ENTREPRENEURSHIP IN MINNESOTA:

RAISING THE SUCCESS RATE; INSPIRING JOB CREATION

FINAL RECOMMENDATIONS OF THE

GOVERNOR'S COUNCIL

ON

ENTREPRENEURSHIP AND INNOVATION

December 20, 1984

HIGHLIGHTS OF RECOMMENDATIONS

GOVERNOR'S COUNCIL ON ENTREPRENEURSHIP AND INNOVATION

1. Develop regional seed capital funds for "any-tech" small business ventures that address the true start-up and growth phase (see page 8)

2. Establish a Loan Loss Reserve Program based on a partnership between the state, banking community and Minnesota entrepreneurs to reduce lending risk and increase early stage financing (see page 9)

3. Develop a pilot program within the Minnesota Emergency Employment Development (MEED) Department for a self-employment option aimed at creating new entrepreneurial start-up financing (see page 10)

4. Extend Minnesota legislation involving tax credits for investors in qualified small businesses and explore additional tax credits to encourage pension fund, institional and pooled investments for individuals in entrepreneurial ventures (see pages 10 - 11)

5. Establish a comprehensive computer accessible inventory of support services available to Minnesota entrepreneurs and small businesses throughout the state (see page 16)

6. Create a network of cooperation offices or management assistance programs in communities and regions of Minnesota that can provide on-going technical assistance to entrepreneurs, especially during the critical first five years of start-up and growth (see pages 16 - 17)

7. Establish an invention support service expressly to serve Minnesota inventors who are most often the creators of new product and service ideas (see page 18)

8. Create school-based Community Development Enterprise demonstration sites designed to provide students with hands-on experience with starting and running a new business (see page 21)

9. Fund incentive grants to stimulate partnership among local schools, businesses and the state to introduce the subject of entrepreneurship into the classroom at elementary and secondary levels (see pages 21 - 22)

10. Encourage entrepreneurial ventures by teachers with a return to the classroom in the form of curriculum development on the subject of entrepreneurship for students (see page 22)

11. Establish an interdisciplinary Entrepreneurship Chair based in the University of Minnesota School of Management that would include a research component (see page 23)

THE REALITY: NEW BUSINESS FUELS JOB CREATION

"One-third of the Fortune 500 companies are no longer on the list. Companies that were in garages 20 years ago, or that did not exist, are now dominating the 500. The companies that will provide the jobs we need 20 years from now don't exist today."

Harvard Business School Bulletin
April, 1984

A NATIONAL PERSPECTIVE:

National statistics underscore the dramatic fact that America's economic future depends on the creation of new businesses. Indeed, between 1969 and 1976, the U.S. Department of Commerce reports that businesses with fewer than 20 employees created 66 percent of all new jobs in this country.

"It is no longer news that small and new businesses provided more of the 20 million new jobs generated from 1970 to 1980," author and management seer Peter Drucker says. "What is not generally known, however, is that the trend has continued and has even accelerated during the recent (1982) recession. Indeed, over the past three years, Fortune 500 companies have lost approximately 3 million jobs, but businesses less than 10 years old have added at least 750,000 jobs and slightly more than one million employees."

NEW BUSINESSES MULTIPLY

Similarly, the number of new business start-ups nationally has increased 30 percent since 1970. Some of these new businesses had their start during the difficult recessions of 1973 and 1982. A good percentage of those new ventures failed. Even so, the U.S. Small Business Administration reported in its March, 1984 survey, that for every ten American businesses that closed their doors, 15 new ones were formed.

Statistics like these underscore the endurance of this national entrepreneurial trend and the capacity of successful new businesses to create jobs.

NEW BUSINESSES PERFORM

Furthermore, the Small Business Administration points out that small businesses performed better than large businesses in 1982. Small firms produced two and one half times as many innovations per employee compared to large firms and -- on the average -- small firms brought innovation to the marketplace one-third more quickly than large businesses.

Employment and new business start-up trends like these have far-reaching impact on our thinking about job creation and economic development.

SUCCESSFUL ENTREPRENEURSHIP: A BIPARTISAN ISSUE

Not surprisingly, the critical importance of successful entrepreneurship to the nation's economy has not been lost on either major party. A new wave of entrepreneur-oriented political leaders are making their positions known in Washington -- spokesmen like U.S. Rep. Charles Schumer (Dem.), co-sponsor of the National Entrepreneurship Act; and Rep. Parren Mitchell (Dem.), chair of the Small Business Committee in the House; Republicans like Rep. Ed Zschau, former president of the American Electronics Association; and Rep. Jack Kemp, the much-touted entrant in the 1988 Presidential race.

In Jack Kemp's world view, for example, entrepreneurs are more than just another special interest group -- they hold the keys to the nation's industrial renaissance. Kemp argues for the creation of an "American opportunity society" whose basic premise is that the United States can best solve its economic problems by further stimulating entrepreneurial opportunities and, therefore, economic growth.

Rep. Schumer, in his National Entrepreneurship Act, addresses the needs of "any-tech" companies -- the small high technology ventures as well as the more numerous service and non-high-tech manufacturing companies. These companies, he says, will create at least 21.5 million of the 25.8 million new jobs between 1982 and 1995 in America. Democrat Schumer's statistics are verified by the U.S. Department of Labor. As part of the Entrepreneurship Act, Rep. Schumer has proposed establishing a secondary market for industrial mortgages to assist with small business financing, loosened regulations on pension funds to spur investments in small companies and creation of a special loan-loss-reserve-fund to encourage bank loans to new companies.

Policy commitments like these from Congressmen on both sides of the aisle illustrate that initiatives designed to raise the success rate of entrepreneurial ventures in America and similarly to fuel job creation can -- and must be -- bipartisan.

A MINNESOTA PERSPECTIVE:

One of Minnesota's greatest strengths has been its ability to spawn new businesses. In fact, Minnesota ranks number one (by per capita standards) as the state that has produced the most new and fast growing enterprises in the United States.

In 1983, Inc. magazine reported that Minnesota was ahead of all states but California, New York and Texas when the magazine tabulated the nation's fastest-growing small companies and their geographic concentration. Similarly Forbes magazine included 13 Minnesota companies on its list of 227 "up and comers" in the same year.

In recent years, new business incorporations in Minnesota have run well ahead of the national average. Our state is on the leading edge of an entrepreneurial resurgency being felt nationwide. Last year alone, a record 600,000 new businesses were started in America. In that same year, total new business incorporations in Minnesota reached approximately 8,000. Interestingly, this significant new business activity occurred in the year immediately following 1982 when America also experienced more business bankruptcies than it had seen in any year since the Great Depression.

A HISTORY OF ENTREPRENEURSHIP

Entrepreneurial activity is not new to Minnesota. This state has been fertile territory for entrepreneurs since it gained statehood. Consider, for example, Cadwallader Washburn, founder of today's General Mills, Charles Pillsbury, George Draper Dayton, Will Cargill and the trio - Ordway, McKnight and Bush -- co-founders of 3M. In more recent years, consider the impact that entrepreneurs like William Norris (Control Data Corporation), Seymour Cray (Cray Research), Manny Villafana (Cardiac Pacemakers, St. Jude Medical, GV Medical), Earl Bakken (Medtronic), Rose Totino (Totino's, today a subsidiary of Pillsbury), Willis Drake (Datacard), Jim Thornton (Network Systems) and Curt Carlson (Carlson Companies) have all had on Minnesota's economy.

"Minnesotans appear, in fact as well as theory, to control their own destiny." This is an appraisal contained in a recently-published book entitled "The Book of America: Inside the Fifty States Today". This single observation suggests much about the special kind of prairie determination and self-sufficiency that spawns Minnesota entrepreneurs.

SUCCESSFUL ENTREPRENEURS YIELD A HEALTHY RETURN

Just as national statistics indicate, new business activity creates jobs in Minnesota. New businesses in this state produce up to 70 percent of our new jobs -- far more than the number produced by major Minnesota corporations. The federal government estimates the value of a new job at $52,000 per year. Of this total value, $30,000 of "job value" is attributed to Minnesota. Given this return, it is easy to see the enormous impact that successful entrepreneurs and their new businesses have on the economic life of Minnesota. Currently, 82 percent of our Minnesota workers are employed in the private sector and most of those people work for small businesses. Only 22 percent of the state's workers draw paychecks from companies employing 500 or more people.

We know that new jobs in Minnesota will not be provided primarily by our 14 Fortune 500 companies; they will instead be created by small businesses of today and our new Minnesota businesses of tomorrow.

John Borchert, University of Minnesota professor and geographer, says that the impact of entrepreneurs on this state is particularly essential: "In Minnesota, local entrepreneurship may well be more necessary for local job creation than it is in some other parts of the United States," Borchert says. "This region has always lacked important resources of energy; it is on the geographical margin of the national market; it does not offer a geographical concentration of low-priced labor. Circumstances would seem to demand that people within the state invent ways to serve the national and local markets and thus to create jobs that otherwise would not exist here."

ENTREPRENEURIAL ENVIRONMENT MATTERS

Minnesota is not fertile territory for entrepreneurship by happenstance. Successful Minnesota companies maintain a healthy environment for new business start-ups -- innovative companies attract and mold other innovators. Control Data Corporation alone helped spawn 60 new companies in the past 25 years. Minnesota is often cited for its substantial number of venture capital firms, individual and institutional investors willing to consider new ventures, innovative government initiatives on behalf of new and expanding businesses and its substantial number of services available to entrepreneurs.

But even in a state as enlightened as Minnesota, our entrepreneurial success rate is no better than the national average -- approximately 80 percent of all new businesses in this country fail in their first five years of existence. Forty percent of the new business fail in their first three years.

Minnesota's service, retail and "non high-tech" manufacturers have suffered this traditional failure rate. Only Minnesota's high-tech companies have enjoyed a better success rate.

THE GOVERNOR'S COUNCIL ON ENTREPRENEURSHIP AND INNOVATION -- OUR CHARGE:

Recognizing the importance of entrepreneurship and innovation to job creation and economic growth, Governor Rudy Perpich established the Council for Entrepreneurship and Innovation. The Council's formation was introduced by Lieutenant Governor Marlene Johnson on February 2, 1984. The Council is composed of 33 Minnesotans from all over the state who have started and built their own manufacturing, service and retail businesses, as well as members who work with Minnesota entrepreneurs.

The Council has been meeting, studying and exploring recommendations since late May 1984. Over the past seven-month period, the Council has met with Minnesota bankers, small business people, educators, financial analysts, law makers, representatives of state government and small business service providers to prepare this report.

The recommendations contained in this final Council report are designed to raise the success rate of entrepreneurial ventures in Minnesota. This objective is based on the belief that successful ventures are the hope of Minnesota's economic growth as their efforts translate into new jobs and business opportunities. Furthermore, we believe that Minnesota can achieve and maintain a higher new business success rate than the national average. The Council is convinced that Minnesota entrepreneurs are the economic heroes of the 1980's and that these entrepreneurs deserve considerable attention, advocacy, public/private initiatives and financial support.

Equally important, we believe that any initiatives taken in Minnesota on behalf of entrepreneurial success must protect the right to fail. It is in the best interests of Minnesota that our entrepreneurs have the best chance of success, but that does not include hand-outs in the form of unrealistic operating loans, naive support for a product or service whose time has not come, or benign neglect when the requirement is a sound business plan or seasoned management skills.

It must be understood that some new ventures in Minnesota must fail and that some new ventures should never start.

In order to improve the success rate of entrepreneurs in the State of Minnesota, the Governor's Council on Entrepreneurship and Innovation has focused its attention and recommendations on three subject areas -- finance, support services, and education as they directly relate to entrepreneurs.

We have focused much of our attention on Minnesota businesses in their formative and early expansionary years -- meaning the first three to five years. Underlying these recommendations are these fundamental beliefs:

* Public and private partnership is essential

* Any new initiatives must not duplicate already existing services

* Initiatives will be most successful if they spring from the "ground-up" -- Minnesota citizens, communities and regions. Enlightened self-interest has proven to be a powerful force in this state

* Initiatives must address "anytech" enterprises -- meaning Minnesota businesses of all kinds including service, retail, and "low-tech" manufacturing

* Financial initiatives, in particular, must inspire private individual and institutional investment. Equally important, financial initiatives must have the support of Minnesota's banking community. No initiative that involves only state funding can have sufficient far-reaching impact or win necessary broad-based support

* While working capital is the life's blood of a new enterprise, equally important is on-going technical assistance designed to monitor the management of that new business

* Any initiatives designed on behalf of Minnesota entrepreneurs must take the form of rational business agreements; no initiative can hint at a "hand-out" or giveaway program

* Any initiative on behalf of entrepreneurship will involve risk and must accept a reasonable percentage of business failures

* The most effective initiatives will help eliminate potentially unsuccussful new business start-ups before they become reality

* The entrepreneurial success-to-failure rate in Minnesota can be improved

* The most effective initiative will make the state a "winner" every time a successful new business wins. Those "winnings" will be translated into business loans repaid on time in full, in new jobs created, new business opportunities spawned, and the state's economy ultimately strengthened.

GOVERNOR'S COUNCIL ON ENTREPRENEURSHIP AND INNOVATION

MISSION STATEMENT

MISSION:

To make recommendations to the Governor and State Legislature that will raise the success rate of Minnesota entrepreneurs and ultimately enhance job creation and economic development.

GOALS:

- To create an awareness of the job creation potential of entrepreneurs and small businesses;
- To review existing programs of support for innovation and small businesses in Minnesota;
- To recommend to the Governor and to the legislature actions to support a climate of opportunity that will nurture new ideas and support the development and growth of new enterprises.

Council Chair - Carol Pine
Finance Subcommittee Chair - Kathryn Keeley
Support Services Subcommittee Chair - Tracy Beckman
Education Subcommittee Chair - Mark Ludlow

FINANCE RECOMMENDATIONS

We know that new and emerging businesses in Minnesota create a majority of the new jobs in this state. We also know that service and retail businesses create the largest percentage of these new jobs. It is the goal of this Council to tap existing funds and programs to further enhance this job creation process.

The Council found that financing and technical assistance are not readily available for non-high technology businesses. The majority of current financing programs -- indeed, virtually all -- are not designed to provide start-up and/or operating capital for Minnesota's service and retail businesses, even though the state is moving steadily toward a service-based economy. Most business loans are tied to building or equipment purchases. While Minnesota has substantial venture capital money available, it is primarily second-stage financing for high-tech businesses with patentable products. Even the Minnesota Seed Capital Fund is high-tech in its orientation. Furthermore, the Small Business Administration and its new business financing program have become increasingly restrictive.

The Council also found that it is often extremely difficult for Minnesota entrepreneurs to borrow smaller amounts of money. Most public programs finance in amounts of $50,000 and banking institutions find it costly to process business loans for less than $25,000 to $30,000. Any new programs developed by the state must address the issue of financing working capital and smaller amounts of start-up capital.

Another important gap the Council recognizes is the lack of on-going technical assistance -- the kind of assistance that would be provided by a local cooperation office. In order to improve the success rate of entrepreneurial ventures in Minnesota, technical assistance must be provided in conjunction with any financing program.

With any financing initiatives that involve new and emerging businesses, it must be understood that risk exists and failure will occur. We strongly suggest that any new financing legislation recognize a reasonable success to failure ratio and clarify that expectation.

We believe that any financing initiatives recognize the importance of private sector involvement both in investment roles and more traditional bank financing roles. Initatives must maximize the leveraging possible in private sector financing because state involvement alone in such programs can have only limited effect.

We have arrived at these conclusions through much research and numerous discussions with representatives of the Minnesota banking community, venture capital community, the GCRD, SBA, the Minnesota Cooperation Office, the Community Investments Consortium, entrepreneurs themselves who have confronted this fundamental financial need, and representatives of the state, particularly the Department of Energy and Economic Development.

Throughout our research, we have found that many of our ideas can be integrated into existing programs and state departments such as the Department of Energy and Economic Development, Minnesota Emergency Employment Development and the Department of Economic Security.

Consequently, we are prepared to make the following recommendations:

1. FINANCING

A. <u>Develop seven regional seed capital funds for "any-tech" small business ventures with an initial state appropriation of $3.5 million</u>.

These seven regional funds would be organized according to regulations developed by the Minnesota Department of Energy and Economic Development. Each fund would be managed by a corporate entity with a local board of directors elected by shareholders. The regional fund board would include broad representation including business, agricultural, banking, local government, education, local services and other representatives from that region that could be instrumental in achieving the fund's objectives (i.e. a representative of the brokerage and investment community). The Minnesota Department of Energy and Economic Development would participate in approval of these regional seed capital funding corporations.

Before the state would participate financially in any regional seed capital fund, the region would raise a minimum of $500,000 from private sources. The state's participation in the fund would not exceed 50 percent of the amount raised locally, up to a maximum state participation of $500,000 to each regional fund.

The regional funds would invest a broad range of "any-tech" businesses for a broad range of purposes including product development, marketing, manufacturing and equipment. The fund would emphasize working capital loans as well as the more traditional loans to finance fixed assets. Investments by the regional seed capital fund would take the form of an equity position, likely common or preferred stock. The fund might require the entrepreneur/business owner to buy-out the fund's equity position after five years or before ten. Regional seed capital fund investments in the new venture during the first five year period would not be subject to the capital gains tax. Private investors in the regional seed capital fund would earn a return on their investments by selling their shares at a profit or through earnings from dividends. The state, however, would not receive dividends from its financial participation in the regional seed capital funds.

The regional seed capital fund would develop its own criteria for investment, guided by DEED regulations. The primary criteria for investment would be potential business success and regional job creation potential.

Applicants to the regional seed capital fund would be required to meet standard criteria, i.e. present a fully-developed, workable business plan, make a significant investment of his or her own capital and offer some business or personal collateral beyond that initial investment. The entrepreneur/business owner would be required to accept on-going technical and investment management assistance from a local cooperation ofice, or other qualified provider, for at least three years after the investment by the regional fund.

The regional seed capital fund program would be administered by DEED and DEED would report to the legislature every two years on operation of the program including details of businesses funded, assistance given, jobs created directly or indirectly as a result of the program and total calculated return-on-investment to the region and the state.

B. <u>Establish a Loan Loss Reserve Program based on a partnership between the State of Minnesota, financial institutions and the entrepreneur. State participation would total $4 million in fiscal 1986.</u>

The Council is recommending a loan loss reserve program. It is our intent to build a program that develops a partnership between the local bank, the entrepreneur and the state. It is designed to create a legitimate business deal as opposed to another public "give away" program. The state maintains the reserve account and interest from this account could be used to fund the needed technical assistance services.

A loan loss reserve program should be designed to provide an incentive for banking institutions to take a greater risk on Minnesota small businesses. A bank or group of banks would apply to participate in the program and would develop their own on-going reserve fund to finance potential loss from defaulted loans.

The state would need to make a one-time appropriation of $4 million as the initial reserve for the fund. As each loan is negotiated in a participating bank, 15 pecent of the loan is allocated to the local bank's reserve fund: the state provides 5 percent of the loan from its already-established $4 million reserve, the bank provides 5 percent and the entrepreneur, 5 percent. When the loan is paid, the entrepreneur's 5 percent share is returned to the small business. The other 10 percent remains in the local bank's fund. With each successful, succeeding loan made, the local fund grows because the 5 percent provided by the state and the 5 percent provided by the bank remains in the fund, thus enabling banks to extend their small business lending activity. (Please see addendum for additional detail, this section.)

Once again, the Council wants to emphasize the need for smaller loans that would assist greater numbers of entrepreneurs. This fund provides an incentive for banking institutions throughout the state to take greater risk in financing small businesses.

Once again, the loans are contingent on the entrepreneur receiving on-going technical assistance, and the entrepreneur's success in developing a workable business plan, investing his or her own capital and demonstrating that he or she has other sources of collateral.

C. <u>Provide a state match to cities utilizing Community Development Block Grant funds (CDBG) to create financing programs for small businesses.</u>

The Council wants to see cities become more involved in creating jobs through the development of small businesses. A potential mechanism for this would utilize a small percentage of CDBG funds already available to cities to create a local revolving loan fund. The fund might best be used to provide second-round operating capital and expansion money for the more established entrepreneur. This would tend to reduce the loan fund's risk. Creation of these local loan funds could be encouraged by competitive bidding for a state match to augment the CDBG money.

D. Broaden the Minnesota Wellspring Innovation Fund to include independent inventors with any-tech ideas.

The Council believes that the Innovation Fund should be designed to include independent inventors who need a source of funding to finance the invention of new products in addition to those considered high tech. One approach is to set aside a percentage of monies within the Innovation Fund for this specific and highly creative group.

E. Develop a pilot program within MEED for a self-employment option. State participation in this program would total up to $2 million in fiscal years 1986 and 1987.

There are several models in this country and Europe designed to use job programs to finance new business start-ups. Because the Minnesota MEED program is up for renewal by the state legislature, we believe it should be renewed and a pilot program included. We propose that the pilot be modeled after the Vermont Jobs Program. An unemployed person who meets the MEED criteria and has a sound business plan could apply for a lump sum payment (the equivalent of wages) to start a business. Close cooperation and monitoring between the DEED and DES would be essential in this pilot phase. We recommend limiting the program to 100 individuals during the pilot phase with a MEED allocation of up to $2 million. Criteria would be developed so that the program participant could not reapply for a specified time period.

F. Include under Interstate Banking Legislation, a directive that requires new banks entering the state to invest in Minnesota small businesses and participate in DEED lending programs.

The Council believes that banking institutions entering Minnesota have a responsibility to invest a portion of their assets in our state. We would like to see an amendment attached to current legislation requiring that a specific percentage of the bank's assets remain in the local community to promote small business development (i.e., through creation of a local Loan Loss Reserve Fund, for example) and that the bank also participate in DEED lending programs.

G. Encourage Minnesota investment companies and brokerage houses to develop funds enabling small investors to invest in Minnesota's new and growing businesses.

These private capital funds would pool the investment dollars from individual investors and therefore spread the investment risk. The investment house's money manager would direct the investments of the fund and also establish the criteria for investment. Those criteria would include: a. a workable business plan provided by the Minnesota entrepreneur; b. significant investment of the entrepreneur's own capital and, c. a demonstration that the entrepreneur has additional business or personal collateral, d. the understanding that on-going technical assistance is required for the entrepreneur.

The fund can take an equity position of up to 40 percent, make loans or issue warrants, with the understanding that after five years of before ten, the entrepreneur must buy out the fund. A percentage of any loan made by the fund would be earmarked to pay for on-going technical assistance.

To encourage investment, individuals participating in this fund would be exempt from paying state income tax on any earnings received as a result of investments of this type.

II. TAX INCENTIVES

A. Revise and extend indefinitely the legislation involving tax credits for investors in qualified Minnesota small businesses as described in Minnesota Statutes 1983 supplement, Section 290.069. to promote more investment by individuals and groups (Subchapter S corporations, partnerships or standard corporations).

We recognize that the underutilization of the current small business investment tax credit program has been caused by a lack of awareness on the part of the investment community and the very real limit of the $25,000 floor, which precludes participation by individual investors of limited means.

The Council proposes that the state reduce the current equity investment floor of $25,000 to $5,000 with further reduction to $1,000 for investments in Minnesota enterprise zones, and maintain the 30 percent tax credit allowed for these investments. This would provide an incentive for private financing in smaller amounts. The state must also promote this opportunity through advertising and marketing to increase investment in Minnesota entrepreneurs.

B. Revise current statutes to provide tax credits to pension funds, institutions and individuals that invest in new and emerging Minnesota businesses.

The Council is interested in developing larger pools of monies in the private sector for Minnesota's new and growing businesses. Tax credits for investment by pension funds and institutions such as insurance companies should be developed. Massachusetts has a model for such a program for increasing public and private sector investment in small businesses.

C. Eliminate the state sales tax for small businesses on materials used in production of finished products.

Small businesses are currently burdened with a double tax on materials purchased for the production of finished products and the Council recommends that this be eliminated.

D. Amend current statutes to distinguish between "productive" and "non-productive" assets for the purpose of calculating capital gains tax.

Non-productive capital gains include returns on investments in gold, silver, coins, and antiques, for example. We recommend that state capital gains rates be altered to provide that more favorable rates be applied to returns on productive investments such as new enterprises, thus encouraging that type of investment behavior. California legislation might be used for guidance in this area.

III. TECHNICAL ASSISTANCE.

A. The Council has found that technical assistance is an essential factor in raising the success rate among Minnesota's new businesses from the current 20 percent.

Cooperation offices, that are locally based and locally controlled, should be established in most regions of the state. For areas and communities without the local resources to start and support such offices, we recommend the use of entrepreneurial "extension agents" such as SCORE/ACE volunteers to fill essential technical assistance requirements. This technical assistance must be ongoing and a diversity of consultants, including private sector sources, must be available through staff and/or volunteers to provide a broader base of expertise to the Minnesota entrepreneur.

France has established regional "Management Shops" to provide technical assistance to small businesses. After four years, France has been able to reduce the failure rate to 17% for those businesses that participate in their programs. The Center for Employment Initiatives has recently completed a study of eleven countries for the Common Market. In this study they identified the importance of technical assistance that is locally based, accessible to the individual, and staffed by qualified individuals with small business experience.

Any financing programs would be limited to recipients of this technical assistance. In fact, in some areas, a specific requirement for receipt of a loan may be the purchase of that technical assistance. (please see the recommendations of our Support Services subcommittee for further detail on the cooperative office concept)

B. A data base should be designed to match investors and Minnesota entrepreneurs seeking private monies as well as volunteers with small business expertise who would be willing to work with Minnesota's new and emerging businesses. (Please see the recommendations of Support Services for expansion of this data base recommendation)

C. Educational seminars by bankers for Minnesota small business people and entrepreneurs should be encouraged to facilitate dialogue between the two groups, especially on the subject of the institution's lending criteria.

D. Pension funds are a viable source of investment that are, as yet, untapped. Promote the investment of pension funds in Minnesota's new and growing businesses. This could be accomplished through seminars and meetings with fund administrators.

SUMMARY: Loan Loss Reserve Program

Purpose

The Loan Loss Reserve Program is designed to stimulate more private banking institutions to finance small businesses by reducing the bank's exposure on higher risk small business loans.

Description

The Loan Loss Reserve Program establishes a partially subsidized reserve fund to cover potential losses for lending institutions. It acts as a form of insurance, covering 100 percent of all uncollectible loans for each participating bank.

Each fund would be capitalized by percentage contributions from the bank, the borrower and the state each contributing an amount equaling one third. The Council is recommending a 15 percent amount per loan with each contributing 5 percent. This percentage might be adusted upward, should a greater incentive be required to gain banking community support. Required reserve rates could be set by the bank and would possibly range from 6 to 16 percent per loan depending on the size of the loan; these may also be adjusted upward.

Loan applicants would be required to participate in a qualified assistance program.

Appropriation

$4 Million

4 percent x $50,000 loan = $2,000 per loan or 500 businesses

3 percent x $100,000 loan = $3,000 per loan or 333 businesses

5 percent x $25,000 loan = $1,250 per loan or 800 businesses

Job Creation Potential

500 businesses x 2.5 jobs = 1,250 jobs

Issues

1. Addresses the need for working capital loans for small businesses which are viewed as involving more risk.
2. Requires little state intervention or administration. Loans are made by the bank which are required to file a one-page summary with DEED within 5 days of the loan transaction.

3. Banker participation is a necessity and may be difficult to obtain without good outrach efforts. This program is somewhat more expensive for smaller banks.

4. The program costs the borrower about one percentage point more than SBA loan programs.

5. Legislation would be needed to establish this program, as well as initial funding of $4 million.

Budget Request: Finance

		1986	1987
I.	Financing		
	1. Seed Capital Fund	$3,500,000	$3,500,000
	2. Loan Loss Reserve Fund	4,000,000	-
	3. Innovation Fund	-	-
	4. Pilot Program (MEED) for Self Employement	1,000,000	1,000,000
	5. Banking Legislation	-	-
II.	Tax Incentives		
	1. Credit for Investors	-	-
	2. Tax Credits for Pension Funds	-	-
	3. Eliminate State Taxes on Materials for Small Business	-	-
	4. Capital Gains Tax Changes	-	-
		$8,500,000	$4,500,000

($13,000,000 for Biennium)

Support Services Recommendations

Recognizing that new businesses mean new jobs for the State of Minnesota and that the new business failure rate is high, the Support Services Subcommittee has developed the following recommendations. These recommendations are designed to provide entrepreneurs with the support system necessary for the most successful operation of their new enterprises.

There are six factors critical to the survival and growth of a new business: technology (know how), financing, management assistance, education and training, marketing and efficient access to facilities and services. In Minnesota, there currently exist many state and local profit and not-for-profit agencies that provide these services to entrepreneurs and small businesses. While these services are abundant and many are of high quality, there is underutilization of these services. Our research shows that this underutilization is linked to lack of communication.

The following recommendations directly address the need for increased communication, especially among Minnesota entrepreneurs and small business owners who need these services most. We realize that while entrepreneurs in the Twin Cities metropolitan area have easier access to services than outstate Minnesotans, even they do not know about all of the existing services available. Furthermore, the outstate entrepreneur is in a double bind -- that person often has neither access to, nor knowledge of existing services.

Along with access to information and services, we are convinced that the most successful new enterprises are those that have on-going technical and management assistance. Understanding that, we are recommending a network of cooperation offices for Minnesota entrepreneurs designed to provide the one-to-one counseling any new business needs in its first three to five years of life. It is in this first five years that 80 percent of all new ventures fail. To illustrate the potential economic impact of the cooperation office concept, we need only to look at the success of the Women's Economic Development Corporation (WEDCO) and the Minnesota Cooperation Office (MCO).

The Women's Economic Development Corporation (WEDCO) was founded in 1983 to work with entrepreneurial women in Minnesota. WEDCO provides business development, technical assistance and financing services (in concert with Minnesota banks) to women all over Minnesota. Since its founding WEDCO has worked with 565 Minnesota women, assisted with 93 new business start-ups and helped package 20 loans with Twin Cities banks (18 with First Bank Minneapolis). The loan size ranged from $1,000 to $30,000 with the average loan totaling $10,000. While it is too soon to calculate the success rate of these new business start-ups, a measure of WEDCO's success is demonstrated in the acceptance of its loan applicants by area banks.

The Minnesota Cooperation Office (MCO) founded in 1978 has helped start 17 companies and, to date, only three have failed for lack of management expertise. That means that the MCO can report an 80 percent success rate -- reversing the national ratio of success to failure. The 14 companies that have succeeded to date have generated 266 new full-time jobs and 68 part-time jobs for Minnesota people. The MCO plans to assist in the formation of four to five new companies each year.

Based on its fiscal 1984 operating budget of $261,423, the MCO calculates that it expended approximately $800 to generate each new job (through new business assistance). Based on the federal estimate of $30,000 returned to Minnesota with each new job created, the MCO estimates that its expenditure of $800 per job returned $30,000 in value per job to the state.

The MCO projects that by 1993, its office will have helped start 64 new companies and those companies will generate 21,800 new jobs valued at a total of $1.3 billion per year for the state.

I. The state fund and establish a comprehensive computer accessible inventory of support services available to entrepreneurs and small businesses throughout the state. (Budget request $285,000)

Minnesota already provides an impressive number of high quality services to entrepeneurs and small businesses -- services such as those provided by the Department of Energy and Economic Development, the Minnesota Cooperation Office, SCORE, ACE and SBA, and the Small Business Development Centers around the state. Unfortunately, this wealth of programming seems fragmented and some entrepreneurs and small business people "fall through the cracks" for lack of knowledge of where to go for precisely the services they need. To assist the entrepreneur and small business person in locating the right agency, the Support Services subcommittee recommends the development of one comprehensive data base collection of service information available throughout the state. Information in this collection would include details on the type of service provided, location of the service, names of the contact people, costs, and an evaluation of services provided. This data would be regularly updated. Because Minnesota is one of the most "computer literate" states in the nation, our state has not only hardware in place or available for such a system, but the know-how for implementation as well.

In order to facilitate access to this data, a core recommendation of the Support Services subcommittee is to establish a computer-based information system. This system would provide references to all facets of entrepreneurship and business development from developing a business plan, to market research, to cash flow analysis, to growth and expansion issues. Utilizing the core data compiled, the subcommittee recommends expansion of a system already in place at the Minneapolis Public Library. This system, called Inform, should be expanded to include information previously outlined on services available and could be accessible through the state's library system, local AVTIs, and cooperation offices. This computerized data base could be available to 93 percent of Minnesota's population through the library system along. The subcommittee specifically recommends that the Minneapolis Public Library work with the Mineapolis Community Development Agency's Small Business Resource and Development Office and the AVTIs on the expansion of this resource.

II. The state co-fund a network of management assistance programs or cooperation offices throughout the state. (Budget request $2,648,750)

While small enterprises are the principal source of new jobs, small businesses are as vulnerable as they are vital. Statistics demonstrate that business failure in the first three years is virtually always attributed to inadequate management. The success of a start-up operation can be directly related to the entrepreneur's ability to evaluate the viability of a new product, to develop a feasible business plan, and to assemble an effective management team.

The Council is convinced that -- along with sufficient capital -- careful management of an emerging business is the critical factor in a business' success or failure. As businesses generally reflect the unique characteristics of their geographic location (resources, labor, marketing potential, costs, etc.) the Support Services Subcommittee recommends the creation of a network of management assistance programs or cooperation offices throughout the state. These offices would be designed to give Minnesota entrepreneurs the ongoing person-to-person contact necessary for the successful start up and operation of their enterprises.

The establishment of the following series of cooperation offices would spring from the "bottom-up" -- grass roots collaboration. Specific criteria for the operation of these offices would be established by local communities. These offices would operate either through an existing or newly created entity and would be coordinated by the State's Department of Energy and Economic Development. DEED would also help secure the necessary tax exempt status for these offices.

Recognizing the demographic distribution of the state's population and its widely differing regional needs, the Support Service Subcommittee recommends the following three-tier programs.

1. Single Community Cooperation Offices in six larger Minnesota communities -- such as Duluth and Rochester -- where these communities demonstrate a willingness to invest in such a program, both in dollars and in human resources. For each of these offices, the Subcommittee recommends three-year state assistance grants with funding for the first year totaling 85% of the operating budget, 80% in the second year, and 60% in the third year. Remaining operating funds would be raised by the local communities in which the Cooperation Offices are located.

The Subcommittee strongly recommends that this funding assistance be available to community cooperation offices that already exist but are suffering financial difficulties, such as the Duluth Cooperation Office.

2. Regional Cooperation Offices in 9 Minnesota small and medium size communities. Of the 800 communities in Minnesota, 500 have a population of under 1,000 people. For these communities, the subcommittee recommends the establishment of regional cooperation offices where a minimum of 3 to 5 communities join together to develop and maintain an office. The same criteria and financial assistance for the Single Community Cooperation Offices would apply to the Regional Cooperation Offices.

3. Entrepreneurial field agents to reach those small communities throughout the state that can not support a Single Community or Regional Cooperation Office. The Subcommittee recommends that the state investigate ways of expanding existing field agent programs and educating field agents to the specific needs of entrepreneurs. The successful Agriculture Extension Agent program in Minnesota is one such existing network of field agents to tap for this program.

Budget request: FY 1986, 1987

A.	Six regional cooperation offices (based on an annual budget of $150,000 per year, state funding of 85% the first year, 80% the second year, 60% in the third year).	$1,485,000
B.	Nine community cooperation offices (based on annual budget of $75,000 per year, with state funding of 85% the first year, 80% the second year, 60% the third year).	$1,113,750
C.	Entrepreneurial Field Agent Program	$ 50,000
		$2,648,750

III. <u>Fund the establishment of an invention support service</u>. (Budget request $811,500)

Minnesota inventors -- as well as entrepreneurs -- are important to the state's economy and job creation potential. While a number of programs exist for the entrepreneur and small business person, there is no program in the state that serves the needs of the inventor. To correct this deficiency the Council recommends an appropriation of $811,500 in start-up funds for an integrated and comprehensive invention support service.

This appropriation would fund the administrative costs for a central office and the establishment of a regional invention center outside the Twin Cities area. Each center would serve the inventor's needs while also taking into account the economic needs of the region.

Each center would provide the inventor with: information and referral services, invention evaluation, legal assistance, information on licensing procedures, marketing assistance, networking between inventors and entrepreneurs, office space and other support services.

It is anticipated that such invention support service offices would also engage in educational programming aimed at raising the awareness of Minnesota citizens to impact of innovation on the state's economy.

Budget Request FY 1986 (Central Office)	$257,235
FY 1987 (Central Office and one regional office)	$554,265
Total	$811,500

IV. The Department of Energy and Economic Development proceed with the computerization of relevant business data for the State of Minnesota and the monitoring of economic indicators. (No funding requested)

Critical to economic forecasting and planning is the availability of accurate and comprehensive data on business trends throughout the state. For example, since January of 1984, five businesses have closed in Bricelyn, Minnesota, resulting in a reduction of 15 jobs in a work force of just 80 people. In a community as small as Bricelyn, the economic impact of their local businesses loss has been sorely felt. The Support Services Subcommittee supports the information collection initiative taken by the joint program of the Secretary of State's Office and the Department of Energy and Economic Development and recommends the expansion of this program. We further recommend a two-fold expansion: in addition to information on new business start-ups including name, location, product or service, and number of employees, the survey should include information on what services were used during the developmental stages of the enterprise and what services were not available and in what geographic areas. Second, just as colleges and universities conduct exit interviews with students leaving institutions of higher learning, the state should survey businesses leaving the state to identify the reasons for their decisions. Information on companies closing and leaving the state should be monitored and analyzed, particularly identifying the economic effect these movements have in particular geographic areas.

Information obtained by this data collection should be used in identifying current business trends and state economic policy initiatives.

Budget Request: Support Services

		FY 1986	FY 1987
I.	Comprehensive Computer Data Base	$ 147,500	$ 137,500
II.	Management Assistance Programs		
	- Single Community Cooperation Office	765,000	720,000
	- Regional Cooperation Ofices	573,750	540,000
	- Entrepreneurial Field Agent	50,000	30,000
III.	Invention Support Service	257,235	554,265
		$1,793,485	$1,981,765

($3,775,250 for Biennium)

EDUCATION RECOMMENDATIONS

There is increasing evidence of accelerated self-styled behavior in Minnesota and America. Because of that trend, more and more people in this state are choosing an entrepreneurial lifestyle. Indeed, the statistics reflect this important trend. Since 1970, for example, the number of new businesses started in this country has increased by 30 percent. This is a rate unprecedented in America's history. Furthermore, America's Fortune 500 companies have lost approximately three million jobs. In fact, one-third of those companies that joined the list in recent decades are no longer members of this industrial elite. Even more important, companies that were operating out of garages twenty years ago -- and companies that did not even exist twenty years ago -- now dominate the Fortune 500.

These realities contribute to our attitudes about work and career. Americans are starting businesses at a rate greater than any other period in recent history. These entrepreneurs are creating a clear majority of the new jobs in America and in Minnesota. And yet, even in an educational system as innovative as Minnesota's, we have only begun to suggest to young people that business entrepreneurship is, in fact, a career option. It is not a career option for everyone, but it is an option that more and more people in Minnesota -- and America -- are choosing.

We are convinced that the entrepreneurial "process" can be learned. Furthermore, we are convinved that exposure to the idea of entrepreneurship can encourage entrepreneurial behavior and affect entrepreneurial success. "Entrepreneurship cannot be force-fed in the educational system," say Daryl Erdman, professor and chair of Small Business and Entrepreneurship at the College of St. Thomas, "but I believe the behavior is latent in many people. We can expose students to the personality, the concept and mechanics, and bring out their latent entrepreneurial tendencies."

Nor should the exposure begin at the post-secondary level. Bruce Dalgaard, honor seminar instructor at the University of Minnesota has told us that he believes the concept of entrepreneurship should be introduced in the lower grades. "I tend to agree with behaviorists who say that young people have al the characteristics of entrepreneurship (creativity, independence, persistence, a willingness to be different)," Dalgaard believes, "but we school it out of them." Bruce Dalgaard suggests that informed teachers can undo this "schooling."

We believe that if Minnesota is going to take initiative in encouraging entrepreneurial behavior -- as we believe it must -- that means introducing the concept early in Minnesota's schools. This initiative represents a long-term investment that, we believe, will heap significant economic rewards in Minnesota generations to come. By planting this seed early, we are enhancing entrepreneurial activity in Minnesota and -- therefore -- contributing in a significant way to new job creation.

Our research shows that there are virtually no opportunities currently available for students at the elementary and secondary level in Minnesota to explore entrepreneurial concepts or skills in the classroom.

Our recommendations reflect our belief that entrepreneurial education must be achieved through cooperation, partnerships and innovative, hands-on experience. This education must be accessible at all educational levels.

We have arrived at these conclusions through research into other entrepreneurial education models and meetings with numerous representatives of the educational community including Darryl Erdman, Chair in Small Business and Entrepreneurship at the College of St. Thomas, Preston Townley, Dean of the University of Minnesota School of Management, representatives from the Minnesota Department of Education, AVTI's and Small Business Development Centers.

Consequently, we are prepared to make the following recommendations:

1. CURRICULUM DEVELOPMENT (PUBLIC, ELEMENTARY AND SECONDARY)

A. That the State create five School-Based Community Development Enterprise demonstration sites in outstate Minnesota communities to provide students with hands-on experience in starting and running a new business in response to community needs. (This recommendation was developed in concert with the Minnesota Department of Education).

We recommend an appropriation of $75,000 in FY 1986 to fund this series of pilot programs, and $75,000 in FY 1987 to continue and possibly expand the pilot programs to other sites. Students would learn skills such as leadership, risk taking and problem solving, writing a business plan, securing financing, at the same time possibly contributing to the economic development of the community through their new businesses. The CDE's would replicate a successful program initiated in Georgia.

Competitive grants would be administered through the Minnesota Department of Education, requiring evidence of active community support. Communities competing for the grants must demonstrate local participation in the program by the local school district, business community and individuals. The CDE's would work closely with existing Junior Achievement clubs by sharing expertise, and pooling efforts whenever possible.

B. The state fund incentive grants to stimulate partnership among local schools, businesses and the State Department of Education to introduce the subject of entrepreneurship into the classroom. (This recommendation was developed in concert with the Minnesota Department of Education).

The Department of Education would provide small grants of $5,000 to $15,000 to local school districts and/or communities to fund innovative partnerships aimed at introducing entrepreneurship as a concept to school children and teachers. Funds would be used for a.) curriculum development, b.) team teaching projects between teachers and local entrepreneurs, c.) internships or sabbaticals for students and teachers in local small businesses. We recommend that one-third of each grant be earmarked specifically for the team teaching component. The incentive funds would be awarded to school districts or communities that demonstrate their willingness to invest in this program by involving educators, students, business people, and existing local programs such as Junior Achievement, in these innovative partnerships.

C. Enhance entrepreneurial awareness among school children through a touring, dramatic presentation and accompanying study materials developed with the Minnesota Department of Education.

The state would allocate $35,000 in FY 1986 to fund a traveling team from the Playwrights' Center to write and present a play at 100 elementary and secondary sites throughout the state. The play, tentatively titled "I Can Do It", would -- in dramatic format -- describe the characteristics of entrepreneurship through the experiences of Minnesota entreprenuers. The program would include development of a study guide approved by the Department of Education to be used by teachers and students preceding and following the peformance. Local entrepreneurs would be asked to participate in team teaching as part of this study guide application. The play would be adapted to two age levels, elementary and secondary, to introduce entrepreneurial awareness and the underlying concept that entrepreneurship is, in fact, a career option.

II. TEACHERS AND ENTREPRENEURSHIP

A. The state support entrepreneurial ventures by teachers and groups of teachers so that teachers understand the entrepreneurial process and return it to the classroom in curriculum form.

During the 1984 legislative session, funds were allocated to the Council on Quality Education (CQE) to study alternative educational forms, including teacher partnerships (these partnerships were considered a priority by the legislature). Teacher partnerships are essentially the provision of education services by groups of licensed teachers. The partnerships may contract with school districts, individuals or businesses to provide specific services.

We recommend a four-step program aimed at teachers and entrepreneurship. First, an existing organization such as the Educational Cooperation Service Unit (ECSU) or the CQE would disseminate information about the project to state school districts. Second, in cooperation with the Department of Education, study materials would be developed to support this project. Third, we recommend two pilot projects -- one in metropolitan Minnesota and one in greater Minnesota. In these pilots, groups of teachers would form entrepreneurial partnerships to provide educational services such as writing and selling curriculum, teaching specialized subjects or contracting to work with students with special needs. These teacher groups would be required to return the skills and insights they learn as entrepreneurs to the classroom in the form of curriculum development. Fourth, once Minnesota school districts and teachers are comfortable with these entrepreneurial partnerships, the state would establish a Revolving Loan Fund that makes low interest loans to emerging entrepreneurial teacher partnerships. The $250,000 loan fund would be administered by a local bank and be contingent on the entrepreneurial teacher partnership receiving ongoing technical assistance, developing a workable business plan, and investing capital in the venture. This revolving loan fund might also have a loan loss reserve component as described in recommendations by our finance subcommittee. PSI, Public School Incentives, a non-profit organization interested in providing educational alternatives within the public school environment, could provide administrative direction.

III. CONTINUING EDUCATION

We recommend that the required continuing education program for teachers include a CEU component that deals with entrepreneurship and curriculum development for the classroom. The course might best be developed by St. Thomas, Macalester or Southwest State Univesity -- all three institutions have pioneered in this field of teaching. Funding for the CEU course development might come from the above Revolving Loan Fund or existing school district appropriations for CEU coursework.

IV. POST SECONDARY EDUCATION AND ENTREPRENEURSHIP

Our research shows that schools of business and management have historically focused on training undergraduates and graduates to enter the corporate world as employees and ultimately managers. Furthermore, the expectation among students has been the same. We know, however, that when coursework in entrepreneurship has been offered at the University of Minnesota state universities, area vocational-technical schools and community colleges, student interest is high. Indeed, the Harvard Business School -- in its own recent study of alumni activity -- found that one-third of their graduates sampled were entrepreneurs operating their own business.

<u>We recommend that a graduate, interdisciplinary Entrepreneurship Chair based in the University of Minnesota School of Management be established.</u> This chair would be a priority in the Governor's proposed endowed chair program. Recognizing that the University is our state's primary research institution, we recommend an emphasis on the study of entrepreneurship and its significant role in Minnesota's economic development. Educational programs and research initiated by the chair would cut across general academic disciplines.

We further recommend incorporating into the University graduate chair program other initiatives spawned by Macalester College, the College of St. Thomas and Southwest State University including:

* Development of an entrepreneurship concentration in the current MBA program at the University through the chair. A secondary goal would be development of a comparable concentration at the undergraduate level.

* Development of a mentoring program, pulling first from University of Minnesota alumni and friends who have started and run their own businesses or who have intimate knowledge of the subject. The mentors would be matched with University undergraduates and graduates, thereby providing "real world", educational insights into entrepreneurship as a career. Implementation of the mentoring program would be handled through the chair. We know that the university already has several successful mentoring programs in existence that have proven their worth.

* Establish a student entrepreneurship club. Patterned after those successfully developed at St. Thomas and Macalester Colleges.

* Explore creation of a seed capital fund, financed in part by interested and successful University alumni. The St. Thomas model for this fund should be seriously considered. $2,000,000 has been raised by St. Thomas to fund new

business ventures designed primarily by MBA students that meet the investment fund's criteria. These seed capital loans can be used for equipment as well as working capital. The St. Thomas fund will take 40 percent equity position in each new venture and the student/entrepreneur will be required to buy out the fund after five years and before ten.

B. <u>We recommend that Small Business Management (SBM) programs receive greater recognition and support in their efforts to coordinate small business assistance and education resources.</u>

Several successful programs have been initiated particularly by Minnesota's Area Vocational Technical Institutes. The Institutes' Small Business Management programs have pooled their resources with Small Business Development Centers in the state and other small business assistance providers. These cooperative efforts should be commended and viewed as models for replication in other communities with similar resources. Entrepreneurial education is a vital link in any cooperative small business network. Minnesota AVTI's and other post-secondary institutions that provide instruction in entrepreneurial education should be viewed as leaders in pulling together many of Minnesota's small business assistance services in cooperative efforts.

C. <u>We recommend that the Governor and the Lieutenant Governor strongly encourage cooperation in Minnesota's post secondary educational system</u> (AVTI's, community colleges, private colleges, state universities and the University of Minnesota), as entrepreneurship education efforts emerge. This "blueprint" for cooperation would:

* Reduce fragmentation among entrepreneurship education programs
* Make the best possible use of existing resources
* Build on each system's strengths
* Encourage sharing of research and new teaching initiatives
* Direct the participants to find ways of involving existing Business Advisory Committees in post secondary education more effectively
* Encourage cooperation and joint educational ventures wherever possible
* Encourage representatives of the state's regulatory agencies who work specifically with Minnesota entrepreneurs and small business people to participate in education programs
* Once entrepreneurship education programs are developed at the elementary and secondary level, these would also become part of the state blueprint.

We suggest that this cooperative effort be orchestrated by the Higher Education Coordinating Board. The state's AVTI staff has also volunteered its services to organize these planning sessions.

V. The state should expand the existing DEED marketing and communication program to bring Minnesota entrepreneurs and small businesses up to date on services available to them.

As we have discovered, one of the major problems of underutilization of services available throughout the state is a lack of information and awareness. In order to make these services better known, the support services subcommittee recommends an expansion of the marketing and communications program currently being conducted by the Department of Energy and Economic Development. This expansion would include, but not be limited to, interlocking brochures, an ad campaign and radio spots focusing on the special services available to Minnesota entrepreneurs and small business owners. This communications effort would build on the current efforts of DEED in this area, namely its print catalogue of services to entrepreneurs and small business people.

Budget request: $150,000

Budget Request: Entrepreneurial Edcuation

		1986	1987
I.	Curriculum Development		
	1. School Based Community Development Enterprises (5 Centers for Outstate Communities)	$ 75,000	$ 75,000
	2. Incentive Grants for Partnership Development (15 grants at $5,000 to $15,000 each)	$200,000	$200,000
	3. Entrepreneurial Introduction through Dramatic Presentation (10 sites at $300 per performance, plus study materials)	$ 35,000	no appropriation
II.	Teachers & Entrepreneurship		
	4. Program Development for Teacher Partnerships	$200,000	$200,000
	5. Revolving Loan Fund to Initiate Teacher Partnerships	no appropriation	$250,000
	6. Establish a Continuing Education Program in Entrepreneurship for Teaching	no appropriation	no appropriation
III.	7. Interdisciplinary "Entrepreneurial Chair" at the University of Minnesota (as one of 25 new proposed chairs)	appropriation allocated	no appropriation
	8. Encourage Cooperation and Planning Among Minnesota Schools for Entrepreneurial Education	no appropriation	no appropriation
IV.	Marketing and Communication	$150,000	no appropriation
	TOTAL:	$660,000	$725,000

($1,385,000 for the Biennium)

Governor's Council on Entrepreneurship and Innovation

Budget Summary

	FY 1986	FY 1987	FY 1986 & 1987
Finance			
- Seed Capital Fund	$ 3,500,000	$ 3,500,000	$ 7,000,000
- Loan Loss Reserve Fund	4,000,000	no appropriation	4,000,000
- Pilot Program (MEED)	1,000,000	1,000,000	2,000,000
Education			
- Curriculum Development	335,000	300,000	635,000
- Teachers & Entrepreneurship	200,000	450,000	650,000
- Marketing & Communication	150,000	no appropriation	150,000
Support Services			
- Data Base	147,500	137,500	285,000
- Cooperation Office	1,388,750	1,290,000	2,298,750
- Innovation Support Service	257,235	554,265	811,566
Total	$10,970,485	$7,231,765	$18,210,250

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