enabling entrepreneurs to access statewide resources and best practices. We have partners at both local and [state levels](#). Currently, we have nine Hub Leaders and more than 90 member organizations in the Launch Minnesota Network.

Outcomes of Education Grant (Launch MN Network)

Prior to the creation of the Launch Minnesota Network, few entrepreneurial support organizations were connected or in regular communication. As a result, entrepreneurs found it difficult to navigate Minnesota's startup resources. These groups were also duplicating efforts rather than sharing resources and best practices.



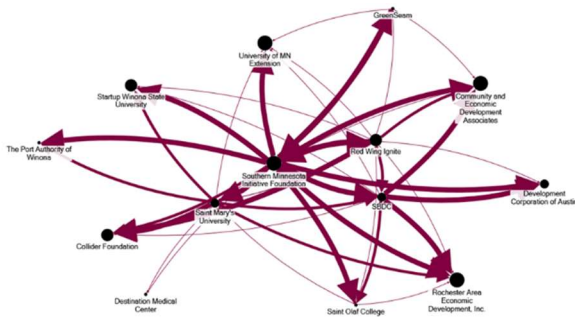
The Launch Minnesota Network catalyzed startup efforts in the state by building supportive systems within each of our six regions that allows ESOs and entrepreneurs to connect with community members and beyond. A study by the University of Minnesota Extension found that in one region, relationships changed substantially over the course of just one year thanks to the Launch Minnesota Network.

The six organizations responding to the UMN survey noted 49 connections (or 8.2 connections per organization) as of January 2020. At the time the survey began, about one-fourth of the possible connections among the 12 organizations existed – a network density of 27% (Figure 1).

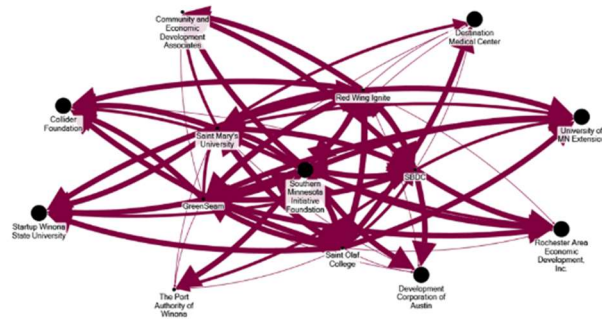
In August 2021 (18 months into UMN’s survey), relationships among the organizations had deepened substantially. 77 connections were reported, or about 13 per organization. The density of the network (percentage of all possible connections) had increased to 42% (Figure 2).

UMN also found that the **quality of the connections increased**, as there were fewer relationships based on information sharing and more relationships based on coordination and collaboration.

Southeast Hub, January 2020 (Figure 1)



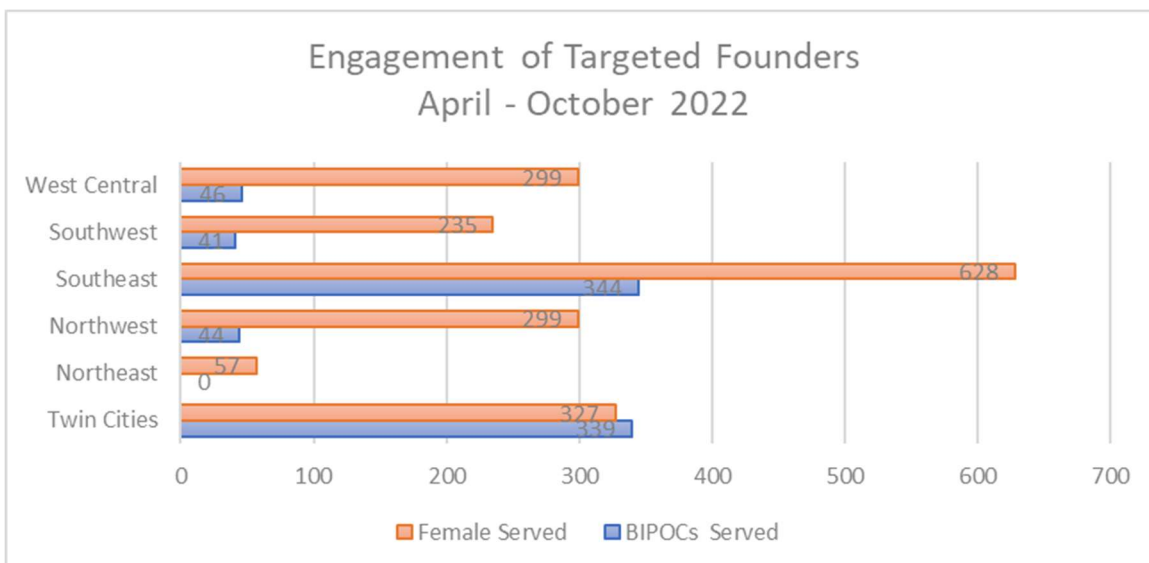
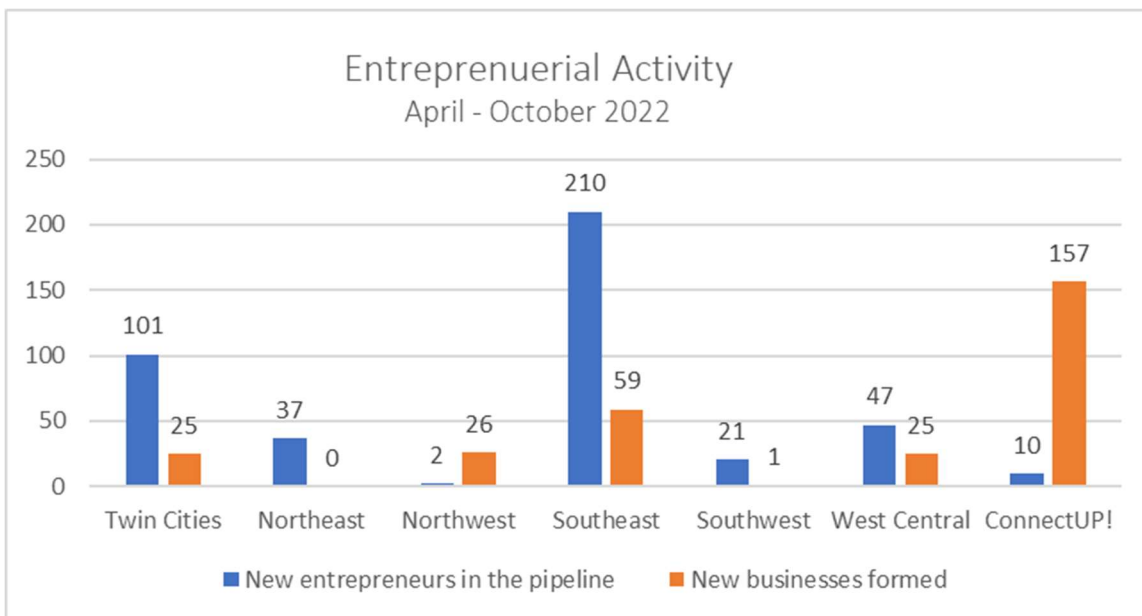
Southeast Hub, August 2021 (Figure 2)

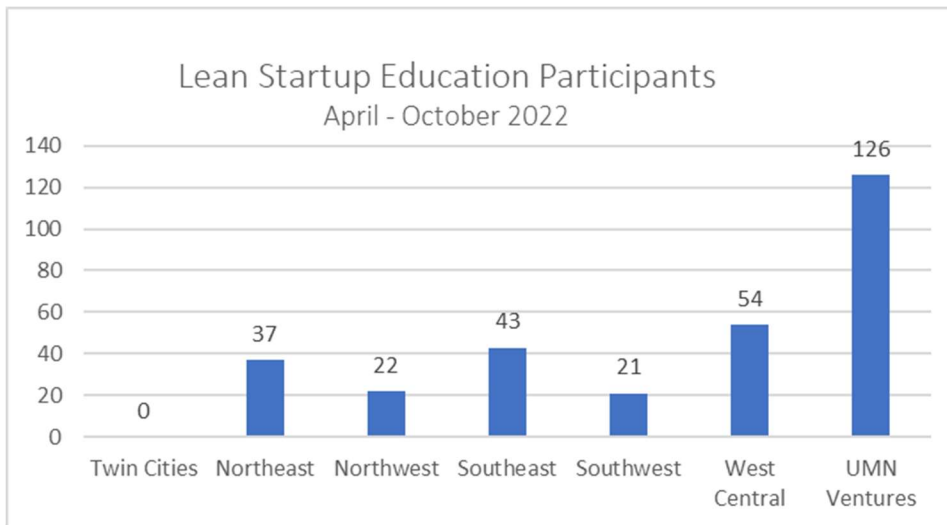


- **Northeast:** Helped more than 50 regional founders complete the virtual 10-week lean canvas classes through ILT Academy.
- **Twin Cities:**
 - o **Forge North:** Funds went to Lunar, BETA, the Minnesota Emerging Software Advisory (MESA) and other support organizations to connect founders to mentors, potential investors and resources.
 - o **Social Impact Strategies Group:** Hosted 3 mini-ConnectUP! Summits in St. Cloud, Rochester and St. Paul to bring more connectivity across the ecosystem serving Black-owned businesses across the state.
- **Northwest:** Created and launched Headwaters Angel Network to spur investment in regional startups.
- **Southeast:** Provided individual support to 875 entrepreneurs.
- **Southwest:** Increasing collaboration with regional partners to create a more organized and streamlined approach to supporting entrepreneurs. Provided support to 250 entrepreneurs.
- **West Central:** Launched three lean startup cohorts that educated 54 founders.
- **Statewide:**
 - o **University of Minnesota:**

- [Discovery Launchpad](#): Provided over 300 hours of assessment and consulting to nine startups on agreements, product rollouts, customer acquisitions, financial planning and more.
 - [Tech Leadership](#): Launched first [ScaleUp](#) cohort with seven companies participating.
 - [Venture Builders](#): Educated 126 founders across seven cohorts.
- [Agriculture Utilization Research Institute \(AURI\)](#): Launched Bold Growth cohort of four food and ag companies poised for growth and provided 187 hours of support to operationalize advisory and project teams to address key scaling constraints.

Below are graphs representing more quantitative data:





These three top qualitative findings from the Launch MN Network highlight the impact of a connected and coordinated startup ecosystem:

1- **Working together to better serve entrepreneurs by leveraging organizations and building bridges across sectors:**

- **Leveraging UMN resources to help entrepreneurs** and Launch Minnesota innovation grantees outside of the University through education, advising, and consulting. Prior to the creation of Launch Minnesota, these resources were only available to companies with a direct UMN connection.
- Connecting investors and startups by partnering with public and private organizations to host [MN Venture](#) pitch events. In 2022, **32 startups pitched to 275 investors** across three events.
- **Connecting Higher Education Institutions to our state’s innovation ecosystem** by creating a statewide network that regularly convenes to discuss methods for bolstering entrepreneurship. We currently have **33 members from 24 Minnesota colleges**.

2- **Increasing efficiency and impact of support organizations by sharing best practices and providing statewide resources.**

- Partnered with a local tech startup to launch the [Minnesota Exchange](#), which matches **individuals from across the state to the right people (advisors) for one-to one conversations**. It has grown to nearly **400 members** in every corner of the state and multiple organizations are using this platform (General Mills, Grow North, BETA and others).
- Creation of a statewide [Startup and Small Business Calendar](#) providing **one place for entrepreneurs to go** to find education, training, and events to help their business. In 2022, more than 400 events were posted, eight organizations and regional efforts are automatically syncing their events. In addition, large Twin Cities-based support organizations have embedded the calendar on their sites and saving them time and resources.

- We were able to increase access to the MN Cup by helping create regional startup competitions that would feed into the statewide competition. **Now, all six regions of the state have a direct relationship and involvement in [MN Cup](#).**
- We regularly bring together the **Launch MN Network** virtually and in person to learn from each other. One example is a summit hosted at the capital with 60+ partner.

3- **Front Door to our state’s innovation ecosystem**

- Launch Minnesota **is connected to startups and startup support organizations in every corner of the state.** Our role as a neutral connector and convener allows us to serve as an ambassador or “front door” to Minnesota’s startup ecosystem. If someone is interested in learning how to start a business or immerse their existing business in the local innovation ecosystem, we provide them with the connections needed for success.
- Launch Minnesota **creates and offers resources to both startups and entrepreneurial support organizations** including items such as: [Launch MN’s Startup Guide](#), [DEED’s Guide to Startup Resources](#), [5 Steps to Starting a Business](#), [Statewide Startup Calendar](#), and others.
Launch Minnesota is a master connector in the startup scene. We have connected startups to accelerators, ESOs, investors, higher ed resources and more. Our team is actively making and maintaining connections between all stakeholders. We’re also available to answer any questions or requests from startups for resources or referrals.

Plans for the Future

The enacting legislation directed the program to roll out into the private sector at the end of the FY20/21 biennium. However, the global pandemic hit in early 2020; the Launch Minnesota Advisory Board and key legislators extended that roll out to FY25.

Every year we take a thoughtful approach to understanding the needs and gaps in our state’s startup community. Launch Minnesota conducts numerous stakeholder interviews, compares efforts of other organizations, and talks to other states to determine what is working.

It is the recommendation of the board, staff and stakeholders at this time to formally codify this program in state law and to fund the program in the base. The Launch MN board, staff and stakeholders continue to feel strongly that the program should be embedded in DEED so the state agency can act as a neutral connector and convener of our state’s vibrant innovation ecosystem.

The matrix below shares some of the feedback from stakeholder interviews conducted by board member (during August and September) regarding the future of Launch Minnesota staying within MN-DEED and rolling out into a private nonprofit organization.

Stakeholder Interviews

	Opportunity	Stakeholder interviews supporting this model	Stakeholder interviews that <u>don't</u> support this model
Keep Launch MN within MN-DEED	Government needs to be an active member of the state's innovation ecosystem. This involvement keeps Minnesota competitive in a global economy. We have the ability to incentivize change and fill gaps that others cannot. We need to continue incentivizing the private sector to be actively engaged with their time and funding.	<ul style="list-style-type: none"> • Launch MN (LM) plays a unique role, at the intersection of corporations, startups and support organizations which allows LM to be a neutral convener without being a competitor for any of these groups. • LM should play a role in fostering and funding innovation by helping create, build, and maintain a strong startup ecosystem that enables private sector to flourish and grow. <p>LM is able to connect and leverage statewide resources to elevate the work of startups and the startup ecosystem.</p>	<ul style="list-style-type: none"> • Government entities should maintain neutrality. However, remaining neutral might slower speed of execution due to needed process and procedures. • Operation of Launch MN could be impacted by changes in the Governor's seat or legislature. This impacts long-term security.
Roll Launch MN out of MN-DEED and form a new nonprofit	Opportunity to be led by the private sector and move out of DEED The nonprofit would be "competing" with the organizations they serve for funding. It's also hard to impact change when you aren't attached to a funding source	<ul style="list-style-type: none"> • Removing Launch MN from government would reduce dependance on the political climate and legislative funding cycle 	<ul style="list-style-type: none"> • Nonprofit fundraising is scarce and highly competitive. LM would have to compete with others we currently elevate and serve. • Launch MN may lack the funds and resources needed to maintain our current network and therefore not be able to support entrepreneurs. • It would not require an equitable and inclusive approach. • Launch MN's home within DEED, distinguishes it and gives it a legitimacy that no other MN organization possesses inside and outside of the state. • LM should not compete but empower and elevate the businesses and organizations across the state.

Stakeholder Feedback:

Stakeholders would like to **codify the program** and have it funded in the base budget. We are also looking at expanding these aspects:

Due to the high demand and success of innovation grants we hope to **increase amount of innovation grants each fiscal year**, hope to **build on the Launch Minnesota Network** (Education Grant) and **create Higher Education Technology Commercialization Hubs**. The hubs would be a collaborative effort between higher education institutes, the private sector, the Launch Minnesota Network and innovators to scale technology. It would allow innovators to leverage the expertise of faculty and students within higher education by providing services such as: education, prototyping, technical assistance, marketing research, and subject matter expertise.

We have had a lot of momentum, but there is more work to be done to keep Minnesota's innovation economy globally competitive.